# Sreeram Coaching Point
## Cost Management – Theory Questions from Nov. 2001 to May 2007
**### Indicate Question repeated in the Examination.**

| | Nov-2001 Question | Marks |
|---|---|---|
| 1. | Distinguish between marginal costing and absorption costing. | 7 |
| 2. | What disadvantages the measurement of work has in terms of work done? | 3 |
| 3. | Discuss the role of costs in product-mix decisions. | 4 |
| 4. | Indicate the possible disadvantages of treating divisions as profit centers | 4 |
| 5. | State the relative economics of the "make vs. buy" decision in management control. | 7 |
| 6. | Briefly discuss on curvilinear CVP analysis. | 4 |
| 7. | General framework of PERT/CPM | 5 |
| 8. | Write short notes on Monte Carlo simulation | 5 |
| 9. | What are the reasons to determine capacity? | 5 |

| | May 2002 Question | Mark |
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| 1. | Differentiate between 'cost indifference point' and 'Break even point' | 4 |
| 2. | Standard costing system is not compatible with "Activity Based Costing System." Do you agree with this statement? Explain your answer. | 3 |
| 3. | How the opportunity cost for inefficient use of scarce resources be presented in variance reports under a standard costing system? | 4 |
| 4. | What is 'price skimming policy' and at which situation it should be exercised? | 3 |
| 5. | Use of absorption costing method for the valuation of finished goods inventory provides incentive, for over production. "Elucidate the statement". | 4 |
| 6. | Explain the term 'Life cycle costing' | 4 |
| 7. | Write short notes on MRP. | 5 |
| 8. | Resource smoothing and resource leveling | 5 |

| | Nov-2002 Question | Marks |
|---|---|---|
| 1. | State the benefits of product life cycle costing | 4 |
| 2. | Enumerate the main objectives of 'Transfer Pricing' | 3 |
| 3. | State the requirements for operation of a Material Requirement Planning system | 5 |
| 4. | Explain briefly four different categories of activities that drive the expenses at the product level | 3 |
| 5 | How does Total Quality Management' facilitate value addition in an organization | 4 |

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| 6. | Explain, how does value chain approach help an organization to assess its competitive advantages. | 3 |
| 7. | State, how is Zero Base Budgeting superior to Tradit9onalbudgeting. | 4 |
| 8. | What are the common methods of obtaining initial feasible solution in transportation problem? | 3 |
| 9. | Explain the term resource smoothing and resource leveling #### | 4 |
| 10. | Outline the limitation of simulation ### | 4 |
| | **May – 2003 Question** | **Mark** |
| 1. | In what circumstances can penetration-pricing policy be adopted. | 3 |
| 2. | Outline the limitations of negotiated method of transfer pricing. | 4 |
| 3. | Explain the steps involved in target costing approach to pricing | 4 |
| 4. | State the Major features of ERP. | 3 |
| 5. | State the assumption of cost-volume-profit analysis. | 4 |
| 6. | Distinguish between a slack variable and an artificial variable in linear programming. | 3 |
| 7. | Enumerate the industrial application of linear programming | 4 |
| 8. | State the areas in which the application of learning curve theory can help a manufacturing organization | 4 |
| 9. | Outline the key attributes of an operational database. | 4 |
| 10. | State the main types of information which will be required by a manager to implement the balanced score card approach to performance measurement. | 4 |
| | **Nov – 2003 Question** | **Marks** |
| 1. | What is JIT? Explain how it eliminates wastage of resources. | 4 |
| 2. | Explain the usefulness of pareto analysis and its applicability to business situations. | 4 |
| 3. | Compare value chain analysis from traditional management accounting. | 4 |
| 4. | What do mean by Bench Marking? What are prerequisites of Bench Marking? | 4 |
| 5. | Distinguish Marginal costing and absorption costing. ### | 3 |
| 6. | Explain pricing by service sector | 3 |
| 7. | What is life cycle costing? Explain the stages in product life cycle. | 7 |
| 8. | Explain the theory of constants. | 4 |

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| 9. | What is Monte Carlo simulation? How it is useful in inventory control? ### | 4 |
| | **May – 2004 Question** | **Marks** |
| 1. | State the need for emergence of ABC. | 4 |
| 2. | Explain the limitation of linear programming | 4 |
| 3. | Explain the concept of relevancy of cost in the context of decision making | 4 |
| 4. | State the merits of cost plus contracts. | 3 |
| 5. | Trace the stages involved in target costing. | 4 |
| 6. | Explain the concept of learning curve and discuss its relevance to pricing decisions. | 4 |
| 7. | What are the shortcomings in the use of simulation approach in solving operations research problems? | 3 |
| 8. | State the benefits accruing from ERP. | 4 |
| 9. | Explain the critical success factors for the implementation of a program of TQM. | 4 |
| 10. | Outline the objectives of MRP. | 4 |
| | **Nov – 2004 Question** | **Marks** |
| 1. | What do you mean by “Back flushing” in JIT system? Explain briefly the problems with back flushing that must be corrected before it will work properly. | 4 |
| 2. | Explain Skimming Pricing Strategy. | 4 |
| 3. | What are the advantages and limitations of Zero Base budgeting? | 4 |
| 4. | What are the benchmarking code of conduct? | 3 |
| 5. | Explain briefly the main features of ERP | 4 |
| 6. | Relevant cost analysis help in drawing attention of managers to those elements of costs, which are relevant for the decision. Comment | 5 |
| 7. | What is product life cycle costing? Describe its characteristics and benefits. | 5 |
| | **May – 2005 Question** | **Marks** |
| 1. | Define Total quality Quality Management? What are the six “C’s for successful implementation of TQM? | 4 |
| 2. | What steps are involved in value chain analysis approach for assessing competitive advantages? | 4 |
| 3. | “Balanced score card and performance measurement system endeavour to create a blend of strategic measures, outcomes and drive measures and internal and external measures.” Discuss the statement and explain the major components of a Balanced Scorecard. | 4 |

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| 4. | Explain clearly the terms Resource smoothing and Resource leveling. ### | 4 |
| 5. | “The diverse use of routinely recorded cost data give rise to a fundamental danger information prepared for one purpose can be grossly misleading in another context.” Discuss to what extent the above statement is valid and explain your conclusion. | 4 |
| 6. | Explain different types of competitive pricing? | 4 |
| 7. | “Because a single budget system is normally used to serve several purposes, there is a danger that they may conflict with each other”. Do you agree? Discuss. | 4 |
| 8. | Explain which features of the service organization may create problems for the application of activity Based Costing. | 4 |

| | **Nov. – 2005 Question** | **Marks** |
|---|---|---|
| 1. | Briefly describe the different methods of Transfer Pricing. | 3 |
| 2. | How Pareto analysis is helpful in pricing of product in the case of firm dealing with multi-products? | 3 |
| 3. | Write short notes on pricing by service sector | 4 |
| 4. | Write short notes on ‘Zero Budgeting as an approach towards productivity improvement.’ | 4 |
| 5. | Critically examine ‘It is prudent to hold large inventories in an inflationary economy.’ | 4 |
| 6. | Explain the concept of activity based costing. How ABC system support corporate strategy? | 4 |

| | **May – 2006 Question** | **Marks** |
|---|---|---|
| 1. | What are the elements of a Balanced Scorecard? Also explain how it can be used as a Financial Planning Model. | 4 |
| 2. | What is the concept of Value-chain and why is it important for cost management? | 4 |
| 3. | What are some goals of a transfer-pricing system in an organization? | 4 |
| 4. | Overhead variances should be viewed as interdependent rather than independent – Explain. | 4 |
| 5. | What is total life cycle costing approach? What is its importance? | 4 |
| 6. | Why are conventional product costing systems more likely to distort product costs in highly automated plants? How do activity-based costing systems deal with such situation? | 4 |
| 7. | Sunk cost irrelevant in decision making but irrelevant costs are not sunk cost – Explain with example. | 4 |
| 8. | How will you apply customer costing in service sector? Explain with the help of a suitable example | 4 |

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| 9. | Differentiate between value-added and non-value added activities in the context of ABC. Give examples of value added and non-value added activities. | 4 |
| 10. | ‘The use of Absorption costing method in decision-making process leads to anomalies” Discuss. | 4 |
| 11. | How has the composition of manufacturing costs changed during recent years? How has the change affected the design of cost accounting systems? | 4 |
| 12. | Explain the concept ‘Learning curve’. How can it be applied for cost management? | 4 |
| | **Nov – 2006 Question** | **Marks** |
| 1. | Give two examples for each of the following categories in Activity Based Costing.<br>A) Unit level activity<br>B) Batch level activity<br>C) Product level activity<br>D) Facility level activity | 4 |
| 2. | Outline the features of Penetration Pricing Policy ### | 4 |
| 3. | What is simulation? What are steps in simulation?### | 5<br>2 |
| 4. | Briefly explain the learning curve ratio | 3 |
| 5. | List the steps involved in target costing process with the help of a Block Diagram. | 5 |
| 6. | What do you mean by ERP. Name six benefits of ERP in an enterprise. | |
| | **May – 2007 Question** | **Marks** |
| 1. | How does JIT approach help in improving an organization’s profitability? | 4 |
| 2. | What is product life cycle costing? What are the costs that you would include in product life cycle cost? | 4 |
| 3. | Explain briefly the major components of a Balance Score Card. | 4 |
| 4. | Describe the process of Zero-base budgeting. | 4 |
| 5. | What are the essential requirements for successful implementation of TQM? | 6 |
| 6. | Discuss with examples, the basic costing methods to assign costs to services. | 5 |
| 7. | Discuss the application of learning curve. | 4 |
| 8. | What are the practical applications of Linear Programming. | 7 |
| | **Nov. – 2007 Question** | **Marks** |
| 1. | What are the distinctive features of learning curve theory in manufacturing environment? Explain the learning curve ratio. | 9 |
| 2. | In many organizations, initiatives to introduce balanced score card failed because efforts were made to negotiate targets rather than to build consensus:<br>Required: Elucidate the above statement | 8 |

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| 3. | "Cost can be managed only at the point of commitment and not at the point of incidence. Therefore, it is necessary to manage cost drivers to manage cost." Explain the statement with reference to structural and exceptional cost drivers. | 5 |
| 4. | Explain the main features on 'Enterprise Resource Planning'. | 4 |
| 5. | What is the fundamental difference between Activity Based Costing System (ABC) and Traditional Costing System? Why more and more organizations in both the manufacturing and non-manufacturing industries are adopting ABC? | 10 |
| 6. | What is Target Costing? It is said that implementation of the target costing technique requires intensive marketing research. Explain why intensive marketing research is required to implement target costing technique. | **9** |

| | **May – 2008 Question** | **Marks** |
|---|---|---|
| 1 | Draw and explain the angle of incidence in a break-even chart. What is its significance to the management? | **3** |
| 2 | (a) Is it justifiable to sell at a price below marginal cost at any time? Mention the circumstances in which it is justifiable. | 6 |
| 3 | What is Pareto Analysis? Name some applications. | 5 |
| 4. | What do you mean by a dummy activity? Why is it used in networking? | 4 |
| 5. | How would you use the Monte Carlo Simulation method in inventory control? | 4 |
| 6 | Explain the concept and aim of theory of constraints. What are the key measures of theory of constraints? | 7 |
| 7 | What are the major areas of decision-making in which differential costing is used? | 4 |
| 8 | What do you mean by a flexible budget? Give an example of an industry where this type of budget is typically needed? | 2 |