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

Registration Number:

Date & Session: 6-12-2022 (1PM)

**B.COM IFA– III SEMESTER**

**SEMESTER EXAMINATION: OCTOBER 2022**

**(Examination conducted in December 2022)**

**BCIFA 3222- PERFORMANCE MANAGEMENT- II**

**Time: 2 Hours Max Marks: 60**

**This paper contains 3 printed pages and 4 parts**

**Section A**

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

1. State the meaning of Budget. Mention any two differences between Top-down and Bottom-up budgeting system.
2. A sales manager has achieved $500,000 of sales in the current year. Business is expected to grow by 10% and price inflation is expected to be 5%. Suggest a suitable budget target for the forthcoming year.
3. Define Balanced scorecard. State any two benefits of using balanced scorecard.
4. Why does material variance occur in a firm? Mention the causes of material variances.
5. State any three problems of using financial performance indicators.
6. Give the meaning of transfer pricing. State the various methods of setting transfer price.

**Section B**

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

1. A company produces two products, A and C. In the last year (20X4) it produced 640 units of A and 350 units of C incurring costs of $672,000. Analysis of the costs has shown that 75% of the total costs are variable. 60% of these variable costs vary in line with the number of A produced and the remainder with the number of C. The budget for the year 20X5 is now being prepared using an incremental budgeting approach. The following additional information is available for 20X5:
* All costs will be 4% higher than the average paid in 20X4.
* Efficiency levels will remain unchanged.
* Expected output of A is 750 units and of C is 340 units.

What is the budgeted total variable cost of products A and C for the full year 20X5?

1. Briefly explain the VFM method used to measure performance of a non-for-profit-organization.
2. Companies X and Y are both involved in retailing. Relevant information for the year ended 30 September 20X5 was as follows:

|  |  |  |
| --- | --- | --- |
|  | X ($000) | Y ($000) |
| Sales revenue | 75,000 | 1,50,000 |
| PBT | 10,000 | 10,000 |
| Capital employed | 60,000 | 60,000 |

Required:

Prepare the following ratios for both companies and comment on the results:

(a) ROCE

(b) Profit margin

(c) Asset turnover

**Section C**

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

1. What is the importance of using high/low analysis? (2 marks)

Use high/low analysis to find the following with the help of below information.

Output (units) Total cost ($)

200 7,000

300 8,000

400 9,000

(a) Find the variable cost per unit.

(b) Find the total fixed cost.

(c) Estimate the total cost if output is 350 units.

(d) Estimate the total cost if output is 600 units. (8marks)

1. HRD lights Co. operates a marginal costing system and sells two products Bulbs (B) and Lights (L). The standard contribution per unit for each product and the budgeted levels of production and sales for each product for the last period are as follows:

Product B L

Standard contribution per unit $5.00 $6.00

Budgeted production and sales (units) 8,000 12,000

The actual contribution per unit for each product and the actual levels of production and sales for each product for the last period are as follows:

Product B L

Actual contribution per unit $5.50 $6.50

Actual production and sales (units) 9,500 11,000

**Required:**

Calculate the following variances for the last period:

(i) Sales mix contribution variance

(ii) Sales quantity contribution variance.

1. A company manufactures a bakery item using two components, X and Y. The standard information for one unit of the item are as follows:

Material X 10kg at $5per kg $50

Material Y 20Kg at $8 per kg $160

In a particular period, 160 units of the bakery items were produced, using 1,000 kgs of material X and 1,460 kgs of material Y.

**Required:** Calculate the material usage, mix and yield variances for each material.

**Section D**

IV **Answer the following (1 X 15 = 15 marks)**

1. A company has two profit centers, Centre A and Centre B. Centre A supplies Centre B with a part-finished product. Centre B completes the production and sells the finished units in the market at $35 per unit. There is no external market for Centre A’s part-finished product.

Budgeted data for the year:

|  |  |  |
| --- | --- | --- |
|  | Division A | Division B |
| Number of units transferred/sold | 10,000 | 10,000 |
| Material Cost per unit | $8 | $2 |
| Other variable cost per unit | $2 | $3 |
| Annual fixed costs | $60,000 | $30,000 |

**Required:** Calculate the budgeted annual profit for each division and for the company as a whole if the transfer price for the components supplied by division A to division B is:

(a) Full cost plus 10%

(b) Marginal cost plus 10%

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