



IV Semester M.Com. Examination, September/October 2020
(CBCS)
COMMERCE

AT-4.3 : Strategic Cost Management – II

Time : 3 Hours

Max. Marks : 70

SECTION – A

Answer **any seven** of the following sub-questions in about **3-4** lines **each**. **Each** sub-question carries **two** marks. **(7×2=14)**

1. a) What is meant by Arms Length Pricing (ALP) ?
- b) Name any two perspectives of quality costs.
- c) What is marginal cost pricing ?
- d) What is the basic idea behind the development of Learning Curve Theory ?
- e) Define TQM.
- f) Give the meaning for Cost Of Quality (COQ) and Cost Of Prevention (COP).
- g) What do you mean by Benching marking ?
- h) What is meant by experience curve ?
- i) What do you mean by Financial perspective in balanced score cards ?
- j) What is out-of-pocket cost ?

SECTION – B

Answer any **four** of the following. **Each** question carries **five** marks. **(4×5=20)**

2. Explain the factors involved in pricing policy.
3. What is meant by Learning Curve ? Briefly explain the different phases/steps of Learning Curve.
4. M/s Pratheek Ltd. wants to manufacture a new product against the order. The initials trails showed that the first unit would take 10 hrs @ Rs. 15 per hour and that the operations would be subject to the learning curve 80%. The Cost of materials per unit is Rs. 200 and other overheads are 150% of labour cost. The first order is received for eight (8) units of the product. What price should the firm quote to get margin of 20% on sales ?

P.T.O.



5. Adwiteeya Co. fixes the inter-divisional transfer prices for its product on the basis of cost plus a return on investment in division. The budget for Division A for 2018-19 is as under :

Fixed Assets	Rs. 2,50,000
Current Assets	Rs. 1,50,000
Debtors	Rs. 1,00,000
Annual fixed cost of the division	Rs. 4,00,000
Variable Cost per unit of product	Rs. 10
Budgeted volume	2,00,000 units per year
Desired ROI	28%

Determine the transfer price for Division A. If the volume (in units) can be increased by 10%, what will be the impact on transfer price ?

6. Mention 8 principles of TQM.
7. Briefly explain the impact of Benchmarking on Indian Industry.

SECTION – C

Answer **any three** of the following. **Each** question carries **12** marks. **(3×12=36)**

8. Explain the factors affecting learning curve and discuss the managerial considerations in the use of learning curves.
9. Briefly explain the Strategic Benchmarking and steps involved in strategic benchmarking.
10. A company manufactures two types of herbal products : Vidi and Nidi. Its budget shows profit figures after apportioning the joint fixed cost of Rs. 15 lakhs in the proportion of the numbers of units sold. The budget for 2018 indicates :

Particulars	Vidi	Nidi
Profit (in Rs.)	1,50,000	30,000
Selling Price per unit (in Rs.)	200	120
P/V Ratio (%)	40	50

Due to change in manufacturing process, the joint fixed cost would be reduced by 15% and variable cost would be increased by 7.5%. You are required to advice the company, if it expects that the number of units to be sold would be equal.



11. M/s Chaturvedi has two divisions Foam and Star. Foam manufacturers have an intermediate product for which there is no intermediate external market. Star incorporates this intermediate product into final product which it sells. One unit of the intermediate product is used in the production of the final product. The expected units of the final product which Star division estimates it can sell at various selling prices are as follows :

Net selling price (in Rs.)	Quantity sold (in units)
2000	20,000
1000	30,000
900	40,000
800	50,000
700	60,000
600	70,000

The costs of each division are as follows :

Particulars	Foam	Star
Variable cost per unit (Rs.)	120	90
Fixed cost (Rs.)	70,00,000	1,00,00,000

The transfer price is Rs. 550 for the intermediate product and is determined on a full cost-plus basis. You are required to :

- a) Prepare profit statements for each division and the company as a whole for the various selling prices.
 - b) State which selling price maximize profit for the Star division and the company as a whole and comment on why the latter selling price is not selected by Star division.
 - c) State which transfer pricing policy will maximize the company's profit under a divisional organization.
12. A) What is Marginal Cost Pricing ? What are the Pros and Cons of Marginal Costing ?
- B) What is Penetrating Pricing ? Explain the role of Management Accountant in product pricing.
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