



PG – 882

II Semester M.F.A. Examination, June 2015
FINANCE AND ACCOUNTING
Paper – 2.5 : Strategic Cost and Management Accounting

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer **any ten** of the following sub-question. **Each** sub-question carries **2** marks.

(10×2=20)

1. a) What is cost accounting ?
b) Define the concept of re-engineering.
c) What do you mean by transfer pricing ?
d) What is JIT ?
e) What do you mean by overheads ?
f) Define the term value engineering.
g) What is product design ?
h) Write a short note on business process.
i) What is target costing ?
j) What is waste ?
k) Define the concept of cost driver.
l) What is strategic planning ?

SECTION – B

Answer **any three** questions. **Each** question carries **five** marks.

(3×5=15)

2. Strategic management accounting is base for strategic business decision.
Comment.
3. Write an analytical note on value chain analysis.

P.T.O.



4. The following are the details of the cost of manufacture of 4000 sewing machines.

Raw material :

| | |
|-------------------------|----------|
| Opening stock | 70,000 |
| Closing stock | 9,800 |
| Purchases | 1,05,000 |
| Factory wages | 1,90,000 |
| Factory expenses | 35,000 |
| Administrative expenses | 10,000 |

If the cost of labour increased by 20% and that of material by 15%. What rate should be tendered for the supply of 2000 such machines so that profit earned is 10% on turnover.

5. A company is planning a new product market information suggest that the product should sell 10,000 units at Rs. 21 per unit. The company seeks to make a mark-up of 40% product cost. It is estimated that life time costs of the product will be as follows. Development costs – Rs. 50,000, Manufacturing cost Rs. 10 per unit and end of life cost Rs. 20,000.

You are require to calculate :

- 1) What is the target cost of the product ?
 - 2) What is the original life cycle cost per unit of the product ?
6. Write a detail note on multinational pricing.

SECTION – C

Answer **any two** questions. **Each** question carries **15** marks.

(2×15=30)

7. What are the difference between cost management and cost accounting ?
8. What are product cost categories ? Explain in detail.



9. X Ltd., manufactures four products A, B, C and D. Output and cost data is follows :

| Products | Output (Unit) | No. of products runs in the period | Materials cost per unit | Direct Labour hours per unit | Machine hour per unit |
|----------|---------------|------------------------------------|-------------------------|------------------------------|-----------------------|
| A | 20 | 2 | 10 | 1 | 1 |
| B | 20 | 2 | 50 | 3 | 3 |
| C | 200 | 5 | 20 | 1 | 1 |
| D | 200 | 5 | 80 | 3 | 3 |

Direct labour cost is 10 per hour over head cost are as follows :

| | |
|-------------------------|---------------|
| Short run variable cost | 10,560 |
| Set-up cost | 14,000 |
| Scheduling cost | 10,080 |
| Material handling cost | 7,840 |
| Total | 42,480 |

Calculate production cost under,

- 1) Activity base costing using machine hours rate as cost driver for recovering short run variable cost and number of production runs as cost driver for recovering other overheads and
 - 2) Traditional volume based costing.
10. ABC Company is contemplating to introduce a new products having 3 years of life. The following costs are estimated to be incurred at different stages of its life cycle.

| | Rs. |
|--|----------|
| Research and development cost | 3,00,000 |
| Product design cost | 2,00,000 |
| Production cost : | |
| First year | 1,00,000 |
| Second year | 1,50,000 |
| Third year | 2,00,000 |
| Product disposal cost (At the end of third year) | 10,000 |



Proposed revenue from the product :

| | |
|------------------------|----------|
| I st year | 1,00,000 |
| II nd year | 4,00,000 |
| III rd year | 8,00,000 |

The ABC Company's target DCF rate of return is 10% present value factor for 1 rupee at 10%.

| | |
|----------------------|------|
| 1 st year | 0.91 |
| 2 nd year | 0.83 |
| 3 rd year | 0.75 |

You are required to determine :

- Total life cycle cost of the product
- Assess the viability of launching the product.

SECTION – D

11. Answer the following case properly and answer the question given at the end. **(1×15=15)**

Most of the modern organization having just in time approach technique in order to rescue from sluggish profit, poor quality and productive in efficiency. However, JIT often landed for its employees benefits like employees moral and self-esteem. In addition to this, JIT may also cause company to struggle and may produce a good deal of frustration. In some cases, JIT not ensure expected results.

Require :

- You are required to explain the problems which encounter by company while implementing a JIT System.