

CBCS SCHEME

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MBAFM313



Third Semester MBA Degree Examination, June/July 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.	What is meant by Cost Accounting?	3	L1	CO1												
	b.	Enumerate the classifications of cost and explain them briefly.	7	L2	CO1												
	c.	Based on the following information prepare a cost sheet incorporating the following aspects of cost sheet. i) Total manufacturing cost ii) Cost of production iii) Cost of sales iv) Profit <table><tr><td></td><td>31/3/2024 (Rs.)</td><td>31/3/2025 (Rs.)</td></tr><tr><td>Stock of Raw Materials</td><td>40,000</td><td>50,000</td></tr><tr><td>Stocking of W.I.P</td><td>10,000</td><td>14,000</td></tr><tr><td>Stock of finished goods</td><td>1,00,000</td><td>1,50,000</td></tr></table> Other expenses are : a. Indirect labour Rs.50,000 b. Administration expenses Rs.1,00,000 c. Lubricants Rs. 10,000 d. Power Rs.30,000 e. Insurance on plant Rs.3,000. f. Direct labour Rs.3,00,000 g. Purchase of raw materials Rs.4,00,000 h. Depreciation on machinery Rs.50,000 i. Sales commission Rs.60,000 j. Factory rent Rs.60,000 k. Salaries of salesman Rs.1,00,000. l. Property tax on factory Rs. 11,000. m. Carriage outward Rs.20,000. n. Sales Rs. 12,00,000.		31/3/2024 (Rs.)	31/3/2025 (Rs.)	Stock of Raw Materials	40,000	50,000	Stocking of W.I.P	10,000	14,000	Stock of finished goods	1,00,000	1,50,000	10	L4	CO2
	31/3/2024 (Rs.)	31/3/2025 (Rs.)															
Stock of Raw Materials	40,000	50,000															
Stocking of W.I.P	10,000	14,000															
Stock of finished goods	1,00,000	1,50,000															
Q.2	a.	What do you understand by cost driver?	3	L1	CO1												

	b.	A company manufacturing two products furnishes the following data for a year : <table><tr><th>Products</th><th>Annual Output (Units)</th><th>Total Machine Hours</th><th>Total number of Purchase Orders</th><th>Total number of Set-ups</th></tr><tr><td>A</td><td>5,000</td><td>20,000</td><td>160</td><td>20</td></tr><tr><td>B</td><td>60,000</td><td>1,20,000</td><td>384</td><td>44</td></tr></table> The annual overheads are as under: Volume related activity costs Rs 5,50,000 Set-up related costs Rs 8,20,000 Purchase related costs Rs 618,000 You are required to calculate the cost per unit of each product A and B based on Activity based costing method.	Products	Annual Output (Units)	Total Machine Hours	Total number of Purchase Orders	Total number of Set-ups	A	5,000	20,000	160	20	B	60,000	1,20,000	384	44	7	L3	CO4																			
Products	Annual Output (Units)	Total Machine Hours	Total number of Purchase Orders	Total number of Set-ups																																			
A	5,000	20,000	160	20																																			
B	60,000	1,20,000	384	44																																			
	c.	A company has three production departments and two service departments. Distribution summary of overheads is as follows : <table><tr><th colspan="2">Production department</th><th colspan="2">Service department</th></tr><tr><td>A</td><td>₹3,000</td><td>X</td><td>₹234</td></tr><tr><td>B</td><td>₹2,000</td><td>Y</td><td>₹300</td></tr><tr><td>C</td><td>₹1,000</td><td></td><td></td></tr></table> The expenses of service departments are charged on a percentage basis which is as follows : <table><tr><th></th><th>A</th><th>B</th><th>C</th><th>X</th><th>Y</th></tr><tr><td>X</td><td>20%</td><td>40%</td><td>30%</td><td>-</td><td>10%</td></tr><tr><td>Y</td><td>40%</td><td>20%</td><td>20%</td><td>20%</td><td>-</td></tr></table> Find out the total overheads of production departments using the following methods: (a) Simultaneous Equations Method (b) Repeated Distribution Method	Production department		Service department		A	₹3,000	X	₹234	B	₹2,000	Y	₹300	C	₹1,000				A	B	C	X	Y	X	20%	40%	30%	-	10%	Y	40%	20%	20%	20%	-	10	L3	CO4
Production department		Service department																																					
A	₹3,000	X	₹234																																				
B	₹2,000	Y	₹300																																				
C	₹1,000																																						
	A	B	C	X	Y																																		
X	20%	40%	30%	-	10%																																		
Y	40%	20%	20%	20%	-																																		
Q.3	a.	From the following data calculate Break-even point. Total fixed cost = Rs. 12,000 Selling price = Rs.12 per unit Variable cost = Rs. 9 per unit	3	L3	CO4																																		
	b.	From the following particulars, compute: (a) Material cost variance; (b) Material price variance; and (c) Material usage variance <table><tr><td>Quantity of materials purchased</td><td>3,000 units</td></tr><tr><td>Value of materials purchased</td><td>₹9,000</td></tr><tr><td>Standard quantity of materials required per tonne of output</td><td>30 units</td></tr><tr><td>Standard rate of material</td><td>₹2.50 per unit</td></tr><tr><td>Opening stock of materials</td><td>Nil</td></tr><tr><td>Closing stock of materials</td><td>500 units</td></tr><tr><td>Output during the period</td><td>80 tonnes</td></tr></table>	Quantity of materials purchased	3,000 units	Value of materials purchased	₹9,000	Standard quantity of materials required per tonne of output	30 units	Standard rate of material	₹2.50 per unit	Opening stock of materials	Nil	Closing stock of materials	500 units	Output during the period	80 tonnes	7	L3	CO2																				
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	c.	Zen Ltd supplies you the following data : <table><tr><td>Direct material cost</td><td>₹48,000</td></tr><tr><td>Direct wages</td><td>₹22,000</td></tr><tr><td>Variable overheads-Factory</td><td>₹13,000</td></tr><tr><td>-Adm. and selling</td><td>₹2,000</td></tr><tr><td>Fixed overheads -Factory</td><td>₹20,000</td></tr><tr><td>-Adm. and selling</td><td>₹8,000</td></tr><tr><td>Sales</td><td>1,25,000</td></tr></table> Prepare an income statement under absorption costing and marginal costing	Direct material cost	₹48,000	Direct wages	₹22,000	Variable overheads-Factory	₹13,000	-Adm. and selling	₹2,000	Fixed overheads -Factory	₹20,000	-Adm. and selling	₹8,000	Sales	1,25,000	10	L3	CO4
Direct material cost	₹48,000																		
Direct wages	₹22,000																		
Variable overheads-Factory	₹13,000																		
-Adm. and selling	₹2,000																		
Fixed overheads -Factory	₹20,000																		
-Adm. and selling	₹8,000																		
Sales	1,25,000																		
Q.4	a.	Briefly explain flexible budgeting.	3	L1	CO1														
	b.	The following costs and sales of a manufacturing company for the first half and second half of 2023-24 are given: <table><tr><td></td><td>First half (₹)</td><td>Second half (₹)</td></tr><tr><td>Sales</td><td>24,00,000</td><td>30,00,000</td></tr><tr><td>Total costs</td><td>21,80,000</td><td>26,00,000</td></tr></table> You are asked to determine: (i) Contribution/Sales ratio of the firm (ii) Annual fixed costs (iii) Break-even point (iv) Margin of safety as percentage of sales.		First half (₹)	Second half (₹)	Sales	24,00,000	30,00,000	Total costs	21,80,000	26,00,000	7	L3	CO4					
	First half (₹)	Second half (₹)																	
Sales	24,00,000	30,00,000																	
Total costs	21,80,000	26,00,000																	
	c.	Activity-Based Costing has both benefits and limitations. Discuss.	10	L2	CO4														
Q.5	a.	Define Master Budget.	3	L1	CO3														
	b.	Demonstrate the methods of transfer pricing.	7	L2	CO3														
	c.	Write a detailed note on Balanced scorecard.	10	L2	CO3														
Q.6	a.	What do you mean by back flush accounting?	3	L1	CO3														
	b.	Distinguish between fixed budget and flexible budget.	7	L2	CO3														
	c.	Describe the bases of report classification.	10	L2	CO3														
Q.7	a.	Given the following, determine the margin of safety, profit = Rs. 48,000, selling price p.u. = Rs. 18, direct material = Rs. 8 p.u. and direct labour = Rs. 4 p.u.	3	L3	CO4														

b.	The following information is given in respect of process A. <table><tr><td>Material</td><td>1,000 kgs @ 6 per kg</td></tr><tr><td>Labour</td><td>₹5,000</td></tr><tr><td>Direct expenses</td><td>₹1,000</td></tr></table> Indirect expenses allocated to Process A ₹1,000 Normal wastage 10% of input Prepare Process A Account when: (a) Scrap value of normal loss is nil (b) Scrap arising out of normal has a sale value of ₹1 per unit.	Material	1,000 kgs @ 6 per kg	Labour	₹5,000	Direct expenses	₹1,000	7	L3	CO4																										
Material	1,000 kgs @ 6 per kg																																			
Labour	₹5,000																																			
Direct expenses	₹1,000																																			
c.	The expenses budgeted for production of 10,000 units in a factory are furnished below : <table><tr><td></td><td>₹ per unit</td></tr><tr><td>Materials</td><td>70</td></tr><tr><td>Labour</td><td>25</td></tr><tr><td>Variable overheads</td><td>20</td></tr><tr><td>Fixed overheads (1,00,000)</td><td>10</td></tr><tr><td>Variable expenses (direct)</td><td>5</td></tr><tr><td>Selling expenses (10% fixed)</td><td>13</td></tr><tr><td>Distribution expenses (20% fixed)</td><td>7</td></tr><tr><td>Administration expenses (50,000)</td><td>5</td></tr><tr><td>Total</td><td>155</td></tr></table> Prepare a budget for the production of (a) 8,000 units, and (b) 6,000 units. Assume that administration expenses are rigid for all levels of production.		₹ per unit	Materials	70	Labour	25	Variable overheads	20	Fixed overheads (1,00,000)	10	Variable expenses (direct)	5	Selling expenses (10% fixed)	13	Distribution expenses (20% fixed)	7	Administration expenses (50,000)	5	Total	155	10	L3	CO3												
	₹ per unit																																			
Materials	70																																			
Labour	25																																			
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Total	155																																			
Q.8	Case Study : Compulsory : XY Ltd is manufacturing three household products, A, B and C, and selling them in a competitive market. Details of current demand, selling price and cost structure are given below : <table><tr><td>Particulars</td><td>A</td><td>B</td><td>C</td></tr><tr><td>Expected demand (units)</td><td>10,000</td><td>12,000</td><td>20,000</td></tr><tr><td>Selling price per unit (Rs)</td><td>20</td><td>16</td><td>10</td></tr><tr><td>Variable cost per unit (Rs)</td><td></td><td></td><td></td></tr><tr><td>Direct material (Rs 10/kg)</td><td>6</td><td>4</td><td>2</td></tr><tr><td>Direct labours (Rs 15/hr)</td><td>3</td><td>3</td><td>1.50</td></tr><tr><td>Variable overheads</td><td>2</td><td>1</td><td>1</td></tr><tr><td>Fixed overhead per unit (Rs)</td><td>5</td><td>4</td><td>2</td></tr></table> The company is frequently affected by acute scarcity of raw material and high labour turnover. During the next period it is expected to have one of the following situations: (a) Raw materials available will be only 12,100 kgs. (b) Direct labour-hours available will be only 5,000. (c) It may be possible to increase sales of any one product by 25 percent without any additional fixed costs but by spending Rs 20,000 on advertisement. There will be no shortage of materials or labour. Suggest the best production plan in each case and the resultant profit that the company would earn according to your suggestion.	Particulars	A	B	C	Expected demand (units)	10,000	12,000	20,000	Selling price per unit (Rs)	20	16	10	Variable cost per unit (Rs)				Direct material (Rs 10/kg)	6	4	2	Direct labours (Rs 15/hr)	3	3	1.50	Variable overheads	2	1	1	Fixed overhead per unit (Rs)	5	4	2	20	L4	CO4
Particulars	A	B	C																																	
Expected demand (units)	10,000	12,000	20,000																																	
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