*Basavarajeswari Group of Institutions*

**2024 SCHEME**

# BALLARI INSTITUTE OF TECHNOLOGY & MANAGEMENT

(Autonomous Institute under Visvesvaraya Technological University, Belagavi)

| USN | | | | | | | | | | Course Code | M | B | A | F | M | 3 | 1 | 3 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

Third Semester MBA Degree Examinations, February 2026

## STRATEGIC COST MANAGEMENT

**Duration: 3 hrs** **Max. Marks: 100**

***Note:*** ***1. Answer any* FOUR *full questions from Question No. 1 to 7.***
***2. Question No. 8 is compulsory***
***3. Missing data, if any, may be suitably assumed***

| Q. No | | Question | Marks | (RBTL:CO:PO) |
|---|---|---|---|---|
| **1.** | **a.** | Which tools of SCM are used in different industries? Describe. | **03** | **(3:1:1)** |
| | **b.** | Describe the features of SCM. | **07** | **(3:1:1)** |
| | **c.** | Explain the importance of value chain analysis in SCM. | **10** | **(3:1:1)** |
| **2.** | **a.** | Analyse cost reduction and cost control. | **03** | **(3:2:2)** |
| | **b.** | Standard cost per unit (before Kaizen) = **₹250**. After Kaizen actual cost per unit = **₹238**. Actual production = **10,000 units**.<br>Compute the **total cost variance** and state whether it is favorable or adverse. | **07** | **(3:2:2)** |
| | **c.** | A company manufactures a product at ₹500 per unit. Continuous Kaizen improvements reduce costs by 2 % per month.<br>(i) Calculate the cost per unit after 12 months (compound monthly reduction).<br>(ii) Compute the total absolute and percentage reduction from the original cost.<br>(iii) If annual production is 120,000 units, estimate the annual monetary saving after 12 months and recommend one managerial action to sustain this reduction. | **10** | **(4:2:2)** |
| **3.** | **a.** | Describe any 3 features of target costing | **03** | **(3:3:3)** |
| | **b.** | A company plans to launch a new smart watch. Expected market price: Rs. 4,500, Required profit Margin: 25 %, Estimated Cost Currently: Rs. 3,700. Design team can possibly reduce material cost by Rs. 120 and labour cost by Rs. 80.<br>Is it feasible to proceed with new cost price? Give an advice to management. | **07** | **(3:3:3)** |
| | **c.** | A manufacturer in Coimbatore sells 15000 units and cost per unit Rs. 200. The company has fixed 20 % ROI on Investment of Rs. 18 Lakhs.<br>**You are Required to :**<br>(i) Calculate selling price per unit and mark up %<br>(ii) If company increases the selling price to Rs.230 and variable cost is Rs. 160, and the company sells 13500 units, give your advice. | **10** | **(3:3:3)** |
| **4.** | **a.** | How do you calculate cost driver rate? | **03** | **(3:4:4)** |

**Note: (RBTL - Revised Bloom's Taxonomy Level: CO - Course Outcome: PO – Programme Outcome)**

**b.** Discuss the steps in Implementing ABC. **07** **(3:4:4)**

**c.** ABC manufacturing company has been using a cost system that allocates all the FOH to products based on 350 % of direct labour cost. **10** **(3:4:4)**

The company is planning to implement ABC system.
The following are the details:

| Activity | Cost Driver Qty | Cost | Production Cost Driver Consumption |
|---|---|---|---|
| **Labour** | **3,00,000** | **30,000** | **10,000** |
| **Machine** | **20,000 HRS** | **5,00.000** | **800 HRS** |
| **Set Ups** | **10,000 HRS** | **1,00,000** | **100 Hours** |
| **Production Order** | **2000 orders** | **200,000** | **12 Orders** |
| **Material Handling** | **1000 Requisitions** | **20,000** | **5 Requisition** |
| **Parts** | **12,000** | **4,80,000** | **18 Parts** |

You are required to show overhead allocation using ABC costing system

**5** **a.** Describe any 3 objectives of life cycle costing. **03** **(3:4:4)**

**b.** Analyse ABC and life cycle costing. **07** **(3:4:4)**

**c.** S company manufacture's solar panel's it's planning to introduce specially designed small houses panel's development of new panel will begin shortly. It's expects that new product will have following cost. **10** **(3:4:4)**

| Sl. No. | Particulars | Year1 | Year2 | Year3 | Year4 |
|---|---|---|---|---|---|
| **1** | **R & D cost** | **19 lakhs** | **1,00,000** | **-** | **-** |
| **2** | **Marketing cost** | **1,00.000** | **75,000** | **50,000** | **10,000** |
| **3** | **Production Cost Per unit** | **500** | **450** | **400** | **450** |
| **4** | **Customer service cost per unit** | **50** | **40** | **40** | **40** |
| **5** | **Disposal value** | **-** | **-** | **-** | **3,00,000** |
| **6** | **Units Manufactured and sold** | **2,000** | **15,000** | **20,000** | **5,000** |

The above marketing director's believes that the customer will prepared to pay Rs. 500/- for solar panel but the financial director believes that Rs. 500/- don't cover all the cost throughout the life cycle. You are required to calculate cost per unit and also suggest suitable price.

**6.** **a.** Apply the Strategic decision model if Sale value is Rs. 25/- and Marginal cost is Rs. 12/- and Fixed cost is Rs. 20/-, what would be the contribution? **03** **(3:5:5)**

**b.** If buying a component costs ₹50 and making it internally costs ₹30 variable + ₹10 fixed (avoidable), what would be your advice? **07** **(4:4:5)**

**c.** In a factory at Bangalore they manufacture Product QR. It consumes 20 hrs of machine hours and selling price is Rs 150. and marginal cost is Rs. 110. Component part Y could be made in the same machine in 4 Hrs and marginal cost is expected to be Rs. 9. Outside purchase cost is Rs. 15. **10** **(3:4:2)**

Advice, should they make or buy if machine has full capacity and idle capacity.

**7.** **a.** Where do you apply the principle of JIT? **03** **(3:5:2)**

**Note: (RBTL - Revised Bloom's Taxonomy Level: CO - Course Outcome: PO – Programme Outcome)**

| | | | | |
|---|---|---|---|---|
| **b.** | Describe the principles of lean manufacturing | **07** | **(3:4:2)** |
| **c.** | Discuss the tools and techniques of strategic cost audit. | **10** | **(3:1:3)** |

**8.**

## Case Study

A company manufacturing 2 products provides you the following information.

| Product | Annual Output | Machine hours | No of Purchase orders | No of set ups |
|---|---|---|---|---|
| A | 5000 | 20,000 | 160 | 20 |
| B | 60,000 | 120,000 | 384 | 44 |

The annual overheads are given as under:

(i) Volume related costs Rs 5,50,000

(ii) Set up related Rs. 8,20,.000

Purchase related Rs. 6,18,000

| | | | |
|---|---|---|---|
| **a.** | Calculate traditional method of charging overhead | **10** | **(4:4:4)** |
| **b.** | Calculate activity based method of charging overhead | **10** | **(4:4:4)** |

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