

Your overall performance is good. Revise all your previous topics at least once in a week rather allocate a day in a week for revision and evaluating your performance. This will help you memorize topics and bind out shortcomings in your preparation.

Q.No. 2

(i) Calculation of product wise profitability based on Original Cost allocation

Particulars	Grade A	Grade B	Total
Selling price per kg	280	400	
Less: Direct Materials Cost (N-1)	114	186	300
Direct Labour Cost (N-1)	76	124	200
Overhead cost (N-1)	75	75	150
Profit	15	15	
%	5.36%	3.75%	

7 Marks

Note 1: Allocation of material and Labour cost to Grade A & B

Particulars	cc1	cc2	cc3	Total
Direct Materials	90	120	90	300
% Cost allocated to Grade A	30%	50%	30%	
Cost to Grade A	27	60	27	114
% Cost allocated to Grade B	70%	50%	70%	
Cost to Grade B	63	60	63	186
Direct Labour	60	80	60	200
% Cost allocated to Grade A	30%	50%	30%	
Cost to Grade A	18	40	18	76
% Cost allocated to Grade B	70%	50%	70%	
Cost to Grade B	42	40	42	124

Calculation of product wise profitability based on ABC (EMA)

Particulars	Grade A	Grade B
Selling price	280	400
Less: Direct Materials	114	186
Direct Labour	76	124



(i) Incinerator cost (Note 2)	86	54
(ii) Remng overhead (151)	30	30
<b>Totals cost</b>	<b>256</b>	<b>344</b>
Profit	24	6
% Profitability	8.57%	1.5%

Note 2

Allocation of OH Cost

<u>OH Incurred</u>	<u>Cost Driver</u>
Incinerator cost ₹ 90	Waste produced.
Other OH 60	Equally.
<b>₹ 150</b>	

Allocation of Incinerator Cost on the basis of waste produced.

Particulars	CC1	CC2	CC3	Total
Total waste produced	4	5	6	15
Incinerator cost	24	30	36	90
Grade A	12	18	6	36
Grade B	12	12	30	54
Allocation	2:2	3:2	1:5	

(ii) Analysis : In the first method, it can be seen that Grade A fertiliser has more profitability compared to Grade B. Both Grade A and Grade B are in profits. Overhead expenditure which includes environment related cost has been allocated equally to Grade A & Grade B without further appropriation.

In the second method, Management has consider the concept of EMA due to which the hidden environmental costs in overhead expenditure is allocated to each product on the basis of appropriate cost driver i.e; waste produced in the given case. Due to proper allocation by using EMA, it can be seen that Grade A fertiliser has highest profitability with 8.57% due to less environmental costs incurr. Grade B fertiliser has very small amount of profit due to high environmental cost. Management has to take proper measures to controll waste produced in Grade B fertiliser mainly in process CC3. If proper measures were not taken then soon Grade B fertiliser may run into losses.



(iii) The awareness among business organisations regarding environmental issues has been grown rapidly. Poor environmental behaviour may have a real adverse impact on the business like fines, penalties, loss of brand value, reputation etc. EMA identifies and estimate the cost of environment related costs and seeks to control these costs. The full and correct costing of products is prerequisite for making sustainable business decisions such as volume and choices of products to be produced. EMA plays an important role in pricing the products, phasing out certain products when the change is dramatic, redesigning processes / products in order to reduce environmental costs.

Q.NO:-1

(i) Performance Management Indicators:

→ Financial Performance Measures and

→ Non-Financial performance measures

Financial performance Measures are further divided into

→ Return on Investment (ROI)

→ Residual Income (RI)

→ Economic Value Added (EVA).

7 Marks

Non Financial performance Measures are further divided into

→ Balanced Scorecard

→ Performance Pyramid

→ Performance Prism

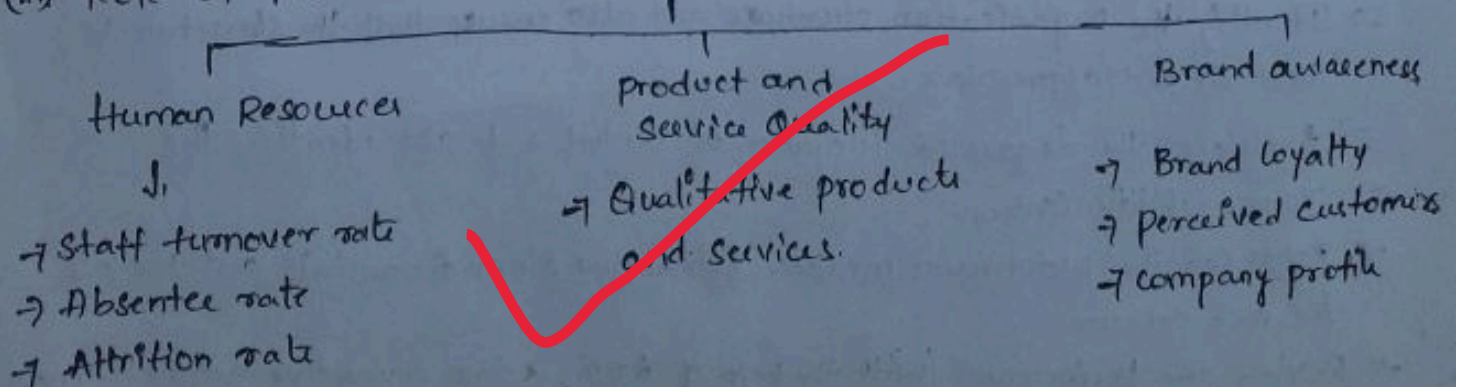
→ Building Block Model

→ Triple Bottom line.

(ii) Need of Non-Financial performance Indicators:

Non-financial performance indicators helps to overcome the shortcomings of financial performance indicators such as window dressing, Internally focused only, short-term orientation, historical in nature etc, which makes them unfit for efficient performance management system. For every business, Sustainability is important in addition to profitability. It has to keep balance between both. To measure sustainability, Non-financial performance measures are helpful.

(iii) Role of Non Financial performance Indicators





Human resources: It is the people who create organisations through processes and make it successful. Therefore, human resources plays an important role in the success of organisation. Skilled employees means better process & better process leads to high quality products. Therefore, it is important to measure staff turnover, Absenteeism rate, attrition rate etc.

Quality of products & services: What makes distinct from other's business is the quality of a product, value derived from its products/services. The following Performance measures need to be considered

- Where do product offer in comparison to that of competitors?
- How much value the product is creating currently?
- Is product capable to generate further superior performance & scope of innovation

Brand awareness: Non financial performance measures consider the brand awareness as the most significant one. Brand awareness can be achieved through customer's satisfaction, loyalty, perceived quality etc.

(iv) MENC can apply Building block model. Building block model generally applies to service industries but it can also be applied to other manufacturing and retail businesses. Building block model is based on three building blocks of Dimensions, Rewards and Standards.

Dimensions are the goals for the business i.e; CSR. They are further divided into Results and Determinants. Determinants are divided into Quality, Flexibility, Innovation and Resource utilisation. Results are divided into financial performance and competitive performance.

Rewards are divided into Motivation, clear & controllability. Standards are divided into Equity, ownership, Achievable.

Another Model MENC can apply is Balanced Scorecard. Balanced scorecard displays organisation's performance into four dimensions, such as Financial, Customer, Internal, Learning, growth & Innovation.

Q10:3

(i) A pre-requisite for performance management system is to measure the existing / current performance. Steps in performance Management system is

- Identify the organisation structure and also ensure that the structure is best fit and appropriate
- Evaluate the degree of delegation of control and also identify the responsibility centres.
- Establish the performance measures (financial & non financial) and targets for each measure
- Review the performance (with the help of KPI) & take corrective actions if required



(ii) Building block model is generally used as NPPI in Pg-5.  
Service industries. It is also used in other manufacturing and retail businesses. It consists of three building blocks i.e., Dimensions, Standards and Rewards. 5 marks

1. Dimensions: Dimensions are the goals for the business i.e., CSR. These are further divided into

(a) Determinants: These are the performance measures which influence the results. These are

→ Quality: It is the ability to deliver goods and services with consistency. Quality should be seen from the eyes of customers. well explained!!!!

→ Flexibility: It is the responsiveness of a company with respect to any changes.

→ Innovation: Ability to deliver new products or to innovate new ways of doing business.

→ Resource utilisation: Ability to use resources to achieve business objective. Business assets should be used for proper purpose and in most efficient way.

(b) Results:

→ Financial performance: Gives an indication of overall business in monetary terms.

→ Competitive performance: How they stand in comparison to its competitors?

2. Standards: These are the measures used i.e., KPI.

→ Equity ⇒ performance measures should be equally challenging for all parts of business.

→ Achievable ⇒ Performance measures should be realistic i.e., achievable.

→ Ownership ⇒ Should be acceptable to everyone.

3. Rewards:

→ Motivation ⇒ Reward schemes should set in a manner which motivates employees to achieve business goals.

→ clear ⇒ Reward scheme should be clearly communicated to all employees.

→ Controllability ⇒ Employees should only be rewarded if they have some control or influence.



(i) Target costing can be defined as "a structured approach to determine the cost at which a proposed product with specified functionality and quality must be produced, to generate a desired level of profitability at its anticipated selling price" 8 marks

Target costing is an important part of a comprehensive and strategic profit management system that helps an organisation to survive, even in an increasingly competitive environment. Hence it is not only a product costing system, but rather a management technique that aims at reducing the overall cost of a product (over the life cycle) with the help of productivity, value engineering and effectiveness at the research and design phase. So target costing is capable to take into account the initial design and engineering the costs, as well as cost of manufacturing, distribution, sales and services.

Suitability of Target costing Concept to Dream Homes:

Dream Homes consider to enter digital to reach people all around the country. Target costing concept is very much suitable to

Dream Home as it attracts customers with its low cost strategy compared to its competitors. ~~India~~ The income of middle class people in Indian market is low so they ~~can~~ spend only on things which are low and necessary. you have good clarity of this question

(ii) In its current inventory management, manager of the department estimate the required production based on historical demand and long term forecasting policies of the firm. It is similar to push Model where stocks are produced on the basis of anticipated demand. In this model it is difficult to cope up with surge in demand. suitable changes:

It is recommended to follow pull model where stocks are produced in response to customer's demand. This new model is less product centric and more directly focused on individual customer. Electronic commerce is used in the pull model to bring out the needs of customers. Supply chain created through E-Commerce brings benefit to both customer and manufacturer. Thus facilitating the companies



to fulfill the customer needs, carry fewer inventories and send products to market more quickly. (P9-7)

Q(1) SCM can be defined as the entire network of organisations working together to achieve design, produce, deliver and service products. In other words, all activities associated with the flow and transformation of goods from raw materials to end users is called supply chain.

The transformation of product from node to node includes activities such as:

- production planning
- purchasing
- material management
- Distribution
- customer service
- Forecasting

Q(2) NOS

Statement showing "Pareto Analysis of complaints from Customers"

5 Marks

Complaint categories	No. of complaints	Cumulative	% of Total Cumulative
1. Faults in line	436	436	27.4
2. Overcharging during billing	372	808	50.8
3. Late attending of complaints	246	1054	66.3
4. Customer service	218	1274	80.1
5. Allocation of wrong plans	135	1407	88.5
6. Non-posting of payments to accounts	97	1504	94.6
7. Connection installation	65	1569	98.7
8. Transfer of connection	21	1590	100%
	<u>1590</u>		

well attempted!!!

give heading also.



Pareto's 80:20 rule states that 80% of results come from only 20% of efforts (or) 20% of sources causes 80% of problems. In the given case 80% of complaints come from 4 types of categories such as Faults in line, wrong billing, late attending of complaints and customer service. Faults in line and wrong billing accounts more than 50%.

∴ It is recommended to address the issue as soon as possible. Activation of wrong plans accounts around 8%. Though it is account for less no. of complaints compared to others it is important to address the issue as it directly affects the revenue.

Category	No. of Complaints	Percentage	Percentage of Total Complaints
Wrong Billing	125	25%	25%
Wrong Plans	25	5%	5%
Customer Service	100	20%	20%
Faults in Line	150	30%	30%
<b>Total</b>	<b>500</b>	<b>100%</b>	<b>100%</b>