QP code: 60588

IV Semester M.Com. Degree Examination, September/October 2021
(CBCS)
COMMERCE
PAPER-4.3: STRATEGIC COST MANAGEMENT-II

Time: 3 Hours Max.Marks:70

Instruction: *Answer **all** the sub-sections.*

SECTION-A

Answer **any seven** of the following. **Each** question carries **two** marks. **(7x2=14)**

1. a) State the meaning of Export pricing.
   b) Define Total Quality Management.
   c) Give the meaning of opportunity cost pricing.
   d) State the meaning of "PRAISE".
   e) List out the types of Benchmarking.
   f) Differentiate between quality control and quality assurance.
   g) Outline the steps involved in full cost pricing.
   h) Mention any two criteria for setting transfer prices.
   i) What do you mean by customer perspective in Balanced Score Card?
   j) List out any two arguments in favour of Marginal cost pricing.

SECTION-B

Answer **any four** questions. **Each** question carries **five** marks. **(4x5=20)**

2. Distinguish between Learning Curve and Experience Curve.
3. Explain the role of Management Accountant in Product pricing.
4. XYZ Ltd Company wants to manufacture a new product against order. The initial trails showed that first unit would take 20 hours at Rs. 30 per hour and that the operations would be subject to a learning curve of 60%. The cost of materials per unit is Rs. 300 and overheads amount to 250% of labour cost. The first order received is for eight units of the product. What price should the firm quote to get a margin of 25% on sales?

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5. Briefly explain the impact of Benchmarking on Indian Industry.
6. PVC Ltd, budgets to make 50,000 units of product M. The variable cost per units is Rs.10. Fixed costs are Rs. 3,00,000. The finance director has suggested that the cost plus approach should be used with a profit mark up of 20%. However, the marketing director disagreed and has supplied the following information:

Price per unit (Rs.)	Demand (Units)
09	42,000
10	38,000
11	35,000
12	32,000
13	27,000

As Management Accountant of the company analyse the above proposal and comment.
7. Discuss the principles of Total Quality Management.

SECTION-C

Answer **any three** questions. **Each** question carries **twelve** marks. **(3x12=36)**

8. Explain how does Balanced scorecard help in overcoming the drawbacks of traditional financial measures.

9. Ram chair Company received an offer in October 2020 to sell 50,000 outdoor patro chairs to Royal Enterprise. Royal Enterprise will like Ram & Co. to bid for the proposed sales order and indicates that is a one-time order.

Ram Company produces 2,00,000 chairs annually be operating at 80% of full capacity. Regular selling price for this type of chairs is Rs.33. The chairs required are similar to those currently being produced by Ram and Co.

Volume of 2,00,000 chairs	Total	Per unit
Raw material	Rs. 17,00,000	Rs. 4.25
Direct Labour	Rs. 23,00,000	Rs. 5.75
Variable Factory Overhead	Rs. 31,00,000	Rs. 7.75
Fixed Factory Overhead	Rs. 25,00,000	
Variable selling costs	5% of selling price	
Fixed selling and administration overhead	Rs. 14,50,000	

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Budgeted annual production cost other expenses for 2020 are as follows:

Ram Company wants to earn a minimum profit of Rs. 1 per chair and no selling expenses will be incurred for special order transactions. Assume that normal operations will not be affected by the special order and regular sales volume for 2020 is 2,00,000 chairs as initially planned.

Required:

a) What should be minimum price to be quoted by Ram & Co.?

b) Prepare an income statement analysis showing the position of Ram & Co. without special order, for special order and with special order.

10. "TQM is concerned with technical aspects of quality as well as the involvement of People in quality, such as customers, company employees and suppliers". Explain.

11. Moon Company is organized into two divisions namely Star and Sun produces three products, M, N and O. The following are the data per unit:

Particulars	M	N	O
Market price(Rs.)	240	230	200
Variable Cost (Rs.)	168	120	140
Direct Labour Hours	08	10	06
Maximum sale potential (Units)	3200	2000	1200

Division Sun has demand for 1200 units of products N for its use. If Division Star cannot supply the requirement, Division Sun can buy a similar product from market at Rs. 224 per unit.

What should be the transfer price of 1200 units of N Division Sun, if the total direct labour hour available in Division Star are restricted to 30,000?

12. Discuss different pricing strategies and also explain the appropriate strategies for new products.

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