

Roll No.

56050

MBA 2 Year (3rd Semester)
Examination – December, 2013

STRATEGIC COST MANAGEMENT AND CONTROL

Paper : MBA-311

Time : Three Hours [***Maximum Marks : 80***]

Before answering the questions, candidates should ensure that they have been supplied the correct and complete question paper. No complain in this regard, will be entertained after examination.

Note : Attempt *four* question from **Section-B** by selecting *one* question from each Unit. **Section-A** is *compulsory*.

SECTION – A

1. Give meaning of the following terms. Limit your answer within fifty words :
 - (a) High-value-added activities
 - (b) Balanced Scorecard
 - (c) Critical success factors
 - (d) Product sustaining activities

SECTION – B
UNIT – I

2. Discuss concept, characteristics and types of benchmarking and explain how it is helpful in gaining strategic position.
3. Discuss concern and objectives of strategic cost management. Develop a framework for strategic cost management.

UNIT – II

4. Doreen Company has gathered the following data pertaining to activities it performed for two of its major customers.

	Jerry Inc.	Donald Co.
Number of orders	5	30
Units per order	1,000	200
Sales returns :		
Number of returns	2	5
Total units returned	40	175
Number of sales calls	12	4

Doreen sells its product at \$200 per unit, net 30. The firm's gross margin ratio is 25 percent. Both Jerry and Donald pay their accounts promptly and no accounts

Activity	Cost Driver and Rate
Sales calls	\$1,000 per visit
Order processing	\$ 300 per order
Deliveries	\$ 500 per order
Sales returns	\$ 100 per return and \$5 per unit returned
Sales salary	\$100,000 per month

Required :

1. Classify activity costs into cost categories and compute the total cost for Doreen Company to service Jerry Inc. and Donald Co.
 2. Compare the profitability of these two customers (ignore cost of funds).
5. Discuss in detail the value chain analysis as a concept for strategic cost management.

UNIT – III

6. Benjamin, Joseph, Inc., has the following financial data for 2010 for its three regional divisions :

Region	Current Cost				
	Operating Income	Net Book Value	Gross Book Value	Replacement Cost	Liquidation Value
North	\$ 55,000	\$ 2,25,000	\$ 4,50,000	\$ 9,90,000	\$ 3,50,000

Answer the following questions :

Calculate return on sales for each division for 2010.

The sales in the North, Mid and South Atlantic regions are \$ 2,350,000, \$ 1,450,000 and \$ 500,000 respectively.

Calculate investment (asset) turnover and ROI for each of the four measures of investment.

7. Explain the objectives of transfer pricing, the different methods of transfer pricing and when market based transfer price is preferred.

UNIT – IV

8. How balanced scorecard is linked to strategy ? For each of the four areas within the balanced scorecard, list two or three examples of measurable critical success factor that should be included.
9. Name *three* cost associated with each of following cost categories :
 - (a) Prevention.
 - (b) Appraisal.
 - (c) Internal failure.
 - (d) External failure.