

Roll No



**PRESIDENCY UNIVERSITY  
BENGALURU**

**SET B**

**SCHOOL OF MANAGEMENT  
END TERM EXAMINATION - JAN 2024**

**Semester :** Semester III - 2022

**Course Code :** MBA3031

**Course Name :** Cost and Revenue Management

**Program :** MBA

**Date :** 13-JAN-2024

**Time :** 10:00AM - 1:00 PM

**Max Marks :** 100

**Weightage :** 50%

**Instructions:**

- (i) Read all questions carefully and answer accordingly.
- (ii) Question paper consists of 3 parts.
- (iii) Scientific and non-programmable calculator are permitted.
- (iv) Do not write any information on the question paper other than Roll Number.

**PART A**

**ANSWER ALL THE QUESTIONS**

**10 X 3M = 30M**

1. Distinguish between product cost and period cost  
(CO1) [Knowledge]
2. Explain sunk cost and opportunity cost  
(CO1) [Knowledge]
3. State the differences between controllable and uncontrollable cost.  
(CO1) [Knowledge]
4. Explain direct expenses with suitable examples.  
(CO1) [Knowledge]
5. Name Four industries in which process costing is used.  
(CO2) [Knowledge]
6. List the disadvantages of process costing  
(CO2) [Knowledge]
7. Distinguish between cost driver and cost pool  
(CO3) [Knowledge]
8. List three advantages of Activity Based Costing.  
(CO3) [Knowledge]
9. What is Target costing? Give examples.  
(CO4) [Knowledge]

10. List different pricing methods.

(CO4) [Knowledge]

## PART B

### ANSWER ALL THE QUESTIONS

6 X 7M = 42M

11. In Process B, 75 units of a commodity were transferred from process A at a cost of Rs.1,310. The additional expenses incurred by the process was Rs.190. 20% of the units entered are normally lost and sold at Rs 4 per unit. The output of the process was 70 units. Prepare process B account and find out the value of Abnormal gain.

(CO2) [Comprehension]

12. Explain the significance of cost reduction in the present global economy. Mention some important techniques used for cost reduction.

(CO2) [Comprehension]

13. Sharan Ltd is currently manufacturing two products and furnishes the following data for the year.

Product	Annual Output	Total Machine hours	Total number of purchase orders	Total Number of set-ups
A	7,500	35,000	180	16
B	85,000	1,35,000	354	54

The annual overheads are as under:

Volume related activity costs Rs.6,50,000

Set-up related costs Rs 8,80,000

Purchase related costs Rs.6.38,000

Required to calculate the cost per unit of each product A and B based on:

a) Traditional method of charging overheads

b) Activity based costing method

(CO3) [Comprehension]

14. ABC Ltd's controller is advocating the use of activity based costing and the activity based cost management has gathered the following information about the company's manufacturing overheads cost for the year ending 31st March,2023.

Activity centre (cost driver)	Traceable costs Rs.	Number of Events		
		POR	XYZ	Total
Soldering (Number of solder joints)	9,42,000	3,85,000	11,85,000	15,70,000
Shipments (Number of Shipments)	8,60,000	3,800	16,200	20,000
Quality control ( Number of inspections)	12,40,000	21,300	56,200	77,500
Purchase Orders (Number of Orders)	9,50,400	1,09,980	80,100	1,90,080
Machine power (Machine hours)	57,600	16,000	1,76,000	1,92,000
Machine setups (Number of setups)	7,50,000	14,000	16,000	30,000
Total Traceable costs	48,00,000			

Required:

1. Prepare a statement showing allocation of manufacturing overheads using the principles of Activity based costing.

(CO3) [Comprehension]

15. From the following data, calculate:

1. Sales price Variance
2. Sales Volume variance
3. Sales Mix Variance

Product	Standard		Actual	
	Units	Price per unit	Units	Price per unit
A	1,500	Rs.30	2,000	Rs.29
B	1,000	Rs.50	700	Rs.50

(CO4) [Comprehension]

16. The budgeted and actual sales of XYZ Ltd. are as follows:

Budgeted Sales = 10,000 units @Rs 4 per unit  
Actual Sales = 5,000 units @ Rs.3.50 per unit  
= 8,000 units @Rs. 4 per unit

Calculate:

- i) Sales Value Variance
- ii) Sales Price Variance
- iii) Sale Volume Variance

(CO4) [Comprehension]

### PART C

**ANSWER ALL THE QUESTIONS**

**2 X 14M = 28M**

17. Rohit Electronics Ltd, furnishes the following information for 10,000 Radios manufactured during the year 2023.

Materials Rs.90,000, Direct wages Rs,60,000 Power and stores Rs 12,000, Factory indirect wages Rs.15,000, Lighting of Factory Rs.5,500; Defective Work( cost of rectification) Rs3,000, Salaries and Management expenses Rs 33,500, selling expenses Rs 5,500, sale proceeds of scrap Rs 2,000 and repairs and Maintenance Rs 11,500.

The selling price was Rs.31.60 per unit sold and all units were sold.

As from 1st January, 2024, the selling price is reduced to Rs.31 per unit. It was estimated that production could be increased in 2024 by 50% due to spare capacity. Rates for materilas and Direct wages will increase by 10%.

Required:

1. Cost sheet for the 2023
2. Estimated cost sheet for 2024.

Assuming that 15,000 units will be produced and sold during the year and factory overheads will be recovered as a percentage of direct wages and office and selling expenses as a percentage of works cost.

(CO1) [Application]

18. A product passes through three processes – A,B and C. The details of the expenses incurred on the three processes during the year 2023 were as under:

Particulars	Process A	Process B	Process C
Units issued	1,000		
	Rs	Rs	Rs
Cost per unit	50		
Sundry materials	1,600	3,315	3,220
Labour	2,600	8,000	6392
Selling price of output (Per unit)	70	100	200

Actual output of the three processes was: Process A-930 units; Process B-540 units; Process C -210 units.

Two-third of the output of process A, and one-half of process B was passed on to the next process and the balance was sold. The entire output of process C was sold.

The normal loss of the three processes calculated on the input of every process was: Process –A 5%, Process B-15% and Process C -20%. The loss of Process A was sold at Rs1 per unit, that of process B at Rs.3 per unit and that of Process C at Rs 6 per unit.

Selling expenses were Rs. 9,000 . These are not allocable to the processes.Prepare three Process Accounts and profit and loss Account.

(CO2) [Application]