Reg. No.

IV Semester M.Com. (A&T) Degree Examination, July/August - 2026

COMMERCE

Strategic Cost Management - II (Elective)

(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) Define Marginal Costing.
   b) What is pricing policy?
   c) Define Bench Mark.
   d) What do you mean by Learning Curve?
   e) Expand PRAISE and BSC.
   f) What is total quality management?
   g) What is negotiated pricing?
   h) Mention any two applications of learning curve.
   i) State any objectivity of marginal costing.
   j) What do you mean by export pricing.

SECTION - B

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

2. ABC Ltd. has developed a new product which is about to be launched in to the market. The variable cost of selling the product is Rs. 17 per unit. The Marketing department has estimated that at a sale price of Rs. 25, annual demand would be 10,000 units. However if the sales price is set above Rs. 25, sales demand would fall by 500 units for each Re 0.50 increase above Rs. 25. Similarly, If the price is below Rs. 25, Demand would increase by 500 units for each Re 0.50 stepped reduction in price below Rs. 25. Required: Determine the price which would maximise ABC Ltd.,'s profit in the next year.

3. Golden projects ltd. Anticipates that 90% learning curve will apply to the production of a new items. The first item will cost Rs. 2000 in materials, and will take 500 labour hours. The cost per hour for labour and variable overhead is Rs. 5. You are required to calculate the total cost for the first unit and for the first 8 units.

4. Explain various factors affecting learning curve.

5. Enumerate the benefits of TQM.

6. Explain Difference between Marginal costing and standard costing.

7. Write a Short note on balance scorecard.

SECTION - C

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

8. Explain in detail the Quality costs involved and prepare a cost of Quality report imaginary figures.

9. Bharat machines Ltd., manufacturing special purpose machines has completed the 1st order of 100 units of an agreed price of Rs.7,500 per unit. The company has received an enquiry for another 300 units of same type. The cost incurred per unit in respect of the 1st 100 units are as follows:

Particulars	**Per Unit**
Direct material	4,500
Direct Labour	750
Special dies variable overheads	150
Variable overheads	1,200
Fixed overheads	300
Total cost	6,900
Profit (20% on cost)	1,300
Selling price	8,280

The company expects 80% learning rate in respect of direct labour and variable overhead but direct material, direct labour and variable overheads will increase by 15% in futures. The company wants 20% profit on cost. The amounts of Rs.150 spent on special dyes 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 300 units.

10. Niharika limited develop new product as smart board, as a Product manager on which basis you decide price of product.

11. Royal Industries Ltd., has two divisions P (Production) and S(Selling). Division P produces an intermediate for which there is no external market. Using intermediate, Divisions turns it into finished product-FM and sells in market. Each unit of product consumes one unit of intermediate. The sales quantity is sensitive to the price charged and divisions has developed the following schedule.

Selling price per unit (in Rs.)	500	450	400	350	300	250
Sales (in units)	1000	2000	3000	4000	5000	6000

The cost details are as follows.

	Division P	Division S
Variable cost per unit (in Rs.)	55	35
Fixed Cost per Annum (in Rs.)	3,00,000	4,50,000

The Transfer price is Rs.175 based on the full cost basis. You are required to calculate:

a) Prepare a profit statement showing the Profits of both the departments separately and the company as a whole

b) Determine the selling price that will maximize the Division's profit and the price that will maximize the company's profit.

SECTION - D

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

12. In the late 1970s and early 1980s, Motorola was a leader in the electronics and communication industry. However, they were losing significant market share to Japanese competitors who were producing pagers and radios that were not only cheaper but significantly more reliable. Motorola's leadership realized that they were spending nearly 5% to 10% of their total revenue just on "rework"-fixing mistakes made during the manufacturing process.

Motorola's internal audits revealed a startling reality: their quality standards were based on "Acceptable Quality Levels" (AQL). If 99% of products were good, they considered it a success. However, in a complex device with thousands of parts, a 1% failure rate per part meant that almost every finished product would have at least one defect. This led to high warranty costs and "customer churn."

In 1986, under CEO Robert Galvin and engineer Bill Smith, Motorola launched a TQM-based revolution. They didn't just want "better" quality; they wanted statistical perfection.

The Goal: Achieve Six Sigma quality, which means 3.4 defects per million opportunities (99.99966% accuracy). Total Involvement: Every employee, from the janitor to the CEO, was required to undergo quality training. The initiative was not "top-down" only; it empowered the workers on the floor to identify bottlenecks. Customer-Centric Metrics: Instead of measuring how fast they built a product, they measured how often the customer was satisfied on the first attempt.

Cycle Time Reduction: Motorola realized that the longer a product stayed in the factory, the more chances there were for errors. They used TQM tools to slash production time, which simultaneously improved quality and reduced costs.

As result of Financial Impact: Motorola saved an estimated $17 billion in manufacturing costs over 11 years. Market Leadership: They became the dominant force in the cellular phone and pager market throughout the 1990s. Legacy: In 1988, Motorola won the inaugural Malcolm Baldrige National Quality Award, setting the blueprint for TQM implementation worldwide.

Questions:

- "TQM is more about culture than it is about statistics." Using the Motorola case, evaluate this statement. How did employee training and empowerment contribute to the success of Six Sigma