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IV Semester M.Com. Degree Examination, August/September - 2025

COMMERCE (Accounts and Taxation)

Strategic Cost Management - II

(CBCS Scheme)

Paper : 4.4

Time : 3 Hours

Maximum Marks : 70

SECTION - A

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

1. a) What do you mean by Marginal Cost Pricing?
- b) Differentiate between learning curve and experience curve.
- c) Give the meaning of Generic Benchmarking.
- d) Define TQM.
- e) List 4 perspectives of the Balanced Scorecard.
- f) State the meaning of "PRAISE".
- g) Why is Opportunity cost Pricing is considered over managerial pricing decisions?
- h) Write four demerits of traditional financial measures.
- i) State any two criteria for setting transfer prices.
- j) Give the meaning of Negotiated Transfer pricing.

SECTION - B

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

2. Briefly explain the different types of costs incurred at each stage of the business life cycle.
3. What are the common conflicts and challenges encountered in the fixation of transfer pricing within multinational enterprises? Give relevant examples.
4. Write a note on 10-100-1000 rule of TQM.
5. How does the application of the learning curve concept benefit manufacturing organizations in terms of cost control, productivity, and strategic decision-making?

[P.T.O.]



6. A manufacturing company wants to improve its production efficiency. Which type of benchmarking would be most suitable for this purpose? Justify your answer with reasons.
7. A company plans to sell 60,000 units annually. The cost structure is as follows.
- Direct Material: Rs. 8 per unit
 - Direct Labour: Rs. 3 per unit
 - Variable Overhead: Rs. 5 per unit
 - Fixed Overhead: Rs. 720,000 per annum

The company seeks to achieve a return of 18% on a capital employed of Rs.20,00,000.

Calculate the required selling price per unit to meet this return objective.

Also, analyse the impact on selling price if the sales volume increases to 75,000 units, assuming fixed overhead remains unchanged.

SECTION - C

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

8. A manufacturing facility has a monthly capacity of 4,000 machine hours, which can be used flexibly to produce any combination of three products: X, Y, or Z. the following data is available:

- a) Production and material Cost per Unit:

Product	Units per 100 Machine Hours	Material Cost per Unit (Rs.)
X	80	4
Y	40	6
Z	20	10

- b) Additional Costs:

- Labour Cost : Rs. 3 per machine hour
- Variable overhead : Rs. 2 per machine hour
- Fixed overhead for the month : Rs. 12,000
- Share Capital : Rs. 4,80,000
- Management expects a return of 18% (before tax) on capital employed.



All financial charges are assumed to be included in the cost. Proposed Pricing Strategies are:

- Cost-Plus Pricing: Add 25% on total cost to determine selling price.
- Market-Based Pricing: Set selling prices arbitrarily as Rs. 14 (X), Rs. 24 (Y), and Rs. 45 (Z).
- Marginal Costing-Based Pricing: Use marginal cost + contribution margin approach to determine optimal pricing mix.

Evaluate all three pricing proposals using cost and profitability analysis. Recommend the most appropriate pricing strategy to meet the desired return on capital. Justify your recommendation.

9. XYZ Co. Ltd. Has two divisions A and B. A Sells half of its output on the open market and transfers the rest to division B. Costs and revenues during 2024 are

	A	B	Total
Sales	18,000	50,000	68,000
Cost of production	26,000	22,000	48,000
profit during the period			20,000

There are no opening or closing stock.

Calculate the profit of each division and profit of the organisation using transfer prices.

- at cost
 - at cost plus 20%
 - at cost plus 20% but there is over spending in Division A by Rs. 4,000.
10. Bharat Machines Ltd. manufacturing special purpose machines has completed the 1st order of 100 units at an agreed price of Rs. 7,500 per unit. The company has received an enquiry for another 200 units of same type. The cost incurred per unit in respect of 1st 100 units are as follows.

[P.T.O.]



Direct material	Rs. 4,500
Direct labour	Rs. 750
Special dies	Rs. 150
Variable Overheads	Rs. 1,200
Fixed Overheads	Rs. 300
Total cost	Rs. 6,900
Profit (20% on cost)	Rs. 1,380
Selling Price	Rs. 8,280

The company expects 80% learning rate in respect of direct labour and variable overhead but direct material direct labour, and variable overhead will increase by 15% in the future. The company wants 20% profit on cost. The amount of Rs. 150 spent on special dies will not be required for the second order. Fixed overhead for the second order will be Rs. 45,000. You are required to calculate the contract price of the 2nd order of 200 units.

11. Describe the strategic advantages of Total Quality Management (TQM) for an organization aiming for continuous improvement and customer satisfaction, along with sequential steps for its implementation.

SECTION - D

Answer the following question. This question carries 12 marks. (1×12=12)

12. As a consultant hired by ABC Electronics Ltd., develop a Balanced Scorecard for the company by identifying suitable performance indicators under the four perspectives. Explain how the Balanced Scorecard can help the company improve strategic alignment, measure non-financial performance, and create long-term value. Justify each performance metric you propose.
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