Q.P. Code: 24247

Time: 3 hours **Marks: 60**

N.B.: (1) Attempt any six questions out of Q. Nos. 1 to 9, each carrying 6 marks.
(2) Attempt any two questions from Q. Nos. 10 to 12, each carrying 7 marks.
(3) Q. No. 13 is compulsory carrying 10 marks.

(1) What is financial goal setting? Explain the approaches to financial planning **(06)**

(2) Briefly describe Engineered Expense Centre, Discretionary Expense Centre, Revenue Centre & Profit Centre. How is the performance of the head of these centres evaluated? **(06)**

(3) Write Short Notes on any two **(06)**
(a) Free Cash Flow
(b) Strategic Business Unit
(c) Balance Score Card

(4) Explain the difference between three forms of Audit: Financial, Operational and Management **(06)**

(5) What do you understand by goal congruence? What are the informal factors that influence goal congruence? **(06)**

(6) What is responsibility centre? Explain different types of responsibility centres with sketches. **(06)**

(7) What are the objectives of a transfer pricing? What are the different methods to arrive at transfer price? Discuss the appropriateness of each method. **(06)**

(8) How corporate level strategies differ from Business Unit level strategies? How is budgeting done at SBU under different strategic mission? **(06)**

(9) How does a service organization differ from a manufacturing organization? How is pricing and marketing done by professional services organization? **(06)**

(10) The extract of Radhika Enterprise's Profit & Loss A/c and Balance Sheet for the year 2016-2017 is as follows. (Figures in Rs. Lakhs), Sales 750; Variable Cost 525; Fixed Cost 60; Depreciation 81; Interest 30; Equity 400; 15% Debt 200; Fixed Assets 450; Net Working Capital 150. Tax Rate 30%. Radhika Enterprise is planning expansion through acquisition of additional fixed assets and working capital of Rs. 100 lakhs each. The proposed acquisition is intended to be financed through additional equity and 16% debt respectively. The sales will increase by 20% and contribution margin will decrease by 3%. 40% increase in Fixed Cost (other than depreciation) is expected. Depreciation is on Straight Line Method. You are required to calculate Pre and Post Expansion RoE, RoCE and Total Assets Turnover Ratio and comment. **(07)**

(11) Two Divisions J and V of JV Enterprise operate as Profit centres. J normally purchases annually 10,000 units of required components from V; which has recently informed J that it will increase selling price per unit to Rs. 1,100. J decides to purchase the components form market @ Rs. 1,000 per unit. Naturally division V is not happy and justifies its decision to increase price due to inflation and added that overall company profitability will reduce and the decision will lead to excess capacity in V, whose variable and fixed cost per unit are Rs. 950 and Rs. 110. **(07)**
(a) Assuming that no alternative use exists for excess capacity in Division V, will company as a whole benefit if Division J buys from market.
(b) If the market price reduces by 15% per unit. What would be the effect on the company, assuming division V has no alternative use of excess capacity, if division J procures its requirement from market?
(c) If excess capacity of Division V could be use alternative sales at yearly cost savings of Rs. 15.25 lakhs, Should Division J purchase from Market?
Justify your answers with figures.

(12) A company is currently working at 50% capacity. It sells 20000 units now. Price per unit is Rs. 100. The cost per unit is Rs. 90. The Break-up is as follows **(07)**

Material Cost	Rs. 40	Selling Cost	Rs. 10 (40% Fixed)
Manufacturing Cost	Rs. 30 (30% Fixed)	Administration Cost	Rs. 10 (50% Fixed)

When company works at 70% capacity the selling price would fall by 7.5% and material cost would go up by 5%. At full capacity the selling price would fall by 10% and material cost would increase by 7.5%. Calculate profit at each level. Should company work at full capacity?

(13) Prerna Enterprise has two divisions Soap and Shampoo. The financial details of Divisions for two years are as under. **(10)**

Divisions	Year	Sales	Variable Cost	Fixed Cost	Interest	Fixed Assets	Current Assets
Soap	2011	500	300	50	30	400	200
	2012	400	240	40	11	350	150
Shampoo	2011	600	360	80	30	400	200
	2012	800	480	120	40	500	300

Management evaluates the performance of the Divisional Manager on the basis of ROTA. Managerial compensation is linked to ROTA. Based on this criterion Manager of Soap was given higher compensation as she has improved ROTA of her division. Manager of Shampoo felt it unfair to judge him on this criterion. He has identified a new investment opportunity and improved sales. He felt he should be judged on the basis of Economic Value Added which directly contributes to the wealth of the shareholders. Shampoo has grown by 25% on sales and assets whereas Kan-Juice has contracted during this period both in sales and size of assets. Cost of equity is 10% and Tax Rate is 35%. Economic Value Added can be calculated as [PAT – Cost of Equity in % x Equity Share Capital]. Calculate ROTA and EVA for both divisions for both the years. Discuss the views raised by Manager of Shampoo. Can judging Managers by RoI lead to dysfunctional behaviour of Mangers? Give justification.