**ST. JOSEPH’S UNIVERSITY, BENGALURU -27**

**B.COM IFA – II SEMESTER**

**SEMESTER EXAMINATION: APRIL 2023**

**(Examination conducted in May 2023)**

**BCIFA2221- PERFORMANCE MANAGEMENT- I**

**(For current batch students only)**

**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 = 15 marks)**

1. State the meaning of ABC with an example.
2. Mention any three benefits of Life Cycle Costing.
3. How does management use relevant costing for decision making? State an example.
4. State any three factors influencing pricing decisions of a firm?
5. What are the circumstances which favor a Penetration Pricing Strategy? State an example.
6. State the differences between Risk and Uncertainty along with an example.

**Section B**

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

1. A company has produced the following information for a product it is about to launch. The product is expected to have a life of three years.

| Year | 1 | 2 | 3 |
| --- | --- | --- | --- |
| Expected sales in units | 2,000 | 5,000 | 7,000 |
| Variable production costs per unit | $2.30 | $1.80 | $1.20 |
| Fixed Production costs | $3,000 | $3,500 | $4,000 |
| Variable selling cost per unit | $0.50 | $0.40 | $0.40 |
| Fixed selling costs | $1,500 | $1,600 | $1,600 |
| Administrative Costs | $700 | $700 | $700 |

Calculate the Life cycle cost per unit and comment on the same.

1. The following data relate to Product Atom

Selling Price = $30 per unit

Variable cost = $20 per unit

Fixed cost = $ 30,000

1. Calculate the number of units that must be made and sold in order to break even. Verify the same.
2. Calculate the level of activity that is required to generate a profit of $40,000. Verify the same.
3. What is Decision Tree. Explain three steps model.

**Section C**

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

1. a) A business industry manufactures a single product that it sells for $25 per unit.

The materials cost for each unit of product sold is $5. Total operating

expenses are $60,000 each month. Labour hours are limited to 20,000 hours each month. Each unit of product takes 2 hours to assemble. Calculate the throughput accounting ratio (TPAR)

b) Suppose the following changes were made what would be the improved TPAR?:

• the sales price was increased from $25 to $30

• the time taken to make each product fell from 2 hours to 1.5 hours

• the operating expenses fell from $60,000 to $50,000.

1. Xavier Ltd produces and sells two types of toys for children, Cars (in batches) and soft-toys. A batch of cars sells for $10 and has a variable cost of $5. Soft-toy sell for $8 per unit and have a unit variable cost of $4.

For every 2 batches of cars sold, one soft-toy is sold. Xavier’s budgeted fixed costs are $300,000 per period. Budgeted sales revenue for next period is $7,00,000 in the standard mix. Calculate the following:

1. BEP in units
2. BEP in Amount
3. Margin of Safety in amount
4. Margin of Safety in percentage
5. Explain in detail the various Pricing Strategies of a firm with examples.

**Section D**

IV. **Answer the following (1 X 10 = 10 marks)**

1. Mindtree makes and sells two products, Large and Extra-large. The direct

costs of production are $12 for one unit of Large and $24 per unit of Extra-large.

Information relating to annual production and sales is as follows:

| Particulars | Large | Extra Large |
| --- | --- | --- |
| Annual production and sales | 25,000 units | 25,000 units |
| Direct labour hours per unit | 1 | 1.5 |
| Number of orders | 10 | 140 |
| Number of batches | 12 | 240 |
| Number of setups per batch | 1 | 3 |
| Special parts per unit | 1 | 4 |

Information relating to annual production and sales is as follows:

| Particulars | Cost driver | Annual Cost ($) |
| --- | --- | --- |
| Setup costs | Number of setups | 73,200 |
| Special parts handling | Number of special parts | 60,000 |
| Other materials handling | Number of batches | 63,000 |
| Order handling | Number of Orders | 19,800 |
| Other overheads | - | 2,16,000 |

Other overhead costs do not have an identifiable cost driver, and in an ABC system, these overheads would be recovered on a direct labour hour basis.

Calculate the production cost per unit of Large and Extra Large if the company uses ABC technique.

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