SYBMS sem IV Reg Exam April-2023

S.Y.B.M.S SEM- IV STRATEGIC COST MANAGEMENT

Time: 2 ½ Hours 08/4/23 **Total marks: 75**

N.B: 1) All questions are compulsory with internal choice
2) Figures at right indicates full marks for question.
3) Use of simple calculator is permitted.
4) Working notes should form part of your answer.

Q.1. (a) State whether the following statements are true or false (any seven) **8**

1) ABC focuses on cost allocation.

2) Continuous improvement is based on a Korean concept called "Kaizen".

3) PLC stands for Product Life Cycle.

4) Taxation rates in a country does not have any influence on the transfer prices.

5) Margin of safety is the difference between maximum sales and break-even sales.

6) Profit is equal to contribution.

7) Entrepreneurship is about risk taking.

8) Standard costing is technique of controlling cost.

9) A cost Centre will be responsible only for cost.

10) Marginal cost is a fixed cost.

Q.1. (b) Match the Column (any seven) **7**

Column (A)	Column (B)
a) Cost Centre	i) Prime cost
b) Raw material	ii) Sales
c) Pricing decision	iii) Revenue = Cost
d) Turnover	iv) Cost in ideal condition
e) Break even	v) R & D Department
f) Kaizen	vi) A technique of costing
g) Standard cost	vii) Sales – Variable cost
h) Sales budget	viii) Total indirect cost
i) Marginal cost	ix) Change for better
j) Overheads	x) Functional budget

Q.2. Flame Ltd. Has the following data for the coming year. **15**

Particulars	₹
Sales (10,000 Units) Variable cost Fixed costs	1,00,000 40,000 50,000

a) Find out P/V Ratio, BEP and Margin of safety sales.

b) Evaluate the effect of the following on the above.

i) 20% increase in physical sales volume;

ii) 15% decrease in physical sales volume;

iii) 5% increase in variable cost;

iv) 10% decrease in fixed cost;

OR

Q.2. Total no. of units manufactured and sold – 800 **15**

Variable cost per unit	₹ 20
Total Fixed costs	₹1,000
Selling price per unit	₹ 120

(i) Calculate the P/V ratio, the margin of safety and the breakeven point (in units and in value terms)

(ii) What is the current profit? How much should the company sell to earn a target profit of ₹1,00,000.

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Q.3. A factory engaged in manufacturing plastic is working to 40% capacity and produces 10,000 buckets per annum. The present cost break-up for one bucket ais as under.

Materials	₹ 10
Labour cost	₹ 3
Overheads (60% Variable)	₹ 5

The selling price is ₹ 20 per bucket. If it is decided to work the factory at 50% capacity the selling price falls by 3%. At 90% capacity, the selling price falls by 5% accompanied by a similar fall in the prices of material.

You are required to calculate the profit at 50% and 90% capacities and also calculate break even points for the same capacity productions.

OR

Q.3. Rainbow Company Ltd. Has three divisions P, Q and R. Their capacities and other details are given below. **15**

Particulars	P	Q	R
Capacity in Number of units	3,000	2,000	1,000
Cost of production in (₹)			
Material cost per unit	5	10	10
Processing cost per unit	10	10	5
Annual fixed cost	60,000	40,000	20,000
Investments			
Fixed assets	30,000	40,000	50,000
Current assets	30,000	20,000	10,000
Target ROI (%)	20%	15%	10%

a) At what price per unit the product should be transferred from P to Q and from Q to R?
b) What should be the minimum price R should charge to external customer?
c) If due to competition R can sell the product at a price of ₹ 95, should company continue to manufacture this product?

Q.4. ₹'000 **15**

Particulars	A	B	C	D
Sales	600	1000	500	900
Cost of sales	350	800	370	480
Storage area (Sq. Mtrs)	40	60	70	30
Boxes sold	200	300	150	350
Bills Raised	100	120	80	100

Fixed Overheads	₹ ' 000	Basis of spreading
Administration	100	Bills Raised
Salesmen's Salaries	120	Sales
Rent	60	Area
Depreciation	20	Boxes Sold

Commission 4% of sales, Packing ₹ 0.50 per box, Stationery ₹ 0.20 per bill.

Prepare Income statement from the above and also suggest which product should be discontinued.

OR

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Q.4. 100 skilled workmen, 40 semi-skilled workmen and 60 unskilled workmen were to work for 30 weeks to get a contract job completed. The standard weekly wages were ₹ 60, ₹ 36, and ₹ 24 respectively. The job was actually completed in 32 weeks by 80 skilled, 50 semi-skilled and 70 unskilled workmen who were paid ₹ 65, ₹ 40, ₹ 20respectively as weekly wages.

Find out the

1.abour cost variance

2. Labour Rate Variance

3.Labour Efficiency Variance

4.Labour Mix Variance

5. Labour Yield Variance

Q.5. a) What are the seven steps of waste elimination. **7**

b) Advantages of Cost Audit. **8**

OR

Q.5. Write a short note (any three) **15**

1. Process of variance analysis.
2. Concept of Product Life Cycle.
3. Transfer Pricing method.
4. Advantages of Marginal costing.
5. Kaizen Philosophy.