

Time: 3 hrs.

22MBAFM303

Third Semester MBA Degree Examination, Dec.2024/Jan.2025 **Strategic Cost Management**

Max. Marks: 100

Note: 1. Answer any FOUR full questions from Q.No.1 to Q.No.7.

2. Question No. 8 is compulsory.

3. M: Marks, L: Bloom's level, C: Course outcomes.

		4			1	M	L	C
Q.1	a.	What is strategic cost management?				03	L1	CO ₁
	b.	Briefly explain the different methods	of costing.			07	L2	CO ₁
1	c.	The following figures are extracted from the book of Babu Industries Ltd.,					L4	CO2
		for the year ending 31st March 2023.						
			Rs.	N N N N N N N N N N N N N N N N N N N				
		Direct materials	56,000	7				
		Direct wages	60,000					
		Indirect wages	8,000					
		Other direct expenses	12,000					
		Factory rent and rates	4,000					
		Office rent and rates	400		- 1			
		Indirect materials	400					
		Depreciation: Plant & Machinery	1200					
		Office furniture	100	A				
		General Expenses: Factory	4500	2	0			
		Office	800	A	69			
		Selling	800					
		Managing director's remuneration	9600		1	g 14		
		Travelling expenses	900	2	200	ñ.		
		Office salaries	3600	63	7			
		Carriage outwards	800			<i>-</i>		
		Advertisement	1600	1				
		Sales	2,00,000					
		Income tax	2000	7	7 1			
		Dividend	1000		47 4 11			
		Prepare cost sheet showing:						
		(i) Prime cost (ii) Factory cos	t (iii) Cost o	f producti	on			
	6	(iv) Cost of sales (v) Profit	63					
Q.2	a.					03	L1	CO2
	b.	The budgeted overheads and cost driver volumes of Moon Ltd. are as				07	L4	CO ₄
		follows:						
		Cost pool Budgeted	Cost Dr	iver	Budgeted			
		Overhead (R	1		Volume			
		Material procurement 5,80,0		3	1100			
		Material Handling 2,50,0			680			
					520			
		Maintenance 9,70,0			8400			
		Quality control 1,76,0			900			
		Machinery 7,20,0			24000			
		7,20,0	1 of 3					

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		The company has produced a batch of 2600 components of 'MAT-365', its r Rs.1,30,000 and labour cost was Rs.2,45,000. The usage activities of the s	nater	rial co	st was				
		Rs.1,30,000 and labour cost was Rs.2,43,000. The usage activities of the stable follows:	aiu t	Jaich	are as				
1		Material orders = 26 Material movements = 18							
		Set-ups = 25 Maintenance hours = 690							
		Inspection = 28 Machine hours = 1800							
		Required:							
		(i) Calculate cost driver rates that are used for tracing appropriate amount	of o	verhe	ads to				
		the said batch.							
		(ii) Ascertain the cost of batch of components using ABC.	10	L4	CO4				
	c.	In a factory, there are three production departments A, B and C and two service departments X and Y. The departmental expenses for the month of	10	L4	CU4				
		January 2024 were given below:							
		Production Depts Service Depts							
		A – Rs.1,65,000 X – Rs.12,000							
		B – Rs.3,60,000 Y – Rs.10,000	- 31						
		C – Rs.2,50,000							
		The service department expenses are allocated on a percentage basis as							
		follows:							
		Depts A B C X Y							
		X 30% 20% 30% - 20%							
		Y 40% 30% 20% 10% -			= -				
		Prepare a statement showing the distribution of service department							
		expenses to production departments under repeated distribution method.							
Q.3	a.	From the following data calculate breakeven point:	03	L4	CO4				
		Selling price = Rs.200 per unit							
		Variable cost = Rs.125 per unit							
		Fixed cost = Rs.900000		10					
	b.	The sales turnover and profit during years 2022 and 2023 are given below:	07	L4	CO4				
		Year Sales (Rs.) Profit (Rs.)							
		2022 3,20,000 40,000 2023 3,60,000 50,000							
				- 1					
		Required: (i) P/V ratio							
		(ii) Sales required to earn a profit of Rs.1,20,000.		TEG.					
	c.	Akash Ltd. is producing a spare part No. JT 2244, for its product. The cost	10	L4	CO4				
See F	-	of manufacturing 5000 units of JT 2244 is as under:		Compagn .					
	A	Direct Materials – Rs.11,750 Direct Wages – Rs.94,000							
	1	Variable overheads – Rs.47,000 Fixed overheads – Rs.58,750							
	U	Another manufacturer is offering to sell the same spare part for Rs.41. It is							
		estimated that by avoiding the production of this spare part, the company							
		has to incur Rs.35,200 as fixed overheads.							
		Should the company make of buy this spare part?							
Q.4	a.	What is variance analysis? CMRIT LIBERT OF COMPANY OF	03	L1	CO2				
	b.	Product 'AB' requires 20 kgs of materials at Rs.4 per kg. The actual	07	L4	CO2				
		consumption of material for the manufacturing of product 'AB' came to							
		24 kgs of materials at Rs.4.50 per kg. Calculate:							
		i) Material cost variance ii) Material price variance							
		iii) Material usage variance	1.0	T. C	000				
	c.	What is budgetary control? Explain different types of budgets.	10	L2	CO3				
				100	1000				

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Q.5	a.	What is cost audit?	03	L1	CO3
	b.	What is management reporting? Explain the requisites of a good report.	07	L2	CO
	c.	Write a detailed note on the following:	10	L3	CO
		(i) Cost reduction (ii) Cost control			
		(iii) Target costing (iv) Balanced score card			
Q.6	a.	What is Revenue Centre?	03	L1	CO
	b.	Write a note on cost management in Agriculture Sector.	07	L3	CO
	c.	What is transfer pricing? Explain the methods of transfer pricing.	10	L6	CO ₂
Q.7	a.	From the following information, calculate profit by using marginal costing	03	L4	CO3
		technique:			
		Fixed $cost = Rs.2,00,000$ Variable $cost = Rs.15$ per unit			
		Selling price = Rs.18 per unit Output level = 1,00,000 units			
	b.	The following information is provided with respect to A2Z Ltd for the six	07	L3	CO ₄
		months of 2023 (and the sales of January 2024), in respect of product 'XY'.			
		(i) The units to be sold in different months are:			
		July 2023 = 1100, August 2023 = 1100, September 2023 = 1700,			
	8	October 2023 = 1900, November 2023 = 2500, December 2023 =	p [
		2300 and January 2024 = 2000			
		(ii) There will be no work in progress at the end of any month.(iii) Finished units equal to half the sales of the next month will be in stock	= 1		
		at the end of every month (including June 2023).			
	144	You are required to prepare production budget for the six months of 2023.			
	c.	From the following data calculate machine hour rate:	10	L4	CO
	۲.	Cost of machine = Rs.30,500, Scrap value = Rs.2500, Estimated life of	10		- 1
		machine = 12 years, Working days per year 200 days of 8 hours, 100 days			
		of 6 hours, Repairs and maintenance 7.5% of the cost of machine, Stores			
		issued = Rs.1000, Power consumption Rs.2 per operative hour, Insurance		20	
		premium 1% of cost of machine. Supervision (per year) = Rs.7500,			
		Idle time estimate 10%.			
		CMRII LIDIA BANGALORE - 560 037			
Q.8		Case Study:	20	L3	CO
		Atom Co. can produce 4000 units of a product at 100% capacity. The			
		following information is available from its records:			
		November December	76		
		Units produced 2800 3600			
		Rs. Rs.	15 T		
		Power 1800 2000			
	1	Repairs and maintenance 500 560			
	~	Indirect labour 700 900			
	U	Consumable stores 1400 1800 Inspection 200 240			
		Inspection .			
		Salaries 1000 1000	<u> </u>		
		Direct material and manusit is Do 1 and direct wages per hour is Rs / Rate			
		Direct material cost per unit is Re.1 and direct wages per hour is Rs.4. Rate			
		of production per hour is 10 units. You are required to: (i) Compute the cost of production at 100%, 80% and 60% capacity			
		(i) Compute the cost of production at 100%, 80% and 60% capacity levels showing variable, fixed and semi-variable items under the			
		flexible budget.			
		(ii) Compute overhead absorption rate at 80% capacity.			
		(ii) Compute overhead absorption rate at 60% supacity.			

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