III Semester M.Com. Examination, March/April 2021
(CBCS)
COMMERCE
Paper – 3.4 AT : Strategic Cost Management – I

Time : 3 Hours Max. Marks : 70

SECTION – A

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

   a) Define strategic cost management.

   b) What is imputed cost ?

   c) What is meant by value re-engineering ?

   d) State the ways of achieving cost reduction under ABC system.

   e) What is life cycle costing ?

   f) Explain how product price is fixed under target costing.

   g) Distinguish between cost control and cost reduction.

   h) What is business process re-engineering ?

   i) What are hidden costs under project life cycle costing ?

   j) What is strategic analysis of cost ?

SECTION – B

Answer **any four** of the following in about **one** page. **Each** question carries **5** marks. **(4×5=20)**

2. Difference between conventional methods of absorbing overheads with ABC.

3. How do you implement target costing in an organization ?

4. Compare value chain analysis from traditional management accounting system.

5. Explain the cost drivers in ABC costing.

6. Star Ltd. provides the following details on its new product.

Years 1 and 2 : R and D costs – Rs. 2,40,000, Design costs – Rs. 1,60,000

Years 3 to 6 : other functional costs

Function	**One-time costs**	**Costs per unit**
Production	Rs. 1,00,000	Rs. 25
Marketing	Rs. 70,000	Rs. 24
Distribution	Rs. 50,000	Rs. 16
Customer Service	Rs. 80,000	Rs. 30

The sale quantities during the Product Life Cycle at various Selling Prices are

Selling Price per unit (Rs.)	400	480	600
Sale quantity in units	5,000	4,000	2,500

Ignoring time value of money, compute the net incomes generated over the Product Life Cycle at various prices. Which price should the company select ?

7. In purely competitive market, 10,000 cell phones can be manufactured and sold for a certain profit is generated. It is estimated that 2,000 cell phones need to be manufactured and sold in monopoly market to earn the same profit ; profit under both the conditions is targeted at Rs. 2,00,000. The variable cost per cell phone is Rs. 100 and Total fixed cost is Rs. 37,000. You are required to find out the unit selling price of both under monopoly and competitive conditions.

SECTION – C

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

8. Explain the role of cost management in strategic planning and management control.

9. A machine used on a production line must be replaced at least every four years. The cost incurred in running the machine according to its age are :

Particulars	**Age of Machine (Years)**				
	0	**1**	**2**	**3**	**4**
Purchase Price	6,000	–	–	–	–
Maintenance	–	1,600	1,800	2,000	2,000
Repairs	–	–	400	800	1,600
Net realizable value	–	2,400	2,400	1,600	800

Further replacement will be identical machines with the same costs. Revenue is unaffected by the age of machine. Assume there is no inflation and ignore tax. The cost of capital is 12%.

Determine the optimum replacement cycle.

10. A company manufacturing two products furnishes the following data for a year :

Product	Annual Output (units)	Total machine hours	Total number of purchase orders	Total number of set ups
A	5000	20000	160	20
B	60000	120000	384	44

The annual overheads are as under :

Volume related activity costs	Rs. 5,50,000
Set-up related costs	Rs. 8,20,000
Purchase related costs	Rs. 6,18,000

You are required to calculate the cost per unit of each product A and B based on :

a) Traditional method of charging overheads.

b) Activity based costing.

11. Discuss the features, methodology in implementation of JIT and benefits of JIT.

12. Explain the role Lean Accounting in manufacturing sector.