

11243

Fourth Semester M.Com. Degree Examination, October 2021

(CBCS Scheme)

Commerce

Paper AT 4.3 – STRATEGIC COST MANAGEMENT – II

Time : 3 Hours]

[Max. Marks : 70

SECTION – A

1. Answer any **SEVEN** questions out of Ten. Each question carries **2** marks :
(7 × 2 = 14)
- Define TQM.
 - What do you mean by Negotiated Pricing?
 - Define Learning curve.
 - What is cost plus pricing?
 - Expand PRAISE.
 - State the classifications of quality cost.
 - What do you mean by Benchmarking?
 - What is BSC?
 - State the objectives of transfer pricing.
 - State any four factors affecting on International transfer pricing.

SECTION – B

Answer any **FOUR** questions out of Six. Each question carries **5** marks :
(4 × 5 = 20)

- Discuss the different phases of learning curve.
- Briefly explain the implementation of Balanced Score Card.
- Explain the criteria for setting transfer prices.
- Briefly enumerate the benefits and principles of Total Quality Management.

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Net Selling Price (in Rs.)	Quantity Sold (in units)
1,100	20,000
1,000	30,000
900	40,000
800	50,000
700	60,000
600	70,000

The cost of each division are as follows :

	Bubble	Wrap
Variable cost per unit (Rs.)	120	80
Fixed cost (Rs.)	60,00,000	90,00,000

The Transfer price is Rs. 400 for the intermediate product and is determined on a full cost - plus basis. You are required to :

- (a) Prepare profit statement for each division and the company as a whole for the various selling prices.
 - (b) State which selling price maximize profit for the Wrap division and the company as a whole and comment on why the latter selling price is not selected by Wrap division.
 - (c) State which transfer pricing policy will maximize the company's profit under a divisional organization.
12. D Ltd. has two divisions. Division A Manufacturers a components which is used by Division - B to produce a finished product. For the next period, output and cost have been budgeted as follows :

Particulars	Division - A	Division - B
Components Units	60,000	—
Finished Units	—	60,000
Total variable costs (Rs.)	2,60,000	6,10,000
Fixed Costs (Rs.)	1,60,000	2,10,000

The fixed costs are separable for each Division :

You are required to advise on the transfer price to be fixed for Division - A's components under the following circumstances :

- (a) Division - A can sell the component in a competitive market for Rs. 10 per unit. Division - B can also purchase the components in the open market at that price.

- (b) Same situation as above but assume that Division - B currently buys the components from external supplier at the market price of Rs. 10 and there is a reciprocal agreement between the external supplier and another Division - C, within the group. Under this agreement the external supplier agrees to buy one product unit from Division - C at a profit of Rs. 4 per unit to the division, for every component which Division - B buys from the supplier.

30,000	500
60,000	750
70,000	800

The cost of each division are as follows:

Fixed cost (Rs.)	60,00,000 - 50,00,000
Variable cost per unit (Rs.)	150
Unit	80

The transfer price is Rs. 400 for the intermediate product and is determined on a full cost - plus basis. You are required to:

- (a) Prepare profit statements for each division and the company as a whole at the various selling prices.
 - (b) State which selling price maximizes profit for the Wrap division and the company as a whole and comment on why the latter selling price is not selected by Wrap division.
 - (c) State which transfer pricing policy will maximize the company's profit under a divisional organization.
12. Ltd. has two divisions Division A manufactures a component which is used by Division - B to produce a finished product. For the next period output and cost have been budgeted as follows:

Particulars	Division - A	Division - B
Components Units	60,000	-
Finished Units	-	60,000
Total variable costs (Rs.)	2,60,000	6,10,000
Fixed Costs (Rs.)	1,60,000	2,10,000

The fixed costs are separate for each Division.

You are required to submit on the transfer price to be fixed for Division - A's components under the following circumstances:

- (a) Division - A can sell the component in a competitive market for Rs. 10 per unit. Division - B can also purchase the component in the open market at that price.