

ST. JOSEPH'S COLLEGE (AUTONOMOUS) BENGALURU-27
MID SEMESTER EXAMINATION- AUGUST 2019
BBA STRATEGIC FINANCE - I SEMESTER
BSF1419: FINANCIAL PLANNING & PERFORMANCE

TIME: 1 Hour

MAX. MARKS: 30 Marks

SECTION A

Answer any FIVE of the following questions. Each question carries two marks.

(5x2=10)

- 1) The sources of a company's distinctive competencies are:
 - A. The company's resources and capabilities.
 - B. The company's prior strategic commitments.
 - C. High profitability and sustained profit growth.
 - D. The company's threats and opportunities.

- 2) All of the following are characteristics of the strategic planning process **except the**
 - A. Review of the attributes and behavior of the organization's competition.
 - B. Emphasis on the long run.
 - C. Analysis and review of departmental budgets.
 - D. Analysis of external economic factors.

- 3) Each organization plans and budgets its operations for slightly different reasons. Which one of the following is **not** a significant reason for planning and budgeting?
 - A. Ensuring profitable operations.
 - B. Forcing managers to consider expected future trends and conditions.
 - C. Checking progress toward the objectives of the organization.
 - D. Providing a basis for controlling operations.

- 4) When budgeting, the items to be considered by a manufacturing firm in going from a sales quantity budget to a production budget would be the
 - A. Expected change in the availability of raw material without regard to inventory levels.
 - B. Expected change in the quantity of finished goods and work-in-process inventories.
 - C. Expected change in the quantity of work-in-process inventories.
 - D. Expected change in the quantity of finished goods and raw material inventories.

- 5) Streeter Company produces microwave turntables. Sales for the next year are expected to be 65,000 units in the first quarter, 72,000 units in the second quarter, 84,000 units in the third quarter, and

66,000 units in the fourth quarter. Streeter maintains a finished goods inventory at the end of each quarter equal to one half of the units expected to be sold in the next quarter. However, due to a work stoppage, the finished goods inventory at the end of the first quarter is 8,000 units less than it should be. How many units should Streeter produce in the second quarter?

- A. 86,000 units.
- B. 75,000 units.
- C. 80,000 units.
- D. 78,000 units.

6) Ming Company has budgeted sales at 6,300 units for the next fiscal year and desires to have 590 good units on hand at the end of that year. Beginning inventory is 470 units. Ming has found from past experience that 10% of all units produced do not pass final inspection and must therefore be destroyed. How many units should Ming plan to produce in the next fiscal year?

- A. 7,186.
- B. 6,890.
- C. 7,133.
- D. 7,062.

7) Jura Corporation is developing standards for the next year. Currently XZ-26, one of the material components, is being purchased for \$36.45 per unit. It is expected that the component's cost will increase by approximately 10% next year and the price could range from \$38.75 to \$44.18 per unit depending on the quantity purchased. The appropriate standard for XZ-26 for next year should be set at the

- A. Price agreed upon by the purchasing manager and the appropriate level of company management.
- B. Lowest purchase price in the anticipated range to keep pressure on purchasing to always buy in the lowest price range.
- C. Current actual cost plus the forecasted 10% price increase.
- D. Highest price in the anticipated range to insure that there are only favorable purchase price variances.

SECTION B

Answer any TWO of the following questions. Each question carries five marks.

(2x5=10)

8) Gleason Company, a manufacturer of children's toys and furniture, is beginning budget preparation for next year. Jack tiger, a recent addition to the accounting staff at Gleason, is questioning Leslie Robbins and James Crowe, sales and production managers, to learn about Gleason's budget process. Crowe says that he incorporates Robbins sale projections when estimating closing inventories but that the resulting numbers aren't completely reliable because Robbins makes some "adjustments" to her projections. Robbins admits that she does indeed lower initial sales projections by 5% to 10% to give her department some breathing room. Crowe admits that his department makes adjustments not unlike Robbins: specifically, production adds about 10% to its estimates. "I think everyone here does something similar", he says, and Robbins nods assent.

A) What benefits do Robbins and Crowe expect to realize from their budgetary practices? What is this kind of a practice referred to in budgeting?

B) What are other problems that the management faces during a budgetary process?

9) M/s ABC Limited is a conglomerate that consists of five strategic business units (SBU). Information relating to each SBU (and the market leader or the nearest competitor) is given below:

SBU	Current Market Share			Expected Market Growth Rate
	ABC Ltd. (%)	Market Leader (%)	Nearest Competitor (%)	
Tiles	3	25	-	Small
Cosmetics	1	6	-	Nil
Food Products	25	-	5	Slowly Declining
Cattle Feed	0.025	0.5	-	High
Software	10	-	8	Rapid

Required:

- Comment on M/s ABC Ltd.'s overall competitive position by applying the BCG Growth Share matrix.
- Explain the four quadrants of the BCG matrix and place these five SBU's in each of the quadrants based on the data given.

10) On January 1 2019 the Heche Company budget committee has reached agreement on the following data for the six months ending June 30th 2019.

Sales units: First Quarter 5000; second quarter 6000; third quarter 7000

Ending Raw Material Inventory; 40% of the next quarters production requirements

Ending finished goods Inventory; 30% of the next quarters expected sales units

Third quarter's 2019 production; 7500 units

The ending raw materials and finished goods inventories at December 31st 2018, follow the same percentage relationships to productions and sales that occur in 2019.

Two pounds of raw materials are required to make each unit of finished goods. Raw material purchased is expected to cost \$5 per pound.

- Prepare a production budget by quarters for the six months period ended June 30th 2019.
- Prepare a direct materials budget by quarters for six months period ended June 30th 2019.

SECTION C

Answer the following compulsory question. The question carries ten marks.

(1x10=10)

The following information is for the next three questions: Rokat Corporation is a manufacturer of tables sold to schools, restaurants, hotels and other institutions. Rokat manufactures the table tops, but an outside supplier sells the table legs to Rokat. The Assembly Department takes a manufactured table top and attaches the 4 purchased table legs. It takes 20 minutes of labor to assemble a table. The company follows a policy of producing enough tables to ensure that 40% of next month's sales are in the finished goods inventory. Rokat also purchases sufficient raw materials to ensure that raw materials inventory is 60% of the following month's scheduled production. Rokat's sales budget in units for the next quarter is as follows:

July	2,300
August	2,500
September	2,100

Rokat's ending inventories in units for June 30 are:

Finished goods	1,900
Raw materials (legs)	4,000

Question 1: The number of tables to be produced during August is: (show calculations)

- a) 1,900 tables.
- b) 1,440 tables.
- c) 2,340 tables.
- d) 1,400 tables.

Question 2: Assume the required production for August and September is 1,600 and 1,800 units respectively, and the number of table legs in the July 31 raw materials inventory is 4,200 units. The number of table legs to be purchased in August is: (show calculations)

- a) 2,200 legs
- b) 6,520 legs.
- c) 6,400 legs.
- d) 9,400 legs.

Question 3: Assume that Rokat Corporation will produce 1,800 units in the month of September. How many employees will be required for the Assembly Department? (Fractional employees are acceptable since employees can be hired on a part-time basis. Assume a 40-hour week and a 4-week month.) (show calculations)

- a) 3.75 employees.
- b) 60 employees.
- c) 15 employees.
- d) 600 employees.

***** End of Question Paper *****