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.
 - (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%
 - (i) 67.3% (ii) 59.6%
 - (ii) 37.8% (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?

- (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

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[3]

[8]

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

[8]

- (b) What is transformational and transactional leadership style?
- 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 I	lumber	S

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

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

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7. (a) Division A is a profit centre which produces three products X, Y and Z. Each product has an external market.

	Х	Y	Z
External market price per unit	₹ 48	₹ 46	₹ 40
Variable cost of production in division A	₹ 33	₹24	₹ 28
Labour hours required per unit in division A	3	4	2

Product Y can be transferred to Division B, but the maximum quantity that might be required for transfer is 300 units of Y.

	Х	Y	Z
The maximum external sales are:	800 units	500 units	300 units

Instead of receiving transfers of Product Y from Division A, Division B could buy similar product in the open market at a slightly cheaper price of ₹ 45 per unit.

What should the transfer price be for each unit for 300 units of Y, if the total labour hours available in Division A are?

(i) 3800 hours	(ii) 5600 hours.	[5+5=10]
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(b) Distinguish between cost Reduction and Cost control.

[6]

- 8. (a) Based on the data given below, to show the calculation of:
 - (i) Efficiency ratio;
 - (ii) Production volume ratio;
 - (iii) Idle capacity ratio.

Data	Standard hours of output	ours of actual operation
Theoretical capacity	100	100
Theoretical capacity less unavoidable lost time	95	95
Planned activity for period	81	90
Actual activity for period	68	85 [6]

(b) A2Z p.l.c supports the concept of tero technology or life cycle costing for new investment decisions covering its engineering activities. The financial side of this philosophy is now well established and its principles extended to all other areas of decision making. The company is to replace a number of its machines and the Production Manager is to run between the Exe Machine, a more expensive machine with a life of 12 years, and the Wye machine with an estimated life of 6 years. If the Wye machine is chosen it is likely that it would be replaced at the end of 6 years by another Wye machine.

The pattern of maintenance and running costs differs between the two types of machine and relevant data are shown below:

	Exe	Wye
Purchase price	₹ 19,000	₹13,000

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Tro	ade-in value/breakup/scrap	₹ 3,000	₹ 3,000	
Ar	nnual repair costs	₹ 2,000	₹ 2,600	
O	verhaul costs	(at year 8) ₹ 4,000	(at year 4) ₹ 2,000	С
Es	timated financing costs averaged over			
m	achine life	10%p.a	10% p.a.	
	ou are required to: recommend with suppor ating any assumptions made.	ting figures, which mad	chine to purchase,	[8]
:) M	ention four important management applico	ations of PERT and CPM	1.	[2]