

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

**Term-End Examination**

**June, 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. Describe the methods used to identify quality problems. Explain the concept of cost of quality and distinguish between internal and external failure cost. 20
2. What are the main features of JIT production ? Describe three different versions of backflush costing. 20
3. What is meant by the 'Learning Curve' effect ? Why is this important for cost and management accountants ? What are its limitation ? 20

4. Explain the concept of activity based management and discuss the concept of two dimensional activity based costing model. Explain the application of activity based management technique to eliminate non value added costs. 20
5. Discuss the key principles of target costing. Discuss the issues involved in the strategic pricing of new products and explain how product cost distortions can undermine a firm's pricing strategy. 20
6. Describe the approaches for long run pricing decisions. Discuss in detail the concept of life cycle costing. 20
7. Define relevant costs ? Why are historical costs irrelevant ? Describe the approach for making a decision about outsourcing. Explain the application of activity based costing for taking outsourcing decisions. 20

8. ABC Ltd. manufactures and sells three products X, Y and Z. 20

Budgeted Sales Demand	X 300 units	Y 500 units	Z 200 units
Unit sales price	16	18	14
Variable Costs :			
Material	8	6	2
Labour	4	12	6
Contribution	4	6	3

All three products use the same direct materials and the same type of direct labour. In the next year the available supply of material would be restricted to Rs. 4800 and the that of labour to Rs. 6000. What would be the profit maximising budget ?

---