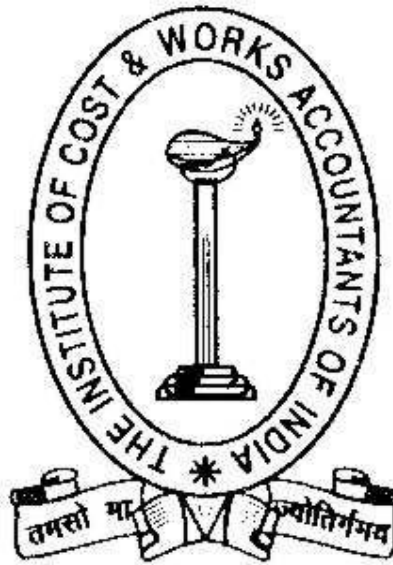


REVISED SYLLABUS 2008

REVALIDATION TEST PAPER

Final Group IV



THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA
DIRECTORATE OF STUDIES

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PAPER-15

**MANAGEMENT ACCOUNTING-ENTERPRISE PERFORMANCE
MANAGEMENT**

REVALIDATION TEST PAPER-RV/15/EPM/2010

(Answer Question 1 and any FIVE from the remaining)

- 1.(a) Expand the following abbreviations: 8
- (i) CRP
 - (ii) DBR
 - (iii) DRP
 - (iv) PLCM
 - (v) SQC
 - (vi) EFQM
 - (vii) DMAIC
 - (viii) JUSE
- (b) Define the following terms 2*6
- (i) V in VAT Analysis
 - (ii) McKinsey's 7s Framework
 - (iii) Bench Marking
 - (iv) Contribution Approach
 - (v) Talent Drain
 - (vi) Bill of Materials
- © State the correct Answers: 1*5
- (i) Synergy is often expressed as
 - (A) $2+2=5$
 - (B) $2+2=4$
 - © $2+2<4$
 - (D) $2+2>4$

(ii) Given:

Cost of risk free debt	=	8.5%
Market premium	=	6%
Beta	=	0.8

what is the cost of equity?

Choice

- A) 12.8%
- B) 15.3%
- C) 11.6%
- D) 13.3%

(iii) Which one of the following does not belong to the five general types of risks companies face?

Choice

- A) Technological risks
- B) Market risks
- C) Operational risks
- D) Legal risks

(iv) The cost of coordinating the efforts of sub-units is known as

- A. Opportunity Cost
- B. Sunk Cost
- C. Transaction Cost
- D. Fixed Cost

(v) ----- is a Japanese strategy of continuous improvement.

2. What is Benchmarking ? Discuss different types of Benchmarking.

15

3. A company has accepted an order for making 15 items of a specialized machine at a price of Rs. 4 lacs each. The delivery is to be completed within 4 months. The company works 23 days a month and the normal direct wages per day amount to Rs. 10,000. However, in case of need, the company can work over time upto 8 days during the said period at double the normal rate of wages. Overheads amount to Rs. 12,000 per normal working day but no overheads are charged on overtime working days. The material cost is Rs. 2,40,000 per machine. The company has estimated that it will take 10 working days to manufacture the first machine. The company is expected to experience a learning effect of 90% ($b=0.152$). The contract stipulates a penalty of Rs. 40,000 per machine delivered beyond the schedule of 4 months.

You are required to calculate the costs and advise the company whether it is preferable to work only during normal working days and pay penalty for any delayed delivery of the machines or to work overtime to avoid paying penalty. 15

4. (a) Write a note on Cause Effect Diagram. When should it be used?

(b) After inspection of 10 rods, each of length 5 meters, the following no of defects is found on each rod

45,42,52,46,51,46,50,43,51,49

© Distinguish between proportion defective chart and number defective chart.

5+8+2

5. (a) "Purpose of sensitivity analysis is to identify the critical variable in the project analysis"-Discuss

(b) X Co Ltd. purchases a component A at a price of Rs 18 per unit. The management decides to manufacture the component at a marginal cost of Rs. 12 per unit with a processing time 4 hours in a particular machine. State whether the decision of the management is correct :

(i) when there is spare capacity in the machine;

(ii) when the machine is at present working to the full capacity by manufacturing another product M with selling price Rs. 200, marginal cost 110 and processing time 40 hours.

Is the decision of the management correct?

7+8

6. (a) What is lean manufacturing? Briefly describe the Lean/ JIT system?

(b) Briefly describe the operation of an MRP System?

10+5

7(a) Write a note on Total Quality Management.

(b) Discuss the principal four steps in Target costing

© Write a note on Matrix Organization Structure.

5+5+5

8 Write short notes (on any three)

- (a) Balance Score Card
- (b) Enterprise risk management
- (c) Value Chain Analysis
- (d) Margin of safety