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:

 $(7 \times 2 = 14)$

- (a) Define TQM.
- (b) What do you mean by Negotiated Pricing?
- (c) Define Learning curve.
- (d) What is cost plus pricing?
- (e) Expand PRAISE.
- (f) State the classifications of quality cost.
- (g) What do you mean by Benchmarking?
- (h) What is BSC?
- (i) State the objectives of transfer pricing.
- (j) State any four factors affecting on International transfer pricing.

SECTION - B

Answer any FOUR questions out of Six. Each question carries 5 marks:

 $(4 \times 5 = 20)$

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

6. XYZ Company fixes the inter-divisional transfer prices for its product on the basis of cost plus a return on investment in division. The budget for division X for 2019-20 is as under:

Fixed Assets Rs. 3,00,000

Current Assets Rs. 2,00,000

Debtors Rs. 1,50,000

Annual Fixed cost of the division Rs. 4,50,000

Variable cost per unit of product Rs. 10

Budgeted volume 2,50,000 units per annum

Desired ROI 28%

Determine the transfer price for Division X if the volume (in units) can be increased by 10% what will be the impact on transfer price?

7. A company developing a new product makes a model for testing and then a demonstration model and then goes for regular production. The time taken to make a single model 300 hours and from past experience of similar models, it is known that a 90% learning curve applies. The average time for each of the third and fourth model (two production models) will be:

(a) 270 hrs

(b) 243 hrs

(c) 216 hrs

(d) 219 hrs.

Calculate learning curve.

SECTION - C

Answer any **THREE** questions out of Five. Each question carries 12 marks: $(3 \times 12 = 36)$

- 8. What is optimization of quality cost? Discuss the core concepts of TQM.
- 9. Explain the factors affecting on learning curve and describe the comparison between learning curve and experience curve.
- 10. Enumerate the benchmarking process and its impact on Indian Industry.
- 11. Bubble Wrap has two divisions Bubble and Wrap. Bubble manufacturers have an intermediate product for which there is no intermediate external market. Wrap incorporates this intermediate product into final product which it sells. One unit of the intermediate product is used in the production of the final product. The expected units of the final product which Wrap division estimates it can sell at various selling prices are as follows:

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 while 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:

Division – A	Division - B
60,000	_
-	60,000
2,60,000	6,10,000
1,60,000	2,10,000
	60,000 — 2,60,000

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.