Register Number:

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ST. JOSEPH'S COLLEGE (AUTONOMOUS), BANGALORE-27

BBA (Strategic Finance) - I SEMESTER

SEMESTER EXAMINATION: OCTOBER 2019

BBASF1419 : FINANCIAL PLANNING & PERFORMANCE

Time- 2 1/2 hrs **Max Marks-70**

This paper contains four printed pages and four parts

SECTION-A

Answer any FIVE of the following questions. Each question carries two marks. (5x2=10)

1) A) Fixed cost is a cost:

(a) Which changes in total in proportion to changes in output.
(b) Which is partly fixed and partly variable in relation to output.
(c) Which do not change in total during a given period despite changes in output
(d) Which remains same for each unit of output.

B) A budget which is prepared in a manner so as to give the budgeted cost for any level of activity is known as:

(a) Master budget
(b) Zero base budget
(c) Functional budget
(d) Flexible budget

2) A Ltd is a manufacturing company that has no production resource limitations for the foreseeable future. The Managing Director has asked the company managers to coordinate the preparation of their budgets for the next financial year. In what order should the following budgets be prepared?

(1) Sales budget
(2) Cash budget
(3) Production budget
(4) Purchase budget
(5) Finished goods inventory budget

(a) (2), (3), (4), (5), (1)
(b) (1), (5), (3), (4), (2)
(c) (1), (4), (5), (3), (2)
(d) (4), (5), (3), (1), (2)

3) A Local Authority is preparing cash Budget for its refuse disposal department. Which of the following items would not be included in the cash budget? (Justify your option)

(a) Capital cost of a new collection vehicle
(b) Depreciation of the machinery

(c) Operatives wages
(d) Fuel for the collection Vehicles

4) Which best describes the difference between mission and strategy?
(a) The mission sets goals for the board of directors while the strategy sets targets for managers.
(b) The mission includes objectives for the next five years whereas the strategy sets them out for just the year ahead.
(c) Mission sets the vision of a business while strategy sets out the plan to achieve the mission.
(d) The mission describes the business plan in words while the strategy sets it out in numbers.

5) In which of the four perspectives of a balanced scorecard would Return on Capital Employed (ROCE) be likely to appear?
(a) Financial
(b) Customer
(c) Internal processes
(d) Learning and growth
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6) A) Which of the following factors is considered to have influenced the development of activity-based costing?
(a) Increasing uniformity of products with sophisticated production technologies
(b) Increase in direct costs as a proportion of total product costs
(c) A very high proportion of high-volume products
(d) Increase in overhead costs as a proportion of total product costs

B) Which of the following is **not** considered to be a benefit of activity-based costing?
(a) More accurate product costs
(b) Reduced complexity of calculating costs
(c) Inclusion of non-manufacturing costs
(d) More detailed understanding of what drives cost

SECTION- B

Answer any THREE of the following questions. Each question carries five marks. (3x5=15)

7) "For management, it is important to be both effective and efficient. Effectiveness and efficiency are two sides of the same coin." Comment.

8) Tidwell Corporation sells a single product For $20 per unit. All Sales are on Account, with 60% collected in the month of sale and 40% collected in the following month. A schedule of cash collections for January through march of the coming year reveals the following receipts for the period.
Cash Receipts

Cash Receipts	January	February	March

December Receivables	$ 32,000	--------------	---------------
From January Sales	$ 54,000	$ 36,000	---------------
From February Sales	--------------	$ 66,000	$ 44,000
From March sales	--------------	-------------	$ 72,000

Other Information includes the following:

- Inventories are maintained at 30% of the following month's Sales.
- Tidwell desires to keep minimum cash balance of $ 15,000. Total payments in January are expected to be $ 106,500, which excludes $ 12,000 of depreciation expense.
- The December 31 balance sheet for the preceding year revealed a cash balance of $ 24,900.

  What is the financing needed in January to maintain the firm's minimum cash balance?

9) What is a Smart KPI? Explain each criterion briefly.

10) Discuss the advantages & disadvantages of any two forecasting Techniques.

SECTION -C

Answer any TWO of the following questions. Each question carries fifteen marks. (2x15=30)

11) a) A manufacturing concern which has adopted standard costing furnishes the following information.

Standard

Material for 70 Kg of finished product of 100 Kg

Price of materials Re.1 per kg

Actual

Output 2,10,000 kg.

Material used 2,80,000 kg.

Cost of materials Rs.2,52,000

Calculate:

a. Material Usage Variance
b. Material Price Variance
c. Material cost Variance (3+3+3= 9 marks)

b) KHD Industries is a multidivisional firm that evaluates its managers based on the return on investment (ROI) earned by their divisions. The evaluation and compensation plans use a targeted ROI of 15% (equal to the cost of capital) and managers receive a bonus of 5% of basic compensation for every one-percentage point that the division's ROI exceeds 15%. David Evans, manager of the Consumer Products Division, has made a forecast of the division's operations and finances for next year that indicates the ROI would be 24%. In addition, new short-term programs were identified by the Consumer Products Division and evaluated by the finance staff as follows.

Program	Projected ROI
A	13%
B	19%
C	22%
D	31%

Assuming no restrictions on expenditures, what is the optimal mix of new programs that would add value to KHD Industries?
(a). A, B, C, and D.
(b). B, C, and D only.
(c). D only.
(d). C and D only.

Justify your option with explanation. (6 marks)

12) What is a Balanced Scorecard? Explain the Balanced scorecard perspectives with examples of Critical Success factors and Performance measurements.
13) Discuss in detail the External & Internal Factors affecting Strategic planning.

SECTION -D

14) Answer the following compulsory question. The question carries fifteen marks. (1x15=15)

a) CA Co manufactures a single product and has drawn up the following flexed budget for the year.

Particulars	**60%**	**70%**	**80%**
	$	**$**	**$**
Direct materials	120,000	140,000	160,000
Direct labour	90,000	105,000	120,000
Production overheads	54,000	58,000	62,000
Other overheads	40,000	40,000	40,000
Total Cost	304,000	343,000	382,000

What would be the total cost in a budget that is prepared at the 77% level of activity? (Justify your Answer by showing necessary Calculations) (5 marks)

(a) $ 330,300
(b) $ 370,300
(c) $ 373,300
(d) $ 377,300

b) Hassan is one of the India's leading detergent manufacturing companies. The firm has more than twenty-five product types. These have been developed over a period of its ten year existence. Some products are very successful while others have not performed well. The challenge for the board has been the formulation of strategy policy in the way the company manages the portfolio of products. As a newly recruited qualified Cost Accountant, your advice is being sought to address the following questions the Product manager has prepared as input into his paper to the Board.

i. Describe the Boston Consulting Group (BCG) growth matrix. (6 marks)

ii. Explain what strategic options are available to Hassan in accordance to the BCG Matrix. (2 marks)

iii. Outline what limitations the model poses to the Product Manager as he prepares his paper to the Board.(2 marks)

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