INDIAN INSTITUTE OF MATERIALS MANAGEMENT
Post Graduate Diploma in Materials Management
PAPER No. 15
STRATEGIC COST AND FINANCIAL MANAGEMENT

June 2012

Date :13.06.2012 **Max. Marks :100**
Time : 2.00 p.m to 5.00 pm **Duration : 3 Hrs.**

Instructions:

1. From Part A – answer all questions (compulsory). Each sub questions carries 1 mark. **Total : 32 Marks**
2. From Part B – Answer any 3 questions out of 5 questions. Each question carries 16 marks. **Total : 48 Marks**
3. Part C is a case study (compulsory) with questions. Read the case study carefully and answer the questions. **Total: 20 Marks**
4. Please read the instructions given in the answer sheet

Part A (1x 32 = 32 marks)

1.**Choose the right answer from below:-**

1.Sundry debtors is part of

a)Current assets

b)Fixed assets

c)Quick assets

2.Sales volume variance emanates from-

a) Difference in the budgeted unit sales and standard sales of product units

b)Difference in the actual units sold and the planned sales of product units

3.A profit center is-

a)Responsibility center

b)Revenue center

4..Liquidity ratio are known as -

a) Solvency ratios

b)Quick ratios

5.Sources of working capital-

a)Purchase of non-current assets

b)Dividend to share holders

c)Long-term borrowings

6.Transactions affecting working capital

a)An decrease in current asset

b)A simultaneous increase in current asset and increase in current liabilities

c)A simultaneous decrease in current asset and decrease in current liabilities

7.A By Product

a)Is incidental to the process of manufacturing the main/joint products

b)Production costs incurred prior to the split-off point

c)Estimated production costs

8.Running costs

a)Interest on capital

b)Insurance premium

c)Cost of fuel

Q2.Please state whether following statements are True or False-

1.The net present value of a project is the sum of the present value of all the cash flows associated with it.

2.A budget is a qualitative statement prepared prior to a definite period of time

3.Cost accounting is an integral part of management concerned with identifying, presenting and interpreting information used for decision making

4.The breakeven analysis is a graphical representation of marginal costing

5.Budget is a qualitative statement prepared prior to a defined period of time

6.Profitability index is the present value of an anticipated future cash flows divided by the initial outlay.

7.Job costing enables the preparation of estimates of costs of jobs before production

8.In batch costing, the cost unit is not a single product but some specific quantity of like products at the same time.

Q3.Fill in the Blanks

1. The ------------- information that is used in making alternative choice decisions is termed as differential accounting.
2. Sale of ---------------- assets is source of working capital.
3. ----------------- is a widely-used tool of financial analysis.
4. ---------- are costs are costs which very with the passage of time and not with volume of production.
5. ---------------- is the rate at which employees leave employment.
6. A ----------------- is incidental to the process of manufacturing the main/joint products.
7. When one set of books is maintained to record both cost and financial transactions is referred to as --------- accounts
8. The ------------ is a graphic relationship between costs, volume and profits.

Q.4.Match the following-

A	B
1.Standard cost	1.Estimated future cost and revenue data
2.Process Costing	2.Branch of the accounting information system
3.Key factor	3.The use by several undertakings of the same costing principles
4.Cost centre	4.Pre -determined cost
5.Contract costing	5.Production is in a continuous flow
6.Capital budgeting decision	6.Category of responsibility centre
7.Uniform costing	7.Type of job costing
8.Management Accounting	8.Limiting factor

Part B

Answer any three questions(3 x 16=48 marks)

Q.5 Sajan Limited makes three products, viz. Bips, Nips, and Dips, that uses common facilities for manufacture and sales. The relevant data for these products are given below:

	Bips	Nips	Dips	Total
Sales volume	120,000	100,000	50,000	
Unit selling price	Rs.25	Rs.16	Rs.18	
Revenue	Rs.30,00,000	Rs.16,00,000	Rs.9,00,000	Rs.55,00,000
Unit variable cost	Rs.16	Rs.12	Rs.15	
Fixed costs				Rs.11,00,000

To evaluate how well each product is doing, the management has asked the accountant to allocate fixed costs to each product.

You are to work out Income statement analysis and differential analysis and comment on the result.

Q6. What is responsibility accounting? Discuss its significance in divisional performance statement measurement.

Q7. A manufacturing concern, which has adopted standard costing, furnishes the following information:

Standard:-

Material for 70 kg. finished products	:100 kg.
Price of materials	:Rs.1 per kg.

Actual:-

Output	:2,10,000 kg.
Material used	:2,80,000 kg.
Cost of material	:Rs.2,52,000

Calculate:

a)Material Usage Variance

b)Material Price Variance

c)Material Cost Variance.

Q8.Write short notes on the following(Any four)

1.Internal rate of return method

2.Cost Ascertainment

3.Activity Based Costing

4.Functions of Management Accountant

5.Variance Analysis

6.Objectives of budgetary control

7.Cost accounting Vs. Management accounting

8.Prime cost

Q.9 A Company wants to buy a machine. There are two alternative models X and Y whose particulars are-

Particulars	Model X	Model Y
Cost	Rs.10,00,000	Rs.20,00,000
Life(in years)	5 years	5 years

Profit after Depreciation by Straight Line Method before Tax are-

Year	Model X (Rs.)	Model Y (Rs.)
1	1,20,000	1,50,000
2	90,000	1,20,000
3	1,10,000	1,30,000
4	80,000	1,10,000
5	80,000	1,00,000

Tax rate=35%

Calculate:

(1)Pay Back period

(2)Pay Back profitability

(3)Annual Rate of Return

Q10. **Part C (Case Study)** 20 marks

A transport service company is running four buses between two towns,50 kms apart. Seating capacity of each bus is 40 passengers. The following particulars were obtained from their books.

(In Rs.)

Wages of drivers, conductors and cleaners	2,400
Salaries of office and supervisory staff	1,000
Diesel and other oil	4,000
Repairs and maintenance	800
Taxation, insurance etc.	1,600
depreciation	2,600
Interest and other charges	2,000
TOTAL	**14,400**

Actual passengers carried were 75% of the full capacity. All the four buses run on all days of the month. Find out the cost per passenger-km.

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