OP – 230

IV Semester M.Com. Examination, November 2022
(CBCS Scheme)
COMMERCE
AT – 4.3 : Strategic Cost Management – II

Time : 3 Hours Max. Marks : 70

SECTION – A

1. Answer **any seven** of the following sub-questions. **Each** sub-question carries **2** marks : **(7×2=14)**

   a) How does Strategic cost management differs from Cost management ?

   b) Give the meaning of transfer pricing.

   c) What is learning curve ? Give an example.

   d) Define TQM.

   e) Give the meaning of balanced score card.

   f) What is Experience curve ? Give an example.

   g) What do you mean by Customary pricing ?

   h) Define Benchmarking.

   i) What is Cost pool ? Give an example.

   j) What is meant by batch level costing ?

SECTION – B

Answer **any four** questions out of six. **Each** question carries **5** marks : **(4×5=20)**

2. Explain the factors affecting international transfer pricing.

3. Discuss the phases in learning curve.

4. Describe different types of quality costs.

P.T.O.

5. A company manufactures two types of hair product, A and B. Its budget shows profit figures after apportioning the fixed joint cost of Rs. 30,00,000 in the proportion of the numbers of units sold. The budget for 2021 indicates :

Particulars	**A**	**B**
Profit in Rs.	3,00,000	60,000
Selling price per unit in Rs.	400	240
P/V ratio (%)	40	50

Due to change in manufacturing process, the joint fixed cost would be reduced by 15% and the variable would be increased by 7%. You are required to advice the company, if it expects that the number of units to be sold would be equal.

6. PQR Ltd., believes that there is a market for a portable electronic toothbrush that can be easily carried by business travelers. PQR's market research development has surveyed the features and prices of electronic brushes currently on the market. Based on this research, BDE believes that Rs. 6,500 would be about the right price. At this price, marketing believes that about 80,000 new portable brushes can be sold over the product's life cycle. It will cost about Rs. 10,00,000 to design and develop the portable brush. PQR has a target profit of 20% on sales. Determine the total and unit target cost to manufacture, sell, distribute and service each portable brush.

7. A company wants to manufacture a new product against order. The initial trails showed that the first unit would take 10 hours at Rs. 15 per hour and that the operations would be subject to a learning of 80%. The cost of materials per unit is Rs. 200 and overheads amount to 15% of labour cost. The first order received is for eight units of the product. What price should the firm quote to get a margin of 20% on sales ?

SECTION -C

Answer **any three** questions. **Each** question carries **12** marks : **(3×12=36)**

8. Discuss the methods of product pricing and role of management accountant in product pricing.

9. Explain the attributes to good performance measurement system and steps in implementing balanced score card in an organisation.

10. ABC Inc., which manufactures sports equipment, consists of several operating divisions. Division A has decided to go outside the company to buy materials since Division B informed it that the division's selling price for the same materials would increase to Rs. 200. information for Division A and Division B follows :

Outside price for materials	Rs.150
Division A's annual purchase	10,000 units
Division B's variable cost per unit	Rs. 140
Division B's fixed cost per year	Rs.12,50,000
Division B's capacity utilisation	100%

Required :

a) Will the company benefit if division A purchases outside the company? Assume that division B cannot sell its materials to outside buyers.

b) Assume that division B can save Rs. 2,00,000 in fixed costs if it does not manufacture the material for division A. Should division A purchase from the outside market ?

c) Assume that situation in requirement 'A'. If the outside market value for the materials drops Rs. 20, should division A buy from the outside ? Explain.

11. P Co. operates a standard costing system. The standard labour time per batch for its newest product was estimated to be 200 hours, and resource allocation and cost data were prepared on this basis.

The actual number of batches produced during the first six months and the actual time taken to produce them is shown below :

Month	**Incremental number of batches produced each month**	**Incremental labour hours taken to produce the batches**
June	1	200
July	1	152
August	2	267.52
September	4	470.80
October	8	1,090.32
November	16	2,180.64

Required :

a) Calculate the monthly learning rate that arose during the period.

b) Identify when the learning period ended and briefly discuss the implications of this for P Co.

c) The first batch of a new product took six hours to make and the total time for the first 16 units was 42.8 hours, at which point the learning effect came to an end. In the given situation. Calculate rate of learning.

12. A manufacturer has three products A, B, C. Currently sales, cost and selling price details and processing three requirements are as follows :

Particulars	Product A	Product B	Product C
Annual sales (unit)	6250	7000	750
Selling price (Rs.)	22	35	41
Unit cost (Rs.)	18	24	30
Processing time required per unit (Hours)	1	1	2

The firm is working at full capacity (15,000 processing hours per year). Fixed manufacturing overheads are absorbed into unit costs by a charge of 200% of variable cost. The procedure fully absorbs the fixed manufacturing overhead. Assuming that :

a) Processing time can be switched from one product to another.

b) The demand at current selling prices is given below :

Product A	Product B	Product C
11,000	8,000	2,000

c) The selling prices are not altered.

Required :

Calculate the best production and sales strategy for the next operating period and to indicate the increase in net profit that this should yield. In addition, identify the shadow price (Opportunity cost) of a processing hour.
