D 90814 (Pages : 4) Name..............................

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THIRD SEMESTER M.B.A. DEGREE EXAMINATION, DECEMBER 2015

BUS 3C 19—COST AND QUALITY MANAGEMENT

(2013 Admissions)

Time : Three Hours Maximum : 36 Weightage

Answer **all** *the Sections.*

Section A

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

1. What are the elements of overhead ?
2. What is budget manual ?
3. What is quality assurance ?
4. What is bench marking ?
5. What is zero based budgeting ?
6. What is the utility of *p*-chart ?

($6 \times 1 = 6$ weightage)

Section B

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

7. Explain the quality system under ISO 14000.
8. Explain the relevance of cost management in organisational success.
9. Explain the methods of transfer pricing.
10. Discuss the objectives and limitations of budgetary control.

Turn over

11. Prepare a Cash Budget from the following information for ABC Ltd :

Particulars	I Quarter (Rs.)	II Quarter (Rs.)	III Quarter (Rs.)	IV Quarter (Rs.)
Opening cash	10,000			
Collections from customers	1,25,000	1,50,000	1,60,000	2,21,000
Payments :				
Purchase of Materials	20,000	35,000	35,000	54,200
Other expenses	25,000	20,000	20,000	17,000
Salaries and wages	90,000	95,000	95,000	1,09,200
Income tax	5,000			
Machinery purchase				20,000

The company desires to maintain a cash balance of Rs.15,000 at the end of each quarter. Cash can be borrowed or repaid in multiples of Rs.500 at an interest rate of 10% p.a. Management does not want to borrow cash more than what is necessary and wants to repay as early as possible. In any event, loans cannot be extended beyond a quarter. Interest is computed and paid when principal is repaid. Assume that borrowing takes place at the beginning and repayments are made at the end of the quarter.

12. A company produces 30, 000 units of product A and 20, 000 units of product B per annum.

The sales value and costs of the two products are as follows :

		Rs.
Sales value	—	7,60,000
Factory overheads	—	1,90,000
Direct material	—	1,40,000
Administrative and selling overheads	—	1,20,000
Direct labour	—	1,90,000

50% of the factory overheads are variable and 50% of the administrative and selling overheads are fixed.

The selling price of A is Rs.12 per unit and Rs.20 per unit for B.

The direct material and labour ratio for product A is 2 : 3 and for B is 4 : 5. For both the products, the selling price is 400% of direct labour. The factory overheads are charged in the ratio of direct labour and administrative and selling overheads are recovered at a flat rate of Rs. 2 per unit for A and Rs. 3 per unit for B.

Due to fall in demand of the above products, the company has a plan to diversify and make product C using 40% capacity. It has been estimated that for C direct material and direct labour will be Rs.2.50 and Rs.3 per unit respectively. Other variable costs will be the same as applicable to the product A. The selling price of product C is Rs.14 per unit and production will be 30 000 units. Assuming 60% capacity is used for manufacture of A and B, calculate,

- o Present cost and profit
- o Cost and profit after diversification
- o Give your recommendations as to whether to diversify or not.

13. A factory produces 300 units of a product per month. The selling price is Rs. 120 and variable cost Rs. 80 per unit. The fixed expenses of the factory amounts to Rs. 8,000 per month. Calculate :

    (a) The estimated profit wherein a month 240 units are produced

    (b) Sales to be made in order to earn a profit of Rs. 7,000 per month.

14. The following information has been gathered for a company doing jobbing work only for 2014 :

		Rs.
Material consumed	...	6,00,000
Direct labour	...	4,00,000
Factory overheads	...	3,40,000
Selling and administrative expenses	...	94000
Selling price	...	18,40,800

Company has to quote for a job to be undertaken in February 2015. It is estimated that the job will require material costing Rs. 35,000 and direct wages for it will be Rs. 50,000.

What should be the quotation ?

(6 × 3 = 18 weightage)

Section C

Answer any **two** *questions.*
Each question carries 6 *weightage.*

15. The following standards have been set to manufacture a product

Direct Materials :

2 units of A at Rs. 4 per unit: Rs.8

3 units of B at Rs. 3 per unit: Rs. 9

15 units of C at Re.1 per unit: Rs. 15

Direct Labour 3 hrs at Rs. 8 per hour: Rs. 24

Standard Prime Cost : Rs. 56

The company manufactured and sold 6000 units of the product during the year. Direct Material cost was as follows:

12,500 units of A at Rs. 4.40 per unit

18,000 units of B at Rs. 2.80 per unit

88,500 units of C at Rs. 1.20 per unit

The company worked for 17,500 direct labour hours during the year. For 2500 of these hours the company paid Rs. 12 per hour while for the remaining the wages were paid at the standard rate. Calculate material price and usage variances and labour rate and efficiency variances.

16. Prepare a statement of cost from the following trading and P/L account for the year ending March 31, 2013 :

Particular	*Amount* (Rs.)	*Particular*	Amount (Rs)
To opening stock material	12,000	By Sales	2,00,000
Finished goods	40,000	Closing stock material	20,000
Purchases	1,20,000	Finished goods	50,000
Cost of moulds	3,000		
Salary of factory manager	1,000		
Depreciation of machine	800		
Gross profit	63,200		
	2,70,000		2,70,000
To office salary	9,000	By Gross profit	63,200
Salesman salary	6,000	Interest from bank	800
Insurance of office building	1,000	Dividend received	200
Godown expenses	800	Rent received	900
Directors fees	2,000		
Telephone charges	700		
Showroom expenses	1,200		
Delivery van expenses	1,500		
Preliminary expenses	2,000		
Interest on debt.	700		
Market research exp.	600		
Net profit	39,000		
	65,100		65,100

17. Explain the process of organising and training TQM in an organisation.

(2 × 6 = 12 weightage)