



CBCS SCHEME

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18MBAFM305

Third Semester MBA Degree Examination, July/August 2021

Cost Management

Time: 3 hrs.

Max. Marks:100

Note: Answer any FIVE full questions.

- 1 a. What do you mean by marginal costing? (03 Marks)
b. Enumerate the reasons of under/over absorption of overhead. (07 Marks)
c. Draw up a flexible budget for overhead expenses on the basis of the following data and determine the overhead rates at 50%, 60% and 80%.

Plant Capacity	At 80% (Rs.)
Variable Overheads :	
Material	32,55,000
Labor	50,60,000
Other Expenses	11,85,000
Semi-Variable Overheads :	
Maintenance and Repairs	3,85,000
Indirect Labor	8,69,000
Sales Department Salaries	4,18,000
Sundry Expenses	3,08,000
Fixed Overheads :	
Wages and Salaries	9,50,000
Rent and Taxes	6,60,000
Depreciation	7,40,000
Sundry administration	6,50,000
Total Overheads	1,24,00,000
Estimated direct labor hours	8,25,000

(10 Marks)

- 2 a. What is segmental reporting? (03 Marks)
b. Discuss the advantages and disadvantages of ABC. (07 Marks)
c. You are given the following data:

	Sales	Profit
Year 2011	Rs. 1,20,000	Rs. 8,000
Year 2012	Rs. 1,40,000	Rs.13,000

Find out :

- (i) P/V Ratio
(ii) BEP
(iii) Profit when sales are Rs.1,80,000
(iv) Sales required to earn a profit of Rs.12,000
(v) MOS in year 2012.

(10 Marks)

- 3 a. What is cost driver? (03 Marks)
b. What is balanced score card? Discuss the reasons for use of balanced scorecard. (07 Marks)

- c. Prepare cost sheet for the period ended 31st March 2020.

	In Rs.
Consumable Materials:	
Opening stock	20,000
Purchases	1,22,000
Closing stock	10,000
Direct wages	36,000
Direct Expenses	24,000
Factory overheads	50% of direct wages
Office and administration overheads	20% of works cost
Selling and distribution expenses	Rs.3 per unit sold
Units of finished goods	
In hand at the beginning of the period (Value Rs.12,500)	500
Units produced during the period	12000
In hand at the end of the period.	1,500

If profit is 20% on sales. There is no work in progress.

(10 Marks)

- 4 a. What do you mean by cost accounting? (03 Marks)
 b. From the following, compute : (i) Materials cost variance (ii) Materials price variance (iii) Materials usage variance.

Standard material for 70 kg finished product : 100 kg

Price of materials : Re. 1 per kg

Actual output : 2,10,000 kg

Material used : 2,80,000 kg

Cost of material : 2,52,000.

(07 Marks)

- c. XYZ Ltd supplies you the following data:

Direct Material cost	Rs. 48,000
Direct wages	Rs. 22,000
Variable overheads	
- Factory	Rs. 13,000
- Administration and Selling	Rs. 2,000
Fixed overheads	
- Factory	Rs. 20,000
- Administration and Selling	Rs. 8,000
Sales	Rs.1,25,000

Prepare an income statement under absorption costing and marginal costing.

(10 Marks)

- 5 a. Define Master budget. (03 Marks)
 b. Write a note on classification of cost. (07 Marks)
 c. Discuss the cost analysis under activity based costing. (10 Marks)

- 6 a. What is cost allocation and apportionment? (03 Marks)
 b. Distinguish between cost control and cost reduction. (07 Marks)
 c. For the following data given below, apply ABC analysis.

Item number	101	102	103	104	105	106	107	108	109	110
Unit cost	5	11	15	8	7	16	20	4	9	12
Annual Demand	48000	2000	300	800	4800	1200	18000	300	5000	500

(10 Marks)

- 7 a. Define Management audit. (03 Marks)
 b. Explain the BEP. (07 Marks)
 c. Discuss the types of report and what are the requisites of a Good report. (10 Marks)

8 Case Study :

In a factory XYZ, the following information is extracted for the period.

Particulars	Production Dept		Service Dept.	
	A	B	X	Y
Direct Material	3700	7400	200	700
Direct Wages	1850	3700	100	350
Direct expenses	11250	22500	50	175
Indirect Materials	6160	12320	100	350
Indirect wages	3090	6110	50	175
Asset value	37000	74000	2000	7000
No. of workers	37	74	2	7
HP hours	74	148	4	14
Light points	37	74	2	7
Floor area	185	370	10	35
No. of working hours	4000	8000	--	--

The details of indirect expenses for the period are as under:

Staff Welfare expenses	3600
Supervision expenses	3600
Power	7200
Lighting	3600
Employees Insurance (Direct wages)	600
Stores overhead	120
Depreciation	7200
Insurance (asset)	600
Rent and Rates	600
Repairs (Building)	2400
General overhead	480

The expenses service department X and Y apportioned as under:

	A	B	X	Y
X	25%	50%	--	25%
Y	25%	50%	25%	--

You are required to prepare statement showing :

- (i) Apportionment of overhead
- (ii) The distribution of service departments overheads by methods of
 - Continuous distribution
 - Algebraic equation
- (iii) Overheads distribution summary and rates of overheads absorption.

(20 Marks)

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