SVKM's NMIMS

School of Distance Learning

Academic Year: 2012 -2013

Subject: Strategic Cost Management
Semester: III
Date: 4.1.2013
Time: 3:00p.m to 6:00p.m

Programme: PGDFM
Marks: 70
Course: New

Instructions: Candidates should read carefully the instructions printed on the question paper and on the cover of the Answer Book which is provided for their use.

NB:

1. Answer to each new question to be started on a fresh page.
2. Figure in brackets indicates full marks.

Q.1. Attempt any two (Marks: 2*5=10)

a) Define cost benefit analysis
b) Explain quality function deployment
c) Discuss briefly TPM

Q.2. Answer any two (Marks: 2*5=10)

a) Define cost control.
b) Explain the difference between activity –based management and activity based costing.
c) Define profit variance analysis
d) Explain the meaning and definition of cost audit.
e) Define core competency.

Q.3. Answer any three (Marks: 3*10=30)

a) Discuss target costing process briefly.
b) Explain cost volume profit analysis.
c) Describe the types and objectives of cost audit.
d) Discuss the advantages and disadvantages of cost reduction,
e) Explain plan –do-study-act cycle.

Q.4.Answer the question (Marks :20)

X Ltd. Manufactures a special component whose Standard Cost Card is as follows:

	Rs.
Material: 5kgs @ Rs. 10 per Kg.	50
Labor: 10 hours @ Rs.6 per hour	60
Variable overheads: 10 hours @ Rs.2 per hour	20
Fixed overheads: Rs. 3 per hour	30
(On the basis of 1 lakh hours per month)	160
Profit	40
Selling Price	200

During a particular month, the company manufactured 12,000 components and sold 9,000 components @ Rs. 250 each. The Actual labor hours paid for was 115,000 hours @ Rs. 7 per hour, including 1,000 hours lost due to Machinery break-down. The company purchased 75, 000 Kgs of material @ Rs.12 per Kg. The raw material consumed for producing 12,000 components was 65,000 Kgs. Actual fixed overheads incurred was Rs. 3, 20,000 and the variable overheads was Rs.2, 25, 000. The company has a policy of valuing its raw material stock and finished components at Standard price. There was no opening stock of components at the beginning of the month.
Carry out a complete variance analysis of all the components and the reconciliation of the budgeted profit to that of the actual profit.

Budgeted profit = 10,000 x 40 = Rs. 4, 00,000.

Standard profit = 9,000x 40 = Rs. 3, 60,000

Actual profit = Rs. 5, 80,000

Total profit variance = Rs, 1, 80,000 (F)

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