D 91564 (Pages : 3) Name.....

Reg. No.....

THIRD SEMESTER M.B.A. DEGREE EXAMINATION, JANUARY 2021

(CUCSS)

M.B.A.

BUS 3C 18—STRATEGIC COST MANAGEMENT

(2016 Admissions)

Time : Three Hours Maximum : 36 Weightage

Part A

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

1. Define the terms Prime Cost and Overheads.
2. What are equivalent units ?
3. What do you mean by CVP analysis ?
4. Define Pareto analysis.
5. Describe the two potential problems that should be avoided in relevant-cost analysis ?
6. What are the various categories of cost drivers ?

(6 × 1 = 6 weightage)

Part B

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

7. Discuss the various process costing methods in service sector.
8. What are the features of JIT ? What are the features of JIT ?
9. "Target costing helps the organization to balance all the aspects that are beyond the control of an organization." Discuss.
10. "Strategic cost management has become an essential area these days. While formulating the strategy for the accomplishment of overall organizational objectives, different cost drivers should be clearly identified."
11. Sriram enterprises manufacturers and sells black cleanser worth Rs. 40,000, white cleanser worth Rs. 50,000, scanted cleaner worth Rs. 20,000 and naphthalene balls worth Rs. 10,000 every month. The firm's tool fixed costs per month are Rs. 24,400. The variable costs are: on block cleanser 60% on white cleanser 68% on scented cleanser 80% and on naphthalene balls 40%.

Turn over

12. Desktop Co. manufactures and sells 7,500 units of a product. The full Cost per unit is 100. The Company has fixed its price so as to earn a 20% return on an Investment of 9,00,000. Required : (i) Calculate the Selling Price per unit from the above. Also, calculate the mark-up % on the Full Cost per unit.

    (ii) If the Selling Price as calculated above represents a mark- up% of 40% on Variable Cost per unit. Calculate the Variable Cost per unit.

    (iii) Calculate the Company's Income if it had increased the Selling Price to 115. At this price, the Company would have sold 6,750 units. Should the company have increased the Selling price to '230 ?

    The proprietrix Ms. Anuradha shah, being basically a science graduate, wonders at what combined sales volume dues she really start earning profit. Please her in arriving at such a sales volume.

(4 × 3 = 12 weightage)

Part C

Answer any **three** *of the following.*
Each question carries 4 *weightage.*

13. Differentiate between marginal costing and absorption costing.

14. From the following figures, find the Break-Even Volume Selling price per ton Rs.69.50-Variable cost per ton Rs.35.50 Fixed Cost Rs. 18.02 lakhs If this volume represents 40% capacity, what is the additional profit for an added production of 40% capacity, the selling price of which is 10% lower for 20% production and 15% lower than the existing price, for the other 20% capacity ?

15. Discuss the importance of the following terms in relation to marginal costing. A] Key factor ; B] Break-even point ; and C] Margin of safety.

16. XYZ Ltd. is manufacturing three products, A, B and C. All the products use the same raw material which is available to the extent of 61,000 kg only.

    The following information is available from the books and records of the company.

Particulars	Product A	Product B	Product C
Selling price per unit	Rs. 100	Rs. 140	Rs. 90
Variable cost per unit	Rs. 75	Rs. 110	Rs. 65
Raw material requirement per unit [kg]	5	8	6
Market demand - units	5000	3000	4000

    Advise the company about the most profitable product mix and also compute the amount of profit resulting from such product mix if the fixed costs are Rs. 1,50,000.

17. Discuss the various cost control techniques.

(3 × 4 = 12 weightage)

Part D

Answer the following **compulsory** *question which carries 6 weightage.*

18. A company manufactures two products, X and Y. The product X is a low volume and its sales are only Rs.5,000 p.a. Product Y is high volume and labor intensive, its sales are 25,000 units p.a. Product X takes 6 labor hours to make one unit but Y requires 8 hours per unit.

Details of costs for materials and labor for each product are as follows :

Particulars	Product X	Product Y
Direct Materials	Rs. 200	100
Direct Labor - @ Rs.10 per hour	60	80
Total	260	180

The company works 1,00,000 direct labor hours p.a. Total manufacturing overhead costs are Rs. 17,50,000 p.a.

You are required to compute per unit cost of each product using, I. Direct labor hour rate method for absorption of overhead costs and II. Activity Based Costing technique for absorption of overhead costs.

(1 × 6 = 6 weightage)