

launching its products and is always striving to improve its quality from product design stage through to customer care. As a result, it has a 15% market share, and its largest competitor has a 6% market share with around 30 other companies sharing the remainder of the market.

- (a) **Compare and contrast :**
- (i) Costs of quality conformance and
 - (ii) Costs of quality non-conformance.
- (b) Discuss the relationship between quality conformance costs and product selling prices in HT
- (c) Explain how Kaizen principles could be used by HT to extend the life of its products.

Roll No.

56050

M.B.A. 2 Yr. 3rd Sem. (N.S.)

Batch 2011-2013

Examination- December, 2016

Strategic Cost Management & Control

Paper-MBA-311

Time : 3 hours

Max. Marks : 80

Before answering the questions, candidates should ensure that they have been supplied the correct and complete question paper. No complaint in this regard will be entertained after the examination.

Note : Attempt **five** questions in all. Section-A is **compulsory** and attempt other **four** questions selecting **one** question from each unit of Section-B. All questions carry equal marks.

Section-A

1. Define the following terms :
- (a) Target costing
 - (b) Throughput contribution

- (c) Product sustaining activities
- (d) Kaizen costing
- (e) Value chain system
- (f) Activity based budgeting
- (g) Partial productivity
- (h) Value Added Activity

Section-B

Unit-I

- 2. (a) What is lean manufacturing? Briefly describe the lean/JIT system.
- (b) Explain briefly how adoption of JIT affects profitability of an organization.
- (c) Describe the term 'Strategic Positioning'? <http://haryanapapers.com>
- 3. (a) What is Benchmarking? What are the benefits of Benchmarking? How does it work ?
- (b) What is Life Cycle Costing? Write down the different phases of LCC?

Unit-II

- 4. PQ is a building supplies retailer that operates a chain of shops throughout the country. The company has grown rapidly

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but profits have started to fall. The company has an excellent Inventory Procurement and Management System but the accounting systems are very poor. A management accountant has recently been appointed to help improve decision making within the company. The company sells building supplies, ranging from bags of nails and screws to pre-packed kitchen units, to a wide range of customers including home owners and professional builders. The company offers a free delivery service on all orders totalling over \$100. Within each shop, there are specialist sections that have skilled staff to offer help and advice to customers. Examples include:

- (a) The "Design Station" which offers free advice on kitchen and bathroom installation and design.
- (b) The "Cutting Bay" which cuts timber to customers' specific requirements. There is no charge for this service.

Other areas of the shop are "help yourself" where customers select their requirements from racked displays of products and then pay at the check-out points. The recently appointed management accountant was shocked

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to discover that the company's pricing policy is to add a 100% mark-up to the bought in cost of all products. The management accountant has suggested that the mark-up should not be the same for all products because certain products and certain types of customer will be more costly to sell and service respectively. The management accountant has suggested that an activity based costing system should be introduced to allow Direct Product Profitability and Customer Profitability Analyses to take place.

- (i) Explain how the allocation and absorption of costs differs in activity based costing compared to traditional absorption costing.
- (ii) Explain how activity based costing could help to increase the profits of PQ.

5. (a) Explain the term 'Activity Based Management'.
- (b) Distinguish between elimination, activity selection, activity reduction, activity sharing with suitable examples.

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Unit-III

6. (a) A company has two divisions, one producing an intermediate for which there is external market and another using this intermediate in finished product and it sells in the market. Each unit of finished product uses one unit of intermediate. The sales quantity is sensitive to the price charged and the selling division has developed the following sales schedule:

Selling price

Per unit (₹)	500	450	400	350	300	250
Sales unit (No.)	1,000	2,00	3,000	4,000	5,000	6,000

Cost details are as under :

Particulars	Product Division	Selling Division
Variable cost per unit (₹)	55	35
Fixed cost per annum (₹)	3,00,000	4,50,000

The transfer price is ₹175 based on the full cost basis.

- (i) Prepare a statement of profit for each division and the company as a whole.
- (ii) Determine the selling price that will maximize the selling division

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profit and the price that will maximize the company's profit.

(iii) Determine which transfer price policy will maximize the overall company's profit.

(b) What is Divisional Profitability and objectives of Divisional Profitability? What is the Investment centre?

7. What is performance budgeting? What are the benefits of performance budgeting? How does it work?

Unit-IV

8. CX is a passenger transport company which is seeking to improve its profits. It operates a number of bus routes within a 10 mile radius of a city centre. It operates a fleet of 100 buses, each of which has a capacity of 50 persons, throughout the day, seven days per week. The frequency of buses on each of its routes varies from a minimum of one to a maximum of four per hour during the day and evening. The passengers who use the buses are a mix of adults and children. Some routes are busier than other and, at certain times some passengers have to stand on the bus

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as there are insufficient seats available. The directors of CX are considering how best to measure the performance of each of the routes that they operate and it has been suggested that they should use a balanced scorecard approach.

(a) Explain how the balanced scorecard could be used by CX to improve its profits.

(b) Explain two performance measures, each from a different perspective of the Balanced Scorecard that CX could use to measure the performance of its routes. (You must state the perspective to which each of your measures relates.

9. HT manufactures and sells consumer goods. The market in which it operates is highly competitive and HT is constantly designing new products in order to maintain its market share. The life cycle of products in the market is extremely short with all of the manufacturers constantly introducing new products or variations on existing products. Consumers consider two main factors when buying these products : price and quality. HT uses a penetration pricing policy when

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