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Reg. No.....................................

THIRD SEMESTER M.B.A. DEGREE EXAMINATION, JANUARY 2024

(CUCSS)

M.B.A.

BUS 3C 18—STRATEGIC COST MANAGEMENT

(2016 Scheme)

Time : Three Hours　　　　　　　　　　　　　　　　Maximum : 36 Weightage

Part A

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

1. What is JIT ?

2. What do you mean by Equivalent production ?

3. Define Absorption costing ?

4. Brief the concept of EOQ ?

5. State the need for Activity Based Costing ?

6. What is the difference between normal loss and abnormal loss ?

(6 × 1 = 6 weightage)

Part B

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

7. X and Y Ltd has three divisions each of which makes different products. The budgeted data for the next year is as follows :

Divisions	A (Rs.)	B (Rs.)	C (Rs.)
Sales	1,12,000	56,000	84,000
Direct material	14,000	7,000	14,000
Direct labour	5,600	7,000	22,400
Variable overhead	14,000	7,000	28,000

Turn over

Divisions	A (Rs.)	B (Rs.)	C (Rs.)
Fixed cost	28,000	14,000	28,000
Total cost	61,600	35,000	92,400

The management is considering closing down division C. There is no possibility of reducing variable costs. Advice whether or not division C should be closed down ?

8. Explain classification of cost based on behaviour ?

9. Differentiate between cost reduction and cost control ?

10. Explain the importance of value analysis and value engineering in cost reduction and control ?

11. What is Margin of Safety and Angle of Incidence ? How is it related to *break-even analysis* ?

12. The cost analysis of two products A and B is given below :

Particulars	Product A (Rs.)	Product B (Rs.)
Material @ Rs. 2.50 per unit	25	45
Labour @ Rs. 1 per hour	12	–
Labour @ Rs. 1.50 per hour	–	15
Variable overheads	2	5
Selling price	70	80

On the basis of above information, which product would you recommend to be manufactured if labour is key factor and if material is key factor ?

(4 × 3 = 12 weightage)

Part C

Answer any **three** *questions.*
Each question carries 4 *weightage.*

13. Discuss the methods used for apportioning joint costs to by-products.

14. ABC Ltd produces a single product. Following cost details are given about its product : The Selling Price per Unit is Rs. 40 ; Marginal cost per unit is Rs. 24 ; and Fixed cost per annum is Rs. 16,000.

Calculate :

i) P/V Ratio ;

ii) Sales at Break-Even Point ;

iii) Sales to earn a profit of Rs. 2,000 ; and

iv) New Break-even sales, If selling price is reduced by 10 % ?

15. Explain the various steps in activity based costing ?

16. Explain the features and advantages of Marginal costing ?

17. In process X, 100 units of raw materials were introduced at a cost of Rs. 1,000. The other expenditure incurred by the process was Rs. 602. Of the units introduced 10 % are normally lost in the course of manufacture and they possess a scrap value of Rs. 3 each. The output of process X was only 75 units. Prepare Process X's A/c and Abnormal loss A/c.

(3 × 4 = 12 weightage)

Part D (Compulsory)

It carries 6 *weightage.*

18. The following information has been extracted from EXCEL Rubber Products Ltd :

Direct materials A	:	Rs. 16
Direct materials B	:	Rs. 12
Direct wages A	:	24 hrs @ 50 paise per hr
Direct wages B	:	16 hrs @ 50 paise per hr
Variable overheads	:	150 % of wages
Fixed overheads	:	Rs. 1,500
Selling price A	:	Rs. 50
Selling price B	:	Rs. 40

The directors want to be acquainted with the desirability of adopting any one of the following alternative sales mixes in the budget for the next period :

i) 250 units of A and 250 units of B.

ii) 400 units of B only.

iii) 400 units of A and 100 units of B.

iv) 150 units of A and 350 units of B.

State which of the alternative sales mixes you would recommend to the management ?

(1 × 6 = 6 weightage)