UNIVERSITY OF THE PUNJAB

B.S. 4 Years Program / Eighth Semester – 2019

Paper: Performance Management
Course Code: COMM-412 Part – I (Compulsory) Time: 15 Min. Marks: 10

Roll No. in Fig. ………………….

Roll No. in Words. …………

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Signature of Supdt.:

ATTEMPT THIS PAPER ON THIS QUESTION SHEET ONLY.
Division of marks is given in front of each question.
This Paper will be collected back after expiry of time limit mentioned above.

Q.1. Encircle the correct option. (10x1=10)

1. The formula for calculating the target cost gap is?

A. Target selling price-Desire profit
B. Desire profit/selling price
C. Estimated cost x Desire profit
D. Estimated cost -Target costing

2. The purpose of standard costing is?

A. Determine breakeven production level
B. Control cost
C. Eliminate need for subjective decisions by management
D. None of these

3. The Rampa Company has budgeted sales of Rs. 200,000 and a profit of Rs. 60,000 and fixed expenses of Rs. 40,000. The CM ratio is

A. 20%
B. 30%
C. 40%
D. 50%

4. What steps might be taken in order to reduce the 'cost gap' in the context of target costing?

A. Cut material costs by reducing wastage
B. Cut labour costs by finding ways of working waste
C. change the design so as to eliminate costs that do not add value in the perception of the customer
D. All of these

5. Which of the following methods that may be used to account for environmental costs?

A. Activity based costing
B. Flow cost accounting
C. Life cycle costing
D. All of these

P.T.O.

6. **It is the difference between the budgeted sales volume and the breakeven sales volume.**

A. Volume variance

B. Margin of safety

C. Sales variance

D. Cost variance

7. **Which factor/s is use by the organization in the make or buys decision?**

A. Difficulties in manufacturing

B. Profit

C. Quality of goods

D. All of these

8. **The most important objective of the organization in limiting factor analysis is?**

A. Profit maximization

B. Increase market share

C. Increase product line

D. None of these

9. **The non financial factor for environmental cost is**

A. Cost of cleaning up pollution

B. Fines and penalties

C. Damage the repute of company

D. None of these

10. **__________ is a product costing approach used in JIT approach, costing of product is delayed until it is finished?**

A. Absorption Accounting

B. Back flush Accounting

C. Flush out Accounting

D. Managerial Accounting

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Roll No. …………….

Paper: Performance Management
Course Code: COMM-412   Part – II

Time: 2 Hrs. 45 Min.   Marks: 50

ATTEMPT THIS (SUBJECTIVE) ON THE SEPARATE ANSWER SHEET PROVIDED

Q2. Give short answers. **(10X2=20)**

I. What is meant by bottleneck in the context of throughput Accounting?
II. Why consideration of Environmental cost is important for an organization?
III. Define step cost and variable cost?
IV. Define shadow price?
V. Define Skimming price strategy?
VI. Write three possible reasons for material price variance?
VII. Define rolling budget?
VIII. Differentiate between the top-down and bottom-up budgeting techniques?
IX. What is meant by JIT inventory strategy?
X. Define the term transfer pricing?

LONG QUESTIONS **(15x2)**

Question No. 3 The star company manufactures four products A, B, C and D. Their selling prices and costs are shown in the table below. All products use the same direct material and the same grades of labour.

	A	B	C	D
Selling Price	44	50	30	70
Cost Per Unit (Rs)				
Direct Material (Rs. 2 per Kg)	8	10	6	10
Direct labour (Rs. 5 per Hour)	10	10	5	15
Variable overhead	8	8	4	12
Fixed Overhead	10	10	5	15
Budgeted Production (Units)	2000	2500	2600	3000

P.T.O.

In a year the available supply of material will be restricted to 38,000 kg and working time for labour will be 21000 Hours.

Requirement:

Determine the product mix that would maximize the company's profitability.

Q4. Nelson company produce many products for household use. Company sells products to the storekeeper as well as to customers. Detergent –DX is one of the product of the company. It is a cleaning product that is produced, packed in the large box and then sold to customers and storekeepers .

Nelson company uses a traditional standard costing system to control costs and has established the following materials, labour and overhead standard to produce one box of Detergent –DX.

Direct material 1.5 Kg @ Rs. 12 per kg
Direct labour .6 Hour @ Rs. 24
Variable manufacturing overhead .6 Hour @ Rs. 5

During the month of May, 2018, company produced and sold 3000 boxes of the Detergent –DX. 8000 kg of direct material were purchased @ Rs. 11.50 per kg. Out of these 8000 kg, 6000 kg were used during May. There was no inventory at the beginning of May. 1600 direct labour hours were recorded during the month at a cost of Rs. 40,000. The variable manufacturing overheads cost during the may totaled Rs.7200.

Requirement:

1. Compute materials price variance and materials quantity variance. (assume that the materials price variance is computed at the time of purchase)
2. Compute direct labour rate variance and direct labour efficiency variance.
3. Compute variable overhead spending variance and variable efficiency variance.