VI Semester B.Com. Examination, May/June 2018
(CBCS) (2017-18 and Onwards) (Fresh)
COMMERCE
Paper – 6.5 : Elective Paper – III : Performance Management

Time : 3 Hours Max. Marks : 70

***Instruction** : Answer should be written in **English** or **Kannada**.*

SECTION – A

1. Answer **any 5** questions. **Each** question carries **2** marks. **(5×2=10)**
   a) What is Break even point ?
   b) Name any 2 Profitability Ratios.
   c) What is life cycle costing ?
   d) What is management reporting system ?
   e) What is Budgeting ?
   f) What is variance analysis ?
   g) What is Green Accounting ?

SECTION – B

Answer **any 3** questions. **Each** question carries **6** marks. **(3×6=18)**

2. Explain the concept of Transfer Pricing.
3. State the difference between Traditional Costing and Activity Based Costing.
4. The expenses budgeted for the production of 10,000 units in a factory is furnished below :

Elements of Cost	**Cost per Unit (₹)**
Materials	70
Labour	25
Variance overheads	20
Fixed overheads (₹ 1,00,000)	10
Variable expenses (direct)	05
Selling expenses (10% fixed)	13
Distribution expenses (20% fixed)	7
Administrative expenses (50,000 fixed for all levels)	5
Total	155

Prepare a flexible budget for the production of 6000 units and 8000 units.

P.T.O.

5. From the following calculate cost driver rates :
   a) Volume related cost ₹ 1,10,000
   b) Purchase related cost ₹ 1,20,000
   c) Setup related cost ₹ 2,10,000
   d) Relating to handling of orders ₹ 45,000
   e) Shipment charges ₹ 50,000
   f) Relating to quality inspection ₹ 1,40,000

   Cost allocation basis are :
   i) No. of Machine hour 22000
   ii) No. of Purchase order 1200
   iii) No. of setups 50,000
   iv) No. of times materials handled 900
   v) No. of times quality inspected 700
   vi) No. of shipments 250.

6. A mobile manufacturing company finds that while its costs ₹ 12.50 each to make a component X_5-200. The same is available in the market at ₹ 11.50 with an assurance of continuous supply. The breakup of cost is

Direct material	₹ 5.50 per unit
Direct labour	₹ 3.50 per unit
Other variable exp.	₹ 1.00 per unit
Depreciation and other fixed expenses	₹ 2.50 per unit
Total	**₹ 12.50 per unit**

Give suggestions whether to make or buy.

SECTION – C

Answer **any 3** questions. **Each** question carries **14** marks. **(3×14=42)**

7. Explain the process of Performance Management Information System.

8. a) What is target costing and the steps involved ?
   b) Briefly discuss Risk Management and its types.

9. Prepare Cash Budget for the three months ending 30th June 2017 from the information given below :

(Amount in ₹)

Month	Sales	Materials	Wages	Overheads
February	14,000	9600	3,000	1,700
March	15,000	9000	3,000	1,900
April	16,000	9200	3,200	2,000
May	17,000	10000	3,600	2,200
June	18,000	10400	4,000	2,300

a) Credit terms are :

Sales or debtors – 10% sales are on cash basis, 60% of the credit sales collected next month and the balance in the following month :

Creditors – Materials 2 months

– Wages ¼ month

– Overheads ½ month.

b) Cash and Bank balance on 01st April 2017 is expected to be ₹ 6,000.

c) Other information :

i) Plant and Machinery will be installed in February 2017 at a cost of ₹ 96,000. The monthly installment of ₹ 2,000 is payable from April onwards.

ii) Dividends @ 5% on preference share capital of ₹ 2,00,000 will be paid on 1st June.

iii) Advance to be received for sale of vehicles ₹ 9,000 in June.

iv) Dividends from investments amounting to ₹ 1,000 are expected to be received in June.

v) Income tax (advance) to be paid in June ₹ 2,000.

10. ABC Limited manufactures four products A, B, C and D using the same plant and process. The following information relates to a production period.

Product	Volume (units)	Material Cost per Unit (₹)	Direct Labour per Unit (₹)	Machine Time Unit (Hour)	Labour cost per Unit (₹)
A	500	0.5	0.025	0.25	3
B	5000	5	0.5	0.25	3
C	600	16	2	1	12
D	7000	7	1.5	1.5	9

Total production overhead recovered by the cost accounting system is analysed under the following headings :

Factory overheads applicable to machine oriented activity	₹ 37,425
Setup cost	₹ 4,355
Cost of ordering materials	₹ 1,920
Handling materials	₹ 7,580
Administration for spare parts	₹ 8,600

These overheads costs are absorbed by product on a machine hour rate method.

However, investigation into the production overheads activities for the period reveals the following :

Product	No. of setups	No. of material ordered	No. of times material was handled	No. of spare parts
A	1	1	2	2
B	6	4	10	5
C	2	1	3	1
D	8	4	12	4
Total	**17**	**10**	**27**	**12**

You are required to :

a) Compute an overhead cost per product using traditional method of tracing overheads to production units by means of machine hour rate.

b) Compute an overhead cost per product using activity based costing, tracing overheads to production units by means of cost drivers.

c) Comment on the differences disclosed.

11. Anu Corporation has prepared the following budget estimate for the year 2017-18 :

Sales (units)	15000
Fixed cost	₹ 34,000
Sales value	₹ 1,50,000
Variable cost per unit	₹ 6

You are required to calculate :

i) P/V ratio

ii) Break even point

iii) Margin of safety

iv) Calculate the revised P/V ratio, BEP and Margin of Safety in each of the following cases :

a) Decrease of 10% in selling price.

b) Increase of 10% in variable cost.

c) Increase of sales units by 2000.