Roll No.

PRESIDENCY UNIVERSITY
BENGALURU

SCHOOL OF COMMERCE

TEST 1

Sem & AY: Odd Sem. 2019-20

Course Code: MAH 101

Course Name: Financial planning and performance

Program &Sem: B.Com (Hons.) & I

Date: 28.09.2019

Time: 1:00PM to 2PM

Max Marks: 30

Weightage: 15%

Instructions:

I. Answer all the question.

Part A [Memory Recall Questions]

Answer all the Questions. Each Question carries one mark. (5Qx1M=5M)

1. An advantage of incremental budgeting when compared with a zero-base budgeting is that incremental budgeting. (C.O.NO. 2) [Knowledge]

   A. Accepts the existing base as being satisfactory
   B. Eliminates the need to review all functions periodically to obtain optimum use of resources
   C. Eliminates functions and duties that have outlived their usefulness
   D. Encourages adopting new projects quickly.

2. Which one of the following is usually **not** cited as being an advantage of a formal budgetary process? (C.O.NO. 1) [Knowledge]

   A. Forces management to evaluate the reasonableness of assumptions used and goals identified in the budgetary process.
   B. Provides a formal benchmark to be used for feedback and performance evaluation.
   C. Serves as a coordination and communication device between management and subordinates.
   D. Ensure improved cost control within the organization and prevents inefficiencies.

3. Individual budget schedules are prepared to develop an annual comprehensive or master budget. The budget schedule that would provide the necessary input data for the direct labor budget would be the (C.O.NO 1) [Knowledge]

   A. Sales forecast.
   B. Production budget.
   C. Schedule of cash receipts and disbursements.
   D. Raw materials purchase budget.

4. Which one of the following is not considered to be a benefit of participative budgeting? (C.O.NO. 2) [Knowledge]

A. The budget estimates are prepared by those in direct contact with various activities.

B. Managers are more motivated to reach the budget goals since they participated in setting them.

C. When managers set the final targets for the budget, top management need not be concerned with the overall profitability of current operations.

D. Individuals at all organizational levels are recognized as being part of the team; this results in greater support of the organization.

5. From the perspective of corporate management, the use of budgetary slack:

(C.O.NO 1) [Knowledge]

A. Increase the profitability that budgets will not be achieved.
B. Increases the effectiveness of the corporate planning process
C. Increase the ability to identify potential budget weaknesses
D. Increase the likelihood of inefficient resource allocation

Part B [Thought Provoking Questions]

Answer both the Questions. Each Question carries five marks. (2Qx5M=10M)

6. What do you understand by Strategy and Strategic Planning?

(C.O.NO. 2) [Comprehension]

7. What is SWOT analysis. List and explain its components.

(C.O.NO 1) [Comprehension]

Part C [Problem Solving Questions]

Answer the Questions. The Question carries five marks. (1Qx15M=15M)

8. Case Study

Pizza Hut is one of the best widespread international fast food Joint. It offers different styles of Pizza along with some side dishes like salads, pastas, buffalo wings and garlic bread. It is a Subsidiary of Yum! Brands (a fortune 300 Company), the world's largest Restaurant Company. It is an American restaurant chain with more than 6000 Pizza Hut Restaurants in the US itself and many more locations in other countries and territories. It entered India in 1996, with its first branch in Bangalore and expanding all over the country thereafter, creating a large customer base for itself.

Discuss the concept of long term vision, mission, goals and objectives in the context of Pizza Hut. (C.O.NO.1) [Comprehension]

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SCHOOL OF COMMERCE

TEST – 1

Semester: I — **Date**: 28-09-19

Course Code:MAH 101 — **Time**: 1 to 2pm

Course Name: Financial planning and performance — **Max Marks**: 30

Program &Sem:B.Com Honors I Sem — **Weightage**: 15%

Extract of question distribution [outcome wise & level wise]

Q.NO.	C.O.NO	Unit/Module Number/Unit /Module Title	Memory recall type [Marks allotted] Bloom's Levels			Thought provoking type [Marks allotted] Bloom's Levels			Problem Solving type [Marks allotted]			Total Marks
				K			C			A		
1	CO2	Module 1		K								1
2	CO1	Module 1		K								1
3	CO1	Module 1		K								1
4	CO2	Module 1		K								1
5	CO1	Module 1		K								1
6	CO2	Module 1					C					5
7	CO1	Module 1					C					5
8	CO2	Module 1					C					15
	Total Marks			5			10			15		30

K =Knowledge Level C = Comprehension Level, A = Application Level

Note: While setting all types of questions the general guideline is that about 60%

Of the questions must be such that even a below average students must be able to attempt, About 20% of the questions must be such that only above average students must be able to attempt and finally 20% of the questions must be such that only the bright students must be able to attempt.

I hereby with certify that all the questions are set as per the above guidelines .

Name: **Ms. Alka** **Sign:**

Reviewer's Comments,

PRESIDENCY UNIVERSITY

BENGALURU

SCHOOL OF COMMERCE

TEST – 1

SOLUTION

Semester: I

Course Code: COM102

Course Name: Principles & Practices of Management

Program & Sem: B.Com & B.Com Honors I Sem

Date: 27-09-19

Time: 1 to 2pm

Max Marks: 30

Weightage: 15%

Part A (1 x5M = 5Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
1	A) Accepts the existing base as being satisfactory	1x1=1	2minutes
2	D) Ensure improved cost control within the organization and prevents inefficiencies.	1x1=1	2minutes
3	B) Production budget.	1x1=1	2minutes
4	C) When managers set the final targets for the budget, top management need not be concerned with the overall profitability of current operations.	1x1=1	2minutes
5	B) Increases the effectiveness of the corporate planning process	1x1=1	2minutes

Part B (2 x 5 = 10Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
6	Strategy defines how a firm competes and sets forth the general direction an organization plans to follow to achieve its goals. It represents the collective soul of an organization. Strategies are developed by matching core competencies of the enterprise with industry opportunities and/or threats. Strategic planning (sometimes referred to as long-range planning) involves a comprehensive look at an organization in relation to its industry, competitors, and environment. An organization charts its destination, assesses barriers that must	Any 5 attributes of strategy & planning. 5 marks	10 minutes

	be overcome to reach that destination, and identifies approaches for moving forward and dealing with the barriers. Although traditionally the responsibility of top management, all organizational members should be involved in the process. Wellthought-out strategic planning can help an organization adeptly navigate through turbulent times—both good and bad.		
7	SWOT (or S.W.O.T.) is the acronym for strengths, weaknesses, opportunities, and threats. A SWOT analysis provides a framework to identify a variety of elements that will help or hinder an organization's progress in the environment in which it operates. SWOT analysis is sometimes called current state analysis. An environmental analysis frames the proverbial big picture and identifies top issues an organization must deal with; a SWOT analysis takes the strategic planning process to the next level of focus. Organizations traditionally conduct a SWOT analysis to gather additional input for the strategic planning process. Essentially, a SWOT analysis provides a means to organize the data gathered in the detailed internal and external analyses. Strengths and weakness are identified from an internal analysis of the organization; opportunities and threats are part of an external analysis of the environment in which the organization operates. The external environment is essentially everything outside an organization that might affect it.	Any 10 points with expansion of acronym 5 marks	10 minutes

Part C (1 x15 = 15Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
8	An organization's vision statement is a guiding image of future success and achievement articulated in terms of the organization's contribution to society. It is a succinct statement of what an organization will do for future generations and how it wants to be perceived. A mission statement provides the guiding compass for an organization. Similar to vision statements, mission statements are shaped by organizational values. A mission statement succinctly articulates an organization's business position. It expresses how the organization will continuously move toward its vision and provides a clear view of what the firm is trying to accomplish for its customers. A mission statement must	Long term vision 6 marks Mission 4 marks Goals and objectives 5 marks	30 minutes

	be accurate, easily understood, motivating, and transferable into action. Generally, goals may be thought of as aimed-at targets. They summarize what an organization hopes to achieve in order to fulfill its mission and achieve its vision. Goals serve as general guidelines; they tend not to be overly specific or quantifiable. A goal states the desired end result and/or the benefits of the result; it does not state the implementation plan. Organizations typically develop both strategic and tactical goals. Strategic Goals Strategic goals are established at the highest levels of an organization. As the name implies, strategic goals are part of the firm's strategic plan; they are long range in nature. Examples of strategic goals are business diversification, the addition or deletion of product lines, and the penetration of new markets. Strategic goals require additional goals to be achieved at the tactical level. Tactical Goals Tactical goals generally are established by business (also referred to as responsibility centers and strategic business units [SBUs]) or functional departments at middle and lower levels of an organization. Tactical goals are short range and usually span one year or less. An example of a tactical goal is "to increase product line profits by 10%." Objectives provide the details or actions required to support goals. Well-conceived objectives specify the quantitative measures that will be used to track progress and performance—the desired action, the timing of the action, the level of performance desired, and the function or individual responsible for the action. Multiple objectives may support one goal. In this situation, all the objectives must be completed to realize the benefit of the goal; none of the objectives alone can ensure fulfillment of the goal.		

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SCHOOL OF COMMERCE

TEST – 2

Sem & AY: Odd Sem 2019-20 **Date**: 19.11.2019

Course Code: MAH 101 **Time**: 1:00 PM- 2:00 PM

Course Name: FINANCIAL PLANNING AND PERFORMANCE **Max Marks**: 30

Program & Sem: BCom Honors & I Sem **Weightage**: 15%

Instructions:

(i) *No Student will be allowed to go from the examination hall before the end of examination.*

(ii) *Should not wear smart watch, not to carry mobile phones or any other electronic gadgets into the examination hall which are strictly prohibited.*

Part A [Memory Recall Questions]

Answer all the Questions. Each question carries five marks. (1Qx5M=5M)

1. "We believe the primary obligation of the company and its employees is tosupply the public with the best modern utility service at reasonable rates." This statement exemplifies an organizational: (C.O.NO.2)[Knowledge]
   a. Vision.
   b. Mission.
   c. Strategic goal.
   d. Objective.
2. Which of the following internal pro forma financial statements is usually thelast budget prepared at the end of a period? (C.O.NO.2)[Knowledge]
   a. Pro forma income statement
   b. Pro forma balance sheet
   c. Pro forma statement of stockholders' equity
   d. Cash budget
3. Corporate strategy is best described as: (C.O.NO.2)[Knowledge]
   a. detailed plan describing what a fi rm will do to achieve superior return on investment.
   b. definition of organizational values expressed in financial and nonfinancial terms.
   c. an analysis of industry attractiveness based on the five forces: buyer power, supplier power, competition, the threat of substitutes,and rivalry.
   d. the big picture of how each activity in the firm's value chain affects costs and differentiation.

4. Which of the following is not an assumption of simple regression analysis?
(C.O.NO.2)[Knowledge]
   a. There is a linear relationship between variables.
   b. There is only one independent variable.
   c. There may be several dependent variables.
   d. Past relationships will continue in the future.
5. Which of the following budgeting methods might use a cost driver such asnumber of setups to measure the costs of a batch mixing production job?
(C.O.NO.2)[Knowledge]
   a. Activity-based budgeting
   b. Continuous budgeting
   c. Flexible budgeting
   d. Incremental budgeting

Part B [Thought Provoking Questions]

Answer both the Questions. Each question carries five marks. (2Q×5M=10M)

6. Explain BCG Growth-Share matrix. (C.O.NO.2)[Comprehension]
7. Explain the 3 approaches to budgeting process, highlighting the difference between them. (C.O.NO.2) [Comprehension]

Part C [Problem Solving Questions]

Answer the Question. The question carries fifteen marks. (1Qx15M=15M)

8. Illustrate how the Porters five forces is useful in strategic planning with examples.
(C.O.NO.2)[Application]

SCHOOL OF COMMERCE

Semester: 1

Course Code: MAH 101

Course Name: Financial Planning and Performance

Date: 19.11.2019

Time: 1:00 pm- 2:00pm

Max Marks: 30

Weightage: 15%

Extract of question distribution [outcome wise & level wise]

Q.NO.	C.O.NO	Unit/Module Number/Unit /Module Title	Memory recall type [Marks allotted] Bloom's Levels			Thought provoking type [Marks allotted] Bloom's Levels			Problem Solving type [Marks allotted]			Total Marks
			K			C			A			
1.	CO2	Section B.1. Strategic planning		K								
2.	CO2			K								
3.	CO2			K								
4.	CO2			K								
5.	CO2			K								
6.	CO2						C					
7.	CO2						C					
8.	CO2									A		
	Total Marks			5			10			15		30

K =Knowledge Level C = Comprehension Level, A = Application Level

Note: While setting all types of questions the general guideline is that about 60%

Of the questions must be such that even a below average students must be able to attempt, About 20% of the questions must be such that only above average students must be able to attempt and finally 20% of the questions must be such that only the bright students must be able to attempt.

Annexure- II: Format of Answer Scheme

SCHOOL OF COMMERCE

SOLUTION

Semester: 1

Course Code: MAH 101

Course Name: Financial Planning and Performance

Date: 19.11.2019

Time: 1:00 pm- 2:00pm

Max Marks: 30

Weightage: 15%

Part A (5×1 = 5 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
1.	Vision.	1×1 = 1	2
2.	Pro forma balance sheet	1×1 = 1	2
3.	definition of organizational values, expressed in financial and nonfinancial terms	1×1 = 1	2
4.	There may be several dependent variables.	1×1 = 1	2
5.	Activity-based budgeting	1×1 = 1	2

Part B(2×5 = 10Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
6.	Th e **BCG Growth-Share matrix** is a chart/matrix created by Boston ConsultingGroup (BCG) in 1970 to help organizations analyze their business units, or productlines, so that they can allocate resources appropriately. Th e chart/matrix is aneffective analytical tool in brand marketing and in product and strategic management.Through the matrix, an organization ranks its business units (or products)on the basis of their	Name 4quadrantswith proper explanation and explain what BCG matrix is used for. 5 marks	10 minutes

	relative market shares and growth rates and places them intoone of four quadrants: **1. Cash cows.** Includes those business units or productlines that have high market share in a slow-growing industry. These units typically generate cash in excessof the amount of cash needed to maintain the business. **2. Dogs.** Those business units or product lines that boast low market share in amature, slow-growing industry. Th e units typically break even and generatebarely enough cash to maintain the market share. **3. Stars.** Business units or products that have a highmarket share in a fast-growingindustry. **4. Question marks** (also known as problem children). Consist of businesses orproduct lines operating in a high-growth market but that have low marketshare. They are the starting point for most businesses and have the potential togain market share, become stars and eventually cash cows when market growthslows.		
7.	1. Authoritative Approach - Top Down Approach, Budget aligned with strategy, less time taken to complete. Dictatorial approach. Employees less motivated and resentful. Stringent and strict budgets 2. Participative Approach – Bottom Up Approach. Consultations with all levels across the organization. Budget not always aligned with strategy. Time consuming process. All inclusive approach. Often easy budgets with budgetary slack 3. Combination Approach – Strategic goals communicated by top management and implemented by mid level and low level mgmt. Two way communication. Better acceptance by employees	Name 3 approach with proper explanation. 5 marks	10 minutes

Part C (1×15 = Marks)

Q No	**Solution**	**Scheme of Marking**	**Max. Time required for each Question**
8.	Michael Porter developed a model examining these five forces and their collectiverole in determining the strength of competition and profitability. ***Entry of New Competitors*** A new player in a marketplace (an entrant) generally brings with it new capacity andresources. The profitability for an incumbent in the marketplace may be reduced ifits sales prices are bid down or its product costs are increased in order to compete against this new entrant. The threat of new competitors depends on the magnitude of entry barriers—factors that create a	Each force and explanation carries 3 marks each	30 minutes

	disadvantage for prospective entrants and lower their profitexpectations. Examples of entry barriers include these items: • **Incumbent cost advantages.** These rewards are created when incumbents haveadvantages such as low labor or capital costs, preferred access to raw materials,government subsidies, favorable locations, proprietary technology andproduct designs, and accumulated learning experience. A start-up firm with no experience, for example, can expect higher costs than incumbents; heavystart-up losses and below- or near-cost pricing are often common while firmsgain experience. • **Economies of scale.** Generally defined as declines in unit costs as volume perperiod increases, economies of scale can deter an entrant. A new entrant mayneed to come in at a larger scale and risk encountering strong reaction fromexisting players. Or a new entrant may decide to come in at a smaller scale andincur a cost disadvantage. Facilities, research, marketing, sales force coverage,and distribution are all examples of areas of economies of scale that potentiallyrequire significant entry investments. • **Product/service differentiation.** *Differentiation* refers to the brand identificationand existing customer loyalties an entrant must overcome. Entrants willneed to invest time and money to build a brand name. Such investments haveno guarantee of success or "salvage value" should the entry fail. • **Switching costs.** Should a buyer consider changingfrom an existing supplier'sproduct or service to that of a new entrant, the one-time switching costs canbe a deterrent. Having to purchase/install new equipment or retrain employeesare two common examples of switching costs. A new entrant must offera major cost savings or potential for performance improvement to warrant aswitch from an incumbent. • **Channel crowding.** Many distribution channels have limited capacity or exclusiverelationships with manufacturers that restrict the number of product lines.Intense selling eff orts generally are required to convince a distributor to takeon a new product line. A new entrant may need to pay larger margins to offsetthe extra cost that distributors incur, or a new player may be forced to find aniche market. • **Expected incumbent reactions.** Depending on howaggressively incumbentshave defended their positions in the past, entry barriers may be raised or lowered.Incumbents with deep pockets and staying power that have demonstrateda willingness to take a short-term reduction in profits to defend market		

	sharediscourage entrants. Incumbents that have ignored previous entrants or havebeen unwilling to defend their position can encourage entrants. ***Threat of Substitutes*** When an acceptable substitute product or service is available—one that provides thesame functions and offers the same benefits—the average price that can be chargedand the resulting profit margin is squeezed. The amount of product or service valueis also limited. Less costly but acceptable substitutes also pose a threat.How electronic surveillance and alarm systems have impacted security guardfirms is but one example of industry threats posed by the availability of substitutes.Another example is how customers can now purchase products and servicesdirectly online in lieu of traditional distribution channels. Th e key in these situationsis to account for similarities while looking for differentiation opportunitiesbeyond product or service similarities. In the case of the security industry, firmsoffer guards and electronic surveillance systems as a value-added package, positioningthe guards as skilled operators. ***Bargaining Power of Buyers*** Buyers (customers) and sellers (suppliers) of goodsand services can have wide variancein their relationship. Relationships may involve tightly integrated, just-in-timemanufacturing systems, or they may be at the other end of the spectrum, with massmarketing. Buyer power, in particular, is enhanced or deterred depending on bargainingleverage and price sensitivity. Bargaining Leverage Generally speaking, leverage is any strategic or tactical event that can be exploited to an advantage. A buyer's bargaining leverage is enhanced by these factors: • **Large-volume purchases made by a few key customers.** In this situation, theseller becomes somewhat dependent on the key buyers and would encounterproblems if a relationship were severed. • **Ability for customers to easily switch.** Customers may change suppliers ifthere is little product or service differentiation, low switching costs, or readily available low-cost substitutes. • **Ability to backward-integrate.** Current pricesand/or other terms can makean alternative more attractive than continuing to buy externally. (An exampleof this is the purchase of an upstream supplier or the ability to bring back inhouse something that was previously outsourced.) • **Customer insider knowledge.** Bargaining leverageis gained if customers knowthe supplier's costs and profits		

or learn that the supplier needs their business tooffset excess capacity or other mitigatingcircumstances.

Price Sensitivity

Price sensitivity is an indicator of how important lowerprices are to customers.

Price sensitivi lty is heightened by these factors:

• **Product or service impact on end product quality.** A buyer pays more attentionto price if the consequences of product or service failure are more severethe end product.

• **Price of the product or service relative to a customer's total costs.** Big-ticket items tend to incur greater purchasing scrutiny; smaller incidental items often escape analysis of cost alternatives.

• **Buyer's profits.** When customers are suffering from poor profitability, theyoften seek price concessions from suppliers. Th e pressure for concessions canbecome intense if survival is at stake.

Price sensitivity is intensified further if buyers perceive little difference amongcompeting suppliers.

Bargaining Power of Suppliers

A supplier's ability to withstand bargaining by customers tends to mirror thoseconditions that make buyers powerful. A supplier's bargaining power depends onthese items:

• **Size of the supplier relative to the customer.** Alarger supplier can have a distinctadvantage and leverage in dealing with a small, dispersed customer base.

• **Customer's reliance on the supplier's product or service.** Reliance is influencedto the extent that a customer cannot buy an equivalent, the input isnot storable (so the buyer cannot stockpile inventory), or switching costsare high.

• **Threat of forward integration.** If suppliers can sell directly to end users, customerswill have less leverage to get better prices.

Rivalry Among Existing Competitors

In some environments, rivals coexist. In other environments, direct rivals constantlyjockey for market share with tactics such as temporary price cuts, specialpromotions, advertising blitzes, aggressive new product launches, and increasedcustomer service and extended warranties. Value often erodes as competitorsmatch moves.Telecommunication providers are notorious for price cutting in their efforts tosecure new customers and cover fixed costs. Yet such actions often decrease profitsand leave market share unchanged. The next factors typically influence the statusof competitor relations.

	• **Structure of competition.** Rivalry is generally mostintense when there are afew balanced competitors or several small players serving the same market.Antagonism may run deep between top competitors; instability often results asfirms may be prone to fight and retaliate. In the case of a proliferation of smaller players, these companies may try to make moves the others will not notice. Butin situations where one competitor clearly dominates, rivalry often is subdued as followers learn to coexist under the leader's umbrella.		

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PRESIDENCY UNIVERSITY
BENGALURU

SCHOOL OF COMMERCE

END TERM FINAL EXAMINATION

Semester : Odd Semester: 2019 - 20
Course Code: MAH 101
Course Name: Financial Planning and Performance
Program & Sem: BCom Honors- I Sem
B. Com (Hon) I Sem

Date: 6th Jan 2020
Time: 1:00 – 4:00PM
Max Marks: 100
Weightage: 50 %

Instructions:
(i) Read the all questions carefully and answer accordingly.

Part A [Memory Recall Questions]

Answer all the Questions. Each Question carries 2 marks. (10Q x 2 M = 20 M)

1. List the reasons for Budgeting. **(C.O.No. 1) [Comprehension]**
2. One approach for developing standard costs incorporates communication, bargaining, and interaction among product line managers; the immediate supervisors for whom the standards are being developed; and the accountants and engineers before the standards are accepted by top management. Name the approach. **(C.O.No. 1) [Comprehension]**
3. If 0.6 manufacturing labor hours of input are allowed for producing one output unit and labor hours cost \$15, then calculate the standard cost of labor. **(C.O.No. 2) [Comprehension]**
4. If 0.7 manufacturing labor hours of input are allowed for producing one output unit and labor hours cost \$27, then calculate the standard cost of labor. **(C.O.No. 2) [Application]**
5. Stump house Cheese is in the process of implementing a cost improvement system with kaizen costing as the basis for budgeting all manufacturing activities. This will be utilized over the next four years in an attempt to become more profitable. The target reduction rate has been set at 5% of fixed overhead costs. Total fixed overhead costs for this year were \$900,000. What is the budgeted amount for the next two years using kaizen costing? **(C.O.No. 2) [Application]**
6. In order to analyze sales as a function of advertising expenses, the sales manager of Smith Company developed a simple regression model. The model included the following equation, which was based on 32 monthly observations of sales and advertising expenses with a related coefficient of determination of 0.90.
   S = \$10,000 + \$2.50A
   S = sales
   A = advertising expenses

If Smith Company's advertising expenses in one month amounted to $1,000, calculate the related point estimate of sales. **(C.O.No. 2) [Application]**

7. The results of regressing Y against X are as follows.

	Coefficient
Intercept	5.23
Slope	1.54

When the value of X is 10, calculate the estimated value of Y.

(C.O.No. 2) [Application]

8. Reeves Inc. has developed a new production process to manufacture its product. The new process is complex and requires a high degree of technical skill. However, management believes there is a good opportunity for the employees to improve as they become more familiar with the production process. The production of the first unit requires 100 direct labor hours. If a 70% learning curve is used, using the cumulative average time model, the cumulative direct labor hours required to produce a total of eight units would be:

(C.O.No. 2) [Application]

9. Stock X has the following probability distribution of expected future returns

Probability	Expected Return
0.10	-20%
0.20	5%
0.40	15%
0.20	20%
0.10	30%

Calculate the expected rate of return on stock X. **(C.O.No. 2) [Application]**

10. List the different budgeting methodologies. **(C.O.No. 2) [Comprehension]**

Part B [Thought provoking Questions]

Answer all the Questions. Each Question carries 5 marks. **(8Q x 5 M = 40 M)**

11. Allbee Company has three possible investment opportunities. The controller calculated the payoffs and probabilities, as follows.

	Probabilities		
Payoffs	Investment A	Investment B	Investment C
$(20,000)	0.3	0.2	0.3
(10,000)	0.1	0.2	0.1
30,000	0.3	0.2	0.2
70,000	0.2	0.2	0.3
100,000	0.1	0.2	0.1

The cost of investments A, B, and C are the same. Using the expected-value criterion, rank these investments, from highest payoff to lowest payoff and show the workings.

(C.O.No. 2) [Application]

12. A manufacturing company required 800 direct labor hours to produce the first lot of four units of a new motor. Management believes that a 90% learning curve will be experienced

over the next four lots of production. How many direct labor hours will be required to manufacture the next 12 units?

(C.O.No. 2) [Application]

13. Daffy Tunes manufactures an animated rabbit with moving parts and a built-in voice box. Projected sales in units are:

Month	Projected Sales in Units
January	30,000
February	36,000
March	33,000
April	40,000
May	29,000

Each rabbit requires basic materials that Daffy purchases from a single supplier at $3.50 per rabbit. Voice boxes are purchased from another supplier at $1.00 each. Assembly labor cost is $2.00 per rabbit and variable overhead cost is $0.50 per rabbit. Fixed manufacturing overhead applicable to rabbit production is $12,000 per month.

Daffy's policy is to manufacture 1.5 times the coming month's projected sales every other month starting with January (i.e., odd-numbered months) for February sales, and to manufacture 0.5 times the coming month's projected sales in alternate months (i.e., even-numbered months). This allows Daffy to allocate limited manufacturing resources to other products as needed during the even-numbered months. Calculate the unit production budget for animated rabbits for January. **(C.O.No. 2) [Application]**

14. A firm has projected sales of 20,000 and 22,000 units for the next two periods (periods 1 and 2, respectively). The firm maintains an ending finished goods inventory equal to 15% of the next period's projected sales. Each unit requires 2 hours of direct labor at a cost of $15 per hour. Assuming that all inventory standards are currently met, what is the direct labor budget for period 1? **(C.O.No. 2) [Application]**

15. A firm has budgeted sales for the next two periods of 50,000 units and 55,000 units, respectively. The firm maintains a policy that the beginning-of-period inventory is 20% of the following period's forecasted sales. The policy is currently met. What is the budgeted production for period 1? **(C.O.No. 2) [Application]**

16. Steers Company has just completed its pro forma financial statements for the coming year. Relevant information is summarized below.

Projected net income	$100 000
Increase in working capital	25 000
Depreciation expense	15 000

Assuming that the increase in working capital was the result of a decrease in the accounts payable balance, how much can Steers use for capital expenditures without raising outside financing? **(C.O.No. 2) [Application]**

17. Explain Zero Based Budgets with 2 advantages and 2 disadvantages

(C.O.No. 2) [Comprehension]

18. List 5 External Factors for Strategic planning, briefly explaining each.

(C.O.No. 2) [Comprehension]

bolr.

Part C [Problem solving Questions]

Answer all the Questions. Each Question carries 20 marks. (2Q x 20 M = 40 M)

19. Di Coe Company is a manufacturer of semi-custom motorcycles. The company used 500 labor hours to produce a prototype of a new motorcycle for one of its key customers. The customer then ordered three additional motorcycles to be produced over the next six months. Coe estimates that the manufacturing process for these additional motorcycles is subject to a 90% learning curve. Although the production manager was aware of the learning curve projections, he decided to ignore the learning curve when compiling his budget in order to provide a cushion to prevent exceeding the budgeted amount for labor.
   a. By using the cumulative average-time learning curve, estimate the total number of labor hours that are required to manufacture the first four units of product. Show your calculations. (5 Marks)
   b. Assume the 90% learning curve is realized. Calculate Coe's cost savings in producing the three additional units if the cost of direct labor is $25 per hour. Show your calculations. (5 Marks)
   c. Define budgetary slack. (5 Marks)
   d. Identify and explain two negative effects that budgetary slack can have on the budgeting process. (5 Marks)

(C.O.No. 2) [Application]

20. **Answer the Questions:**
   A. It is January 1 and an accountant is preparing her firm's cash budget, obtaining the following information. Sales for the previous November and December were $50,000 and $52,000, respectively. Sales projected for January and February are $55,000 and $57,000, respectively.
   Direct materials (DM) purchases are approximately 40% of sales. Firm policy dictates that all DM are purchased the month prior to their use in production. Historical payment patterns indicate that 30% of DM purchases are paid in the same month as the purchase; 50% are paid the month following the purchase and 20% are paid two months following the purchase. What are expected cash disbursements for direct materials in January? **(5 Marks)**
   B. Total collections for the 2nd quarter of the year are estimated to be: **(5 Marks)**

EXHIBIT B

Land's Second Round is a firm that sells all of its products on credit. The sales for the 1st 6 months of the upcoming year are shown below:

January	$72,000
February	$74,000
March	$75,000
April	$73,000
May	$74,000
June	$70,000

Historical collection patterns indicate that 70% of sales are collected in the sale month, 20% is collected one month following the sale and 8% is collected two months after the sale. Uncollectible accounts are estimated to be 2% of sales.

   C. Berwick Enterprises uses the percentage of sales method to forecast its pro forma financial statements. Based on historical financial statements, the following relationships can be established between several items and sales:
   Cost of Goods Sold (COGS) is 70% of sales

Selling and administrative (S&A) Expense is 10% of sales
Cash and equivalents is 4% of sales
Accounts receivable is 20% of sales
Inventories are 23% of sales
Net fixed assets are 32% of sales
Accounts payable is 15% of sales
Accruals are 10% of sales

Berwick Enterprises is projecting a sales revenue growth of 15% in the upcoming year. The company currently has 15,000 shares of common stock outstanding and it plans on maintaining its dividend policy of paying out 35% of its net income as dividends. It is currently paying 7% interest on its notes payable ($4,000 note) and 10% on its long-term debt ($17,500 bond). The company has a 35% tax rate.

Based on the above information, assume current year sales are $100,000, which of the following amounts will be represented as Sales and Administrative Expense on the upcoming year's pro forma income statement? **(10 Marks) (C.O.No. 2) [Application]**

SCHOOL OF COMMERCE

GAIN MORE KNOWLEDGE
REACH GREATER HEIGHTS

END TERM FINAL EXAMINATION

Extract of question distribution [outcome wise & level wise]

Q.NO.	C.O.NO (% age of CO)	Unit/Module Number/Unit /Module Title	Memory recall type [Marks allotted] Bloom's Levels	Thought provoking type [Marks allotted] Bloom's Levels	Problem Solving type [Marks allotted]	Total Marks
			K	C	A	
1	CO2	B2	K			
2	CO2	B4	K			
3	CO2	B5		C		
4	CO2	B5		C		
5	CO2	B5		C		
6	CO2	B3		C		
7	CO2	B3		C		
8	CO2	B3		C		
9	CO2	B3		C		
10	CO2	B2	K			
11	CO2	B3			A	
12	CO2	B3			A	
13	CO2	B5			A	
14	CO2	B5			A	
15	CO2	B5			A	
16	CO2	B6			A	
17	CO2	B4	K			

18	CO2	B1	K			
19	CO2	B3			A	
20	CO2	B6			A	
	Total Marks		20	40	40	100

K =Knowledge Level C = Comprehension Level, A = Application Level

Note: While setting all types of questions the general guideline is that about 60%

Of the questions must be such that even a below average students must be able to attempt, About 20% of the questions must be such that only above average students must be able to attempt and finally 20% of the questions must be such that only the bright students must be able to attempt.

I hereby certify that all the questions are set as per the above guidelines.

Faculty Signature:

Reviewer Commend:

Format of Answer Scheme

SCHOOL OF COMMERCE

SOLUTION

GAIN MORE KNOWLEDGE
REACH GREATER HEIGHTS

Semester: Odd Sem. 2019-20
Course Code: MAH101
Course Name: Financial Planning and Performance
Program &Sem: B.Com (Honors)- I Sem

Date: 6th Jan.2020
Time: 3 HRS
Max Marks: 100
Weightage: 50%

Part A (10Q x 2M = 20Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
1	Planning, Communication and Coordination, Monitoring, Evaluation	2	4
2	Participative Approach	2	4
3	$9 per output unit	2	4
4	Direct cost items such as direct materials and direct labor are measured by determining the number of units of each type of input required to get one unit of output. This amount (0.7) is multiplied by the standard cost per input unit ($27), thus 0.7 labor hours per unit× $27 labor cost per hour = $18.90 labor cost per unit	2	4
5	Using Kaizen costing, the targeted overhead for each new year will be 95% (100% – 5%) of the previous year. Therefore, the budget for next year (called the current year + 1) would be calculated as: Current year + 1 = 0.95($900,000) = $855,000 The budget for the year after that (current year + 2) would be calculated as: Current year + 2 = 0.95($855,000) = $812,250.	2	4
6	If advertising expense is $1,000, then $1,000 can be plugged into the regression equation for variable "A" as follows: S = $10,000 + $2.50A S = $10,000 + $2.50($1,000) S = $12,500	2	4
7	Given this information, the regression equation would be Y = 5.23 + 1.54X. Therefore, if X = 10, it can be plugged into the equation as follows: Y = 5.23 + 1.54(10) Y = 5.23 + 15.4 = 20.63	2	4
8	The cumulative direct labor hours required to produce a total of eight units is approximately 274 hours. The following table shows how this number is derived:	2	4

	<table><tr><th>X</th><th>Cumulative Average Time per Unit</th><th>Cumulative Total Time</th></tr><tr><td>1</td><td>100</td><td>100 (100x1)</td></tr><tr><td>2</td><td>70 (100 x 0.7)</td><td>140 (70 x 2)</td></tr><tr><td>4</td><td>49 (70 x 0.7)</td><td>196 (4 x 49)</td></tr><tr><td>8</td><td>34.3 (49 x 0.7)</td><td>274.4 (34.3 x 8)</td></tr></table>		
9	The expected rate of return on stock X can be calculated by taking the sum of the each of the expected returns and multiplying it by the associated probability. Expected rate of return = Σ (each expected return)(probability of each expected return) Expected rate of return = (−20%)(0.1) + (5%)(0.2) + (15%)(0.4) + (20%)(0.2) + (30%)(0.1) Expected rate of return = − 2% + 1% + 6% + 4% + 3% = 12%.	**2**	**4**
10	Project, ABB, Incremental, Zero, Rolling or Continuous, Flexible	**2**	**4**

Part B (2Q x 15M = 30 Marks)

Q No	**Solution**	**Scheme of Marking**	**Max. Time required for each Question**
11	The expected payoff for each investment can be calculated using the following formula: Expected payoff = Σ (payoff amount)(probability of payoff) Expected payoff for A = (0.3)(−\$6,000) + (0.1)(−\$10,000) + (0.3)(\$30,000) + (0.2)(\$70,000) + (0.1)(\$100,000) Expected payoff for A = (−\$6,000) + (−\$1,000) +(\$9,000) + (\$14,000) +(\$10,000) = \$26,000 Expected payoff for B = (0.2)(−\$20,000) + (0.2)(−\$10,000) + (0.2)(\$30,000) +(0.2)(\$70,000) + (0.2)(\$100,000) Expected payoff for B = (−\$4,000) + (−\$2,000) + (\$6,000) + (\$14,000) + (\$20,000) = \$34,000 Expected payoff for C = (0.3)(−\$20,000) + (0.1)(−\$10,000) + (0.2)(\$30,000) + (0.3)(\$70,000) + (0.1)(\$100,000) Expected payoff for C = (−\$6,000) + (−\$1,000) + (\$6,000) + (\$21,000) + (\$10,000) = \$30,000.	5	10
12	Using a cumulative average time learning curve, as the cumulative output doubles, the cumulative average direct labor hours per unit becomes the learning curve percentage times the previous cumulative average direct labor hours per unit. The cumulative average direct labor hours after 2 lots of four units are produced would be calculated as follows: Direct labor hours to produce first lot = 800 hours Direct labor hours to produce one unit in the first lot = 800 hours / 4 units = 200 hours per unit	5	10

	When output doubles to 2 lots of 4 (or 8 units), the cumulative average direct labor hours to produce 2 lots = (0.9)(200) = 180 hours per unit When output doubles again, to 4 lots (or 16 units), the cumulative average direct labor hours to produce 4 lots = (0.9)(180) = 162 hours per unit So, the total hours for the 16 units would be calculated by taking the cumulative average direct labor hours to produce 4 lots (or 16 units), and dividing that amount by 16 units. Total direct labor hours required to produce 4 lots (or 16 units) = (162 hours per unit)(16 units) = 2,592 hours Therefore, the total hours for the 12 additional units would be calculated by taking the total number of hours required to produce all 4 lots (or 16 units) and subtracting the 800 hours that were required to produce the first lot (or 4 units). Total direct labor hours required to produce the next 12 units = 2,592 hours ÷ 800 hours = 1,792 hours		
13	54,000 units	5	10
14	Compute the number of units that must be produced in period 1 (budgeted production = budgeted sales + ending inventory – beginning inventory): 20,000 + desired ending inventory of 3,300 (22,000 × 15%) – beginning inventory of 3,000 (20,000 × 15%) = 20,300. Each unit takes 2 hours at a cost of $15 per hour; 20,300 × 2 hours × $15 = $609,000.	5	10
15	The budgeted production is calculated by adding budgeted sales (50,000) to desired ending inventory (55,000 × 0.2) minus the beginning inventory (50,000 × 0.2) = 51,000 units	5	10
16	The amount Steers can use for capital expenditures without having to resort to outside financing sources is equal to the pro forma amount of cash flow from operations. The pro forma cash flow from operations is calculated by taking the pro forma net income plus the pro forma depreciation less the pro forma increase in working capital. Pro forma cash flow = cash flow from operations + depreciation expense – increase in working capital Pro forma cash flow = $100,000 + $15,000 – $25,000 = $90,000 So, $90,000 is available for capital expenditures.	5	10
17	Advantages of Zero based a. Focusin on every line item instead of exceptions b. Motivate managers to identify and remove items that are more costly than the benefit provided Disadvantages of Zero Based a. Time consuming and expensive b. If used every year, managers use the old justifications	5	10

18	a. Legal and regulatory factors b. Market forces, Industry trend and Competetion c. Technology d. Stakeholder groups and social concerns e. Globalization	5	10

Part C (2Q x 20M = 40Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
19	a. Cumulative Number Cumulative Cumulative of Units Average Time/Unit Total Time 500 500 500 x .9 = 450 450 x 2 = 900 450 x .9 = 405 405 x 4 = 1620 b. $25 x 500 hours x 4 units = $50,000 with no learning curve $25 x 405 x 4 units = $40,500 with 90% learning curve $50,000 - $40,500 = $9,500 savings c. Budgetary slack is the practice of underestimating budgeted revenues, or overestimating budgeted costs, to make budgeted targets more easily achievable. d. d. Budgetary slack misleads top management about the true profit potential of the company, which leads to inefficient resource planning and allocation as well as poor coordination of activities across different parts of the company.	Each part carries 5 marks	30
20	a. DM purchases must first be computed. They are $20,800 in November, $22,000 in December, and $22,800 in January. Next, apply the payment patterns. In January, $6,840 of January DM purchases are paid ($22,800 × 30%); $11,000 of December DM purchases are paid ($22,000 × 50%); $4,160 of November purchases are paid ($20,800 × 0%). Expected cash disbursements for direct materials in January are $6,840 + 11,000 + 4,160 = $22,000. b. Collection patterns would be the following: The sum of the collections for the quarter is $214,060. c. For the current year, sales are $100,000, and the projected growth rate in sales is 15%, thus $100,000 × 1.15 = $115,000. Since Sales and Administrative Expense(S&A) is 10% of sales, the projected S&A is $11,500 ($115,000 × 10%).	Question A & B carries 5 marks Question C carries 10 Marks	30