



Third Semester MBA Degree Examination, June/July 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.

		M	L	C																																																
Q.1	a. Identify the user group of segment reporting.	3	L2	CO1																																																
	b. Sketch activity based costing is more appropriate in an advance technology based manufacturing environment.	7	L4	CO3																																																
	c. Shanthy Co., Ltd has 2 production departments A and B and 2 service department X and Y. The following figures are extracted from the records of the company.	10	L5	CO4																																																
	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Amount (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Depreciation</td> <td>1,90,000</td> </tr> <tr> <td>Rent and Taxes</td> <td>36,000</td> </tr> <tr> <td>Insurance (Employees)</td> <td>15,200</td> </tr> <tr> <td>Power</td> <td>20,000</td> </tr> <tr> <td>Canteen Expenses</td> <td>10,800</td> </tr> <tr> <td>Electricity</td> <td>4,800</td> </tr> </tbody> </table> <p>The following further details are available :</p> <table border="1"> <thead> <tr> <th rowspan="2">Particulars</th> <th colspan="2">Production Dept.</th> <th colspan="2">Service Dept.</th> </tr> <tr> <th>A</th> <th>B</th> <th>X</th> <th>Y</th> </tr> </thead> <tbody> <tr> <td>Floor area in Sq.ft.</td> <td>5,000</td> <td>4,000</td> <td>1,000</td> <td>2,000</td> </tr> <tr> <td>Asset value (Rs. in lacs)</td> <td>10</td> <td>5</td> <td>3</td> <td>1</td> </tr> <tr> <td>H.P of machines</td> <td>1,000</td> <td>500</td> <td>400</td> <td>100</td> </tr> <tr> <td>No. of workers</td> <td>100</td> <td>50</td> <td>50</td> <td>25</td> </tr> <tr> <td>Light and Fan points</td> <td>50</td> <td>30</td> <td>20</td> <td>20</td> </tr> </tbody> </table> <p>Department X renders service worth Rs.12,000 to Y and balance to A and B in the ratio of 3 : 2. Y renders service to A and B in 9 : 1 ratio. All the workers of department A and B have worked 25 days of 8 hours each. You are required to calculate the overhead recovery rate of production department A and B per labour hour.</p>	Particulars	Amount (Rs.)	Depreciation	1,90,000	Rent and Taxes	36,000	Insurance (Employees)	15,200	Power	20,000	Canteen Expenses	10,800	Electricity	4,800	Particulars	Production Dept.		Service Dept.		A	B	X	Y	Floor area in Sq.ft.	5,000	4,000	1,000	2,000	Asset value (Rs. in lacs)	10	5	3	1	H.P of machines	1,000	500	400	100	No. of workers	100	50	50	25	Light and Fan points	50	30	20	20			
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Q.2	a. Label the uses of marginal costing.	3	L2	CO1																																																
	b. Illustrate the classification of cost for a production activity.	7	L2	CO1																																																

	c. The expenses budgeted for production of 10,000 units in a factory are furnished below :	10	L5	CO4																															
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Q.3	a. Dramatize cost for sole trading concern.	3	L2	CO1																															
	b. Enumerate the effect of increase in selling price on profit volume ratio, breakeven point and margin of safety.	7	L4	CO3																															
	c. A company manufacturing 2 products furnishes the following data for a year :	10	L5	CO4																															
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Q.4	a. Determine variance analysis as a measure of performance.	3	L3	CO2																															
	b. Enumerate the reasons of under/over absorption of overhead in the condition of financial distress firm.	7	L4	CO3																															

	c.	A product has completed 2 processes M and N. During a particular month, the input to process M of the basic raw material was 5000 units at Rs.2/unit. Other information for the month is as follows :	10	L4	CO3																																																			
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Q.5	a.	Show cost audit help a firm to improve the productivity of a firm.	3	L4	CO3																																																			
	b.	Illustrate the implementation of control through responsibility accounting.	7	L4	CO3																																																			
	c.	From the following particulars, make up a cost statement showing the components of total cost and profit for the year ended 31/12/2023.	10	L3	CO2																																																			
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Q.6	a.	Choose the types of transfer pricing.	3	L2	CO1																																																			
	b.	Outline the features of balance score card as a performance measure.	7	L2	CO1																																																			

	c.	The following information is available from the cost records of Naveen Ltd. for the month of January 2024. Material purchased 20000 units Rs.88,000; Material consumed 19,000 units. Actual wages paid for 4950 hours Rs.24,750 ; Units produced 1800. Standard rates and pieces are : Direct material rate Rs.4.00 per unit. Standard input is 10 numbers for one unit. Direct labour rate Rs.4.00 per hour. Standard requirement is 2.5 hours per unit. You are required to compute all materials and labour variances for the month of January 2024.	10	L3	CO2												
Q.7	a.	“Strategic view to cost management.” Describe.	3	L2	CO1												
	b.	Articulate the importance of budgetary control system as a cost reduction mechanism and profit planning tool.	7	L4	CO3												
	c.	Indian plastics make plastic buckets. An analysis of their accounting reveals. Variable cost per bucket – Rs.20, Fixed cost – Rs.50,000 for the year, Capacity – 2000 buckets per year, Selling price per bucket required – Rs.70, required : (i) Find the breakeven point. (ii) Find the number of buckets to be sold to get a profit of Rs.30,000. (iii) If the company can manufacture 600 buckets more per year with an additional fixed cost of Rs.2,000, estimate the selling price to maintain the profit per bucket as at (ii) above?	10	L5	CO4												
Q.8	Case Study :	<p>Deetha company annually manufactures 10,000 units of a product at a cost of Rs.4/unit and there is home market for consuming the entire volume of production at the sale price of Rs.4.25/unit. In 2024, there is a fall in demand in the home market which can consume 10,000 units, only at a sale price of Rs.3.72/unit. The analysis of cost per 10,000 units is,</p> <table border="0"> <tr> <td>Material</td> <td>Rs.15,000</td> <td></td> </tr> <tr> <td>Wages</td> <td>Rs.11,000</td> <td></td> </tr> <tr> <td>Fixed overheads</td> <td>Rs.8,000</td> <td></td> </tr> <tr> <td>Variable overheads</td> <td>Rs.6,000</td> <td></td> </tr> </table> <p>A foreign market is explored and it is found that this market can consume 20,000 units of the product if offered at a sale price of Rs.3.55 per unit. It is also discovered that for every additional 10,000 units of the product the fixed overhead will increase by 10%. The company does not intend to exit from home market but at the the same time interested in capturing this foreign market, what is your advice?</p>	Material	Rs.15,000		Wages	Rs.11,000		Fixed overheads	Rs.8,000		Variable overheads	Rs.6,000		20	L5	CO4
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