**ST.JOSEPH’S UNIVERSITY, BENGALURU -27**

**M.COM – II SEMESTER**

**SEMESTER EXAMINATION: APRIL 2023**

**(Examination conducted in May 2023)**

**MCO8120 – Strategic Cost Management**

**(For current batch students only)**

**Time: 2 Hours Max Marks: 50**

**This paper contains three printed pages and three parts**

**PART-A**

**Answer any TWO of the following questions. (2 x 5 marks =10)**

1. What is Activity based Costing? Discuss the benefits of Activity based costing.
2. XYZ Ltd. manufactures auto parts. The following costs are incurred for processing 1,00,000 units of a component.

Direct material cost -Rs.5 Lakhs.

Direct labour cost -Rs. 8 lakhs.

Variable factory overhead- Rs. 6 lakhs.

Fixed factory overhead -Rs. 5 lakhs.

The purchase price of the component is Rs.22. The fixed overhead would continue to be incurred even when the component is bought from outside although there would be reduction to the extent of Rs.2,00,000.

Should the part be made or bought? Considering that the present facility when released following a buying decision would remain idle.

1. Calculate Variable Overhead Cost Variance & Fixed Overhead Cost Variance from the following data:

| **Particulars** | **Budgeted** | **Actual** |
| --- | --- | --- |
| Output (units) | 40,000 | 38,000 |
| Hours | 10,000 | 9000 |
| Overheads – Fixed | 20,000 | 21,000 |
| Overheads- Variable | 10,000 | 9,600 |

**Section B**

**Answer any TWO of the following questions. (2 x 15 marks = 30)**

1. The Alpha Company has three divisions. Each of which makes a different product. The budgeted data for the coming year are as follows:

| **Particulars** | **A (Rs)** | **B (Rs)** | **C (Rs)** |
| --- | --- | --- | --- |
| Sales | 1,12,000 | 56,000 | 84,000 |
| Direct Material | 14,000 | 7,000 | 14,000 |
| Direct Labour | 5,600 | 7,000 | 22,400 |
| Direct Expenses | 14,000 | 7,000 | 28,000 |
| Fixed Cost | 28,000 | 14,000 | 28,000 |
| Total | 61,600 | 35,000 | 92,400 |

The Management is considering to close down the division ‘C’. There is no possibility of reducing fixed cost. Advise whether or not division ‘C’ should be closed down.

1. A) What is Kaizen Costing? Discuss the five “S” in Kaizen Costing. ( 7 marks)

B) What are the four perspectives of the Balanced Scorecard and how do they help organizations to achieve their strategic objectives? (8 marks)

1. Draw up a flexible budget for overhead expenses on the basis of the following data and determine the overhead rates at 70%, 80% and 90%

| **Plant Capacity** | **At 80% capacity (Rs)** |
| --- | --- |
| **Variable Overheads:**  Indirect labour  Stores including spares | 12,000  4,000 |
| **Semi Variable:**  Power (30% - Fixed: 70% -Variable)  Repairs (60%- Fixed: 40% -Variable) | 20,000  2,000 |
| **Fixed Overheads:**  Depreciation  Insurance  Salaries  Total overheads | 11,000  3,000  10,000  62,000 |
| Estimated Direct Labour Hours | 1,24,000 hours |

**Section C**

**Answer the following question. (1 x 10 marks = 10)**

1. The Standard cost card for a product shows:

Material cost – 2 kg @ Rs.2.50 each – Rs. 5 per unit.

Wages- 2 hours @ Rs.10 each- Rs.20 per unit.

The actuals which have emerged from business operations are as follows:

Production- 8000 units

Material consumed 16,500 kg @ Rs.2.40 each – Rs.39,600.

Wages paid 18,000 hours @ Rs.8 each – Rs.1,44,000.

**Calculate: MCV, MPV, MUV, LCV, LRV, LEV.**

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