

Paper 15- Business Strategy & Strategic Cost Management

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Full Marks: 100

Time allowed: 3 Hours

Section A

Answer Question No. 1 which is compulsory and Carries 20 Marks.

1. (a) Describe about the internal and competitive bench marking. [8]

(b) A company has developed a new product and just completed the manufacture of the first four units of the product. The first unit took 3 hours to manufacture and the first four units together took 8.3667 hours to produce. The learning curve rate is: [3]

- (i) 69.5%
- (ii) 59.6%
- (iii) 75.0%
- (iv) 83.5%

(c) A concern sells three products. The budgeted fixed cost for the period is ₹ 6,00,000. The budgeted contribution to sales ratio (C/S ratio) and the sales mix are as under

Product	C/S ratio	Mix
Super	25%	20%
Premium	40%	40%
Best	30%	40%

What is the Break Even sales revenue? [3]

- (i) ₹ 30,10,181
- (ii) ₹ 15,23,312
- (iii) ₹ 18,18,181
- (iv) ₹ 17,60,500

(d) Nulook Ltd. Uses a JIT system and back flush accounting. It does not use a raw material stock control account During May, 8000 units were produced and sold. The standard cost per unit is ₹ 100; this includes materials of ₹ 45. During May, ₹ 4,80,000 of conversion costs were incurred.

The debit balance on cost of goods sold account for May was: [3]

- (i) ₹ 8,00,000
- (ii) ₹ 8,40,000
- (iii) ₹ 8,80,000
- (iv) ₹ 9,20,000

(e) B Ltd. Has earned net profit of ₹ 1 lakh, and its overall P/V ratio and margin of safety are 25% and 50% respectively. What is the total fixed cost of the company? [3]

- (i) ₹ 2,50,000
- (ii) ₹ 2,00,000
- (iii) ₹ 3,00,000
- (iv) ₹ 1,00,000

Section B

Answer any five questions from the following and each question carries 16 marks.

2. (a) What is Strategic decision? What are its characteristics? [8]
 (b) Define Strategic Drift. Describe how an organization prevents strategic drift. [8]
3. (a) State the objectives of 'strategic leadership'. [4]
 (b) Write four applications of 'game theory' in the analysis of business decision. [4]
 (c) What are the problems of strategy evaluation? [8]
4. (a) Discuss different types of value chain activities. [11]
 (b) List out the benefits of Strategic Alliance. [5]

5. (a) An electro-mechanical equipment has a purchase price of ₹7,000. Its running costs per year and resale values are given here:

Year:	1	2	3	4	5	6	7	8
Running Costs (₹)	2,000	2,100	2,300	2,600	3,000	3,500	4,100	4,600
Resale Value (₹)	4,000	3,000	2,200	1,600	1,400	700	700	700

- At which year is the replacement due? [8]
- (b) What is transformational and transactional leadership style? [8]
6. (a) What are the various stages/steps to be taken in the implementation of TQM? [8]
 (b) A Small retailer has studied the weekly receipts and payments over the past 200 weeks and has developed the following set of information:

Weekly Receipts (₹)	Probability	Weekly Payments (₹)	Probability
3000	0.20	4000	0.30
5000	0.30	6000	0.40
7000	0.40	8000	0.20
12000	0.10	10000	0.10

Using the following set of random numbers, simulate the weekly pattern of receipts and payments for the 12 weeks of the next quarter, assuming further that the beginning bank balance is ₹8000. What is the estimated balance at the end of the 12 weekly periods? What is the highest weekly balance during the quarter? What is the average weekly balance for the quarter?

Random Numbers

For Receipts	03	91	38	55	17	46	32	43	69	72	24	22
For payment	61	96	30	32	03	88	48	28	88	18	71	99

According to the given information, the random number interval is assigned to both the receipts and the payments. [8]

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Trade-in value/breakup/scrap	₹ 3,000	₹ 3,000
Annual repair costs	₹ 2,000	₹ 2,600
Overhaul costs	(at year 8) ₹ 4,000	(at year 4) ₹ 2,000
Estimated financing costs averaged over machine life	10%p.a	10% p.a.

You are required to: recommend with supporting figures, which machine to purchase, stating any assumptions made. **[8]**

(c) Mention four important management applications of PERT and CPM. **[2]**