



Avinashilingam Institute for Home Science and Higher Education for Women
(Deemed to be University under Category 'A' by MHRD, Estd. u/s 3 of UGC Act 1956)
Re-accredited with 'A+' Grade by NAAC. Recognised by UGC Under Section 12B
Coimbatore - 641 043, Tamil Nadu, India

Master's Degree Examination – June 2021
IV Semester

Class : II MBA
Major : Master of Business Administration/MBA-IT

Time: 3 Hours
Max. Marks: 100

17MBAC30F/31F / 17MBMC30F Strategic Cost Management

PART A
Choose the Correct Answer

10 x 1 = 10

- A competitive advantage has been established when
 - Customers see the variation as important and the value added to the customer exceeds the cost of providing differentiation.
 - A high-cost strategy increases customer value by minimizing customer sacrifices.
 - A low-profit item is dropped from the product line.
 - Both a and b
- Which of the following is not a term normally used in value analysis?
 - Resale value
 - Use Value
 - Esteem Value
 - Cost Value
- Which of the following is not suitable for a JIT Production system?
 - Batch production
 - Jobbing production
 - Process production
 - Service production
- Which of the following is NOT a method of transfer pricing?
 - Cost plus transfer price
 - Internal price transfer price
 - Market-based transfer price
 - Two part transfer price
- In calculating the life cycle costs of a product, which of the following items would be included?
 - Planning and concept design costs
 - Preliminary and detailed design costs
 - Testing costs
 - Production costs
 - Distribution costs
 - All of the above
 - iv and v
 - ii, iv and v
 - iv
- When allocation service department cost to production departments, the method that does not consider different cost behavior patterns is the
 - Step method
 - Reciprocal method
 - Single rate-method
 - Dual rate-method
- What is the opportunity cost of making a component part in a factory given no alternative use of the capacity?
 - The variable manufacturing cost of the component
 - The total manufacturing cost of the component
 - The total variable cost of the component
 - Zero
- Which of the following would not be deducted from sales in a management report prepared using ABC costing method?
 - Direct Material
 - Direct Labor
 - Variable selling and administration cost
 - Shipping cost
- The responsibility accounting stresses on _____
 - Decentralization
 - Centralization
 - Both (a) and (b)
 - None of the above
- Which of the following is the best explanation of business process reengineering?
 - Redesigning the organizational structure of a business
 - Redesigning workflow
 - Redesigning products
 - Transformation of business processes for more effective achievement of business goals

Part B
Answer ALL questions
Each answer should not exceed 400 words or two pages

5 x 6 = 30

- 11.a. Describe the aspects of a competitor's costs should be analysed in a strategic assessment?
(or)
- 11.b. How do you define the term 'cost ascertainment'? Enumerate the various steps involved for cost ascertainment?
- 12.a. Enlighten the steps that are to be taken for rational decisions making. What factors would you take into considerations in closing or suspending the business activity?
(or)
- 12.b. Distinguish between the target cost and budgeted cost.
- 13.a. Outline the important methods of transfer pricing with suitable examples.
(or)
- 13.b. Enumerate the disadvantages of negotiated pricing method?
- 14.a. Why is ABC required? What competitive advantages does it offer over the traditional costing method?
(or)
- 14.b. Explain the essentials of success of responsibility accounting?
- 15.a. Explicate how activity based costing could help to increase the organization profits?
(or)
- 15.b. Converse the following in the context of strategic cost management:
a) Benchmarking and b) Balance Scorecard

Part C
Answer ALL questions
Question No 20. Case is Compulsory
Each answer should not exceed 800 words or four pages

5 x 12 = 60

- 16.a. Determine the differences between the cost control and cost reduction. Enlighten the techniques used in cost reduction with suitable example.
(or)
- 16.b. Define strategic cost management. What role it has in strategic positioning? Identify the factors affecting the cost management practices.
- 17.a. Describe the characteristics, process and benefits of life cycle costing in detail.
(or)
- 17.b. List out some behavioral problems that may occur when target costing is used. Provide an example of how these problems may have impacted in any project
- 18.a. Determine the process and drawbacks of Kaizen costing method in detail.
(or)
- 18.b. While designing a responsibility accounting system for a decentralized corporation, discuss the steps in terms of the structure and the process.
- 19.a. Categorize the various elements involved in Just in Time in Cost management? Whether the JIT method is good or bad for company? Justify your answer
(or)
- 19.b. Organize the importance and benefits of reengineering of business process in manufacturing company?

20. Case Study: (Compulsory)

Varshini Computer Hardware was a new venture, which assembled in India the following lines of products: Desktop computers, Laptop Computers, Network servers and Printers. They did not do any manufacturing but bought 85% of the value of the components in India and 15% from several countries all over the world. Their basic activity was, therefore assembling, testing and marketing. Of its total manufacturing cost, components were 60% and wages 40%. Due to wages being low in India, they were able to compete in the international markets for their products. The company provided an ambience for high productivity in its assembly lines and excellent canteen facilities for its employees. It employed a large number of high class staff in testing components, semi-finished products and final production. The company spent a lot of money in research and design and in keeping in touch with foreign makers of parts. There was a great variation in the efforts put in for each of the products. It had also to spend considerable amounts in promotion, marketing and selling activity, especially in its exports.

Discussion Questions:

- a. What are the periods and product cost of the company?
- b. What will be the nature of the cost objects of the organization?
- c. Suggest the 7-step process of cost ascertainment of the company?
