MCOSC4.1A/C

Sl. No.

IV Semester M.Com. Degree Examination, May/June - 2026

COMMERCE

Strategic Cost Management

(CBCS, SLM Semester Scheme)

Time : 3 Hours **Maximum Marks : 80**

SECTION - A

Answer any Four questions. Each question carries 5 marks. **(4×5=20)**

1. Define cost pools and cost drivers in activity based costing (ABC).

2. Write a note on throughput cost.

3. Highlight the financial aspects of a 'keep or drop' decision for a product line.

4. Give any three applications of the learning curve in cost management.

5. Explain the importance of system audit in improving operational efficiency.

6. How can life cycle costing influence strategic pricing decisions?

SECTION - B

Answer any Three questions. Each question carries 10 marks. **(3×10=30)**

7. Discuss the relationship between total quality management and business excellence models.

8. Evaluate the benefits and limitations of implementing Six sigma in a small manufacturing unit.

9. Discuss how EMA can be used as a strategic tool to comply with environmental regulations without compromising on innovation.

[P.T.O.

10. The following information is available in relation to two products of a company.

Particulars	**Product P**	**Product Q**
Units produced	200	200
Material movements per unit	12	28
Direct labour hours per unit	500	500

Budgeted materials handling cost is estimated at Rs. 8,00,000.

You are required to :

a) Compute cost per unit of each product using traditional method.

b) Compute cost per unit of each product using ABC costing method.

11. PQR Enterprises has prepared the following budget estimates for the year 2024-25.

a) Budgeted sales units. 50,000

b) Fixed expenses : Rs. 90,000

c) Budgeted sales (value) : Rs. 6,00,000

d) Variable cost : Rs. 8 per unit

You are required to :

i) Find the P/V ratio, BEP (units and sales), and margin of safety (units and percentage).

ii) Calculate the revised P/V Ratio, BEP and margin of safety (in units and in percentage) in each of the following cases (assume budgeted sales units remain 50,000):

a) Selling price increases by 5%.

b) Variable cost decreases by 10%

SECTION - C

Answer any Two questions. Each question carries 15 marks. (2×15=30)

12. Evaluate how Pareto Analysis can be combined with Six Sigma's DMAIC framework to identify and eliminate quality defects in a manufacturing process.

13. ABC Co. makes digital watches. ABC is preparing a product life cycle budget for a new watch Citizen. Development on the new watch is to start shortly. Estimates for Citizen watch are as follows :

Particulars	**Rs.**
Life - cycle units manufactured and sold	4,00,000
Selling price per watch	400
Life - cycle costs :	
R & D and design costs	1,00,00,000
Manufacturing :	
Variable cost per watch	150
Variable cost per batch	6,000
Watches per batch	500
Fixed costs :	1,80,00,000
Marketing :	
Variable cost per watch	32

Fixed costs	10,00,000
Distribution costs :	
Variable cost per batch	280
Watches per batch	160
Fixed costs	72,00,000
Customer - service cost per watch	15

You are required to calculate the following:

a) Calculate the budgeted life cycle operating income for the new watch.

b) What percentage of the budgeted total product life cycle costs will be incurred by the end of the R & D and design stage?

14. PLB Co is a company producing bulk meat substitutes for the non - vegetarian food industry. It produces three meat types : Pork (P), Lamb (L) and Beef (B)

Direct costs per tonne are as follows:

Particulars	**P**	**L**	**B**
Materials	Rs. 500	Rs. 700	Rs. 850
Labour time	12 hours	14 hours	8 hours
Budgeted production (tonnes)	1,000	750	900

Direct labour costs Rs. 10 per hour

The company has just completed an activity based costing exercise. For the year just ended, the following activities, along with their associated costs were identified :

Activity	**Costs**
Machine set up cost	1,60,00,000
Ordering materials	11,25,000
Storage	9,90,000
Packing costs	1,06,000

Total drivers associated with each of these activities have been identified and are shown in the table below, along with the number of units of each driver used by each of the three products :

Particulars	**P**	**L**	**B**
Production runs	8	15	9
Inventory orders	20	25	30
Tonne days of storage	45,000	18,000	36,000

Packing costs are incurred on a per tonne basis and are the same per tonne for all three products.

You are required to calculate cost of the finished product using Activity based costing.

15. Explain the phases of learning curve. Discuss the factors affecting learning curve in business decision making.

———————