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IV Semester M.Com. (CBCS) Examination, July - 2019

COMMERCE

AT – 4.3 : Strategic Cost Management - II

Time : 3 Hours Max. Marks : 70

SECTION - A

Answer any seven of the following sub-questions. Each sub-question carries two marks.

7x2=14

1. (a) What do you mean by Product Pricing Policy ?
   (b) What is target rate of return pricing ?
   (c) State any two objectives of transfer pricing.
   (d) What are cost of lost opportunities ?
   (e) What is differential retention pricing ?
   (f) Give the meaning of TQM.
   (g) State the types of Benchmarking.
   (h) What are the phases of learning curve ?
   (i) List out the advantages of strategic cost management.
   (j) State the meaning customer perspective in Balanced Score Card.

SECTION - B

Answer any four of the following questions. Each question carries five marks.

4x5=20

2. Explain the role of Management Accountant in product pricing.

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

4. What are the benefits and limitations of transfer pricing ?

5. Briefly explain the impact of Benchmarking in Indian industry.

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6. ABC Ltd. budgets to manufacture 50000 units of product X. The variable cost per unit is ₹ 10. Fixed cost are ₹ 3,00,000. The Finance Manager has suggested that the cost plus approach should be used with a profit mark-up of 25%. However, the Marketing Manager disagreed and has supplied the following information :

Price per unit (₹)	Demand (Units)
09	42000
10	38000
11	35000
12	32000
13	27000

As a Management Accountant of the Company, you are required to analyse the above proposal and comment.

7. A Company wants to manufacture a new product against order, the initial trails showed that the first unit would take 10 hours at ₹ 15 per hour and that the operations would be subject to a learning curve of 80%. The cost of materials per unit is ₹ 200 and overheads amount to 150% of labour cost. The first order received is for 8 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 questions. Each question carries twelve marks. **3x12=36**

8. Explain the procedure in the implementation of cost of quality report.

9. Briefly explain the applications of learning curve and explain the Managerial Considerations in the use of Learning Curves.

10. Discuss the issue involved in transfer pricing.

11. Arjun of Delhi presently operates his plant at 80% of the normal capacity to manufacture a product only to meet the demand of Government of Tamil Nadu under a rate contact.

He supplies the product for ₹ 4,00,000 and earns a profit margin of 20% on sales realizations. Direct cost per units is constant.

The indirect costs as per his budget projection are :

Indirect cost	20,000 units (80% capacity)	22500 units (90% capacity)	25000 units (100% capacity)
Variable	80000	90000	100000
Semi-variable	40000	42500	45000
Fixed	80000	80000	80000

He has received an export order for the product equal to 20% of its present operations. Additional packing charges on this order will be ₹ 1,000.

Arrive at the price to be quoted for the export order to give him a profit margin of 10% on the export price.

12. Godrej Company is organized into two divisions namely A and B produces three products, X, Y and Z. The following are the data per unit :

Particulars	X	Y	Z
Market Price (₹)	120	115	100
Variable Cost (₹)	84	60	70
Direct Labour Hours	4	5	3
Maximum Sales Potential (Units)	1600	1000	600

Division B has demand for 600 units of products Y for its use. If Division A cannot supply the requirement, Division B can buy a similar product from market at ₹ 112 per unit.

What should be the transfer price of 600 units of Y Division B, if the total direct labour hour available in Division A are restricted to 15,000 ?

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