

D 33207

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Name.....

Reg. No.....

**THIRD SEMESTER M.B.A. DEGREE (2016 SCHEME) EXAMINATION  
JANUARY 2023**

(CUCSS)

M.B.A.

BUS 3C 18—STRATEGIC COST MANAGEMENT

Time : Three Hours

Maximum : 36 Weightage

**Part A**

*Answer all questions.  
Each question carries 1 weightage.*

1. Define the term 'Cost driver' ?
2. What do you mean by Kaizen costing ?
3. Explain the terms 'Cost Unit' and 'Cost Centre' ?
4. What is Process costing ?
5. State the importance of Margin of Safety ?
6. What is the difference between Direct cost and Indirect cost ?

(6 × 1 = 6 weightage)

**Part B**

*Answer any four questions.  
Each question carries 3 weightage.*

7. Distinguish between Marginal Costing and Absorption Costing ?
8. A TV manufacturing company finds that while it costs to make the component X, the same is available in the market at Rs. 5.75 each, with all assurance of continued supply. The breakdown of cost is :

Materials	: Rs. 2.75 each
Labour	: Rs. 1.75 each
Variable overheads	: Rs. 0.50 each
Depreciation and other fixed cost	: Rs. 1.25 each
Total	: Rs. 6.25 each

**Turn over**

- (a) Should the company make or buy the component ?
- (b) What should be your decision if the supplier offered component at Rs. 4.85 each ?
9. Explain the role played by *standard costing* in cost reduction and control ?
10. Explain in detail different elements of cost ?
11. What are the features of costing in service sector ?
12. The following data relates to a manufacturing company :

Plant capacity : 400000 units per annum

Present utilisation : 40 %

Actuals for the year were :

Selling price : Rs. 50 per unit

Materials cost : Rs. 20 per unit

Variable manufacturing costs : Rs. 15 per unit

Fixed costs : Rs. 27 lakhs

In order to improve capacity utilisation the following proposals are being considered :

Reduce selling price by 10 %

Spend additionally Rs. 3 lakhs on sales promotion

How many units to be made and sold in order to earn a profit of Rs. 5 lakhs per annum ?

(4 × 3 = 12 weightage)

### Part C

Answer any **three** questions.

Each question carries 4 weightage.

13. Explain various techniques used for cost separation ?
14. The company's initial investment in a project was 1,00,000 and the expected cash inflows during the project are as follows :

<i>Particulars</i>	<i>Sales units (Rs.)</i>	<i>Profit / Loss (Rs.)</i>
Year I	8,000	15,000 Loss
Year II	10,000	15,000 Profit

The Selling Price per Unit is 120.

Calculate :

- (i) P/V Ratio and Fixed Cost.
  - (ii) Sales at Break-Even Point.
  - (iii) Sales to earn a profit of Rs. 45,000.
  - (iv) Profit when sales are 30,000 units.
15. Explain the techniques used for material cost control ?
  16. What are the objectives and assumptions of CVP analysis ?
  17. ABC Ltd has collected following data for its two activities :

<i>Activity</i>	<i>Cost driver</i>	<i>Capacity</i>	<i>Cost (Rs.)</i>
Power	Kilowatt hours	50,000	2,00,000
Inspection	No of inspections	10,000	3,00,000

The company makes 3 products A, B and C. For the year ended 31<sup>st</sup> March, 2022, the following consumption of cost drivers was reported.

<i>Product</i>	<i>Kilowatt hours</i>	<i>Quality</i>
		<i>Inspections</i>
A	10000	3500
B	20000	2500
C	15000	3000

- (i) Compute cost allocated to each product from each activity ?
- (ii) Calculate the cost of unused capacity for each activity ?

(3 × 4 = 12 weightage)

**Turn over**

**Part D (Compulsory)***It carries 6 weightage.*

18. Product A requires three distinct processes and after the third process the product is transferred to finished stock. Prepare various process accounts from the following information.

<i>Particulars</i>	<i>Total</i>	P1	P2	P3
Direct materials	5,000	4,000	600	400
Direct labour	4,000	1,500	1,600	900
Direct expenses	800	500	300	
Production overheads	6,000			

(1 × 6 = 6 weightage)