CBCS SCHEME

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MBAFM313

Third Semester MBA Degree Examination, Dec.2025/Jan.2026
Strategic Cost Management

Time: 3 hrs. 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 31st March, 2025. Prepare Cost Sheet.	10	L3	CO2

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	

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 :				7	L3	CO4

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%	---

Distribute service department overheads to the production departments by the Simultaneous Equation Method.

	c.	ABC Ltd. runs two production departments and two service departments. Following are the data pertaining to these departments :	10	L3	CO3

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

The indirect expenses for the period were (Rs.):

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

You are required to prepare the primary distribution statement showing the apportionment of Overheads.

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 safely 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 : 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	7	L2	CO2
	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: **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 Calculate Labour cost Variance	3	L3	CO3
	b.	The following data is given to you: 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 State which product you would recommend to manufacture when: i) Labour time is the key factor ii) Sale value is the key factor	7	L3	CO4

	c.	For production of 10,000 electrical automatic irons, the following are the budgeted expenses : Prepare a budget for production of 6,000, 7,000 and 8,000 units, showing distinctly the marginal cost and total cost.	10	L3	CO4

Particulars	Per Unit cost(Rs.)
Direct Materials	60
Direct Labour	30
Variable overheads	25
Fixed Overheads(Rs. 1,50,000)	15
Variable Expenses (direct)	5
Selling Expenses (10% fixed)	15
Administration Expenses (Rs. 50,000 rigid for all levels of production)	5
Distribution expenses (20% fixed)	5
Total Cost of Sales per unit	160

Q.8		**Compulsory Question** : 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 :	20	L3	CO4

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

It is anticipated that:

i) There will be no work-in-progress at the end of every month

ii) 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).

Budgeted production costs for the whole year are as follows :

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

Prepare for the six months period ending 30th June, 2025

i) Production budget for each month; and

ii) Summarised production cost budget

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