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 - NOV'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. Write a note on Quality Cost Management and Reporting.

2. What do you mean by Benchmarking? What are the benefits of Benchmarking? Also explain how benchmarking works.

3. Analyse the operational and strategic application of Activity Based Costing. Also write in brief the limitations of ABC.

4. Discuss the importance of Balanced Score Card. Also design a Balanced Score Card of a Company of your choice.

5. ABC Co specializes in the manufacture of solar panels. It is planning to introduce a new slimline solar panel specially designed for small houses. Development of the new panel is to begin shortly and Solaris is in the process of determining the price of the panel. It expects the new product to have the following costs. ABC Co specializes in the manufacture of solar panels. It is planning to introduce a new slimline solar panel specially designed for small houses. Development of the new panel is to begin shortly and Solaris is in the process of determining the price of the panel. It expects the new product to have the following costs.
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 1,50,000 and will last for 3 years. It costs 40,000 per year to run. Machine B is an 'economy' model costing only 1,00,000, but will last only for 2 years, and costs 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%. Suggest the management as to which machine it should buy.

6. A company makes three products X, Y and Z. All three products use the same type of labour which is limited to 1,000 hours per month. Individual details are as follows;

Product	X	Y	Z
Contribution/unit	Rs.25	Rs.40	Rs.32
Labour hours/unit	5	6	8
Maximum demand	50	100	400

Suggest the management on the optimal product mix.

Contd...

7. A bakery keeps stock of a popular brand of cake. Previous experience shows the daily demand pattern for the item with associated probabilities, as given below

   Daily Demand: 0 10 20 30 40 50
   Probability: 0.01 0.20 0.15 0.50 0.12 0.02

   Use the following sequence of random numbers to simulate the demand for next 10 days.

   Random numbers: 40, 19, 87, 83, 73, 84, 29, 09, 02, 20

8. Explain the process of preparation of budget using Performance Based Budgeting Approach with the help of suitable example.

Section C

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

9. State the business situation in which you recommend to apply Pareto Analysis.

10. ABC Co specializes in the manufacture of solar panels. It is planning to introduce a new slim line solar panel specially designed for small houses. Development of the new panel is to begin shortly and Solaris is in the process of determining the price of the panel. It expects the new product to have the following costs.

	Year 1	Year 2	Year 3	Year 4
Units manufactured and sold	2,000	15,000	20,000	5,000
R&D costs	1,900,000	100,000		
Marketing costs	100,000	75,000	50,000	10,000
Production cost per unit	500	450	400	450
Customer service costs per unit	50	40	40	40
Disposal of specialist equipment				300,000

The Marketing Director believes that customers will be prepared to pay $500 for a solar panel but the Financial Director believes this will not cover all of the costs throughout the life cycle.

Required: Calculate the cost per unit looking at the whole life cycle and comment on the suggested price.

11. Frontier Bakery keeps stock of a popular brand of cake. Daily demand based on past experience is as given below:-

    Experience indicates

    Daily demand : 0 15 25 35 45 50
    Probability : .01 .15 .20 .50 .12 .02

    Consider the following sequence of random numbers:-
    R. No. 48, 78, 09, 51, 56, 77, 15, 14, 68, 09
    Using the sequence, simulate the demand for the next 10 days.
    Find out the stock situation if the owner of the bakery decides to make 35 cakes every day.

Contd...

12. Describe the various tools to measure the performance of Agriculture Sector.

<center>II - Compulsory question $(1 \times 10 = 10$ Marks)</center>

13. "A traditional approach to quality management is that there is an optimal level of quality effort, that minimizes total quality costs, and there is a point beyond which spending more on quality yields a benefit that is less than the additional cost incurred". Describe the principles of Total Quality Management (TQM) in the above context? Distinguish those from the traditional approach to quality management?

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