

SHRIMATHI DEVKUNVAR NANALAL BHATT VAISHNAV COLLEGE FOR WOMEN  
(AUTONOMOUS)

(Affiliated to the University of Madras and Re-accredited with 'A+' Grade by NAAC)  
Chromepet, Chennai - 600 044.

M.Com. A&F - END SEMESTER EXAMINATIONS APRIL - 2024

SEMESTER - II

**23PAFCT2005 - Strategic Cost Management**

Total Duration : 2 Hrs. 30 Mins.

Total Marks : 60

**Section B**

Answer any **SIX** questions ( $6 \times 5 = 30$  Marks)

1. Explain the need for Strategic Cost Management.
2. 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. It costs Rs.40,000 per year to run. Machine B is an 'economy' model costing only Rs.1,00,000, but will last only for 2 years, and costs Rs.60,000 per year to run. 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?
3. Explain the procedure for implementation of Kaizen system in manufacturing organization.
4. Construct the features of information technology Sector.
5. Distinguish between Cost control and cost reduction.
6. Describe the characteristics of PLC.
7. Bright Bakery keeps stock of a popular brand of cake. Previous experience indicates the daily demand as given here

<b>Daily demand</b>	0	10	20	30	40	50
<b>Probability</b>	0.01	0.20	0.15	0.50	0.12	0.02

Consider the following sequence of random numbers 40, 78, 19, 51, 56, 77, 15, 14, 68, 09.

Using this sequence, simulate the demand for the next 10 days. Find out the stock situation, if the owner of the bakery decides to make 30 cakes every day. Also, estimate the daily average demand for the cakes on the basis of simulated data.

8. Evaluate the features of agriculture sector.

**Contd...**

## Section C

I - Answer any **TWO** questions ( $2 \times 10 = 20$  Marks)

9. Identify the various steps in value chain analysis.
10. Examine the importance and applications of Pareto analysis.
11. 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	Salvage
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?

12. A book-store wishes to carry Systems Analysis and Design in stock. Demand is probabilistic and replenishment of stock takes 2 days (ie., if an order is placed on March 1, it will be delivered at the end of day on March 3). The probabilities of demand are given below:

Demand (daily)	0	1	2	3	4
Probability	0.05	0.10	0.30	0.45	0.10

Each time an order is placed, the store incurs an ordering cost of Rs.10 per order. The store also incurs a carrying cost of Re.0.50 per book per day. The inventory carrying cost is calculated on the basis of stock at the end of each day. The manager of the book-store wishes to compare two options for his inventory decision :

- Order 5 books, when the inventory at the beginning of the day plus orders outstanding is less than 8 books.
- Order 8 books, when the inventory at the beginning of the day plus orders outstanding is less than 8 books.

Currently (beginning of the 1<sup>st</sup> day) the store has stock of 8 books plus 6 books ordered 2 days ago and expected to arrive next day. Using Monte-Carlo simulation for 10 cycles, recommend which option the manager should choose?

The two-digit random numbers are given below :

89, 34, 78, 63, 61, 81, 39, 16, 13, 73.

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II - Compulsory question (1 × 10 = 10 Marks)

13. Evaluate the challenges and opportunities faced by IT companies in the international market.

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