

**M.Com 4th Semester Examination, 2021 (Regular and DDE)**

**Subject: Commerce  
Strategic Cost Management (SCM)**

**(Paper: COM403A)**

The figures in the margin indicate full marks.  
Candidates are required to give their answers in their own words  
as far as practicable

**Time: 2 Hours**

**Full Marks: 40**

**Module I**

**Answer any two of the following questions. 10x2=20**

1. (a) Differentiate between Traditional Costing and Target Costing.  
(b) 'Life Cycle Costing is a system that tracks and accumulates the actual costs and revenues attributable to the cost object from its invention to its abandonment'.– Justify the statement.

(5+5)

2. A city hospital provides health and other related services to the citizens who are covered under an insurance plan. The hospital receives a payment from the insurance company each time any patient attends the hospital for consultation as under:

<b>Consultations involving</b>	<b>Payment from insurance company (Rs.)</b>
No Treatment	60
Minor Treatment	250
Major Treatment	500

In addition, the adult patients will have to make a co-payment which is equivalent to the amount of payment for the respective category of treatment made by the insurance company. However, children and senior citizens are not required to make any such co-payment.

The hospital will remain open for 6 days in a week for 52 weeks in a year. Each physician treated 20 patients per day although the maximum number of patients that could have been treated by a physician on any working day is 24 patients.

The hospital received a fixed income of Rs.2,25,280 per annum for promotion of health products from the manufacturers. The annual expenditure of the hospital is estimated as under:

Materials and Consumable (100% Variable)	Rs.22,32,000
Staff Salaries per annum per employee (Fixed)	
Physician	Rs.4,50,000
Assistants	Rs.1,50,000
Administrative Staff	Rs.90,000
Establishment and other operating costs (Fixed)	Rs.16,00,000

The non-financial information is as under:

Staff:	
Number of Physicians Employed	6
Assistants	7
Administrative Staff	2
Patient Mix:	
Adults	50%
Children	40%
Senior Citizens	10%
Mix of Patient Appointments:	
Consultation requiring no Treatment	70%
Minor Treatment	20%
Major Treatment	10%

You are required to (i) Calculate the Net Income of the hospital for the next year, (ii) Determine the percentage of maximum capacity required to be utilised next year in order to have break even. (10)

3.(a) Write a short note on Cost Driver in the context of Activity Based Costing.

(b) How do you distinguish between the concepts of Activity Based Costing System and Traditional Costing System? (5+5)

### Module II

Answer any two of the following questions. 10x2=20

4. Briefly discuss five different types of standard which may be used as the basis for a standard costing system. (10)

5. Write short notes on: (5+5)  
 a) Quality control cost  
 b) Quality assurance

6. Briefly explain the three general methods for determining transfer prices. (10)

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Note: Use the mail id: [com403a@gmail.com](mailto:com403a@gmail.com) to send your answer scripts