



# CBCS SCHEME

16/17MBAFM305

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## Third Semester MBA Degree Examination, June/July 2019 Cost Management

Time: 3 hrs.

Max. Marks:80

**Note:** 1. Answer any **FOUR** full questions from Q.No.1 to 7.  
2. Q.No. 8 is compulsory.

- 1 a. What is cost management? (02 Marks)  
b. Discuss the classification of overhead in details. (06 Marks)  
c. Following information has been obtained from the records of a manufacturing company:

Stock of Raw materials (01.01.2016)	40,000
Stock of Raw materials (31.12.2016)	50,000
Stock of Finished Goods (01.01.2016)	1,00,000
Stock of Finished Goods (31.12.2016)	1,50,000
Stock of WIP (01.01.2016)	10,000
Stock of WIP (31.12.2016)	14,000

Indirect labour	: 50,000	Lubricant	: 10,000
Insurance plant	: 3,000	Purchase of Raw material	: 4,00,000
Sales commission	: 60,000	Salaries of salesman	: 1,00,000
Carriage outward	: 3,00,000	Depreciation on machinery	: 50,000
Factory rest	: 60,000	Property tax on factory building	: 11,000
Sales	: 12,00,000		
Power	: 30,000		
Wages	: 3,00,000		

Prepare a statement of cost and profit. (08 Marks)

- 2 a. What is cost allocation and cost apportionment? (02 Marks)  
b. What are the requisites of Good report? (06 Marks)  
c. The following information relates to a company which has 2 production department and 2 services department for the month of 2017.

Particulars	Production dept.		Services dept .	
	A	B	X	Y
Floor area in sq. feet	5000	4000	1000	2000
Assets value (in lakhs )	10	5	3	1
H.P. of machines	1000	500	400	100
No. of workers	100	50	50	25
Light and fan points	50	30	20	20

Expenses for the period were:

(i) Depreciation	1,90,000	(ii) Rent and Rates	36,000
(iii) Insurance	15,200	(iv) Power	20,000
(v) Canteen expenses	10,800	(vi) Electricity	4,800

Dept X renders services works Rs. 12000/- to Y and balance to A and B is the ratio of 3:2. Y renders service to A and B in 9:1 ratio. All the workers of dept A and B have worked 25 days of 8 hours each. You are required to calculate o/h recovery rate of production dept. A and B per labour hour. (08 Marks)

- 3 a. What is cost driver? (02 Marks)  
 b. State the features of balance scorecard. (06 Marks)  
 c. A manufacturing company produces a product and the following information are as follows :  
 I) Budgeted output (sales) 6000 units  
 II) Budgeted sales value Rs. 2,40,000/-  
 III) V.C. per unit Rs. 30/-  
 IV) F.C. Rs. 40,000/-  
 You required to calculate  
 (i) Profit (Budgeted) (ii) BEP (in units) & sales (iii) Expected profit / loss when sales is 3000, 7000, 5000 units. (iv) the MOS in terms of % of output. (v) The No. of units which is to be sold to earn a profit of 15000/- (08 Marks)
- 4 a. What are the objectives of management audit? (02 Marks)  
 b. What are the different tools of target costing of cost management? (06 Marks)  
 c. What is segment reporting? Define the applicability of Accounting standards 17. (08 Marks)
- 5 a. What do you mean by Break Even Point? (02 Marks)  
 b. From the following information calculate MCV, MUV, MPV separately for product X & Y.

Material	Std Q (kg)	Std Price (Rs.)	Actual Quantity	Actual Price
X	10	4	12	3.75
Y	15	5	18	4.50

- (06 Marks)  
 c. Prepare a flexible budget for overheads on the basis of following data. Ascertain the overhead rate @ 50%, 60% and 70% capacity.  
 Expenses @ 60% capacity

Variables

Indirect material	6000
Indirect labour	18000

Semi variables

Electricity (40% fixed)	30,000
Repair (80% fixed)	3,000

Fixed O.Hs

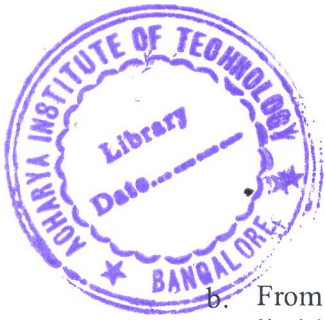
Depreciation	16,500
Insurance	4,500
Salaries	15,000

Total o/h 93,000

If total labour hour work is 1,86,000 what is the labour per hour for 50%, 60% and 70% capacity. (08 Marks)

- 6 a. What is vouching? (02 Marks)





16/17MBAFM305

- b. From the following details prepare production budget for the year 2016. Assuming sales as limiting factor.

Particular	Opening	Budget sales
A	50,000	2,00,000
B	60,000	2,50,000
C	1,00,000	5,00,000
D	10,000	1,00,000
E	20,000	50,000

- Stock of B and C is to be maintained @ 10% above the existing level to sustain the budgeted sales.
  - Stock level of A may be reduced by 20%.
  - Stock of E is proposed to be raised by 30,000 units for export market. (06 Marks)
- c. State the pros and cons of Activity based costing and also differentiate between ABC and traditional costing. (08 Marks)
- 7 a. What is strategic cost management? (02 Marks)
- b. The field of cost accounting has evolved into the field of cost management? Explain. (06 Marks)
- c. Explain the absorption overheads. Discuss the absorption of different types of overheads. (08 Marks)

8 Case Study (Compulsory) :

Modern manufacturing limited has 3 production departments P<sub>1</sub>, P<sub>2</sub>, P<sub>3</sub> and 2 services department S<sub>1</sub> & S<sub>2</sub> and details pertaining to each of the department are as follows:

Particular	P <sub>1</sub>	P <sub>2</sub>	P <sub>3</sub>	S <sub>1</sub>	S <sub>2</sub>
Direct wages	3000	2000	3000	1500	195
Working hours	3070	4475	2419	-	-
Value of machine	60,000	80,000	1,00,000	5000	5000
H. P. Machine	60	30	50	10	-
No. of light points	10	15	20	10	5
Floor space (sq. ft.)	2000	2500	3000	2000	500

The following figures extracted from the records are relevant to :

- Rent and rates : 5000
- Power : 1500
- General lighting : 600
- Depreciation on machinery : 10,000
- Indirect wages : 1939
- Sundry expenses : 9695.

Expenses of service department are allocated as bellow:

	P <sub>1</sub>	P <sub>2</sub>	P <sub>3</sub>	S <sub>1</sub>	S <sub>2</sub>
S <sub>1</sub>	20%	30%	40%	-	10%
S <sub>2</sub>	40%	20%	30%	10%	-

Find out total cost of production per unit which is processed for manufacturing department P<sub>1</sub>, P<sub>2</sub>, P<sub>3</sub> for 4 hrs, 5hrs and 3hrs respectively. Given data consumption of direct material, Rs. 50/- per unit and direct labour Rs. 30/- P.unit. (16 Marks)

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