OP – 222

IV Semester M.Com. Examination, November 2022
(CBCS Scheme) (2021 – 22)
COMMERCE
AT 4.4 : Strategic Cost Management – II

Time : 3 Hours Max. Marks : 70

Instruction : Answer all the questions as per instructions.

SECTION – A

1. Answer any **seven** questions out of ten. **Each** question carries two marks. (7×2=14)

   a) Give the meaning of differentiated cost pricing.

   b) What is imputed cost ?

   c) What is Negotiated Cost Pricing ?

   d) Give the meaning of Balance Score Card.

   e) What is Life Cycle Costing ?

   f) Give the meaning of Transfer Pricing.

   g) What is Experience Curve ?

   h) Give the meaning of JIT.

   i) Define quality.

   j) What is Profit Center ?

SECTION – B

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

2. What are the three core concepts of Total Quality Management ?

3. What are the challenges of Export Pricing ?

P.T.O.

4. A Company plans to make 1,00,000 units of a product. Variable cost per unit is Rs. 10. Fixed cost is 6,00,000 . The Finance Manager has suggested that the cost plus basis be preferred with a margin of 25%. The management accountant feels otherwise and provides the following information.

Price per unit	**Demand (units)**
Rs. 18	84,000
Rs. 20	76,000
Rs. 22	70,000
Rs. 24	64,000
Rs. 26	54,000

Which proposal do you agree with ?

5. Why is Transfer pricing necessary ?

6. Write a note on Bench Marking ?

7. What are the factors affecting learning curve ?

SECTION – C

Answer **any two** questions out of four. **Each** question carries **twelve** marks.

(2×12=24)

8. Transferor Ltd. has two processes preparing and finishing. The normal output per week is 7,500 units (completed) at a capacity of 75%.

Transferee Ltd. had production problems in preparing and requires 2,000 units per week of prepared material for their finishing processes.

The existing cost structure of one prepared unit of Transferor Ltd. at existing capacity.

Material Rs. 2.00 (Variable 100%)

Labour Rs. 2.00 (Variable 50%)

Overhead Rs. 4.00 (Variable 25%)

Construct the effect on the profits Transferor Ltd., for six months (25 weeks) of supplying units to Transferee Ltd. with the following alternative transfer prices per unit :

i) Marginal cost.
ii) Marginal cost + 25%
iii) Marginal cost + 15% return on capital (assume capital employed Rs. 20 lakhs)
iv) Existing cost
v) At an agreed market price of Rs. 8.50, assume no increase in fixed cost.

9. Strategic cost management is a tool of managing cost and facilitate decisions. Discuss.

10. Systems India Ltd. manufactures 10,000 units (capacity 14,000 units). The budget at a margin of 20% is as under :

Particulars	10,000 units	14,000 units
Sales	2,00,000	2,80,000
Variable overheads	50,000	70,000
Semi variable overheads	20,000	23,000
Fixed overheads	40,000	40,000

The company receives an order for 20% of capacity. Expected profit margin is same percentage as operating capacity. What should be the minimum price to be quoted assuming price cost remains constant ?

11. What are the phases in learning curve ?

SECTION – D

Answer the following question. (1×12=12)

12. Bangalore Ltd. manufactures a component in two identifiable and separate departments, machine division and assembly division. Each division is treated as a profit center.

The machine division manufactures 24,000 components in a year and is able to sell 4,000 units at Rs. 5 per unit. The balance is transferred to assembly division at the same price. The prime cost per unit is Rs. 3.50 per unit and fixed cost is Rs. 20,000.

The assembly division manufactures and sells 20,000 units in the open market at Rs. 17 per unit. The prime cost is Rs. 15.75 per unit and fixed cost is Rs. 15,000.

Calculate :

i) Profit for each division and overall profit of the company.

ii) The assembly division wants to buy components from machine division at a transfer price of Rs. 4 per unit. What action would you suggest ?

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