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**5th SEMESTER EXAMINATION – BBA
NOV – DEC 2009**

**PERFORMANCE EVALUATION
(HONOURS)**

PMEA3501

Wednesday, November 25, 2009

08:30 am to 12:30 pm

Time allowed: 4 hours

Full Marks: 100

Instructions:

- Use fountain pen or ball-point pen of blue or black ink.
- Answer in own words as far as practicable.
- Do not write anything on the Question paper other than Roll No.

GROUP - A

Answer **ANY FIVE** questions:

(5x4 = 20)

1. (a) Mention five factors which may be considered for evaluation of performance of a business.
(b) Calculate the cost of joint products A, B and C under Weighted Average Method from the following particulars:
- | | | | |
|-------------|---|-----------|------------------------|
| Joint costs | - | Rs.40,000 | (pre-separation point) |
| Output data | - | Product A | - 10,000 Kgs |
| | | Product B | - 2,000 Kgs |
| | | Product C | - 8,000 Kgs. |
- Weight factors are 6, 8 and 4 for products A, B and C respectively.
- (c) Distinguish between a Fixed Budget and a Flexible Budget.
(d) Is there any difference between Debt Equity ratio and Capital Gearing ratio?
(e) P/V ratio of M Ltd. is 50% and margin of safety is 40%. Find out profit if sales volume is Rs.10,00,000/-
(f) In interpretation of financial statements, do you think that ratio analysis is a dependable tool?
(g) Current ratio is 2:5, liquid ratio is 1:5. Find out value of stock if net working capital is Rs.6,00,000.
(h) How do you distinguish standard costing from budgetary control?

GROUP - B

Answer **ANY FOUR** Questions

[4x20 = 80]

2. (a) What is a Break-even chart? (4)
(b) B Ltd. manufactures and sells a single product and has estimated sales revenue of Rs.126 lakhs for coming year 2010 based on sale price per unit of Rs.90. Prepare Material Purchase Budget of the company for coming year from following particulars:

	Finished Goods	Material P	Material Q
Opening Stock	20,000 units	54,000 Kgs	33,000 Kgs
Closing Stock	25,000 units	30,000 Kgs	66,000 Kgs

- Each unit of the product requires 3 Kgs of Material P @ Rs.6/- per Kg and 1½ Kgs of Material Q @ Rs.4 per Kg. (10)
(c) Discuss briefly the methods of accounting for By-Products. (6)
3. (a) The present profit structure of Done Well Ltd. is as follows: (10)

	<u>Rs.</u>
Sale	30,00,000
Variable cost	14,00,000
Fixed cost	12,00,000
Profit	4,00,000
P.V. ratio	0.533

The company is planning an expansion in its sales area and it is estimated that there can be 60% increase in sale by additional sales drive reducing sale price by 15%. To support such sales drive management wants to recruit a new sales manager, but in a fix to decide upon his remuneration package. If 50% increase in profit is desired by such sales drive, advise management about the maximum remuneration of the new sales manager keeping in view the revised profit target.

(b) Y Ltd. had the following production budget for September, 2009: (10)

Product A : 20000 units
Product B : 40000 units

One standard hour represents 10 units of product A and 8 units of product B. Standard wage rate per hour 50 paise. During the month 7500 hours were paid @ 60 paise per hour which included 350 lost due to unbudgeted holidays and also loss of production of 250 units of product A due to machine break-down. Actual production for the month was 24000 units of A and 38000 units of B.

Calculate Direct Labour Cost Variances.

4. (a) Following are the summarized financial statements of P.Ltd. for the year ended 31.3.2009 (6+4)

	Rs.		Rs.
To opening stock	1,00,000	By sale (all credit)	3,00,000
To purchase	2,05,000	By closing stock	80,000
To gross profit c/d	75,000		
	3,80,000		3,80,000

	Rs.		Rs.
To operating expenses	54,500	By gross profit b/d	75,000
To Interest on loan	2,500		
To provision for tax	8,000		
Net profit c/d	10,000		
	75,000		75,000

Balance Sheet

	Rs.		Rs.
Equity Share Capital	80,000	Plant	15,000
Reserves & Surplus	45,000	Building	65,000
10% Loan on Mortgage	25,000	Inventory	80,000
Accounts Payable	87,000	Accounts Receivable	60,000
Provision for tax	8,000	Cash	30,000
Accrued expenses	5,000		
	2,50,000		250,000

Name and calculate the ratios which indicate:

- (i) The rapidity with which accounts receivable are collected.
- (ii) The ability of the company to meet its current obligations.
- (iii) Profitabilities on capital invested.
- (iv) Efficiency with which funds represented by inventories are utilized and managed.
- (v) Ability of the company to meet quickly the demands for payment of accounts due.
- (vi) Relative importance of proprietorship and liabilities as source of fund.

Also give your comments on short term liquidity position of the company.

4. (b) From the following data calculate Break-Even sale. (10)
(total and product-wise) for a company producing three products.

Product	Sale (Rs.)	Variable cost (Rs.)
X	10,000	6,000
Y	5,000	2,500
Z	5,000	2,000
	----- 20,000 -----	----- 10,500 -----

Total Fixed Costs amount to Rs.5700.

If the company wants to increase present profit by 50%, what will be the change in product sales mix?

5. (a) Prepare Cash Budget for April-October, 2009.

Balance Sheet as on 31.3.2009

Liabilities	Rs.	Assets	Rs.
Capital	2,00,000	Furniture	50,000
Outstanding liabilities	34,000	Less: Depreciation	10,000
			40,000
		Stock	1,01,000
		Debtors	52,000
		Cash	41,000
	2,34,000		2,34,000

Additional information :

Month	April	May	June	July	August	September	October
Sales (Rs.)	60000	104000	100000	150000	180000	70000	50000
Salaries (Rs.)	6000	7000	70000	8000	8000	6000	6000

2. Other expenses per month are :

Rent Rs.2,000; Depreciation Rs.2,000; Miscellaneous expenses Rs.1,000; and commission 1% of sales.

3. Of the sales 80% is on credit and 20% for cash, 70% of the credit sales are collected in one month and the balance in two months. There are no bad debt losses.
4. Gross margin on sales on an average is 30%.
5. Purchases equal to next month's sales are made every month and they are paid during the month in which they are made.
6. Minimum cash balance maintained by the firm is Rs.20,000. Cash deficiencies are made up by bank loans which are repaid at the earliest available opportunity and cash in excess of Rs.30,000 is invested in securities. Interest is to be ignored. Outstanding liabilities remain unchanged. (10)

5. (b) Find out the missing data from following divisional performance measurement table: (10)

	Division A	Division B
Sale	Rs.60,000	Rs.75,000
Operating profit	(i)	Rs.25,000
Operating Assets	Rs.30,000	(iii)
Return on Investment (ROI)	15%	10%
Minimum required return	10%	(iv)
Residual Income (RI)	(ii)	Rs.5000

6. (a) What are the applications of ratio analysis technique in interpretation of financial statements? (5)
- (b) What are the limitations of cost-volume-profit analysis? (5)
- (c) Standard overhead recovery rate of product C is as follows : (10)

Variable Rs. 2 per unit
 Fixed (Rs.30000 ÷ 3000 units) Rs.10 per unit

Standard time to produce one unit of C is 10 hours.

During a particular period, following actual data are available :

Hours worked : 27000, output : 2600 units
 Overheads : variable Rs.5000/-, Fixed : Rs.28,000

Calculate overhead variances for the period from above information.

7. (a) Explain why a decision centre should be treated as a profit centre rather than as a cost centre. (4)

- (b) The Gaint Oil Company purchases crude oil, and refines it. The refining process results in 4 products at split-off point: M, N, O and P. Product O is ready at split-off. The others can be individually further refined into Super M, Super N, and Super P.

For the month of October, 2009, the output at split-off point:

Product	M	N	O	P
Output (gallons)	300,000	100,000	50,000	50,000

The joint cost of purchasing crude oil and processing it were Rs.40 lakhs. There was no inventory and sales of product O in October were Rs.20 lakhs. The total output of M, N, and P was further refined and then sold, Data for October

Product	Further processing costs to make super products (Rs.)	Sales (Rs.)
Super M	80 Lakhs	120 Lakhs
Super N	32 Lakhs	40 Lakhs
Super P	36 Lakhs	48 Lakhs

The company had the option of selling products M, N and P at split-off point. This alternative would have yielded the following sales for October :

Product	M	N	P
Sales (Rs.Lakhs)	20	12	28

- (i) Distribute the joint cost on the basis of:
- (a) Sales value at split-off.
 - (b) Physical output.
 - (c) Estimated Net Realisable Value.
- (ii) Could the company in October increased its operating profit by making different decisions about further processing. Show the effect of any change on profits that you recommend. (12)
7. (c) A Ltd. produces a variety of products each having a number of component parts. Product B takes 5 hours to produce on a particular machine which is working at full capacity. B has a selling price of Rs.100 and variable cost of Rs.60 per unit. A component part X-100 could be made on the same machine in two hours at a variable cost of Rs.10 per unit. The supplier's price for the component is Rs.25 per unit.
- Required:*
Advice whether the company should buy the component X-100 (Make a suitable assumption) (4)
