

D 136302

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Name.....

Reg. No.....

**THIRD SEMESTER M.B.A. DEGREE (REGULAR) EXAMINATION****JANUARY 2026**

M.B.A.

BUS 3EF 02—STRATEGIC COST MANAGEMENT

(2024 Scheme)

Time : Three Hours

Maximum : 60 Marks

**Part A***Answer all questions.**Each question carries 2 marks.*

1. Define cost unit and give one example.
2. Define P/V Ratio.
3. Distinguish between fixed cost and variable cost.
4. Calculate prime cost :  
Direct Material = ₹. 40,000, Direct Labour = ₹. 25,000, Direct Expenses - ₹. 5,000.
5. Sales = ₹. 2,00,000 ; Variable Cost = ₹. 1,20,000. Find contribution.

(5 × 2 = 10 marks)

**Part B***Answer any four questions from this Part.**Each question carries 4 marks.*

6. Explain any four classifications of cost.
7. What is CVP (Cost Volume Profit) analysis ?
8. Prepare a simple cost sheet from :  
Direct Material = ₹. 40,000 ; Labour = ₹. 20,000 ; Factory OH = 50 % of labour ; Admin OH - 10 % of factory cost ; Profit = 20 % of cost.
9. Standard output = 10 units/hour ; Actual output = 9 units/hour. Wage rate = ₹. 20/hr. Compute labour efficiency variance.

**Turn over**

10. Product cost via absorption costing :

DM = ₹. 40, VC OH = ₹. 20, FC OH = ₹. 30/unit (based on normal capacity).

11. Explain the concept of target costing.

(4 × 4 = 16 marks)

### Part C

*Answer any three questions from this Part.*

*Each question carries 8 marks.*

12. Explain in detail the differences between marginal and absorption costing.

13. Discuss the procedures for implementing ABC in an organisation.

14. A company sells a product at ₹. 200. VC = ₹. 120 ; FC = ₹. 2,40,000.

(a) Find BEP (units and sales).

(b) MOS.

(c) Profit at 4,000 units.

15. Rags Ltd. manufactures and sells premium quality of sports shoes in India. Noted sports clubs and its members are the main customers. Finished products show some rectifiable defects. These problems can be detected and rectified during internal inspection. Inspection cost is Rs. 30 per unit. Rectification cost is Rs. 18 per unit.

During 2022, 60000 pairs of shoes were manufactured and sold. After inspection defect was detected in respect of 5 % of output. Inspection cost is Rs. 30 per pair. After sales, customers reported defects in respect of 6 % of output. These shoes were received back from customers at a transportation cost of Rs.10 per pair. Due to negative publicity arising out of sale of defective materials, loss in sales is expected in next year to the extent of 5 % of external failures. Required:

a) Calculate the cost of quality showing the elements separately.

b) If the selling price per pair of shoes is Rs. 600 and variable cost is 60 % of sales, fixed cost is Rs. 5,50,000 p.a., prepare the profitability statement for the product during 2022.

16. At the beginning of 2023, ASA Inc. set a standard marginal cost for its major product of Rs. 25 per unit. The standard cost is recalculated once each year. Actual production costs during August 2023 were Rs. 3,04,000, when 8,000 units were made. With the benefit of hindsight, the management of ASA Inc. realizes that a more realistic standard cost for current conditions would be Rs. 40 per unit. The planned standard cost of Rs. 25 is unrealistically low.

Required :

- (i) Calculate the planning and operational variances.
- (ii) What is the implication of planning and operational variances against traditional variance? State your answer in particular reference to the information given in the above situation.

(3 × 8 = 24 marks)

**Part D**

**Compulsory Question.**

10 marks.

17. Case

The summarized results of a company for the two years ended 31 st December 2021 and 2022 are given below :

	2021 (Rs. in Lakhs)	2022 (Rs. in Lakhs)
Direct Materials	324	300
Sales	770	600
Direct Wages	137	120
Variable Overheads	69	60
Fixed Overheads	150	80
Profit	90	40

As a result of re-organization of production methods and extensive advertisement campaign, the company was able to secure an increase in the selling prices by 10 % during the year 2022 as compared to the previous year.

In the year 2022, the company consumed 1,20,000 Kgs. of raw materials and used 24,00,000 hours of direct labour. In the year 2023, the corresponding figures were 1,35,000 kgs of raw materials and 26,00,000 hours of direct labour. You are required to:

Use information given for the year 2022 as the base year information to analyze the results of the year 2023 and to show in a form suitable to the management the amount each factor has contributed by way of price, usage and volume to the change in profit in 2023.

(10 marks)