USN | | | | | | | | | | |

14MBAFM305

Third Semester MBA Degree Examination, Dec.2017/Jan.2018

Cost Management

Time: 3 hrs. Max. Marks:100

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.
2. Any revealing of identification, appeal to evaluator and /or equations written eg, 42+8 = 50, will be treated as malpractice.

SECTION – A

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

1 What is BEP? What are its assumptions? **(03 Marks)**

2 What is 'Activity Based Cost'? **(03 Marks)**

3 State the difference between imputed cost and out of the pocket cost. **(03 Marks)**

4 Write a brief note on 'Segmental Reporting'. **(03 Marks)**

5 What is the objective of a Cost Audit? **(03 Marks)**

6 What is the difference between cost allocation and cost apportionment? **(03 Marks)**

7 What are Master Budgets? **(03 Marks)**

SECTION – B

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

1 What is Cost Management? What are its merits? **(07 Marks)**

2 Differentiate between standard costing and budgeting control. **(07 Marks)**

3 What are the aims and objectives of Management Audit? **(07 Marks)**

4 A company's production costs for the year ending 30/06/2016 are given as follows.

	Production Centre			Service Centre		
	P_1	P_2	P_3	Office	Stores	Workshop
Direct Wages	20000	25000	30000	-	-	-
Direct Material	30000	35000	45000	-	-	-
Indirect Material	2000	3000	3000	1000	2000	2000
Indirect Wages	3000	3000	4000	10000	10000	5000
Area (Sq. mts)	200	250	300	150	100	250
Book value of Machining	30000	35000	25000	-	-	15000
HP of Machining	15	20	25	-	-	5

Common Expenses : Rent 12500, Insurance 1050, Power 3800, Lighting 1250, Depreciation – 15% of value of machinery. You are required to prepare an overhead analysis sheet for the company. **(07 Marks)**

5 XYZ Co. manufactures a product ABC by mixing three raw materials. For every 100 kg of ABC 125 kg of raw materials are used. In April 2012, there was all output of 5600 kg of ABC. The standard and actual particulars of April 2012 are as follows:

Raw Materials	Standard		Actual	
	Mix (%)	Price/kg (Rs)	Mix (%)	Price/kg (Rs)
1	50	40	60	42
2	30	20	20	16
3	20	10	20	12

Calculate Material Cost Variance (MCV), Material Price Variance (MPV), Material Quantity variance (MQV) and Material mix variance (MMV). **(07 Marks)**

6 Illustrate a typical breakeven chart and identify break-even point, angle of incidence and margin of safety. **(07 Marks)**

7 Distinguish between cost control and cost reduction. **(07 Marks)**

SECTION – C

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

1 Assuming that the cost structure and selling prices remain the same in period 1 and 2 find out (a) P/V ratio, (b) fixed cost, (c) BEP for sales , (d) Profit when sales are Rs 10000 (e) sales required to earn a profit of Rs 20000. (f) margin of safety at a point of Rs 15000 (g) variable cost in period 2.

Period	Sales (Rs)	Profit (Rs)
1	120000	9000
2	140000	13000

(10 Marks)

2 The expenses budgeted for production of 10000 units in a factory are furnished below:

Particulars	Per unit (Rs)
Materials	70
Labour	25
Variable factory overheads	20
Fixed factory overheads (Rs 100000)	10
Variable expenses (Direct)	5
Selling expenses (10% Fixed)	13
Distribution expenses (20% Fixed)	7
Administration expenses (Fixed Rs 50000)	5
Total cost of sales / unit	155

You are required to prepare a budget for the production of 6000 units and 8000 units. **(10 Marks)**

3 State the importance of Cost Audit. How is management audit different from cost audit? **(10 Marks)**

4 A factory is having three production dept : A, B & C and two service department. Boiler house and pump room. The boiler house has to depend upon pump room for supply of water and pump room for supply of driving the pump. The expenses incurred by ye production and service department during the period are A : Rs 800000, B : Rs 700000, C : Rs 500000 Boiler house : Rs 234000, Pump Room : Rs 300000. The expenses of the boiler house and pump room are apportioned to the production department as the following basis:

	A	B	C	Boiler House	Pump Room
Exp of Boiler House	30%	40%	20%	-	10%
Exp of Pump Room	40%	20%	20%	20%	-

Show clearly as to how the expenses of Boiler house and Pump Room would be apportioned to A, B & C department. Use Algebraic equation. **(10 Marks)**

5 The following extract of costing information relates to commodity A for the half year ending 31/12/2015.

Purchase of Raw Materials	120000
Works overheads	48000
Direct wages	100000
Carriage on purchase	1440
Stock (01.07.15) Raw materials	20000
Finished Products (1000 tons)	16000
Stock (31.12.15) Raw Materials	22240
Finished Products (2000 tons)	32000
WIP (01.07.15)	4800
WIP (31.12.15)	16000
Sales – Finished Products	300000

Selling and distribution o/h are ₹ 1/ton sold 16000 tons of commodities were produced during the period. You are required to ascertain (a) Cost of raw material used (b) Cost of o/p for the period (c) Cost of sales (d) Net profit/ton of the commodity. **(10 Marks)**

6 Discuss Balanced scorecard as a performance measure. State its features and objectives. **(10 Marks)**

7 ABC manufacturing co. has been using the cost system that allocates all factory o/h costs to products bases on 350% of direct labor cost. The Co. has just decided to use ABC costing that traces direct cost to products based on assumption of major activities as indicated in the below table:

Activity	Annual Cost driver Qty	Cost	Product cost driver consumption
Labour	300000	30000	10000
Machinery	20000 hours	500000	800 hours
Setup	10000 hours	100000	100 hours
Production order	2000 orders	200000	12 orders
Material handling	1000 requisitions	20000	5 requisitions
Parts Admn	12000 Parts	480000	18 parts

Compare the total cost of the products using both traditional volume based and new ABC system. **(10 Marks)**

SECTION – D
(Compulsory)

8 A company produces a single product which is sold by it presently in domestic market @ ₹75/unit. The present production and sale is 40000 units per month representing 50% of the capacity. The cost data of the product are as under:

Variable	Cost/unit	₹50
Fixed	Cost/month	₹10 lakhs

To improve profitability, the management has three proposals on hand as under:

a. To accept an export supply order for 30000 (extra) units per month at a reduced price of ₹ 60/unit, increasing additional variable cost of ₹ 5/unit towards export packaging.

b. To increase the domestic market sales by selling to a domestic chain store 3000 units ₹55 per unit, retaining the existing sales at existing price.

c. To reduce the selling price by ₹ 8 per unit.

This reduction in price is expected to result in an increase in sales by 30000 units. Analyse the above proposals and suitably advice the company. **(20 Marks)**

* * * * *