

**International Islamic University Chittagong (IIUC)**  
**Department of Business Administration**  
**Mid-term Examination: Summer-2022**  
**Program: MBA**

Course Code: ACC-5507  
Time: 2 Hours

Course Title: Strategic Cost Accounting  
Full Marks: 30

*Answer any three of the following questions. All parts of a question must be answered sequentially. Figures in the right margin indicate full marks.*

1. a) Elucidate changes in the Contemporary Business Environment. How do the Changes in the Contemporary Business Environment affect Cost Management? 5
  - b) Describe the tools in Strategic Cost Management. 5
  2. a) How does service costing differ from product costing? 2
  - b) Determine and explain the cost heads related to transport services. 2
  - c) ABC Transport Company has given a route 40 kilometers long to run bus.
    - i. The bus costs the company a sum of Tk. 10,00,000
    - ii. It has been insured at 3% p.a. and
    - iii. The annual tax will amount to Tk. 20,000
    - iv. Garage rent is Tk. 2,000 per month.
    - v. Annual repairs will be Tk. 20,000
    - vi. The bus is likely to last for 5 years
    - vii. The driver's salary will be Tk. 3,000 per month and the conductor's salary will be Tk. 2,000 per month in addition to 10% of takings as commission [To be shared by the driver and conductor equally].
    - viii. Cost of stationery will be Tk. 1,000 per month.
    - ix. Manager-cum-accountant's salary is Tk. 7,000 per month.
    - x. Petrol and oil will be Tk. 500 per 100 kilometers.
    - xi. The bus will make 3 up and down trips carrying on an average 40 passengers on each trip.
    - xii. The bus will run on an average 25 days in a month.
- Required:** Assuming 15% profit on takings, calculate the bus fare to be charged from each passenger. 6

3. a) Explain the factors affecting Pricing Decision. 2
- b) ABC is a Clothing business. followings are the costs to produce final products;
- |                                  |                   |
|----------------------------------|-------------------|
| Direct Materials                 | Tk. 50            |
| Direct Wages                     | Tk. 60            |
| Batch level costs                | 10% of prime cost |
| Other manufacturing overheads    | Tk. 29            |
| Selling and administrative costs | Tk. 50            |
- Mark-up rate 40% for both full manufacturing and life-cycle costing  
 Desired gross margin percentage 30%  
 Desired life-cycle margin percentage 15%

The firm has Tk. 2,500,000 assets committed to the production of the product, and desires a 10% before-tax return on assets. Sales are expected to be 5,000 units.

**Required:**

- i. Compute the prices and explain your findings based on: 8
  - (a) Full manufacturing cost plus markup
  - (b) Life cycle cost plus markup
  - (c) Full cost and desired gross margin percent
  - (d) Full cost plus desired return on assets
- ii. Which of the above cost approaches is being used commonly?

4. a) Write short notes on- 2  
 (i) Theory of constraint; (ii) Bottleneck
- b) Contrast between Conventional Cost Accounting and Throughput Accounting. 3
- c) A not-for-profit organization performs a medical screening service in three sequential stages.

1. Take an X-ray.
  2. Interpret the result
  3. Recall patients who require further investigation/inform others that all is fine
- The 'goal unit' of this organization will be to progress a patient through all three stages. The number of patients who complete all three stages is the organization's throughput, and the organization should seek to maximize its throughput. The duration of each stage and the weekly resource available is as follows.

Process	Time per patient (hours)	Total hours available per week
Take an X-ray (stage 1)	0.50	90
Interpret the result (stage 2)	0.2	40
Recall patients (stage 3)	0.4	60

**Required:**

- i. Compute the maximum number of patients (goal units) who can be dealt with in each process.
- ii. Which stage is Bottleneck resource?
- iii. Mention some ways to improve Throughput. 5