



SM – 497

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 :

- Volume related cost ₹ 1,10,000
- Purchase related cost ₹ 1,20,000
- Setup related cost ₹ 2,10,000
- Relating to handling of orders ₹ 45,000
- Shipment charges ₹ 50,000
- Relating to quality inspection ₹ 1,40,000

Cost allocation basis are :

- No. of Machine hour 22000
- No. of Purchase order 1200
- No. of setups 50,000
- No. of times materials handled 900
- No. of times quality inspected 700
- No. of shipments 250.

6. A mobile manufacturing company finds that while its costs ₹ 12.50 each to make a component X_s-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 $\frac{1}{4}$ month

– Overheads $\frac{1}{2}$ month.

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

- c) Other information :

- 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.
- Dividends @ 5% on preference share capital of ₹ 2,00,000 will be paid on 1st June.
- Advance to be received for sale of vehicles ₹ 9,000 in June.
- Dividends from investments amounting to ₹ 1,000 are expected to be received in June.
- 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 :

- Compute an overhead cost per product using traditional method of tracing overheads to production units by means of machine hour rate.
- Compute an overhead cost per product using activity based costing, tracing overheads to production units by means of cost drivers.
- 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 :

- P/V ratio
- Break even point
- Margin of safety
- Calculate the revised P/V ratio, BEP and Margin of Safety in each of the following cases :
 - Decrease of 10% in selling price.
 - Increase of 10% in variable cost.
 - Increase of sales units by 2000.