

# CBCS Scheme

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16MBAFM305

## Third Semester MBA Degree Examination, June/July 2018

### Cost Management

Time: 3 hrs.

Max. Marks:80

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

**2. Question No. 8 is compulsory.**

- 1
  - a. What do you mean by cost accounting? (02 Marks)
  - b. Explain the causes for under or over absorption. (06 Marks)
  - c. Enumerates the differences between cost reduction and cost control. (08 Marks)
  
- 2
  - a. What do you mean by cost allocation and apportionment? (02 Marks)
  - b. Explain the advantages of activity based costing. (06 Marks)
  - c. The standard material cost for 100 kg of chemical 'D' is made up:
    - Chemical 'A' 30 kg @ Rs.4 per kg
    - Chemical 'B' 40 kg @ Rs.5 per kg
    - Chemical 'C' 80 kg @ Rs. 6 per kg
 in a batch 500 kg of chemical 'D' were produced from a mix of
    - Chemical A 140 kg @ Rs.588
    - Chemical B 220 kg @ Rs.1,056
    - Chemical C 440 kg @ Rs.2,860
 How do you yield mix and price of factors contribute to the variance in the actual cost per 100 kg of chemical 'D' over the standard cost? Find out variance. (08 Marks)
  
- 3
  - a. What are the differences between absorption costing and marginal costing? (02 Marks)
  - b. Distinguish between standard costing and budgetary control. (06 Marks)
  - c. Discuss the cost analysis under activity based costing. (08 Marks)
  
- 4
  - a. What are the differences between standard cost and estimated cost? (02 Marks)
  - b. List out the objectives of management audit. (06 Marks)
  - c. Draw up a flexible budget for overload expenses on the basis of the following data and determine the overhead rates at 70%, 80% and 90%.

Plant capacity	At 80% Capacity (Rs)
<b>Variable overheads:</b>	
Indirect labour	12000
Stores including spares	4000
<b>Semi Variable:</b>	
Power (30% fixed; 70% variable)	20000
Repairs (60% fixed; 40% variable)	2000
<b>Fixed overheads:</b>	
Depreciation	11000
Insurance	3000
Salaries	10000
<b>Total overheads</b>	62000
Estimated direct labour hours	1,24,000

(08 Marks)

- 5 a. What are the demerits of traditional costing? (02 Marks)  
 b. Write a note on classification of cost. (06 Marks)  
 c. SV Ltd. a multi product company furnishes you the following data relating to the year 2016:

	First Half of the Year (Rs.)	Second Half of the Year (Rs.)
Sales	45,000	50,000
Total cost	40,000	43,000

Assuming that there is no change in prices and variable cost and that the fixed expenses are incurred equally in the two half year period. Calculate for the year 2016.

- i) The P/V ratio  
 ii) Fixed expenses  
 iii) Break Even Sales  
 iv) Percentage of margin of safety (08 Marks)
- 6 a. What are requisites of a good report? (02 Marks)  
 b. Explain the uses of breakeven analysis. (06 Marks)  
 c. In an engineering factory, the following particulars have been extracted for the quarter ended 31<sup>st</sup> Dec 2016. Compute departmental overhead rate for each of the production departments, assuming that overheads are recovered as a percentage of direct wages.

Particulars	Production Department			Service Department	
	A	B	C	X	Y
Direct wages (Rs.)	30,000	45,000	60,000	15,000	30,000
Direct material (Rs.)	15,000	30,000	30,000	22,500	22,500
Number of workers (No.)	1,500	2,250	2,250	750	750
Electricity (kWH)	6,000	4,500	3,000	1500	1500
Assets value (Rs.)	60,000	40,000	30,000	10,000	10,000
Number of light points	10	16	4	6	4
Area in SV yards	150	250	50	50	50

The expenses for the period were:

	Rs.
Power	1,100
Lighting	200
Stores overheads	800
Welfare of staff	3000
Depreciation	30,000
Repairs	6,000
General overheads	12,000
Rent and taxes	550

Apportion the expenses of service dept. Y according to direct wages and those of service department X in the ratio of 5:3:2 to the production departments. (08 Marks)

- 7 a. What is the balanced score card and what are its purposes? (02 Marks)  
 b. In a factory A, B and C are production department and X and Y are service departments. The primary distribution of the estimated overheads in the factory has just been completed. These details and the quantum of service rendered by the service department are given below:

Departments	A	B	C	X	Y
Primary distribution (Rs.)	2,40,000	2,10,000	2,50,000	1,40,000	96,000
Service rendered by					
X	30%	20%	35%	-	15%
Y	25%	40%	25%	10%	-

Prepare a statement showing the distribution of service department. Overheads to the production departments by simultaneous creation method. (06 Marks)

- c. The accounts of Basudev manufacture Ltd. for the year ending 31<sup>st</sup> Dec 2016. Show the followings:

	Rs.
Stock of material on 1/1/2016	6,720
Material purchased	1,50,000
Material return to suppliers	2,000
Direct labour	50,000
Direct expenses	20,000
Factory expenses	15,300
Office & administrative expenses	8,000
Selling & distribution expenses	7,900
Stock of materials on 31/12/2016	7,720
Profit	10,000

- Find out: i) Prime cost  
ii) Works cost  
iii) Cost of production  
iv) Total cost and sales

(08 Marks)

8 **CASE STUDY: (Compulsory)**

The following particulars are extracted from the records of a company.

Particulars	Product A (per unit)	Product B (per unit)
Sales (Rs.)	100	120
Consumption of material	2 kg	3 kg
Material cost (Rs.)	10	15
Direct wage cost (Rs.)	15	10
Direct expenses (Rs.)	5	6
Machine hours used (Hrs)	3 hrs	2 hrs
<u>Overhead expenses:</u>		
Fixed (Rs.)	5	10
Variable (Rs.)	15	20
Direct wage per hour is Rs.5		

- a. Comment on profitability of each product (both use the same raw material) when:
- Total sales potential in units is limited.
  - Total sales potential in value is limited.
  - Raw material is in short supply.
  - Production capacity (in terms of machine hours) is the limiting factor. (12 Marks)
- b. Assuming raw material as the key factor, availability of which is 10000 kgs and each product cannot be sold more than 3500 units find out the product mix which will yield the maximum profit. (04 Marks)

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