

PGIIS - 1104 A - 16
M.Com. IInd Semester (CBCS) Degree Examination
Commerce
(Strategic Cost Management)
Paper : SC 2.4 A
(New)

Time : 3 Hours

Maximum Marks : 80

SECTION - A

Answer **ALL** the sub-questions. Each sub-question carries **two** marks. (10×2=20)

1. a) What is meant by value chain analysis?
- b) What is meant by value added activity?
- c) What is JIT delivery?
- d) Define Life cycle costing?
- e) What is business process re-engineering?
- f) What are internal failure cost of quality?
- g) What is transaction cost driver?
- h) Define Kaizen costing
- i) What is meant by disposal cost?
- j) What is meant by historical cost?

SECTION - B

(Marks : 3×5=15)

Answer any **Three** questions. Each question carries five marks.

2. Explain in brief the objectives of cost management.
3. State the differences between Activity based costing and conventional costing
4. Explain the requirements of re-engineering process.
5. What is the significance of product design in cost management? Explain.
6. A company which has successfully completed the development of a new machine has observed that the time taken to manufacture the first machine is 600 hours. If the actual learning curve rate is
a) 80% and b) 90% determine the number of hours which the company takes to manufacture the second machine. Which of these two learning rates shows faster learning?

Answer any **Three** questions. Each question carries **fifteen** marks.

(3×15=45)

7. Discuss the relevance of JIT philosophy for cost management.
8. Identity and explain in detail the factors affecting cost management.
9. Discuss the traditional as well as modern views of optimisation of quality costs.
10. Timex makes digital watches. Timex is preparing a product life cycle budget for a new watch, MX3. Development on the new watch is to start shortly. Estimates for MX3 are as follows.

a) Life cycle units expected to be manufactured and sold : 4,00,000

b) Selling price per watch : Rs. 400

Life cycle costs :

a) Research and development, and design costs : Rs. 1 crore

b) Manufacturing - variable cost per watch : Rs. 150, variable cost per batch Rs. 6,000 watches per batch : 500, and fixed costs; Rs. 1 crore

c) Marketing - variable cost per watch: Rs 32, and fixed costs: Rs 1 crore.

d) Distribution - variable cost per batch: Rs 2,800, watches per batch: 160, fixed costs: Rs 72 lakhs, and customer service cost per watch: Rs 15.

Ignore time value of money. Required,

a) Calculate the budgeted life cycle operating income for the new watch.

b) What percentage of the budgeted total product life cycle costs will be incurred by the end of research and development, and design stages?

11. ABC Enterprises has prepared a draft budget for the next year as follows

Sales price per unit : Rs. 30

Quantity 10,000 units

Variable costs per unit :

Contribution per unit : Rs. 15

Direct materials : Rs. 8

Budgeted contribution : Rs. 1,50,000

Direct labour Rs. 6

Budgeted fixed cost: Rs. 1,40,000

Variable overheads (2 hours × Rs 0.50): Rs. 1 Budgeted profit :Rs. 10,000

The Board of Directors is dissatisfied with budget, and asks a working party to come up with an alternate budget with higher target profit figures. The working party reports back with the following suggestions that will lead to a budgeted profit of Rs. 25,000

a) The company should spend Rs. 28,500 on advertising, and set the target sales price upto Rs. 32 per unit. It is expected that the sales volume will also rise inspite of the price rise to 12,000 units.

b) In order to achieve the extra production capacity, however, the workforce must be able to reduce the time taken to make each unit of the product. It is proposed to offer a pay and productivity deal in which the wage rate per hour is increased to Rs. 4 The hourly rate for variable overhead will be unaffected.

Ascertain the target labour time required to achieve the target profit.