

## Strategic Cost Management

### BE Chem-MBA 5<sup>th</sup> year

1. Rozgar.com is interested in estimating relationship between cost and sales. The following data are available:

Month	Customer Service Cost (Rs.)	Sales (Rs.)
April	5500	100,000
May	7000	150,000
June	7500	160,000
July	10000	200,000
August	10800	220,000

Calculate the following:

- a. Estimate the customer service costs for expected sales of Rs. 250,000 by using the following methods
    - i. Scatter plot (4)
    - ii. High-low method (4)
  - b. Comment on how far is the prediction correct. (2)
2. Consider the following costs that were incurred during the current year:
1. Advertising costs of Tata Consumer Products Limited.
  2. Straight-line depreciation on factory machinery of SII.
  3. Wages of assembly-line personnel of Pfizer.
  4. Delivery costs on customer shipments of Ben & Jerry's ice cream.
  5. Newsprint consumed in printing "The Hindu".
  6. Plant insurance costs of Levi Strauss.
  7. Glass costs incurred in light-bulb manufacturing of General Electric.
  8. Tire costs incurred by Ford motors.
  9. Sales commissions paid to the sales force of Apple .
  10. Wood glue consumed in the manufacture of Godrej Interio furniture.
  11. Hourly wages of refinery security guards employed by Exxon Corporation.
  12. The salary of a financial vice president of Microsoft.

Classify these costs as ( a ) a product cost or a period cost, ( b ) variable or fixed in terms of behavior, and ( c ) for the product costs only, whether the cost is properly classified as direct material, direct labor, or manufacturing overhead. (6)

3. Explain the concept of "strategic cost management" with the help of an example. (4)