Total No. of printed pages = 8

BA 13240F1

Roll No. of candidate

2017

MBA 4th Semester End-Term Examination

FINANCIAL PLANNING AND CONTROL SYSTEM

Full Marks–100 Pass Marks–35 Time–Three hours

The figures in the margin indicate full marks for the questions.

GROUP – A

1. Write short notes on any *six* of the following: 5×6=30

(i) Activities and Cost Drivers in ABC.

(ii) Impact of Internet on management control.

(iii) Process of ZBB.

(iv) Performance Budgeting vs. Programme Budgeting.

(v) Managerial application of variance analysis.

[Turn over

(vi) Preliminiaries in installation of Budget system.

(vii) Cost Centre vs. Profit Centre.

(viii) Sales Variance.

GROUP – B

2. Answer any *four* questions : 10×4=40

(i) (a) "Value chain disaggregates the firm into its distinct strategic acitvities." Explain. 5

(b) "Strategies at different levels of an organisation are the outcomes of different planning needs." Justify the statement. 5

(ii) (a) "Transfer price should be similar to the price that would be charged if the products were sold to outside customers or purchased from outside vendors." Explain. 5

(b) Write the differences between Standard Costing and Budgetary Control. 5

(iii) Simla Trading Company furnishes you the following details related to budgeted and actual sales for the month of April, 2016 :

Budgeted Sales

Product	Sales quantity (units)	Selling price (Rs.)
A	1,200	15
B	800	20
C	2,000	40
Actual Sales		
A	800	18
B	880	20
C	2,640	38

Calculate Sales Quantity Variance, Sales Mix Variance, Sales Price Variance, Total Sales Variance. Also verify whether the calculated variances are correct or not. 10

(iv) (a) Explain the relationship between EVA and MVA. 5

(b) What are the benefits of MVA ? 5

(v) (a) The following details are related to HPL Co. Ltd. Determine EVA. 5

PAT = Rs. 300 crores

Interest = Rs.10 crores

Equity Capital = Rs. 50 crores

Accumulated surplus = Rs. 710 crores

Long term Debt = Rs. 40 crores

Market Capitalisation = Rs. 2,900 crores

Risk Free Rate = 12%

Long term Market Rate = 15.5%

Rate of Tax = 30%.

(b) Explain why EVA is considered as one of the major tool of performance measurement in Financial Management. 5

GROUP – C

3. Answer any *two* questions : 15×2=30

(i) Prepare a Cash Budget for the three months ending 30th June, 2016 from the following information :

Months	Sales (Rs.)	Materials (Rs.)	Wages (Rs.)	Overheads (Rs.)
February	14,000	9,600	3,000	1,700
March	15,000	9,000	3,000	1,900
April	16,000	9,200	3,200	2,000
May	17,000	10,000	3,600	2,200
June	18,000	10,400	4,000	2,300

Additional information :

(a) Credit terms are :

Sales and debtors —

Cash sales 10%,

50% of the credit sales are collected in the next month and the balance in the following month.

Creditors –

Materials – 2 months

Wages – $\frac{1}{4}$ month

Overheads – ½ month

(b) Cash and bank balance as on 1st April, 2016 is expected to be Rs. 6,000.

(c) Advance to be received for sale of vehicle Rs. 9,000 in June.

(d) Plant and machinery will be installed in the month of February 2016 at a cost of Rs. 96,000. The monthly instalment of Rs. 2,000 is payable from April onwards.

(e) Dividend @ 5% on Preference Share Capital of Rs. 2,00,000 will be paid on 1st June.

(f) Dividends from investments amounting to Rs. 1,000 are expected to be received in June

(g) Income tax (advance) to be paid in June is Rs. 2,000. (Show appropriate working notes). 15

(ii) Explain the prerequisites for Responsibility Accounting. What are the techniques of measurement of Divisional Performance in Responsibility Accounting ? Discuss the various transfer pricing methods.

5+5+5=15

(iii) M/S. Sunil Enterprise manufactures four products, namely A, B, C and D using the same plant and process. The following information relates to a production period :

Product	Volume	Material cost Rs. (per unit)	Direct labour hour (per unit)	Machine time (per unit)	Labour cost Rs. (per unit)
A	500	5	½ hour	$\frac{1}{4}$ hour	3
B	5,000	5	½ hour	$\frac{1}{4}$ hour	3
C	600	16	2 hours	1 hour	12
D	7,000	7	1½ hours	1½ hours	9

The total production overhead recovered are :

	Rs.
Factory overhead (Machine oriented activity)	37,425
Set up costs	4,355
Cost of ordering materials	1,920
Handling materials	7,580
Administration for spare parts	8,600

These overheads are absorbed by products on a machine hour rate of Rs. 4.80 per hour giving an overhead cost per product of

A = Rs. 1.20, B = Rs.1.20, C = Rs. 4.80, D = Rs. 7.20.

The production overhead activities are :

Product	Nos. of set ups	Nos. of material orders	Nos. of time material was handled	Nos. of spare parts
A	1	1	2	2
B	6	4	10	5
C	2	1	3	1
D	8	4	12	4
	17	10	27	12

You are required :

(a) to compute an overhead cost per product using Activity Based Costing, tracing overheads to production units by means of cost drivers.

(b) to identify the differences disclosed between overheads traced by the present system and that by ABC. 10+5=15