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B.M.S. COLLEGE FOR WOMEN, AUTONOMOUS

BENGALURU – 560004

SEMESTER END EXAMINATION – SEPT/OCT 2023

M.Com – 4th Semester

STRATEGIC COST MANAGEMENT II
(NEP Scheme 2021-2022 Onwards)

Course Code: MCM404AT **QP Code: 14019**

Time: 3 Hours **Max. Marks: 70**

SECTION – A

1. Answer any SEVEN questions. Each question carries TWO marks. (7X2=14)

a. What is pricing policy?
b. Give the meaning of export pricing?
c. Give the meaning of TQM?
d. Classify the different types of quality cost.
e. What is learning curve
f. State any two applications of learning curve.
g. Give the meaning of transfer pricing?
h. Classify the different types of transfer pricing.
i. What is benchmarking?
j. State any two perspectives of Balanced score card.

SECTION – B

Answer any FOUR questions. Each question carries FIVE marks. (4X5=20)

2. Explain the benefits of TQM

3. SM Company Produces an article at the operating capacity of 10,000 units while the normal capacity of its plant is 14000 units. Working at the profit margin of 20% on sales realisation. He formulated his budget as below

Particulars	10,000 (₹ 20/unit)	14,000 (₹ 20/unit)
Sales realisation	2,00,000	2,80,000
Variable over head	50,000	80,000
Semi variable over head	20,000	32,000

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Fixed over head	40,000	40,000

He gets an order equivalent to 20% operating capacity and even on the additional production profit margin is designed at same percentage on its sales realisation. As per production to operating capacity assuming prime cost is constant per unit of production. What should the minimum price to realise this objective

4. Describe in brief the different pricing strategies?

5. If the learning curve ratio is 80% the labour cost to produce 1st unit is ₹ 10. Find out the average labour cost per unit for the first 10 units.

6. SV Ltd. Budgets to make one lakh units of a product. The variable cost per unit is ₹ 10. Fixed cost are ₹ 6,00,000. The finance director has suggested that the cost plus approach should be used with a profit mark up 25%. However the marketing director disagreed and has supplied the following information.

Price Per unit (₹)	**Demand (in units)**
18	84,000
20	76,000
22	70,000
24	64,000
26	54,000

As the management accountant of the company, analyse the above proposal and comment

7. Discuss various types of Bench Marking.

SECTION – C

Answer any TWO questions. Each question carries TWELVE marks. (2X12=24)

8. Discuss the various types of quality costs

9. Determine the Selling price per unit to earn a return of 12% on Net capital employed (tax 40%) sales value – 80,000 units, material cost- 4,80,000, variable overhead- 3,20,000, labour cost -1,60,000, fixed cost -5,00,000. Fixed position of capital employed is ₹ 12,00,000 and varying position is 50% of sales

10. PH Ltd. has two manufacturing departments organised into separate profit centres known as the basic unit and processing unit. The basic unit has a production capacity of 4000 tonnes

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per month of chem. vax but at present its sales are limited to 2000 tonnes to outside market and 1200 tonnes to the processing unit.

The transfer price for the year 2003 was agreed at ₹. 400 per tonne. This price has been fixed in line with the external wholesale trade price on 1st Jan 2003. However, due to heavy competition to basic unit has been forced to reduce the wholesale trade price to ₹.360 per tonne with effect from 1st June 2004. This price however was not made applicable to the sales made to the processing unit of the company. The processing unit applied for revision of the price as applicable to the outside market buyers as from 1st June, 2004 but the same was turned down by the basic unit.

The processing unit refines chem. Vax and packs the output known as colour-X in drums of 50 kg.each. The selling price of colour X is ₹40 per drum. The processing unit has a potential of selling a further quantity of 16000 drums of colour X provided the overall price is reduced to ₹32 per drum. In that event it can buy the additional 800 tonnes of chem. Vax from the basic unit whose capacity can be fully utilised. The outside market will not however absorb more than the present quantity of 2000 tonnes. The cost data to the operation are:

Particulars	**Basic Unit (₹)**	**Processing (₹)**
Raw material /tonne	70	Transfer Price
Variable cost/ tonne	140	170
Fixed cost / month	3,00,000	1,20,000

You are required to:

i) Prepare statement showing the estimated profitability for June 2004 for each unit and the company as a whole on the following basis:

A. At 80%nand 100% capacity utilisation of the basic unit at a market price and transfer price to the processing unit of ₹ 400 per tonne.

B. At 80% capacity utilisation of the basic unit at the market price of ₹360 per tonne and transfer price to the processing unit of ₹ 400 per tonne.

C. At 100% capacity utilisation of the basic unit at the market price and transfer price to the processing unit of ₹ 360 per tonne.

ii) Comment the effect of the company’s transfer pricing policy on the profitability of the processing unit.

11. Explain in detail various steps in PRAISE and Implementation of PRAISE

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SECTION – D

(Compulsory Skill-based Question) (1X12=12)

12. Engine Ltd. Manufacture engine Manufacturing for wide bodied air –liners. They have been asked to bid on a prospective contract for 90 engine mountings for the jumbo jet air craft. They have just completed an initial run of 30 of these mountings at the following cost.

Particulars	Amount(₹)
Direct material	20,000
Direct Labour(6000 hrs. @ ₹ 4)	24,000
Tooling Cost (Reusable)	3,000
Variable overhead (₹ 0.50 per labour hour)	3,000
Fixed overhead (₹ 1 per labour hour)	6,000
Total	**56,000**

At 80% learning curve is to be determined in their case. The marketing director believes that the quote is unlikely to be accepted if it exceeds ₹ 1, 10,000. And as the company has short of work, he believes the contracts to be vital.

You are required to comment whether it is worth accepting that it is 1,10,000.

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