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Total number of printed pages – 3

MBA
MGT 302

Third Semester Regular Examination – 2014

COST MANAGEMENT

BRANCH : MBAR

QUESTION CODE : H 416

Full 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.*



1. Answer the following questions :

2 × 10

- (a) Define cost and cost accounting.
- (b) Distinguish between cost centre and profit centre.
- (c) What is relevant cost ?
- (d) State the use of EBQ in manufacturing co.
- (e) Explain escalation clause.
- (f) What is margin of safety ?
- (g) State the meaning of CVP analysis.
- (h) What is shutdown cost ?
- (i) What do you mean by rolling budget ?
- (j) Standard costs are based on past performance comment.

2. He is said that "cost accounting is a system of foresight and not a post-mortem examination, it turns losses into profits, speeds up activities and eliminates wastes". Discuss this statement.

10

P.T.O.

3. Briefly describe : 10

(a) Allocation of overheads

(b) Economic order quantity (EOQ)

4. A contractor makes up his accounts to 31st December each year. He started a new contract on 1st April, 2010. The information relates to the contract on 31st December, 2010.

	Rs.
Material	21,500
Labour	50,110
Direct Exp.	6,310

A machine costing Rs. 15,000/- has been on site for 73 days. Its working life is estimated at 5 years and its final serape value is Rs. 1000. A supervisor, who is paid Rs. 12,000/- per annum has spent approximate $\frac{1}{2}$ of his time on this contract. Other expenses amounted to Rs. 12,610/- materials at site Rs. 2,00,000- $\frac{2}{3}$ rd was completed. Architectures Certificate has been issued corsing Rs. 1,00,000 and Rs. 80,000 has been paid on account. Before contract Account and show how much profit or loss should be transferred to P/L Account. 10

5. The P/V Ratio of a firm dealing in precision instruments is 50% and margin of safety 40%. You are required to compute breakeven point and net profit if the sales volume is Rs. 50,000. If 25% of variable cost is labour cost. What will be effect on BEP ? 10

6. Prepare a flexible budget for overheads on the basis of the following data. Ascertain the overhead rates at 50% and 70%. 10

At 60% Capacity

<u>Variable overheads</u>	<u>Rs.</u>
Indirect Material	6,000
Indirect labour	18,000
<u>Semi-variable overheads</u>	
Electricity (40% fixed)	30,000
Repairs (80% fixed)	3,000
<u>Fixed overheads</u>	
Depreciation	16,500
Insurance	4,500
Salaries	5,000
Total overheads	93,000
Estimated direct labour hours	1,86,000

7. What do you mean by the term 'Cost reduction'. Compare and contrast cost control and cost reduction. 10
8. What are various methods of remunerating labour? Explain any four of them. 10

