MCOSC4.1A/C

Sl.No. : **Total No. of Pages : 4**

IV Semester M.Com. Degree Examination, Oct./Nov. - 2025

(CBCS, SLM Scheme)

COMMERCE

Course-II : 4.1A/C-Strategic Cost Management

Time : 3 Hours **Max. Marks : 80**

SECTION-A

Answer any Four questions. Each question carries 5 marks. **[4×5=20]**

Q1) What are the components of strategic cost management?

Q2) What are the impacts of Target costing on profitability?

Q3) Write a short note on "Poreto Analysis".

Q4) Distinguish between social audit and system audit.

Q5) What are the limitations of six sigma?

Q6) Sales of ₹80,000, variable cost ₹4,000 and fixed cost ₹4,000. Calculate BEP, sales in rupees and in units.

SECTION-B

Answer any Three questions. Each question carries 10 marks. **[3×10=30]**

Q7) Discuss the different types of pricing strategies.

Q8) Explain the benefits and limitations of Activity Based Costing.

Q9) What is strategic cost management and explain its importance for business.

Q10) A company manufactures three products. The budgeted quantity, selling prices and unit costs are as under:

Raw materials @ ₹24 Per kg	96	48	24
Direct Wages @ ₹6 per hour	7	18	12
Variable overheads (₹)	14	36	24
Fixed overheads (₹)	12.6	26.4	21.6
Budgeted productions (in Units)	8960	3840	2880
Selling price per unit (in ₹)	196	144	108

Required:

a) Present a statement of budgeted profit.

b) Set optimal product mix and determine the profit, if the supply of raw materials is restricted to₹ 22,080.

Q11) Sri Sai Ltd., fixes the inter-divisional transfer prices for its products on the basis of cost, plus a return on investment in the division. The budget for division A for the year 2024-25 appears as under:

Fixed Assets	₹5,00,000
Current Assets	₹3,00,000
Debtors	₹2,00,000
Annual fixed cost of the division	₹8,00,000
Variable cost per unit of product	₹10
Budgeted volume	4,00,000 units per year
Desired ROI	28%

Calculate the transfer price per unit.

SECTION-C

Answer any Two questions. Each question carries 15 marks. **[2×15=30]**

Q12) Discuss the perspectives of balanced score card and also explain the process of its implementation.

Q13) What are the benefits of business process reengineering and how can organisations measures the success of BPE initiative?

Q14) A company produces four products, viz. P, Q, R and S. The data relating to production activity are as under

Product	Quantity of production	Material cost/ unit₹	Direct labour hours/unit	Machine hours/ unit	Direct Labour cost/ unit₹
P	1,000	10	1	0.50	6
Q	10,000	10	1	0.50	6
R	1,200	32	4	2.00	24
S	14,000	34	3	3.00	18

Production overheads are as under:

a) Overheads applicable to machine oriented activity: ₹1,49,700

b) Overheads relating to ordering materials ₹7,680

c) Set up costs ₹17,400

d) Administration overheads for spare parts ₹34,380

e) Material handling costs ₹30,294

The following further information have been compiled:

Product	No.of set up	No.of materials orders	No.of times materials handled	No.of spare parts
P	3	3	6	6
Q	18	12	30	15
R	5	3	9	3
S	24	12	36	12

Required:

a) Select a suitable cost driver for each item of overhead expense and calculate the cost per unit of cost driver.

b) Using the concept of activity based costing, compute the factory cost per unit of each product.

Q15) B Ltd. has decided to adopt JIT policy for materials. The following effects of JIT policy are identified.

1) To implement JIT, the company has to modify its production and material receipt facilities at a capital cost of ₹10,00,000. The new machine will require a cash operating cost ₹1,08,000 p.a. The capital cost will be depreciated over 5 years.

2) Raw material stockholding will be reduced from ₹40,00,000 to ₹10,00,000.

3) The company can earn 15% on its long-term investments.

4) The company can avoid rental expenditure on storage facilities amounting to ₹33,000 per annum. Property Taxes and insurance amounting to ₹22,000 will be saved due to JIT programme.

5) Presently there are 7 workers in the store department at a salary of ₹5,000 each per month. After implementing JIT scheme, only 5 workers will be required in this department. Balance 2 workers' employment will be terminated.

6) Due to receipt of smaller lots of Raw Materials, there will be some disruption of production. The costs of stockouts are estimated at ₹77,000 per annum.

Question:

Determine the financial impact of the JIT policy. Is it a disable for the company to implement JIT system?