MASTER OF BUSINESS ADMINISTRATION (MANAGEMENT ACCOUNTING AND FINANCE) (MBAMAFCI)

Term-End Examination

December, 2013

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.*

1. Indian Toy Pvt.Ltd. produces toy Robot and   20
    helicopters. Fixed costs are Rs. 12,90,000 per year.
    Sales revenue and variable costs per unit are as
    follows :

	Robot	Helicopter
Sales price →	Rs. 20	Rs. 25
Variable cost →	8	10

    (a) Suppose the company currently sells
        1,40,000 Robots per year and 60,000
        helicopters per year. Assuming the sales
        mix stays constant their find how many
        Robots and helicopters must the company
        sell to break even ?

(b) Suppose the company currently sells 60,000 Robots per year and 1,40,000 helicopters per year. Assuming the sales mix stays constant their find how many robots and helicopters must the Co. sell to break even per year ?

(c) Explain why the total no. of toys needed to break even in (A) is the same as or different from the number in (B).

2. What is sensitivity Analysis ? How can it be used to examine the degree of uncertainty in a cost-benefit analysis (CBA) and how it affects a study's results ? **20**

3. How is 'learning curves' used to predict the product and services costs ? Describe the 'U Learning Model' and 'CA Learning Model'. State the basic difference between the two. **20**

4. Why is it considered that Kaizen costing helps in maintenance of present cost levels for products, which are currently manufactured via systematic efforts to achieve the desired cost level ? Also describe the following : **20**

(a) Asset and organization specific kaizen costing.

(b) Product-model-specific kaizen costing.

5. Discuss the concept of Pareto Analysis and its significance. Why is it considered that 'Pareto analysis essentially states that 80% of quality problems in the end product or service are caused by 20% of the problems in the production processes' ? **20**

6. How is target costing, a set of management tools **20** and practices, which is bound to support organizational learning about the economic performance of a future product ? Why target costing is positively correlated with value chain ?

7. A company is planning a new product. Market **20** research information suggests that the product should sell 10, 000 units at Rs. 21 per unit . The company seeks to make a mark-up of no% product cost. It is estimated that the lifetime costs of the product will be as follows :

   - Design and development costs → Rs. 50, 000
   - Manufacturing costs → Rs. 10 per unit
   - End of life costs → Rs. 20,000.

   Required :

   (a) What is the target cost of the product ?

   (b) What is the original life cycle cost per unit and if the product worth making on that basis.

   (c) If the additional amount were spent on design, what is the maximum manufacturing cost per unit that could be tolerated if the Co. is to earn its required mark up ?

8. Write short notes on **any four** : **4x5=20**

   (a) CVP based decision models

   (b) Linear programming

   (c) Simple product mix analysis

   (d) Contribution/Sales ratio

   (e) Margin of safety

   (f) Theory of constraints

_____