OP – 257

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IV Semester M.Com. Examination, November 2021
(CBCS)
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 in about **3-4** lines **each**. **Each** sub-question carries **two** marks. **(7×2=14)**

   a) Define TQM.

   b) Differentiate between experience curve and learning curve.

   c) Give the meaning of goal congruence.

   d) What do you mean by opportunity cost pricing ?

   e) List out the Balanced Scorecard perspectives.

   f) What do you mean by Benchmarking ?

   g) What are the phases of learning curve ?

   h) Give the meaning of PRAISE.

   i) What do you mean by prevention cost ?

   j) What do you mean by target rate of return pricing ?

SECTION – B

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

2. Define Benchmarking. Briefly explain the different types of Benchmarking.

3. "The learning curve will pass through three different phases". Discuss.

4. Briefly explain the benefits of Balanced Scorecard.

P.T.O.

5. A company is organized into two divisions namely A and B produces three products K, L and M. Data per unit are :

Particulars	K	L	M
Market price (Rs.)	120	115	100
Variable costs (Rs.)	84	60	70
Direct labour hours	4	5	3
Maximum sales potential (units)	1,600	1,000	600

Division B has demand for 600 units of product L for its use. If division A cannot supply the requirement, division B can buy a similar product from market at Rs.112 per unit. What should be the transfer price of 600 units of L for division B, if the total direct labour hours available in division A are restricted to 15,000 ?

6. A company has furnished the following cost data:

Direct materials	Rs. 11.20 per unit
Direct wages	Rs. 3.00 per unit
Variable overheads	Rs. 0.80 per unit
Fixed factory overheads	Rs. 6,60,000 p.a.
Fixed selling and administration overheads	Rs. 3,60,000 p.a.
Annual sales	4,00,000 units
Capital employed in fixed assets	Rs. 9,00,000

Capital employed in current assets 50% of sales. Determine the selling price per unit to yield 20% return on capital employed.

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

8. Briefly explain the Benchmarking process.

9. Enumerate the critical success factors required for successful implementation of TQM.

10. Diya and Company has two divisions. South division manufactures an intermediate product for which there is no intermediate external market. North division incorporates this intermediate product into a final product which it sells. One unit of the intermediate product is used in the production of the final product, which North division estimates it can sell at various selling prices are as follows :

Net selling price (Rs.)	Quantity sold (units)
100	1,000
90	2,000
80	3,000
70	4,000
60	5,000
50	6,000

The costs of each division are as follows:

	South	North
Variable cost per unit (Rs.)	11	7
Fixed cost per annum (Rs.)	60,000	90,000

The transfer price is Rs. 35 for the Intermediate product and is determined on 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 maximises the profit of North division and the company as a whole and comment on why the latter selling price is not selected by North division.

c) State which transfer pricing policy will maximise the company's profit under divisional organisation.

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

Particulars	Product A	Product B	Product C
Annual sales (units)	6,000	6,000	750
Selling price (Rs.)	20	31	39
Unit cost (Rs.)	18	24	30
Processing time required per unit (hours)	1	1	2

The firm is working at full capacity (13,500 processing hours per year). Fixed manufacturing overheads are absorbed into unit costs by a charge of 200% variable costs. This procedure fully absorbs the fixed manufacturing overhead.

Assuming that :

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

b) The demand at current selling price is

Product A	Product B	Product C
11000 units	8000 units	2000 units

c) The selling prices are not to be altered

You are required to calculate, the best production programme for the next operating period and to indicate the increase in net profit that this should yield. In addition identify the shadow price of a processing hour.

12. A company currently operating at 80% capacity, shows the following profit and loss account.

		Rs.	Rs.
Sales			3,20,000
Costs :	Direct material	1,00,000	
	Direct labour	40,000	
	Variable overhead	20,000	
	Fixed overhead	1,30,000	2,90,000
Profit			30,000

It has received an offer of an overseas order that would require the use of the half the factory capacity. The order, which must be taken in full or rejected completely. Must be supplied at a price 10% below current domestic prices. Management is in a dilemma.

They can either :

a) Reject the order and carry on with home sales only as currently (or)

b) Accept the order, split the capacity equally between overseas and home sales, and turn away excess home demand (or)

c) Increase factory capacity so that they can accept the order by maintaining the present home sales, by buying machine that will increase factory capacity by 10% and fixed cost by Rs. 20,000 and work overtime at time and half to meet balance to required capacity. Advise the company.