

SCM 03

30/10/07
PM.

Roll no.

Total no. of questions:8

Total no. of printed pages: 2

Duration (hrs.): 3

Max. marks: 50

Note:

1. Question no.1 is compulsory and carries 10 marks. Attempt any five questions from the remaining which carry 8 marks each.
2. Marks will be awarded for brevity and logical presentation.

Q.1. Nelson Company manufactures control boxes for imaging devices. It has identified these overhead cost drivers:

Overhead cost pool	Cost driver	Budgeted	
		Overhead cost (Rs.)	Level of cost driver
Quality control	No. of inspections	50000	100
Machine operations	Machine hours	100000	40000
Purchasing	Purchase orders	3250	25
Other overhead cost	Direct labor hours	30000	5000

Nelson has order for 500 control boxes. Production requirements for this order are:

No. of inspections	5
Machine hours	1400
No. of purchase orders	1
No. of direct labor hours	400

Required:

- a) How much overhead would be included in this order if Nelson uses a plant wide overhead rate based on direct labor hours? What is the overhead cost per box?
- b) If Nelson uses an activity based costing method, what is the total overhead cost assigned to the order? What is the overhead cost per control box?
- c) Would you recommend the use of ABC or the direct labor-based method to this company? Why?

Q.2.

- a) What is TQM? What are the key principles of TQM?
- b) Target costing is a tool that supports market driven cost strategy'. Do you agree with the statement?

Q.3. What is life cycle costing ? What are its benefits? How life cycle costing can contribute towards formulation of strategic plan.

Contd.....2

1 set

Q.4. What is corporate restructuring? What is the relevance of corporate restructuring with strategic cost management?

Q.5. Write short notes (any four)

- a) Value Chain Analysis
- b) Business Process Re-engineering
- c) Total Productive Maintenance
- d) Cost Reduction
- e) Management Audit

Q.6. A medium sized commercial bank has asked you to help develop Balanced Score Card. You are familiar with the area around the bank and you know that the bank has succeeded in part because of good community ties and customer service. The bank manager also realizes that employee morale is also an important factor in the success of bank.

Required:

You are required to identify balanced score card perspectives you would use in this bank and a short list of four to five critical factors that you would include in each perspective.

Q.7. Describe various steps in the strategic cost management process. How strategic cost management can help obtain sustainable competitive advantages to a firm?

Q. 8.

- A) Describe the role of core competencies in strategic cost management. How you will identify core competencies in an organization? Discuss briefly.
- B) Identify the core competencies in case of the following organizations:-

- Reliance Industries
- Infosys
- Del Computers
- Micro soft