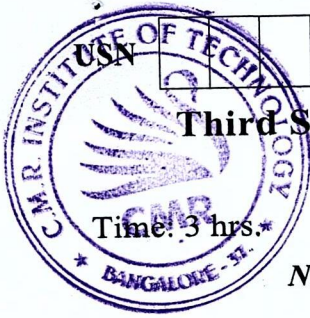


CBCS SCHEME

MBAFM313



Third Semester MBA Degree Examination, Dec.2025/Jan.2026
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.	Distinguish between Cost Accounting and Cost Management.	3	L4	CO1																																												
	b.	“Target Costing is a strategic cost management tool.” Justify the statement.	7	L5	CO1																																												
	c.	The following figures are extracted from the books of Bhargav Ltd. for the year ended 31 st March, 2025. Prepare Cost Sheet.	10	L3	CO2																																												
		<table border="1" style="width: 100%; border-collapse: collapse; margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="width: 60%;">Particulars</th> <th style="width: 40%;">Rs.</th> </tr> </thead> <tbody> <tr> <td>Stock on 1-04-2024:</td> <td></td> </tr> <tr> <td>Raw materials</td> <td style="text-align: right;">88,000</td> </tr> <tr> <td>Work-in-progress</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td>Finished Goods</td> <td style="text-align: right;">40,000</td> </tr> <tr> <td>Stock on 31-03-2025:</td> <td></td> </tr> <tr> <td>Raw materials</td> <td style="text-align: right;">9,400</td> </tr> <tr> <td>Work-in-Progress</td> <td style="text-align: right;">12,000</td> </tr> <tr> <td>Finished Goods</td> <td style="text-align: right;">8,000</td> </tr> <tr> <td>Direct Expenses</td> <td style="text-align: right;">40,000</td> </tr> <tr> <td>Direct Wages</td> <td style="text-align: right;">1,20,000</td> </tr> <tr> <td>Material Purchase</td> <td style="text-align: right;">3,60,000</td> </tr> <tr> <td>Factory Expenses</td> <td style="text-align: right;">2,80,000</td> </tr> <tr> <td>Factory Supervision</td> <td style="text-align: right;">35,200</td> </tr> <tr> <td>Factory Rent</td> <td style="text-align: right;">36,000</td> </tr> <tr> <td>Office Rent</td> <td style="text-align: right;">24,000</td> </tr> <tr> <td>Rent of Sales Department</td> <td style="text-align: right;">2,40,000</td> </tr> <tr> <td>Lighting Bill of Factory</td> <td style="text-align: right;">40,000</td> </tr> <tr> <td>Lighting Bill of Office</td> <td style="text-align: right;">40,000</td> </tr> <tr> <td>Advertisement</td> <td style="text-align: right;">24,000</td> </tr> <tr> <td>Salary of Office Manager</td> <td style="text-align: right;">1,92,000</td> </tr> <tr> <td>Profit 20% on Total Cost</td> <td></td> </tr> </tbody> </table>	Particulars	Rs.	Stock on 1-04-2024:		Raw materials	88,000	Work-in-progress	20,000	Finished Goods	40,000	Stock on 31-03-2025:		Raw materials	9,400	Work-in-Progress	12,000	Finished Goods	8,000	Direct Expenses	40,000	Direct Wages	1,20,000	Material Purchase	3,60,000	Factory Expenses	2,80,000	Factory Supervision	35,200	Factory Rent	36,000	Office Rent	24,000	Rent of Sales Department	2,40,000	Lighting Bill of Factory	40,000	Lighting Bill of Office	40,000	Advertisement	24,000	Salary of Office Manager	1,92,000	Profit 20% on Total Cost				
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Q.2	a.	Differentiate between Cost Allocation and Cost Apportionment.	3	L4	CO2																																												
	b.	Arun Ltd. runs three production departments A, B, & C and also two Service Departments P and Q. Following are the details related to these departments : <table border="1" style="width: 100%; border-collapse: collapse; margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="width: 20%;">Departments</th> <th style="width: 15%;">A</th> <th style="width: 15%;">B</th> <th style="width: 15%;">C</th> <th style="width: 15%;">P</th> <th style="width: 15%;">Q</th> </tr> </thead> <tbody> <tr> <td>Overheads as per Primary Distribution (Rs.)</td> <td style="text-align: right;">1,10,000</td> <td style="text-align: right;">1,25,000</td> <td style="text-align: right;">1,15,000</td> <td style="text-align: right;">65,000</td> <td style="text-align: right;">53,000</td> </tr> <tr> <td>Service Rendered by:</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Department P</td> <td style="text-align: right;">30%</td> <td style="text-align: right;">25%</td> <td style="text-align: right;">30%</td> <td style="text-align: center;">---</td> <td style="text-align: right;">15%</td> </tr> <tr> <td>Department Q</td> <td style="text-align: right;">30%</td> <td style="text-align: right;">40%</td> <td style="text-align: right;">20%</td> <td style="text-align: right;">10%</td> <td style="text-align: center;">---</td> </tr> </tbody> </table> Distribute service department overheads to the production departments by the Simultaneous Equation Method.	Departments	A	B	C	P	Q	Overheads as per Primary Distribution (Rs.)	1,10,000	1,25,000	1,15,000	65,000	53,000	Service Rendered by:						Department P	30%	25%	30%	---	15%	Department Q	30%	40%	20%	10%	---	7	L3	CO4														
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	<p>c. ABC Ltd. runs two production departments and two service departments. Following are the data pertaining to these departments :</p> <table border="1" data-bbox="284 257 1265 750"> <thead> <tr> <th>Particulars</th> <th>Production Dept. P1</th> <th>Production Dept. P2</th> <th>Service Dept. S1</th> <th>Service Dept. S2</th> </tr> </thead> <tbody> <tr> <td>Direct Materials</td> <td>80,000</td> <td>60,000</td> <td>40,000</td> <td>20,000</td> </tr> <tr> <td>Direct Wages</td> <td>30,000</td> <td>40,000</td> <td>10,000</td> <td>20,000</td> </tr> <tr> <td>Floor Area(Sq.ft.)</td> <td>10,000</td> <td>8,000</td> <td>6,000</td> <td>4,000</td> </tr> <tr> <td>Value of Plant & Machinery</td> <td>1,00,000</td> <td>1,20,000</td> <td>40,000</td> <td>20,000</td> </tr> <tr> <td>Value of Stock</td> <td>70,000</td> <td>50,000</td> <td>10,000</td> <td>10,000</td> </tr> <tr> <td>No. of Workers</td> <td>20</td> <td>100</td> <td>50</td> <td>50</td> </tr> <tr> <td>No. of light points</td> <td>400</td> <td>100</td> <td>50</td> <td>50</td> </tr> <tr> <td>Horse Power of Machine</td> <td>100</td> <td>50</td> <td>30</td> <td>20</td> </tr> </tbody> </table> <p>The indirect expenses for the period were (Rs.):</p> <table border="1" data-bbox="370 824 1168 1093"> <tbody> <tr> <td>Factory Rent, Rates, Taxes and Repairs</td> <td>28,000</td> </tr> <tr> <td>Depreciation, Insurance and Repairs of Machinery</td> <td>56,000</td> </tr> <tr> <td>Insurance of Stock</td> <td>1,400</td> </tr> <tr> <td>Supervision and Staff Welfare Expenses</td> <td>4,000</td> </tr> <tr> <td>Stores Overheads</td> <td>2,000</td> </tr> <tr> <td>Lighting and Heating</td> <td>6,000</td> </tr> <tr> <td>Power</td> <td>2,000</td> </tr> </tbody> </table> <p>You are required to prepare the primary distribution statement showing the apportionment of Overheads.</p>	Particulars	Production Dept. P1	Production Dept. P2	Service Dept. S1	Service Dept. S2	Direct Materials	80,000	60,000	40,000	20,000	Direct Wages	30,000	40,000	10,000	20,000	Floor Area(Sq.ft.)	10,000	8,000	6,000	4,000	Value of Plant & Machinery	1,00,000	1,20,000	40,000	20,000	Value of Stock	70,000	50,000	10,000	10,000	No. of Workers	20	100	50	50	No. of light points	400	100	50	50	Horse Power of Machine	100	50	30	20	Factory Rent, Rates, Taxes and Repairs	28,000	Depreciation, Insurance and Repairs of Machinery	56,000	Insurance of Stock	1,400	Supervision and Staff Welfare Expenses	4,000	Stores Overheads	2,000	Lighting and Heating	6,000	Power	2,000	10	L3	CO3
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Q.3	a. What is Process Costing?	3	L1	CO1																																																											
	b. The following information is provided to you: Break-even Sales Rs. 2,00,000, Fixed Cost Rs. 50,000. Calculate: i) P/V ratio ii) Profit when sales are Rs. 3,00,000 iii) Sales to earn a profit of Rs. 1,00,000 and margin of safety at the level	7	L2	CO4																																																											
	c. You are producer and seller of plastic products. You are producing 10,000 buckets at a fixed cost of Rs. 3,00,000 and variable cost of Rs. 50 per bucket, i.e., at an average cost of Rs. 80 per bucket. You can buy buckets from outside at a price of Rs. 65 per bucket. The capacity so vacated can be used for producing 7,000 drums at a variable cost of Rs. 40 per drum plus an additional fixed cost of Rs. 1,00,000. Each drum can be sold @ Rs. 90 per drum. Will you continue producing buckets or instead produce drums and buy buckets from outside?	10	L3	CO4																																																											
Q.4	a. What is Zero Base Budgeting?	3	L1	CO2																																																											

	b.	Use the following data to calculate the material price variance, usage variance and mix variance :	7	L2	CO2																																
		<table border="1"> <thead> <tr> <th>Material</th> <th>Standard</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>X</td> <td>25 units @ Rs. 40 per unit</td> <td>30 units @ Rs. 40 per unit</td> </tr> <tr> <td>Y</td> <td>20 units @ Rs. 60 per unit</td> <td>20 units @ Rs. 65 per unit</td> </tr> </tbody> </table>	Material	Standard	Actual	X	25 units @ Rs. 40 per unit	30 units @ Rs. 40 per unit	Y	20 units @ Rs. 60 per unit	20 units @ Rs. 65 per unit																										
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	c.	Explain the various types of Functional Budgets.	10	L2	CO3																																
Q.5	a.	Write any three advantages of Cost Audit.	3	L1	CO3																																
	b.	Explain the objectives and scope of Management Audit. How does it help management in improving efficiency?	7	L4	CO3																																
	c.	Write a note on the following: i) Segment Reporting ii) Balanced Scorecard iii) Back-Flush Accounting iv) Lean Accounting	10	L2	CO3																																
Q.6	a.	What is meant by Administrative Centres?	3	L1	CO3																																
	b.	Write a detailed note on cost management in IT Sectors.	7	L2	CO3																																
	c.	What is Transfer Pricing? Explain the methods of Transfer Pricing.	10	L2	CO4																																
Q.7	a.	Following data pertains to two group of workers: <table border="1"> <thead> <tr> <th></th> <th>Standard Hours</th> <th>Rate Per hour</th> <th>Total (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Worker A</td> <td>25 hrs.</td> <td>2</td> <td>50</td> </tr> <tr> <td>Worker B</td> <td>10 hrs.</td> <td>3</td> <td>30</td> </tr> <tr> <td></td> <td></td> <td></td> <td>80</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th></th> <th>Actual Hours</th> <th>Rate Per Hour</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Worker A</td> <td>20 hrs.</td> <td>2.50</td> <td>50</td> </tr> <tr> <td>Worker B</td> <td>15 hrs.</td> <td>4</td> <td>60</td> </tr> <tr> <td></td> <td></td> <td></td> <td>110</td> </tr> </tbody> </table> Calculate Labour cost Variance		Standard Hours	Rate Per hour	Total (Rs.)	Worker A	25 hrs.	2	50	Worker B	10 hrs.	3	30				80		Actual Hours	Rate Per Hour	Total	Worker A	20 hrs.	2.50	50	Worker B	15 hrs.	4	60				110	3	L3	CO3
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	b.	The following data is given to you: <table border="1"> <thead> <tr> <th>Particulars</th> <th>Product A (Rs.)</th> <th>Product B (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Direct Materials</td> <td>50</td> <td>70</td> </tr> <tr> <td>Direct Labour @ Rs. 3 per hour</td> <td>15</td> <td>40</td> </tr> <tr> <td>Variable Overheads @ Rs. 4 per hour</td> <td>20</td> <td>50</td> </tr> <tr> <td>Selling Price</td> <td>300</td> <td>320</td> </tr> <tr> <td>Standard Time</td> <td>3 Hours</td> <td>4 Hours</td> </tr> </tbody> </table> State which product you would recommend to manufacture when: i) Labour time is the key factor ii) Sale value is the key factor	Particulars	Product A (Rs.)	Product B (Rs.)	Direct Materials	50	70	Direct Labour @ Rs. 3 per hour	15	40	Variable Overheads @ Rs. 4 per hour	20	50	Selling Price	300	320	Standard Time	3 Hours	4 Hours	7	L3	CO4														
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c.	For production of 10,000 electrical automatic irons, the following are the budgeted expenses :	10	L3	CO4																				
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Prepare a budget for production of 6,000, 7,000 and 8,000 units, showing distinctly the marginal cost and total cost.																								

Q.8	<p>Compulsory Question :</p> <p>ABC Ltd. manufactures two products X and Y. Forecast of the number of units to be sold in the first seven months of the year is given below :</p> <table border="1"> <thead> <tr> <th>Month</th> <th>Product X</th> <th>Product Y</th> </tr> </thead> <tbody> <tr> <td>January</td> <td>1,000</td> <td>2,800</td> </tr> <tr> <td>February</td> <td>1,200</td> <td>2,800</td> </tr> <tr> <td>March</td> <td>1,600</td> <td>2,400</td> </tr> <tr> <td>April</td> <td>2,000</td> <td>2,000</td> </tr> <tr> <td>May</td> <td>2,400</td> <td>1,600</td> </tr> <tr> <td>June</td> <td>2,400</td> <td>1,600</td> </tr> <tr> <td>July</td> <td>2,000</td> <td>1,800</td> </tr> </tbody> </table> <p>It is anticipated that:</p> <ol style="list-style-type: none"> There will be no work-in-progress at the end of every month Finished units equal to half of the sales for the next month will be in stock at the end of each month (including previous December). <p>Budgeted production costs for the whole year are as follows :</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Product X</th> <th>Product Y</th> </tr> </thead> <tbody> <tr> <td>Products(units)</td> <td>22,000</td> <td>24,000</td> </tr> <tr> <td>Direct materials cost per unit</td> <td>12.50</td> <td>19</td> </tr> <tr> <td>Direct labour cost per unit</td> <td>4.50</td> <td>7</td> </tr> <tr> <td>Total factory overhead apportioned</td> <td>66,000</td> <td>96,000</td> </tr> </tbody> </table> <p>Prepare for the six months period ending 30th June, 2025</p> <ol style="list-style-type: none"> Production budget for each month; and Summarised production cost budget 	Month	Product X	Product Y	January	1,000	2,800	February	1,200	2,800	March	1,600	2,400	April	2,000	2,000	May	2,400	1,600	June	2,400	1,600	July	2,000	1,800	Particulars	Product X	Product Y	Products(units)	22,000	24,000	Direct materials cost per unit	12.50	19	Direct labour cost per unit	4.50	7	Total factory overhead apportioned	66,000	96,000	20	L3	CO4
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