GALGOTIAS UNIVERSITY

ADMISSION NUMBER

School of Business

Bachelor of Business Administration
Semester End Examination - Aug 2024

Duration : 180 Minutes
Max Marks : 100

Sem II - D1UA202T/D1UA205T - Management and Cost Accounting

General Instructions
Answer to the specific question asked
Draw neat, labelled diagrams wherever necessary
Approved data hand books are allowed subject to verification by the Invigilator

1) Outline the challenges and limitations of cost accounting, detailing potential strategies for addressing or mitigating these issues within organizations to enhance the effectiveness and accuracy of cost accounting practices. K2(4)

2) Scenario: A consumer electronics company is planning to launch a new smartphone in a highly competitive market. As part of the product development team, you're tasked with implementing target costing to ensure the new smartphone meets the desired profit margin while remaining competitive in terms of pricing. You need to Classify the cost structure and Explain areas where cost reductions can be made without compromising product quality. K2(4)

3) Estimate how the scope of cost accounting addresses ethical considerations concerning cost management practices, especially regarding potential conflicts between short-term cost reduction and long-term sustainability. K5(5)

4) Outline the methods and techniques used in costing, focusing on traditional and contemporary approaches such as job order costing, process costing, activity-based costing, and standard costing. Discuss the strengths, limitations, and applications of each method within different industries or organizational contexts. K2(6)

5) Scenario: You are the CFO of a manufacturing company, and you want to improve cost management and pricing strategies. Develop a target costing approach to set prices based on desired profit margins while considering costs from design to production. Apply the target costing approach to a new product launch, considering factors like design, production, and marketing costs. K3(6)

6) From the following information work out the production hour rate of recovery of overheads in Department A,B and C. K4(8)

Particulars	Total	Production Deptt.			Service Deptt.	
		A	B	C	D	E
Rent	1000	200	400	150	150	100
Electricity	200	50	80	30	20	20
Fire Insurance	400	80	160	60	60	40
Plant Depreciation	4000	1000	1500	1000	300	200
Transport	400	50	50	50	100	150
Estimated Working Hours		1000	2500	1800		

Expenses of the Service Department D and E are apportioned as under:

Particulars	A	B	C	D	E
D	30%	40%	20%	--	10%
E	10%	20%	50%	20%	--

7) Title: Optimizing Production Efficiency Through Batch Costing K3(9)

Introduction:
XYZ Pharmaceuticals is a leading manufacturer of generic medicines operating in a highly competitive market. With a diverse product line and fluctuating demand, the company faces challenges in effectively managing production costs while maintaining product quality. To address these challenges, XYZ Pharmaceuticals has implemented batch costing techniques to streamline its production processes and enhance cost efficiency.

Case Scenario:
XYZ Pharmaceuticals recently introduced a new batch costing system to improve cost visibility and control across its manufacturing operations. The company produces various generic medications in batches, each tailored to meet specific market demands and regulatory requirements. However, without a comprehensive costing mechanism in place, XYZ Pharmaceuticals struggled to accurately assess the true costs associated with each batch, leading to inefficiencies and cost overruns.
Solve the following questions:
1) How does XYZ Pharmaceuticals allocate direct and indirect costs within its batch costing framework? (3 Marks)
2) What role do overhead costs play in determining the total cost of each batch? (3 Marks)
3) What were the initial challenges faced by XYZ Pharmaceuticals in implementing batch costing across its manufacturing facilities? (3 Marks)

8) Develop a comparison of the advantages and disadvantages of using fixed budgets versus flexible budgets in different organizational settings. K3(9)

9) Assess factors which are considered when constructing the margin of safety ratio, and how do they reflect a company's risk exposure? K5(10)

10) K4(12)

Swadeshi Electronics Ltd. furnishes you the following information for the year ended 31st March, 2012

Production and Sales	Units		15,000
Sales	`		12,75,000
Direct Wages	`		2,70,000
Direct Materials	`		3,30,000
Factory Overheads	`		2,25,000
Administrative Overheads	`		1,05,000
Sales Overheads	`		90,000

On account of intense competition following changes are estimated in the subsequent year:

(a) Production and sales activity will be increased by one third.

(b) Material rate will be lower by 25%. However, there will be increase in consumption by 20% due to quality difference.

(c) Direct wages cost would be reduced by 20% due to automation.

(d) Out of the above factory overheads, ` 45,000 are of fixed nature. The remaining factory expenses are variable in proportion to the number of units produced.

(e) Total administrative overheads will be lower by 40%.

(f) Sales overheads per unit would remain the same.

(g) Sale price per unit would be lower by 20%.

Prepare a statement of cost for both the years ending 31st March, 2012 and 31st March, 2013 showing maximum possible details of cost.

11) Examine how can businesses interpret break-even analysis results to identify opportunities for cost reduction or revenue enhancement? K4(12)

12) **Case Study: Margin of Safety Analysis for Oppo Phones** K5(15)

Introduction:
Oppo Phones, a prominent player in the mobile device industry, faces the challenge of optimizing its operations and maintaining profitability in a highly competitive market. To effectively manage costs and assess its financial resilience, Oppo Phones employs margin of safety analysis—a critical tool in cost accounting. This case study delves into how Oppo Phones utilizes margin of safety analysis to inform its decision-making process and navigate market uncertainties.

Oppo Phones conducts a meticulous margin of safety analysis to evaluate the relationship between its sales revenue, costs, and profits. Through rigorous cost accounting practices, Oppo Phones identifies both fixed costs, such as rent, depreciation, and administrative expenses, and variable costs, including materials and labor. By analyzing these costs alongside its sales revenue, Oppo Phones calculates its margin of safety—the buffer between its current sales and the break-even point. This analysis provides Oppo Phones with valuable insights into its financial cushion and guides strategic decisions aimed at enhancing profitability.

Explain the following Subquestions:
1. How does Oppo Phones calculate its margin of safety? (5 Marks)
2. What strategies does Oppo Phones implement to improve its margin of safety? (5 Marks)
3. How does margin of safety analysis influence Oppo Phones' decision-making process? (5 Marks)