D 72540 (Pages : 4) Name.................................

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

THIRD SEMESTER M.B.A. DEGREE EXAMINATION, DECEMBER 2019

(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. Briefly discuss the techniques of separation of costs.
2. Enumerate the major managerial applications of Marginal Costing.
3. Briefly discuss the different methods for accounting for By-products.
4. 'Scientific cost management through the application of cost accounting principles is an imperative for the healthcare sector in Kerala'. Critically comment on the statement. Substantiate your views.
5. Briefly explain the concept of Value Analysis.
6. What is Kaizen Costing ? What is its relevance in a competitive business scenario ?

(6 × 1 = 6 weightage)

Part B

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

7. What is Target Costing ? Discuss its special significance in the current globalised regime.
8. 'Scientific cost management through the application of cost accounting principles is an imperative for the healthcare sector in Kerala'. Critically comment on the statement. Substantiate your views.
9. ABC Ltd. produces three products at a joint manufacturing cost of Rs. 1,250,000.

   The following information has been provided :

Product		*Volume*	*Further Processing Costs* (Rs.)	*Selling Price per Unit* (Rs.)
A	...	25,000	750,000	40
B	...	40,000	750,000	50
C	...	35,000	210,000	20

   Required : Allocate the joint costs using the Constant Gross Margin Percentage method.

Turn over

10. M/s. Leather Lusters Ltd. (LLL) is a manufacturer of high quality leather that is used for the manufacture of leather shoes. LLL operates in a very competitive environment. It sells leather to different shoe manufacturers who in turn manufacture and market shoes under their own brands. LLL can only charge Rs. 24 per unit of leather. If the company's intended profit margin is 20 % on cost, calculate the target cost per unit. If 30 % of the cost per unit of leather is related to direct materials, what is the Target Cost per unit for direct materials for LLL ?

11. What do you mean by Cost Driver ? Discuss its use in Activity Based Costing (ABC) with suitable examples.

12. ABC Ltd. commenced business on 01st January 2018 making one product only. Its cost card shows :

Particulars	*Amount* (Rs.)
Direct labour	10
Direct material	16
Variable Production overhead	4
Fixed Production overhead	10
Standard production cost	40

The fixed production overhead figure has been calculated on the basis of a budgeted normal output of 36,000 units per annum. The fixed production overhead incurred was Rs. 30,000 per month right from January 2018.

Selling, distribution and administration expenses are as follows :

Fixed	...	Rs. 20,000 per month.
Variable	...	15 % of the Sales value.

The selling price per unit is Rs. 70. The number of units produced and sold were as follows :

		January 2018 (*units*)
Production	...	2,000
Sales	...	1,500

Prepare income statements (January 2018) under the following :

(i) Absorption Costing ; and (ii) Marginal Costing.

(4 × 3 = 12 weightage)

Part C

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

13. 'While Kaizen Costing is suitable in a Cost Reduction setting Standard Costing is the one relevant in Cost Control environment. Critically comment on the given statement clearly bringing out the differences between the two types of costing noted above, and also the difference between Cost Reduction and Cost Control.

14. 'Joint product costs can be allocated based on two broad approaches : (i) Benefits-received approaches ; and (ii) Relative market value approaches". Elucidate.

15. Write a note on the features of Activity Based Costing (ABC) with a focus on the methodology involved in the treatment of indirect costs (Overheads).

16. From the following particulars of M/s. God's Own Canteen - a canteen based in Kozhikode specialized in serving meals, relating to the cost 4500 meals served by its, find the Total Operating Cost, and the Cost per Meals :

		Rs.
Food	...	25,000.00
Bakery Items	...	8,000.00
Beverages	...	6,500.00
Salaries & Wages of Staff	...	14,000.00
Heating and Lighting	...	4,000.00
Consumable stores	...	2,000.00
Repairs and Maintenance	...	3,000.00
Depreciation	...	1,000.00
Premises rent	...	2,000.00
Interest	...	1,500.00

17. What are the new trends in strategic Cost Management ?

(3 × 4 = 12 weightage)

Part D

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

18. M/s. Paramount Structures Ltd. has two plants viz. Plant P and Plant S. The following are the operating details of these two plants under the company :

Particulars		*Plant* P (Rs.)	*Plant* S (Rs.)
Sales	...	20,00,000	16,00,000
Variable Cost	...	12,00,000	10,00,000
Fixed Cost	...	4,00,000	4,00,000
Capacity utilization	...	100 %	50 %

It is required to merge both the plants. You are required to ascertain the following :

(a) Break-even sales and break-even capacity of the merged plant.

(b) Profit and profitability of operating the merged plant at 90% of the capacity.

(c) Capacity level of operation, if profit of Rs. 6,00,000 (the profit made by both the plants before merger) has to be made by the merged plant.

(1 × 6 = 6 weightage)