

K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH
 Vidyavihar, Mumbai- 400077
 Program: MMS and PGDM – Marketing (Batch2016-18), Sem.-VI
Subject: Marketing Finance
 (End Term Examination)

Maximum Marks: 25.
 Duration: 2 hours

Date: April 6, 2018
 3 to 5 pm

Instructions

Attempt Q 1 and any **one** of Q 2 or Q 3
 Question 1 carries 15 marks, Q2 and Q 3 carry 10 marks each
 Conceptual understanding will influence evaluation of answers.
 Make assumptions where required and state them

Q: 1 Discuss any two of the following:

- i. Explain costs incurred in marketing operations. Discuss various ways of managing them
- ii. Discuss the concept of Marketing ROI and its various applications
- iii. Why is it important for a company to manage account receivables? Discuss various steps companies take to manage them
- iv. Discuss the importance of developing a marketing budget for a company. What basic conditions should be satisfied for the budgeting process to be successful?

Q: 2 Pompom Toys manufacture and market three type of toys; PEM, PIM and POM.
 The Marketing Manager was examining direct and allocated expenses incurred on marketing activities during the last year.
 The expense data is presented below:

<u>Expenses</u>	<u>Amount Rs.</u>	<u>Bases of allocation</u>
Salaries	100,000	Direct charge to products
Sales commission	60,000	Sales- turnover
Sales office expenses	20,960	No of orders
Advertising	220,000	Direct charge to products
Sales promotion	50,000	Sales turnover
Packaging	30,000	Volume in cubic feet
Delivery expenses	40,000	Volume in cubic feet
Warehouse expenses	10,000	Volume in cubic feet
Credit collection expenses	12,960	No of orders

The following additional information is available:

<u>Particulars</u>	<u>Total</u>	<u>PEM</u>	<u>PIM</u>	<u>POM</u>
Sales turnover Rs.	20, 00,000	5, 80,000	800,000	6,20,000
No of sales persons	10	4	5	1
No of units sold	10,400	3,400	4,000	3,000
No of orders	1,600	700	800	100
Advertising spend %	100	30	40	30
Volume in cubic feet	--	5	8	17

1. Prepare a statement of expenses on each toy
2. Marketing costs per unit for each toy
3. Give your comments on the performance of each toy

Q: 3 Arvind Ltd manufactures three types of products. Production data is as follows:

	<u>Product 1</u>	<u>Product 2</u>	<u>Product 3</u>
No of units manufactured	60,000	40,000	30,000
Direct material costs	1, 38,000	68,000	1, 32,000
Direct labour costs	48,000	28,000	30,000
Manufacturing overheads	24,000	14,000	15,000
Total	2, 10,000	1, 10,000	1, 77,000

Selling and administration costs are as follows:

	Rs.
Sales salaries	26,000
Sales commission	71,350
Advertising	14,200
Travel and entertainment	7,600
Delivery expenses	4,000
Sales office expenses	10,500
Office salaries	9,250
Office supplies	1,600
Administration Office expenses	<u>3,050</u>
Total	1, 47,550

Product 1 and 2 were sold 40% above the manufacturing cost, and product 3 50 % above the manufacturing costs. The Company had put in lot of effort in developing the sales of product 3. They have now decided to do a complete analysis of all costs.

The basis of allocation was decided to be as follows:

Cost	Basis of allocation	Product lines		
		1	2	3
Sales salaries, travel, entertainment	Time spent on each line	20%	20%	60%
Advertising	% amount spent	30%	20%	50%
Sales commission	10 % of sales			
Sales office expenses, office salaries	Number of orders	150	30	120
Supplies and admin expenses	Number of orders	150	30	120
Delivery expenses	Weight to distance ratio	30	30	40

Based on the given data:

1. Prepare a profit & loss statement for each product
2. Calculate profit as a % of sales for each product
3. Give your comments on the performance of each product.
