

**Time: 3 Hours****Total Marks: 60****Instructions:**

- 1) Q1 is compulsory of 20 Marks
- 2) From remaining six questions attempt any four questions, each question carrying 10 Marks.
- 3) Make logical assumptions if required.

**Q1) 20 Marks (Compulsory)****Part I****(15 Marks)**

For Effective strategy implementation SL Limited has been organized on a product decentralization basis and each division is headed by General Manager (GM). GM is responsible for manufacturing, purchasing, finance and Marketing activities for his divisional product group. Performance measurement is return on Investment (ROI) of division. Annual budgets are split up into four quarters and at the beginning of each quarter, performance of previous quarter is reviewed and budget for following quarter may be revised in consultation with GM. Data for Division P is as under. (Figures are in Rs. Crores)

|                         | <b>Budget</b> |           | <b>Actual</b> |
|-------------------------|---------------|-----------|---------------|
|                         | Quarter 1     | Quarter 2 | Quarter 1     |
| Account Receivable      | 8             | 7.5       | 8.05          |
| Cash                    | 4             | 4         | 2             |
| Inventory               | 18            | 16.5      | 21.50         |
| Fixed Assets            | 20            | 2         | 20            |
| Factory Costs           | 21            | 19        | 17            |
| Marketing Costs         | 7             | 6         | 3             |
| Freight                 | 1             | 0.9       | 0.8           |
| Administrative Expenses | 3             | 206       | 3.2           |
| Sales                   | 40            | 36        | 34            |

- (a) Review the first quarter performance on the basis of computation of various parameters? Would you suggest any revisions for the second quarter budget? Why/Why not? Justify

**Part II****(05 Marks)**

Explain the scope and objectives of Management Audit.

**Q2) Any two from (a) or (b) or (c) ————— (5x2) =****(10 Marks)**

- a) During the current year, Rahul Ltd showed a profit of Rs 1, 80,000 on a sale of Rs 30, 00,000. The variable expenses were Rs 21, 00,000. You are required to work out:
1. The break-even sales at present
  2. The break-even sale if variable cost increase by 5 per cent
  3. The break-even sale to maintain the profit as at present, if the selling price is reduced by 5 percent
- b) Anur Limited operates a number of divisions located at difference regions. Division ‘Y’ has incurred losses in the first half of the current year 2017-18.

The revenue and cost data for this divisions are given below:

| <b>Particulars</b>         | <b>Rs. Lakhs</b> |
|----------------------------|------------------|
| Sales Revenue              | 15               |
| Controllable Variable Cost | 9                |
| Controllable Fixed Cost    | 3                |
| Attributable segment costs | 2                |

Common firm wide costs allocated to this division is Rs 1,20,000/-. You are required to prepare a performance evaluation statement of division ‘Y’ and advice the management whether its operations should be continued or shut down.

- c) Explain the formal control system in the organization.

**Q3) Any two from (a) or (b) or (c) ————— (5x2) =****(10 Marks)**

- a) A firm is proposing strict collection polices. At present the firm sales 36,000 units with the average collection period of 60 days. Collection charges amount to Rs. 10,000 and bad debts are 3% of sales. If collection procedures are tightened, it will reduce the collection period to 40 days and bad debts losses to 1% of sales. However it involves additional collection charges of Rs. 20,000 and the sales decline by 500 units. If selling price is Rs. 32, average cost is Rs. 28 and variable cost is Rs. 25, whether the firm should implement the policy? Assume 20% rate of return.
- b) A division of a company has a budgeted income of Rs. 30 lakh and budgeted investment of Rs. 180 lakh. The average cost of capital for the firm is 10% per annum. Determine the residual income.

c) From the following data of SQC limited, calculate the EVA.

| Particulars | Rs. In Crores |                         |       |
|-------------|---------------|-------------------------|-------|
| Debt        | 30            | Cost of Debt (Post Tax) | 7.5%  |
| Equity      | 540           | Cost of Equity          | 15.0% |
| PAT         | 200           |                         |       |

**Q4) Any two from (a) or (b) or (c) ————— (5x2) = (10 Marks)**

a) Following data relating to Ananya Limited is given for year ending March 31, 2018: (All nos. are Rs. Lakhs)

| Business Unit | Cash | Receivables | Inventories | Fixed Assets | Profit |
|---------------|------|-------------|-------------|--------------|--------|
| A             | 80   | 160         | 320         | 480          | 200    |
| B             | 120  | 120         | 200         | 320          | 100    |
| C             | 80   | 200         | 240         | 160          | 90     |
| D             | 40   | 80          | 80          | 320          | 54     |

The corporate cost of capital relating to money invested in receivables, cash and inventoried is 6% after tax. The company's required rate of return for investment in Fixed Assets is 12% after taxes. Calculate ROI & EVA for all the business units and make comments on your evaluations.

b) Calculate the break even point in units and rupees from the following data:

Contribution margin ratio 30%  
 Contribution margin per unit 6  
 Fixed Cost per month Rs. 20,000  
 If the net income is Rs. 60,000, what is the amount of sales in rupees?

c) Explain the concept of zero based budgeting with suitable example.

**Q5) Any two from (a) or (b) or (c) ————— (5x2) = (10 Marks)**

- a) "Profit Centers can be created as and when top management feels like" Do you agree? Explain with examples.
- b) Explain the states of implementing performance measurement system.
- c) Explain the techniques of financial forecasting.

**Q6) Any two from (a) or (b) or (c) ————— (5x2) = (10 Marks)**

- a) Explain different types of responsibility centers.
- b) State the importance of the concept of **strategy** in Management Control Systems giving suitable example and also bring out its importance.
- c) What do you understand by the concept of **Profit Center**?

**Q7) Any two from (a) or (b) or (c) ————— (5x2) =**

Write Short Notes

- a) Management by Objective
  - b) Strategic Business Unit
  - c) Price Earnings Ratio
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