

Dr. Babasaheb Ambedkar Open University
Term End Examination January - 2026

Course : MBA
Subject Code : MBA03EF304
Subject Name : Advance Cost Analysis

Date : 06/03/2026
Time : 11:30am to 01:45pm
Duration : 02.15 Hours
Max. Marks : 70

Q-1 Describe the Classification of Overheads.

14

OR

In a processing factory, X Product passes through three different processes before it is ready for sale. In March 2022, the cost of production was given as below:

4,000 Units of materials were introduced in process A at Rs.5 each.

Particulars	Process A	Process B	Process C
Direct Material	30,000	15,000	40,000
Direct Labour	20,000	28,000	40,000
Direct Expenses	15,000	19,700	32,200
Actual Production (In Units)	3,800	3,400	3,200
Normal Wastage (of the units Introduced)	5%	5%	10%
Selling Price of Wastage (Rs.)	7	10	10

Prepare the necessary Process Accounts and Abnormal Loss Account and Abnormal Gain Account.

Q-2 What is Budgetary Control? Explain its features and objectives.

14

OR

ABC Ltd. is a manufacturing company that produces widgets. The company follows a standard costing system to analyze and control costs. The standard cost for producing one widget is as follows:

Direct Materials: Rs.50 per unit, Direct Labor: Rs.30 per unit, Variable Overhead: Rs.20 per unit, Fixed Overhead: Rs.10 per unit.

During the month of January, ABC Ltd. produced 5,000 widgets. The actual costs incurred were as follows:

Direct Materials: Rs.2,55,000, Direct Labor: Rs.1,55,000, Variable Overhead: Rs.1,05,000, Fixed Overhead: Rs.50,000.

Calculate the following for the month of January:

- 1) Direct materials cost variance
- 2) Direct labour cost variance
- 3) Variable overhead cost variance
- 4) Fixed overhead cost variance
- 5) Overall cost variance

Provide explanations for each variance and identify whether it is favourable or unfavourable.

Q-3 Explain the meaning of Uniform Costing? Discuss its advantages and limitations.

14

OR

A company produces 3 products A, B and C. The company follows Activity Based Costing System. The information related to various cost of these products for the last year. Calculate total cost and cost per unit as per traditional and ABC method.

Particulars	A	B	C
Production and sales (Units)	15,000	12,000	18,000
Selling Price per unit in rupees	7.5	12	13
Raw Material usage in kg per unit	2	3	4
Direct labour in hours per unit	0.1	0.15	0.2
Machine hours per unit	0.5	0.7	0.9
No. of production runs per annum	16	12	8
No. of purchase orders per annum	24	28	42
No. of deliveries to retailers per annum	48	30	62

The price of raw material remained constant throughout the year at Rs.1.2 per kg and the labour cost was Rs.14.8 per hour. The annual overhead cost are as follows:

Overheads	In rupees
Machine set up cost	26,550
Machine running cost	66,400
Procurement cost	48,000
Delivery cost	54,320

Q-4 Describe the advantages and limitations of Cost Audit. **14**

OR

What is Balanced Scorecard? Explain its characteristics.

Q-5 (A) Short notes (Any three) **09**

1. Features of Process Costing
2. Advantages and Disadvantages of Marginal Costing
3. Benefits of Standard Costing
4. Characteristics of Cost Control
5. Difference between Financial audit and Cost audit

(B) Choose the correct option: **05**

1. Which of the following is an example of administrative overhead?
 (A) Factory expenses (B) Office supplies
 (C) Direct labour (D) Sales Manager Salary
2. Fixed cost is known as _____ in the marginal costing technique.
 (A) Product cost (B) Total cost (C) Period cost (D) None of the above
3. _____ focuses on the day-to-day operations of an organization.
 (A) Cash budget (B) Operating budget
 (C) Master budget (D) Capital budget
4. Which method is not used in cost control?
 (A) Material control (B) Labour control
 (C) Budgetary control (D) Marginal costing
5. What is the formula to calculate Economic Value Added?
 (A) Net profit – WACC
 (B) Revenue – (Capital invested x WACC)
 (C) Net profit after tax – WACC
 (D) Net profit after tax – (Capital invested x WACC)
