

**MASTERS OF BUSINESS ADMINISTRATION  
(MANAGEMENT ACCOUNTING AND  
FINANCE)  
(MBAMAFCI)**

**Term-End Examination**

**December, 2012**

**MCN-084 : COST PLANNING AND ANALYSIS  
FOR COMPETITIVE ADVANTAGE**

*Time : 3 hours*

*Maximum Marks : 100*

*Note : Attempt any five questions. All questions carry equal marks.*

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1. What do you understand by Cost Of Quality (COQ) ? Describe the main measures used in the theory of constraints. 20
  2. What is target cost per unit ? Describe value engineering and its role in target costing. Give examples of value added and non value added cost. 20
  3. What is meant by learning curve effect ? Mention some important applications of this phenomenon in cost and management accounting. 20
  4. Explain the concept of Kaizen costing and prepare a Kaizen costing chart. 20

5. Discuss the key principles of target costing and explain the issues involved in the strategic pricing of new products. Explain the role of activity - based costing in setting a target cost. 20
6. What are three major influences on pricing decisions ? Explain in detail the concept of life cycle costing. 20
7. Define the terms opportunity cost, relevant cost and differential cost analysis. Describe the approach for making a decision about outsourcing. Explain the application of activity based costing for taking outsourcing decisions. 20
8. On the basis of the following information, what is the product mix which will give the highest profit attainable. Do you recommend overtime working upto a maximum of 15,000 hours at twice the normal wages. Ignore overheads. 20

Products	A	B	C
Raw material per unit (kg)	10	6	15
Labour hours per unit @ Rs. 1 per hour	15	25	20
Sales price per unit	125	100	200
Maximum production possible	6,000	4,000	3,000

1,00,000 kg raw material is available @ Rs. 10 per kg. Maximum production hours are 1,84,000 with facility for a further 15,000 hours on overtime basis at twice the normal wage rate.