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MBA
MGT 302

THIRD SEMESTER REGULAR/BACK EXAMINATION, 2015-16

COST MANAGEMENT

BRANCH : MBA

QUESTION CODE : T329

Max marks: 70

Time: 3 Hours

Answer Question No.1 which is compulsory and any five from the rest.

[The figures in the right hand margin indicate marks]

- Q.1 Answer the following questions : 2x10
- (a) Distinguish between 'Cost Centre' and 'Cost Unit'.
 - (b) Explain in brief the explicit cost with examples.
 - (c) Discuss 'Profit Centre'.
 - (d) Distinguish between 'Time and Motion' study.
 - (e) What is 'Cost allocation' and 'Cost apportionment' ?
 - (f) Define 'Cost plus Contract'.
 - (g) What is service cost unit ?
 - (h) Distinguish between Joint-products and By-products.
 - (i) What is margin of safety ?
 - (j) Write two features of flexible budget.
- Q.2 Discuss Cost classification based on variability and controllability. 10
- Q.3 Product X takes 20 hours to process on Machine No.AB. It has a selling price of Rs.100.00 and marginal cost of Rs. 60.00. Y(a component part used in production) could be made on machine no. AB in 3 hours for marginal cost of Rs.5.00 . The supplier's price is Rs.10.00. Should one make or buy? 10
- Discuss in both situations
- (i) When machine no AB is working at full capacity and
 - (ii) When there is idle capacity. What are other non-cost considerations to be kept in mind in such cases?
- Q.4 What is the fundamental difference between Activity Based Costing (ABC) and Traditional System ? Why more and more organizations in both the manufacturing and non-manufacturing industries are adopting ABC ? 10
- Q.5 Compute a conservative estimate of profit on a contract (which has been 80% complete) from the following data and illustrate four methods of computing profit. 10
- | | | |
|--|---|-------------|
| Total expenditure to date | - | Rs.1,70,000 |
| Further expenditure to complete the contract | - | Rs. 34,000 |
| Contract price | - | Rs.3,06,000 |
| Work certified | - | Rs.2,00,000 |
| Cash received | - | Rs.1,63,200 |

Q.6 The Standard labour employment and actual labour employment and the actual labour engaged in a week for a job are as under:

Particulars	Skilled Worker	Semi-Skilled workers	Unskilled Workers
Standard no. workers in the gang	32	12	6
Actual no. of workers employed	28	18	4
Standard wage Rate per Hour(Rs)	3.00	2.00	1.00
Actual wage rate per hour(Rs.)	4.00	3.00	2.00

During 40 hours working week, the gang produced 1800 standard labour hours of work .

Calculate

- (a) Calculate Labour Cost Variance
- (b) Labour Rate Variance
- (c) Labour Efficiency Variance
- (d) Labour Mix Variance

Q.7 A Co. sells its product at Rs.15 per unit. In a period if it produces and sells 8000 units, it incurs a loss of Rs.5/- per unit. If the volume is raised to 20,000 units it earns a profit of Rs.4/- per unit. **10**

Calculate break-even point both in terms of rupees as well as in units.

Q.8 Explain the meaning and importance of Flexible budgeting as a tool of control. **10**

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