



**III Semester M.Com. Degree Examination, March/April 2025**

**(CBCS Scheme) (2021 – 22 Onwards)**

**COMMERCE**

**Paper – 3.4 (A&T) : Strategic Cost Management – I**

Time : 3 Hours

Max. Marks : 70

#### **SECTION – A**

1. Answer **any seven** questions out of ten. **Each** question carries **2** marks. **(7×2=14)**
  - a) Distinguish between cost control and cost reduction.
  - b) What is meant by activity based costing ?
  - c) Give the meaning of life cycle costing and give two products/services sold under L.C.C.
  - d) Explain the JIT concept from the strategic cost management view point.
  - e) What is value analysis ?
  - f) List the areas of cost management.
  - g) Give the meaning of cost driver with two real life examples.
  - h) What is meant by Lean Cost Management ?
  - i) What is Benchmarking ?
  - j) What is experience curve ?

#### **SECTION – B**

Answer **any four** questions out of six. **Each** question carries **5** marks. **(4×5=20)**

2. Describe the significance of analysing cost elements in today's dynamic business environment.
3. Explain the factors affecting life cycle costing.
4. What is Kaizen costing ? Bring out the procedure for implementation of Kaizen costing.
5. Write a note on Kaplan and Coopers approach to ABC.



6. ABC Tiles is a small distributor of marble tiles. ABC identifies its three major activities and cost pools as ordering, receiving and storage and transporting and reports the following details for 2024 :

Activity	Cost Driver	Quantity Driver	Cost per Unit of cost driver
1. Placing and paying for orders of marble tiles	Number of orders	500	Rs. 500 per order
2. Receiving and storage	Loads moved	4,000	Rs.300 per load
3. Transporting of marble titles to retailers	Number of consignments	1,500	Rs.400 per consignment

ABC buys 2,50,000 marble tiles at an average cost of Rs. 30 per tile and sells them to retailers at an average price of Rs. 40 per tile. There are no fixed costs. You are required to calculate ABC's operating income for 2024.

7. GT Ltd. a digital watch maker is preparing a product life cycle budget for a new watch, GEN3. The work on development of GEN3 watch is to start shortly. Estimates for GEN3 are as given below :

	Rs.
Life cycle units manufactured and sold	4,00,000
Selling price per watch	400
<b>Life-cycle costs :</b>	
R&D and design costs	1,00,00,000
<b>Manufacturing :</b>	
Variable cost per watch	150
Variable cost per batch	6,000
Watches per batch	500
Fixed costs	1,80,00,000
<b>Marketing :</b>	
Variable cost per watch	32
Fixed costs	1,00,00,000
<b>Distribution :</b>	
Variable cost per watch	2,800
Variable cost per batch	160
Fixed costs	72,00,000
Customer service cost per watch	15

You are required to calculate the budgeted life-cycle operating income for the new watch.



## SECTION – C

Answer **any two** questions out of four. **Each** question carries **12** marks. **(2x12=24)**

8. Explain the techniques used in strategic cost management.
9. Describe the phases of product life cycle costing and categories of product life cycle costs.
10. Bring out the benefits of JIT, Kaizen costing and lean cost management.
11. Green Way Ltd., is thinking to use an activity based costing to arrive product cost and has selected the following cost drivers for each activity.

Activity	Driver
Setup labour	Number of setups
Equipment	Machine-hours
Assembly	Direct labour-hours
Materials handling	Weight of materials
Purchasing	Material cost
Inspection	Number of orders shipped

Green Way also has the following budgeted production data for the three products :

Particulars	Model 1600	Model 2400	Model 3600
Units produced	10,000	4,000	1,000
Price (Rs.)	200	350	600
Production orders	25	70	200
Production setups	10	50	50
Orders shipped	100	400	800
Direct material cost per unit (Rs.)	40	70	90
Weight of materials per unit	1	3	5
Direct labour-hours per unit	3	4	5
Machine-hours per unit	6	8	10

Required :

- a) Compute unit cost for each of the three products using the current volume-based system.
- b) Calculate unit cost for each of the three products using the ABC approach.
- c) Interpret the difference between findings from the two methods.



## SECTION – D

Answer the following questions. (1x12=12)

12. Taiichi Ohno's JIT/Lean system, with the elimination of practically all inventories and using demand pull (Kanban) to coordinate the flow of materials and assemblies through the production process has been resisted by some on the basis that if even the smallest part in the system failed to appear or perform when needed, the entire process must come to a halt. Ohno proclaimed that this "weakness" of JIT/Lean was in fact its power since it removed all safety nets and with the production line stopped, forced the entire organization to focus on resolving the root cause of the problem so that it never recurs.

CourseKar Industries manufactures golf carts. Their product is reasonably successful, but competing manufacturers sell their carts for less than CourseKar can and yet have fewer product warranty and reliability problems. As a result, CourseKar's market share has been slipping and the Board of Directors is calling for action. Management knows that its competition has been using JIT/Lean production techniques for several years. But while they find JIT/Lean appealing for eliminating waste and improving quality and productivity, they are concerned that conversion to JIT/Lean, with its precariousness of having little or no inventory of materials on hand would be too great a risk. In order to lower production costs and improve quality, management is leaning toward a hybrid JIT/Lean system instead. This system will employ the principles and methodology of JIT/Lean, but will maintain buffer stocks of materials and assemblies to prevent every part delivery problem or malfunction on the line from shutting down the production process.

**Questions :**

- 1) If something as trivial as a missing screw or a broken tool can stop a JIT/Lean production line. How could Ohno consider that to be a power of the concept ?
- 2) Explain what would likely happen if a needed screw or a working tool is missing from a traditional mass production line.
- 3) Describe the implications of a JIT/Lean production system that employs buffer stocks or materials and parts.
- 4) Explain the potential for a non manufacturing organization to benefit from employment of JIT/Lean.