

**VPM's**  
**DR VN BRIMS, Thane**  
**Programme: PGDM (2014-16)**  
**Fourth Trimester (Fin.) Examination September 2015**

<b>Subject</b>	<b>Strategic cost management</b>		
<b>Roll No.</b>		<b>Marks</b>	<b>60 Marks</b>
<b>Total No. of Questions</b>	<b>7</b>	<b>Duration</b>	<b>3 Hours</b>
<b>Total No. of printed pages</b>	<b>2</b>	<b>Date</b>	<b>25.09.2015</b>

**Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.**

**Q1) 20 Marks (Compulsory):**

**Case study**

Pune Steel Ltd. manufactures four products, namely P, Q, R and S, using the same plant and process.

The following information relates to a production period:

<b>Product</b>	<b>Volume</b>	<b>Material cost per unit(Rs)</b>	<b>Direct labour per unit</b>	<b>Machine time per unit</b>	<b>Labour cost per unit</b>
P	500	5	1/2hour	1/4hour	3
Q	5000	5	1/2hour	1/4hour	3
R	600	16	2hours	1hour	12
S	7000	17	1.5hours	1.5hours	9

Total production overheads recovered by the cost accounting system are analyzed under the following headings:

Factory overhead applicable to machine-oriented activity	37424
Set-up costs	4355
Cost of ordering materials	1920
Handling materials	7580
Administration for spare parts	8600

These overhead costs are absorbed by products on a machine hour rate of Rs.4.80 per hour giving an overhead cost per product of: P= Rs. 1.20, Q= Rs. 1.20, R= Rs. 4.80, S= Rs. 7.20

However, investigation into the production overhead activities for the period reveals the following totals:

<b>Product</b>	<b>No. of set-ups</b>	<b>No. of material orders</b>	<b>No. of times material was handled</b>	<b>No. of spare parts</b>
P	1	1	2	2
Q	6	4	10	5
R	2	1	3	1
S	8	4	12	4

You are required:-

- To compute an overhead cost per product using Activity based costing, tracing overheads to production units by means of cost drivers.
- To comment briefly on the differences disclosed between overheads traced by the present system and those traced by the Activity based costing.

**Attempt Any FOUR from the Remaining SIX Questions**

**Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- What is cost? State its Objectives.
- What is cost Accounting? State its essentials of a good Accounting system.

c) Explain the Porter's Value chain analysis.

**Q3) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- a) What is value engineering? What are the steps involved in it?
- b) What is Activity based costing? Explain its objectives.
- c) What are the methodologies in implementation of TOC?

**Q4) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- a) Explain in brief about the Target Costing.
- b) Explain the perspective of Balanced Scorecard.
- c) Explain the core concepts of TQM.

**Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- a) Explain in detail about JIT.
- b) Explain the different types of costs.
- c) Explain the following terms:
  1. Strategic cost management.
  2. Benchmarking.
  3. TQM
  4. Activity based costing.
  5. Value chain analysis.

**Q6) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- a) Explain the different market structure.
- b) What are the conditions for price discriminations?
- c) What are the methodologies used in target costing.

**Q7) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

a) The budgeted overheads and cost driver values of PQR Ltd are as follows:

Cost pools	Budgeted overhead(Rs)	Cost driver	Budgeted volume
Material procurement	5,80,000	No. of orders	1100
Material handling	2,50,000	No. of movements	680
Set up	4,15,000	No. of set-ups	520
Maintenance	9,70,000	Maintenance hours	8400
Quality control	1,76,000	No. of inspections	900
Machinery	7,20,000	No. of machine hours	24000

The company has produced a batch of 2600 components of AX-15, its material cost was Rs. 1, 30,000 and labour cost was Rs. 2, 45,000. The usage activities of the said batch are as follows:

Material orders	26	Maintenance hours	690
Material movements	18	Inspection	28
set-ups	25	Machine hours	1800

Calculate cost driver rates that are used for tracing appropriate amount of overheads to the said batch.

- b) From the above information calculate the ABC Analysis.
- c) Also from the Q.7 a) calculate Labour overheads cost.