****

MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS**

**2016/2017 ACADEMIC YEAR**

**FOURTH YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS**

**BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BBM 411**

**COURSE TITLE: PERFOMANCE**

**MANAGEMENT**

**DATE: 26TH APRIL 2017 TIME: 2.00PM-4.00PM**

**INSTRUCTIONS TO CANDIDATES**

* ***Answer question ONE (compulsory) and any other THREE***
* ***Question one carries 25 marks***
* ***All other questions carry 15 marks***

*This paper consists of 7 printed pages. Please turn over*

**QUESTION 1**

1. State and explain three concerns of performance management.

**(6Marks)**

1. Briefly explain the process of performance management **(9 marks)**
2. Discuss four considerations for a good performance measures.

**(8 Marks)**

1. What do you understand by the term financial performance indicators **(2 Marks)**

**QUESTION 2**

1. The management of a company is considerably taking of one of two independent projects i.e. project x on project Y. The following information is provided.

***Project X Project Y***

Sales 31,920 44,900

Costs of sales 23, 600 35,600

Investment 146,300 160,000

Rate of return is 5% p.a.

Advice the management on which of the two projects should be accepted using ROI and IRR as a measure of a projects performance?

**(7 Marks)**

1. ABC Ltd made profit before tax of ksh.9,320,000. Tax amounted to 2800,000. The company share capital is as follows

Ordinary share (10,000,000 share of ksh.1 10,000.000

8% Preference share 12,000,000

12,000,000

**Required**

Calculate the ABC’s EPs  **(3 Marks)**

1. A company has recently declared a dividend of 12 cents per share. The share price is ksh. 3.72 cum. Dividends and earnings for the most recent year were 30 cents per share.

***Required***

Calculate price earnings Ratios  **(2 marks)**

1. The use of traditional financial performance metrics is widespread, but the practice has its problems. State and explain those problems.

**(3 marks)**

**QUESTION 3**

1. Briefly discuss some of NFPLs (Non Financial Performance Indicators), how they might be expressed and relevant information relating to them might be gathered? **(5 marks)**
2. State four benefits of benchmarking. **(4 marks)**
3. i) What is transfer pricing?  **(1 mark)**

ii) Discuss any two aims of transfer pricing **(2 marks)**

1. Define value analysis  **(1 mark)**
2. Value analysis has many benefits to a company? Discuss any three benefits **(2 marks)**

**QUESTION 4**

A company is planning a new product. Market research information suggests that the product should sell 10,000 units at ksh. 21.00/unit. The company seeks to make a make-up of 40% product cost. It is estimated that the lifetime costs of the product will be as follows:

1. Design and development costs Kshs. 50,000
2. Manufacturing costs Kshs. 10/unit
3. End of life costs Kshs. 20,000

The company estimates that if it were to spend an additional kshs. 15,000 on design, manufacturing costs/units could be reduced.

**Required**

1. What is the target cost of the product? **(3 marks)**
2. What is the original lifecycle cost per unit and is the product worth making on that basis? **(3 marks)**
3. If the additional amount were spend on design, what is the maximum manufacturing cost per unit that could be tolerated if the company is to earn its required mark-up. **(9 marks)**

**QUESTION 5**

The owners of Highlands Restaurant have diversified business interests and operate in a wide range of commercial areas. Since buying the restaurant in 2007 they have carefully refunded the data below.

**Non-Financial Data 2008 2009 2010 2011**

Total meals served 3750 5100 6,200 6,700

Regular customers attending weekly 5 11 15 26

Number of items on offer per day 4 4 7 9

Reported cases of food poisoning 4 5 7 7

Special theme evening introduced 0 3 9 13

Annual operating hours with no customers 380 307 187 126

Proposals submitted to cater for special events 10 17 29 38

Contracts won to cater for special events 2 5 15 25

Complimentary letters form satisfied customers 0 4 3 6

Average number of customers at Peak times 18 23 37 39

Average service delay at Peak Times (min) 32 47 15 35

Maximum Seating capacity 25 25 40 40

Weekly opening hours 36 36 40 36

Written complaints received 8 12 14 14

Idle time 570 540 415 187

New meals introduced during the year 16 8 27 11

**Financial Data**

**2008 2009 2010 2011**

**Kshs Kshs Kshs Kshs**

Average customer spending on wine 3 4 4 7

Total Revenue 83,000 124,500 137,000 185,000

Revenue from special events 2,000 13,000 25,000 55,000

Profit 11,600 21,400 43,700 57, 200

Value of food wasted in preparation 1,700 1,900 3,600 1,450

Total revenue of all restaurants in locality 895,000 1,234,000 980,000 1,056,000

**Required**

1. Assess the overall performance of the business and submit your comments to the owners. They wish to compare the performance of the restaurant with their other business interest and require your comments to be grouped into the key areas of performance such as those described by fritzgenrald and moon  **(9 marks)**
2. Identify any additional information that you would consider of assistance in assessing the performance of Highlands Restaurant in comparison with another restaurant. Give reason for your selection and explain how they would relate to the key performance areas categories used in (a) above  **(6 marks)**