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Register Number:

DATE:

**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BENGALURU-27**

**B.Com IFA – II SEMESTER**

**SEMESTER EXAMINATION: APRIL 2022**

(Examination conducted in July- August 2022)

**BC IFA 2221 - Performance Management - I**

Time- 2 hours Max Marks-60 Marks

**This paper contains \_\_\_\_\_\_ printed page and four parts**

**Section A**

**I.** Answer ***any five*** of the following: (**3 x 5 = 15 marks)**

1. Differentiate between ABC and traditional costing technique.
2. State any two advantages and disadvantages of “Environmental Management Accounting”
3. State the meaning of relevant costing along with suitable examples.
4. State the steps in planning with one limiting factor.
5. What products may be priced using a market-skimming strategy?
6. State any three advantages of expected value method.

**Section B**

**II.** Answer ***any two*** of the following (**5 x 2 = 10 marks)**

1. Nirmal Ltd. Manufactures’ a product that requires 2 hours of machining. Machine time is a bottleneck resource, due to the limited number of machines available. There are 15 machines available, and each machine can be used for up to 30 hours per week.

The product is sold for $90 per unit and the direct material cost per unit is $50. The total factory costs are $10,000 each week.

You are required to calculate:

1. The return per factory hour
2. The TPAR
3. Cost per factory hour
4. Company A produces Product X and Product Y. The fixed overhead costs amount to $2,00,000 every year. The following budgeted information is available for both products for the next year.

|  |  |  |
| --- | --- | --- |
| Particulars | **Product X** | **Product Y** |
| Sales price | $50 | $60 |
| Variable cost | $30 | $45 |
| Contribution per unit | $20 | $15 |
| Budgeted sales in units | 20,000 | 10,000 |

You are required to calculate: Breakeven Revenue for the next year

1. Briefly explain the various pricing strategies that are available to a business.

**Section C**

**III.** Answer ***any two*** of the following (**10 x 2 = 20 marks)**

1. ABC is a Chinese electronics giant specialising in the production of game consoles. ABC is planning to introduce the latest ‘next-generation’ console and range of games in the summer of 20X0. Development of the new console is due to commence on January 1st, 20X0 and ABC is currently working out at what price the new console should be sold then.

The new console is expected to incur the following costs in the four years it will be developed and commercialised:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | 20X0 | 20X1 | 20X2 | 20X3 |
| Consoles manufactured and sold (in units) | 10,000 | 12,000 | 11,100 | 3000 |
| R&D Costs | $9,50,000 | $0 | $0 | $0 |
| Marketing costs | $2,30,000 | $1,20,000 | $20,000 | $5000 |
| Production cost per console | $450 | $430 | $290 | $290 |
| Warranty costs per console | $30 | $30 | $40 | $45 |
| End of life costs | 0 | 0 | 0 | $1,25,000 |

Market research has indicated that customers will be prepared to pay an average price of $420 per console, but ABC’s Chief Executive believes this will not be sufficient to make production worthwhile.

You are required to calculate Life Cycle Cost per unit.

1. The management of Fiona Co is considering the closure of one of its operations, department 3, and the financial accountant has submitted the following report.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Department | 1 | 2 | 3 | Total |
| Sales (units) | 5,000 | 6,000 | 2,000 | 13,000 |
| Sales ($) | 150,000 | 240,000 | 24,000 | 414,000 |
| Direct Material($) | 75,000 | 1,50,000 | 10,000 | 2,35,000 |
| Direct labour($) | 25,000 | 30,000 | 8,000 | 63,000 |
| Production OH ($) | 5769 | 6923 | 2308 | 15000 |
| Gross Profit ($) | 44,231 | 53,077 | 3,692 | 101,000 |
| Expenses ($) | 15,384 | 18,461 | 6,155 | 40,000 |
| Net Profit ($) | 28,847 | 34,616 | (2,463) | 61,000 |

Additional information:

* Production overheads of $15,000 have been apportioned to the three departments on the basis of unit sales volume.
* Expenses are head office overheads, again apportioned to departments on sales volume.

As management accountant, you further ascertain that, on a cost driver basis:

* 50% of the production overheads can be directly traced to departments and so could be allocated on the basis 2:2:1.
* Similarly 60% of the expenses can be allocated 3:3:2, with the remainder not being possible to allocate.
* 80% of the so-called direct labour is fixed and cannot be readily allocated. The remaining 20% is variable and can be better allocated on the basis of sales volume.

You are required: To restate the financial position in terms of the contribution made by each department and, based on these figures, make a clear recommendation.

1. Geoffrey runs a kitchen that provides food for various canteens throughout a large organization. A particular salad is sold to the canteen for $10 and costs $8 to prepare. Therefore, the contribution per salad is $2.

Based upon past demands, it is expected that, during the 250-day working year, the canteens will require the following daily quantities:

On 25 days of the year 40 salads

On 50 days of the year 50 salads

On 100 days of the year 60 salads

On 75 days 70 salads

Total 250 days

The kitchen must prepare the salad in batches of 10 meals. Its staff has asked you to help them decide how many salads it should supply for each day under maxi max rule.

**Section D**

**IV. Answer the following (15marks)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1. Following data is now available for Bright-Light Ltd. All values are in dollars $ | | | | |
|  |  |  |  |  |
| |  |  | | --- | --- | | Machining costs | 10000 | | Set-up costs | 25,000 | | Packing costs | 25,000 | | Component costs | 20,000 | | Total Production overhead | 80,000 | | | |  |  |
| The cost driver data are as follows:   |  |  |  |  | | --- | --- | --- | --- | |  | ANROID | WINDOWS | APPLE | | Actual production/sales units | 5,00,000 | 1,50,000 | 2,50,000 | | Machine hours per unit | 0.02 | 0.05 | 0.04 | | Number of production setups | 4 | 2 | 25 | | Number of components | 4 | 6 | 20 | | Number of customer orders | 20 | 5 | 25 | | Direct labour cost per unit ($) | 0.05 | 0.8 | 0.8 | | Direct material cost per unit ($) | 0.20 | 0.22 | 0.15 | | Selling price per unit ($) | 0.8 | 0.43 | 0.45 | | | |  |  |
| |  | | --- | | **Required:** | | Using ABC, calculate the full production cost per unit and the profit per unit for each product. | |  | | | |  |  |

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