

MAY 2015

**P/ID 77805/PMSF5**

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Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

1. What are the factors affecting cost management.
2. What are the steps involved in the installation of a cost system in a large manufacturing company?
3. What are the characteristics of ABC system?
4. Explain the meaning and concept of responsibility accounting.
5. Bring out the cost management issues involved in labour.
6. What are the prerequisites of responsibility accounting?
7. What are the main components of cost of quality?
8. How to control the quality Cost?

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

9. Why Cost are to be analysed? Briefly explain any two methods of analysing cost.
10. Differentiate between cost management and Cost Accounting.
11. What are the various steps available in value chain analysis process?
12. Discuss the cost that are associated in each stage of life cycle of a product.
13. Explain the organisational and managerial accounting challenges in implementing value chain analysis.
14. Distinguish between value based pricing and cost based pricing.
15. What is tactical decision making? Explain the steps involved in it.
16. Discuss why quality cost information is needed? Explain how it is used.

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PART C — (1 × 20 = 20 marks)

Compulsory.

17. Littoral Foundry makes several designs of cast iron guttering and rainwater drainpipes. One product, Tudor-style drainpipes, is produced in batches of twenty. Tudor-style drainpipes go through three separate production processes. As a result, the materials for each batch of Tudor-style drainpipes are moved four times, i.e. from the raw material stores, through the three production processes and finally to the finished goods stores. Littoral Foundry's material handling activity carries out 25,000 materials movements per year. The cost pool for the material handling activity (labour, fork-lift trucks, etc.) totals £150,000 per year.

Required

- (a) Calculate the ABC per Tudor-style drainpipe for material handling.
- (b) Suggest how Littoral Foundry can reduce the material handling cost per drainpipe.