FINAL EXAMINATION

June 2016

P–15(BSCM)
Syllabus 2012

Business Strategy and Strategic Cost Management

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

SECTION – A

(50 marks)

(Business Strategy)

Answer Question No. 1, *which is compulsory, carrying 20 marks.*

Further, answer any two *Questions from the rest of the questions in this section, each carrying 15 marks.*

1. (a) State three operative levels of strategy in corporate management structure. How they help the management?

(b) What are the guidelines to be followed to make competitive advantage more sustainable?

(c) Benchmarking exercise is based on 'best exercise' and not on 'best performance' – Explain in brief.

(d) Write the key roles of a senior strategic leader as a global thinker. Give a suitable example.

(6+2)+6+3+3=20

2. Hero Honda joint venture formed in 1984 is a classic case of strategic alliance involving the Indian company Hero Group and Japanese automobile major company Honda Motorcycle. The alliance has been terminated with the entire 26% stake of Honda Motorcycle in the venture bought by the Hero Group. Selling out of the venture has given the Japanese company the freedom to go it alone in the world's second largest market for two-wheelers.

You are required to answer:

(a) Is joint venture the only way to enter into strategic alliance? If no, why?

(b) Alliances are not new, but in the competitive environment, some other forms of integration are also emerging. Identify them.

(c) What are the key success factors for managing an alliance?

(d) Write five reasons for the termination of the two companies' joint venture. 3+3+4+5=15

3. (a) Why are Environmental Threats and Opportunities Profile (ETOP) prepared for an organization?

   (b) What information can an organization get from an ETOP?

   (c) Classify the impact of the following items under appropriate category **(opportunity/threat)** and specify the respective environmental sectors of the ETOP of an established Indian sports-cycle manufacturing company for the domestic and export market:

   (i) Large demand of the product.

   (ii) Community requires the product of advanced technology and technology upgradation is in progress.

   (iii) Imported raw materials is easily available.

   (iv) Liberalization of technology import policy.

   (v) Imports same types of cheap China products. 5+5+5=15

4. (a) What do you understand by 'Strategic Portfolio Analysis'? State the main objective of this analysis.

   (b) What are the main contributions of General Electric (GE) and Boston Consulting Group (BCG) matrix in 'Strategic Portfolio Analysis'?

   (c) State the important factors which affect competitive rivalry in a market.

   (d) Write the main criticisms of BCG Matrix. (3+3)+2+4+3=15

SECTION – B
(50 marks)

(Strategic Cost Management)

Answer Question No. 5, *which is compulsory, carrying 20 marks.*

Further, answer any two *Questions from the rest of the questions in this section, each carrying 15 marks.*

5. (a) **Company A** can manufacture 1,000 units bicycles in a month for a fixed cost of ₹ 3,00,000. The variable cost is ₹ 500 per unit. Its current demand is 600 units which it sales at ₹ 1,000 per unit. It is approached by **Company B** for an order of 200 units at ₹ 700 per unit. Should the **company A** accept the order? Give your views as a CMA.

   (b) The public sector Bank of India (BOI), which targets to take its business to about ₹ 12 lakhs crore in next five years, mulls to implement Business Process Re-engineering (BPR) initiates to streamline its growing business. Seven consultants, including Ernst & Young, Boston Consulting Group (BCG) and McKinsey, have expressed interest to take up the job of evaluation and restructuring the organizational set-up by using **3Rs Model of BPR**. What are the actions and resources to be considered **for 3Rs Model of BPR** for expecting the results to BOI?

   (c) Mention ten application areas of Operation Research in Strategic Cost Management.

   (d) What are the impact of incremental revenue and incremental cost on a 'special order decision'?

   5+6+5+4=20

6. (a) Why is Transfer Pricing (TP) necessary in the organization? Show the impact of transfer prices to the 'selling' and 'buying' profit centers.

(b) The income statement of Ashok Gears Ltd. is summarized as below:

Net Revenue .....₹ 80,00,000

Less: Expenses (including ₹ 40,00,000 of Fixed Cost).....₹ 88,00,000

Net Loss .....₹ 8,00,000

The manager believes that an increase of ₹ 20,00,000 as fixed expenditure in advertising outlays will increase the sales substantially. His plan was approved by the Board.

You are required to calculate:

(i) At what sales volume will the company have Break Even?

(ii) What sales volume will result in a Net Profit of ₹ 4,00,000? (3+4)+(4+4)=15

7. (a) Write the basic difference between 'quality assurance' and 'quality control'.

(b) Define the term 'value engineering'.

(c) The output of a production line is checked by an inspector for one or more of three different types of defects, called defects **Major, Minor** and **Medium**. If defect **Major** occurs, the item is scrapped. If defect **Minor** or **Medium** occurs, the items must be reworked. The time required for reworking for a **Minor** defect and a **Medium** defect is 15 minutes and 30 minutes respectively.

The probabilities of **Major, Minor** and **Medium** defects are 0.15, 0.20 and 0.10 respectively. You are required to present data table with random number assigned and the existence of defect in **Major, Minor** and **Medium** type separately.

For 10 items coming off the assembly line, determine tile number of items without any defects and with defects, the number of item scrapped and the total minutes of reworked time.

Use the following **Random Numbers (RN)** of three defects:

RN for Defect Major	48	55	91	40	93	01	83	63	47	52
RN for Defect Minor	47	36	57	04	79	55	10	13	57	09
RN for Defect Medium	82	95	18	96	20	84	56	11	52	03

2+2+(2+5+2+2)=15

8. (a) 1 ton of material input yields standard output of 1,00,000 units. The standard price of material is ₹ 20 per kg. The actual quantity of material used is 10 tons and the actual price paid is ₹ 21 per kg. Actual output obtained is 9,00,000 units.

Compute Material Cost Variance.

(b) Write the practical uses (three in each case) of Linear Programming in industrial and administrative applications.

(c) What are the pre-requisites of the effective 'Responsibility Accounting'?

(d) Write two conditions which are to be fulfilled for application of 'Optimality Test' in case of transportation problem. 3+3+5+4=15

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