Module 2 · Quality cost management P16 · 2.1–2.5

SM pp. 43–69 (exercise 70–75). **Q4(b) 7-mark theory**: cost of quality (J25, J26), lean accounting (J24 = D25 word for word), TQM steps (J23); an MCQ on quality-cost categories most papers. Module 2 per paper: **J26-7 · D25-7 · J25-9 · D24-2 · J24-9 · D23-2** (J23-20).

MODEL ANSWER · COST OF QUALITY (J25, J26 CLASSIFY)

Category	Examples
Prevention — stop failures happening	quality training, quality circles, statistical process control, quality improvement
Appraisal — check for failures	testing and inspecting materials, WIP and final product, package inspection, depreciation of test equipment
Internal failure — defects found before the customer	scrap, spoilage, rework, downtime due to defects, retesting
External failure — defects found by the customer	field servicing, complaints, warranty repairs and replacements, lost sales

[SM 48–49]

MCQs asked: warranty returns, inferior products delivered → external (J23, D24); downtime due to defects → internal (D23); uncovering defects → appraisal (J24); courtesy is a service, not a manufacturing, quality dimension (J25).

Manufacturing quality	Service quality
conformance · performance · reliability · features · durability · serviceability	tangible factors · consistency · responsiveness · courtesy · timeliness · atmosphere

Source: SM 45.

MODEL ANSWER · LEAN ACCOUNTING (J24 = D25)

- Costs by **value stream**, not department; all value-stream costs direct; costs outside it are "business sustaining". [SM 60]
- Three guiding principles: **customer value · continuous improvement · respect for people**. [SM 60]
- Principles → practices: lean and simple business accounting (eliminate waste; value stream mapping, kaizen, PDCA) · accounting that supports lean (performance measurement linkage chart, value stream costing and income statements, target costing) · clear and timely communication ("plain English" statements, visual boards, box scores) · planning from a lean perspective (hoshin, sales-operations planning, capital planning, invest in people) · strengthen internal control (transaction elimination matrix). [SM 61–62]

MODEL ANSWER · STEPS IN TQM (J23)

- Identify customer groups · their expectations · their decision-making requirements and product utilities · perceived problems · compare with other firms (benchmarking) · customer feedback · identify improvement opportunities and implement the improvement process (PRAISE). [SM 51–52]

PRAISE: problem identification · ranking · analysis · innovation · solution · evaluation. [SM 54]

6 C's: commitment · culture · continuous improvement · co-operation · customer focus · control; **4 P's**: people · process · problem · preparation. [SM 52]

Six Sigma DMAIC: define · measure · analyse · improve · control; **DMADV** (new design): define · measure · analyse · design · verify (SM prints "DMIADV"). [SM 65]

Practise: J26, J25, D25, J24 Q4(b), J23 Q2(b), Q3 · MQP / PTP Q4(b) · SM exercise (SM 70–75).