

**BIRLA INSTITUTE OF TECHNOLOGY, MESRA, RANCHI
(END SEMESTER EXAMINATION)**

**CLASS: MBA
BRANCH: MBA**

**SEMESTER : III
SESSION : MO/19**

SUBJECT: MT561 FINANCIAL PLANNING AND CONTROL

TIME: 3.00Hrs.

FULL MARKS: 50

INSTRUCTIONS:

1. The question paper contains 5 questions each of 10 marks and total 50 marks.
 2. Attempt all questions.
 3. The missing data, if any, may be assumed suitably.
 4. Before attempting the question paper, be sure that you have got the correct question paper.
 5. Tables/Data hand book/Graph paper etc. to be supplied to the candidates in the examination hall.
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- Q.1(a) Establish the need for undertaking financial planning in a business firm. [5]
Q.1(b) Responsibility accounting is a recent development which is helpful in exercising cost control. Assess the underlying principles of responsibility accounting and identify the different responsibility centres in a firm. [5]

- Q.2(a) Outline the objectives and importance of an effective budgetary control system. [5]
Q.2(b) ABC Ltd has prepared the following Sales Budget for the first 5 months of 2019. The inventory of finished goods at end of every month is to be equal to 25% of sales estimate for the next month. On 1st Jan2019 there were 2700 units of products in hand. There was no work-in -process at end of any month. [5]

	Sales Budget (in units)
January	10800
February	15600
March	12200
April	10400
May	9800

Assess the above data and compute the production Budget for the 1st quarter of 2019.

- Q.3(a) Evaluate how the change in the firm's credit policy affects its opportunity cost of lost contribution, credit administration costs and bad-debt losses. Illustrate diagrammatically to establish how a firm may reach an optimum credit policy. [5]
Q.3(b) Discuss how credit standards and credit analysis is an important tool of decision making in determining a firm's credit policy. [5]

- Q.4(a) Given the following information analyse the alternative sales mixes. [5]

	Product X (per unit)	Product Y (per unit)
Selling price	Rs. 25	Rs. 20
Direct materials	Rs.8	Rs.6
Direct wages	Rs. 6	Rs. 4

Fixed overhead= Rs. 750

Variable overhead = 150% of direct wages

The alternative sales mixes are: i) 250 units of X and 250 units of Y ii) 0 units of X and 400 units of Y iii) 400 units of X and 100 units of Y. Which one of the above alternative sales mix will you recommend to the management? Justify your answer. [5]

- Q.4(b) The management sometimes may have to decide to sell its regular product at a special price which may be lower than its total cost. Elaborate on the reasons which may prompt the management to take such a decision.

- Q.5(a) The Balanced Scorecard is a multi faceted performance measure. Elaborate on the concept and advantages of such a performance measure. [5]
Q.5(b) Contrast between tax avoidance and tax evasion. Discuss the importance of tax planning. [5]