72574

Reg. No.

III Semester M.Com. (Regular) Degree Examination, March/April - 2025

COMMERCE

Strategic Cost Management - I (Elective)

(CBCS Scheme)

Paper : 3.4

Time : 3 Hours **Maximum Marks : 70**

SECTION - A

Answer any **Seven** questions out of **Ten**. Each question carries **Two** marks. **(7×2=14)**

1. a. List any four roles of Strategic planning in cost accounting.

   b. What are the performance measures in JIT?

   c. Define Value engineering.

   d. Give the meaning of cost driver with two examples.

   e. State any two differences between ABC and ABM.

   f. Mention any four practical applications of LCC.

   g. Define Terotechnology.

   h. What is Kaizen costing?

   i. State the meaning of Business Process Reengineering.

   j. Define Inter-industry benchmarking.

SECTION - B

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

2. Classify the following items under more appropriate category: Cost Control and Cost Reduction. Also mention a suitable example for each.

   (i) Costs exceeding budgets or standards are investigated.

   (ii) Prevention function.

   (iii) Corrective function.

   (iv) Measures to standardize for increasing productivity.

   (v) Anticipate the potential cost changes.

3. Discuss the importance of Experience curve in PLC.

4. JIT technique plays a vital role in elimination of waste. Justify the statement.

5. Briefly explain the methodology of Porter's Value chain analysis.

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6. You are given the following information to Calculate the various Cost Driver Rates.

Total Overheads	**Rs. 1,00,000**
Costs relating to setups	50%
Costs relating to inspections	50%
Number of Setups	100
Number of Inspections	50

7. Company X is forced to choose between two machines A and B. The two machines are designed differently, but have identical capacity and do exactly the same job. Machine A costs Rs. 1,50,000 and will last for 3 years with annual running cost of Rs. 40,000 per year. Machine B is an 'economy' model costing only Rs. 1,00,000, but will last only for 2 years, and its annual running Cost Rs. 60,000. These are real cash flows. The costs are forecasted in rupees of constant purchasing power. Ignore tax. Opportunity cost of capital is 10%. Which machine Company X should buy?

SECTION - C

Answer any **Two** questions out of **Four**. Each question carries **Twelve** marks. **(2×12=24)**

8. Explain the concept of BPR and the challenges faced by industries to implement Business Process Reengineering.

9. Despite stable revenue Cafe Coffee Day Ltd. has been experiencing declining profit margins due to increasing raw material costs, labour expenses, and overheads. The Management wants to explore various cost management techniques to enhance efficiency and sustainability. As a Strategic Cost Analyst, explain suitable measures.

10. Samson Company produces A, B, C and D as under

Product	Quantity	Material cost/unit (Rs.)	Direct labour hours/unit (Rs.)	Machine hours/unit (Rs.)	Direct Labour cost/unit (Rs.)
A	2,000	20	2	0.7	7
B	20,000	20	2	0.7	7
C	2,400	64	8	2.1	26
D	28,000	68	6	2.5	22

Overheads are as under

Overheads: machine	Rs. 2,29,700
Overheads: ordering materials	Rs. 6,780
Setup costs	Rs. 18,200
Administration overheads: spare parts	Rs. 34,280
Cost of Material handling	Rs. 29,274

The following further information has been compiled

Product	No.of setup	No.of materials orders	No.of times materials handled	No. of spare parts
A	4	5	8	7
B	21	17	29	16
C	7	6	10	5
D	31	19	41	10

- Select a suitable cost driver for each item.
- Calculate the cost per unit by Activity Based Costing and compute the total cost per unit of A, B, C and D.

11. A and Co. is contemplating whether to replace an existing machine or to spend money on overhauling it. A & Co. currently pays no taxes. The replacement machine costs Rs. 90,000 now and requires maintenance of Rs. 10,000 at the end of every year for eight years. At the end of eight years it would have a salvage value of Rs. 20,000 and would be sold. The existing machine requires increasing amounts of maintenance each year and its salvage value falls each year as follows:

Year	Maintenance (Rs.)	Salvage (Rs.)
Present	0	40,000
1	10,000	25,000
2	20,000	15,000
3	30,000	10,000
4	40,000	0

The opportunity cost of capital for A & Co. is 15%. When should the company replace the machine? (Notes: Present value of an annuity of 1 per period for 8 years at interest rate of 15% : 4.4873; present value of 1 to be received after 8 years at interest rate of 15% : 0.3269)

SECTION - D

Answer the following question. **(1×12=12)**

12. M. India Ltd. (MIL) is an automobile manufacturer in India and a subsidiary of Japanese automobile and motorcycle manufacturer Leon. It manufactures and sells a complete range of cars from the entry level to the hatchback to sedans and has a present market share of 22% of the Indian passenger car markets. MIL uses a system of standard costing to set its budgets. Budgets are set semi-annually by the Finance department after the approval of the Board of Directors at MIL. The Finance department prepares variance reports each month for review in the Board of Directors meeting, where actual performance is compared with the budgeted figures. Mr. Suzuki, group CEO of the Leon is of the opinion that Kaizen costing method should be implemented as a system of planning and control in the MIL. Required: RECOMMEND key changes vital to MIL's planning and control system to support the adoption of KAIZEN COSTING CONCEPTS.

Further M. India Ltd. (MIL). is also planning to introduce Kaizen Costing approach in its manufacturing plant. State whether and why the following are VALID OR NOT in respect of Kaizen Costing.

(i) VP (Finance) is of the view that company has to make a huge initial investment to bring a large scale modification in production process.

(ii) Head (Personnel) has made a point that introduction of Kaizen Costing does not eliminate the training requirement of employees.

(iii) General Manager (Manufacturing) firmly believes that only shop floor employees and workers, involvement is prerequisite of Kaizen Costing approach.

(iv) Manager (Operations) has concerns about creation of confusion among employees and workers regarding their roles and degradation in quality of production.