

Exam: SYBMS SEM IV  
 Subject: Strategic Cost Management  
 Exam Date: 03<sup>rd</sup>. May 2019  
 QP Code: 66172

**Q1. A. Multiple Choice Questions: (Any 8)**

**8 Marks**

1. Fixed Overheads
2. Facility
3. To break apart and investigate
4. All of the above
5. All of the above
6. Greek
7. (Standard Hours – Actual hours) X Standard Rate
8. Cost
9. Direct
10. Zero

**B. True and False (Any 7)**

**7 Marks**

1. False
2. False
3. False
4. True
5. True
6. True
7. True
8. False
9. False
10. False

**Q2.**

**A**

**15 Marks**

**(1) Machine Department Cost Appointment**

Activity	Calculations	Amount (Rs.)
Set up	252000 X 4/9	112000
Store Receiving	252000 X 3/9	84000
Inspection	252000 X 2/9	56000
Total		252000

(2) Total Number of Requisition = Requisition per product X No. of Products  
 = 100 X 4  
 = 400

(3) Number of production runs =  $\frac{\text{Total Units}}{\text{No. of units per production run}}$

$$= \frac{2880+2400+1920+2016}{96}$$

96

$$= \frac{9216}{96}$$

96

$$=96$$

Particulars	Costs				
	Machine Dept	Set-up	Store Receiving	Inspection	Material Handling and Dispatch
Cost	252000	80000	60000	40000	10368
+/- Apportioned	(252000)	112000	84000	56000	--
Net Cost	Zero	192000	144000	96000	10368

### Calculation of Cost Driver Rate

Cost	Cost Driver	Calculation	Cost Driver Rate (Rs.)
Set-up	Number of production run (in batches)	192000/96	2000
Store Receiving	Number of Requisitions Raised	144000/400	360
Inspection	Number of Production run	96000/96	1000
Material Handling and Dispatch	Number of orders executed	10368/384	27

### 2 . B. Working Notes:

$$\begin{aligned} \text{Targeted Return Per Annum} &= \text{Capital Invested} \times \text{ROI}\% \\ &= [ 600000 + 50000 + 150000 ] \times 15\% \\ &= 800000 \times 15\% \\ \text{Return} &= \text{Rs. } 1,20,000 \end{aligned}$$

Particulars	Total Amount Rs. (2000 units p.a.)	Per Unit (Rs.)
Variable Cost		125
Add: Divisional Fixed Cost	80000	40
		165
Add: Target Return	120000	60
Transfer Price		225

C. What is Management Audit? State the advantages of Management Audit.

Q3. A.

1.

8 Marks

### Marginal Cost Sheet

Particulars	Product A		Product B	
Sales		80		60

Less: Variable Cost				
Material	16		12	
Wages:				
A: 48 Hours @ 50 Paise	24		--	
B: 32 Hours @ 50 paise	--		16	
Other Variable expenses @ 150% of Wages				
A: 24 X 150%	36		--	
B: 16 X 150%	--		24	
		76		52
Contribution		4		8

Sales Mix

(a) 250 units of A and 250 Units of B

A:	250 X 4	= 1000
B:	250 X 8	= 2000
	Total Contribution	3000
	Less: Total Fixed Cost	= 1500
	Profit	1500

(b) 200 units of A and 300 units of B

A:	200 X 4	= 800
B:	300 X 8	= 2400
	Total Contribution	3200
	Less: Total Fixed Cost	= 1500
	Profit	1700

(c) 150 units of A and 350 Units of B

A:	150 X 4	= 600
B:	350 X 8	= 2800
	Total Contribution	3400
	Less: Total Fixed Cost	= 1500
	Profit	1900

Suggestion: Sales Mix 150 units of A and 350 units of B is recommended since the profit is the highest

OR

Q3. B.

Particulars	ABC Ltd			XYZ Ltd		
	150	120	180	150	120	180
Sales	150	120	180	150	120	180
(-) Variable cost	120	96	144	100	80	120
Contribution	30	24	36	50	40	60
(-) Fixed Cost	15	15	15	35	35	35
Profit	15	9	21	15	05	25
P/V Ratio	0.2			0.33		

BEP	75			105		
MOS	75			45		
MOS %	50%			30%		
Recommendation	Low Demand, Great Profit			High Demand, Greater Profit		

Q3. C. Describe in details various Approaches of Six Sigma

Q4. A.

i) Material Cost Variance =  $(SR \times SQ) - (AR \times AQ)$   
= Standard Cost - Actual Cost  
=  $(24 \times 12,000) - (7,800 \times 4.50)$   
= 2,88,000 - 35,100  
= 2,52,900 F  
SR =  $6 \times 4 = \text{Rs. } 24$

ii) Material Price Variance =  $AQ (SP - AP)$   
=  $7,800 (4 - 4.50)$   
= 3,900 A

iii) Material Usage Variance =  $SP (SQ - AQ)$   
=  $4 (72,000 - 7,800)$   
= 2,56,800 F

iv) Labour Cost Variance =  $(SR \times SH) - (AR \times AH)$   
Standard Labour Cost = Actual Labour Cost  
=  $(4 \times 4 \times 12,000) - (48,000 \times 3.50)$   
= 1,92,000 - 1,68,000  
= 24,000 F

v) Labour Rate Variance =  $AH (SR - AR)$   
=  $48,000 (4 - 3.50)$   
= 24,000 F

vi) Labour Efficiency Variance =  $SR (SH - AH)$   
=  $4 ([4 \times 12,000] - 48,000)$   
=  $4(48,000 - 48,000)$   
= Zero

Q4. B.

Particulars	31.03.2004 (Rs.)	31.03.2005 (Rs.)
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Sales	2223000	2451000
(-) Total Cost	1983600	2143200
Profit	239400	307800

(i) P/V Ratio =  $\frac{\text{Difference in Profit}}{\text{Difference in Sales}}$

=  $\frac{68400}{228000}$

= 0.3

Particulars	31.03.2004 (Rs.)	31.03.2005 (Rs.)
Sales	2223000	2451000
(-) Variable Cost	1556100	1715700
Contribution (0.35)	666900	735300
(ii) (-) Fixed Cost	427500	427500
Profit	239400	307800
(iii) Fixed Cost to Sales	0.19 or 19.23%	0.17 or 17.44 %
(iv) BEP = Fixed Cost/ P/V	1425000	1425000
(v) MOS = Profit/ P/V	798000	1026000