PAPER – 17: Strategic Performance Management

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Time Allowed: 3 Hours **Full Marks: 100**

Answer Question No. 1 which is compulsory Carries 20 Marks and answer any 5 questions from Q. No. 2 to Q. No. 8.

1. **Answer any 4 from the below**

(a) The following information relates to the budgeted operation of Division X of a manufacturing company

Particulars	Amount(`)
Sales 50,000 Units @ ` 8 Per Unit	4,00,000
Less: Variable Cost @ ` 6 Per Unit	3,00,000
Contribution Margin	1,00,000
Less: Fixed Costs	75,000
Divisional Profit	25,000

The Amount of divisional investment is ` 1,50,000 and the minimum required rate of return on investment is the cost of capital of the organization, which is 20%.

(i) Compute divisional expected Return on Investment

(ii) Compute divisional expected Residual Income

(b) A monopolist has demand curve x =106 - 2p and average cost curve is AC = 5 + $\frac{x}{50}$. The total revenue (R) = xp. Then determine the most profitable Output?

(c) A Ltd., which manufactures small electronic circuits, has a capacity to produce 4 lakh units. The market demand is sensitive to the sale price and it has been estimated that the company could sell 1 lakh units when the price is ` 50 per circuit. Thereafter the demand would double for each ` 5 fall in the selling price. The company expects a minimum margin of 25%, what will be the target cost of the company to sell at full capacity?

(d) Discuss the Benefits of Risk Mapping?

(e) State the Technological and Operational factors of E-Commerce? **[4 × 5 = 20]**

2. (a) Precision Auto Ltd. Manufactures and sells two automobile componentsand B. Both are identical with slight variation in design. Although the market for both the products is the same, the market share of the company for product A is very high and that of product B very low. The company's accountant has prepared the following profitability statement for the two products Cost of production: (same for both the products).

Direct Material	`	125
Direct Labour	`	24
Direct Expenses (sub-contract charges)	`	36

Overheads (400% of direct labour)	`	96
Total Cost	`	281

		Product A	Product B	Total
Quantity sold	No.	1,24,000	23,150	1,47,150
Unit sale price	`	300	290	
Total sales realization	`			4,39,13,500
Cost of sales as above	`			4,13,49,150
Margin	`			25,64,350

The company's marketing manager, after attending a workshop on activity-based costing challenges the accountant's figures. The nearest competitor's prices for the two products are ` 330 and ` 275 per unit respectively and, if the company can match the competitor's prices, it can sell 75,000 nos. each of the two products. The Production Manager confirms that he can produce this product mix with the existing facilities. The management engages you as consultant, and the following facts have been identified by you:

(i) product A undergoes 5 operations and product B undergoes two operations by sub-contractors, although the total subcontract charges are the same for both the products, and

(ii) 75% of the overheads is accounted for by three major heads relating to sub-contracting operations, *viz.*, ordering, inspection and movement of components, to and from the sub-contractor's works.

Prepare a revised profitability statement to find out if the marketing manager's proposal is viable **[10]**

(b) Describe the objectives of Performance Appraisal? [**6**]

3. (a) Reduce the following two person zero-sum game to 2×2 order and obtain the optimal strategies for each player and the value of the game

Player B

Player A

	B1	B2	B3	B4
A1	3	2	4	0
A2	3	4	2	4
A3	4	2	4	0
A4	0	4	0	8

[10]

(b) List a few business applications of Activity Based Management [**6**]

4. (a) Viprosys Tech Solution (VCS) is examining the profitability and pricing policies of its Software Division. The Software Division develops Software Packages for Engineers. It has collected data on three of its more recent packages a) ECE Package for Electronics and Communication Engineers, b) CE Package for Computer Engineers, and c) IE Package for Industrial Engineers.

Summary details on each package over their two year cradle to gave product lives are:

Package	Selling Price (`)	Number of Units Sold	
		Year 1	Year 2
ECE	250	2,000	8,000
CE	300	2,000	3,000
IE	200	5,000	3,000

Assume that no inventory remains on hand at the end of year 2. VCS Company is deciding which product lines to emphasis in its software division. In the past two years, the profitability of this division has been mediocre

VCS Company is particularly concerned with the increase in R & D costs in several of its divisions. An analyst at the Software Division pointed out that for one of its most recent packages (IE) major efforts had been mode to reduce R&D costs.

Last week, Amit, the Software Division Manager, decides to use Life Cycle Costing in his own division, He collects the following life Cycle Revenue and Cost information for the packages

	Package ECE (`)		Package CE (`)		Package IE(`)	
Package	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
Revenues	5,00,000	20,00,000	6,00,000	9,00,000	10,00,000	6,00,000
Costs						
R&D	7,00,000		4,50,000		2,40,000	
Design of Product	1,15,000	85,000	1,05,000	15,000	76,000	20,000
Manufacturing	25,000	2,75,000	1,10,000	1,00,000	1,65,000	43,000
Marketing	1,60,000	3,40,000	1,50,000	1,20,000	2,08,000	2,40,,000
Distribution	15,000	60,000	24,000	36,000	60,000	36,000
Customer Service	50,000	3,25,000	45,000	1,05,000	2,20,000	3,88,000

Present a Product Life Cycle income Statement for each software Package, Which package is most profitable and which is the least profitable? How do the three packages offer in their cost structure (the percentage of total costs in each category) [**10**]

(b) Discuss about the Price discrimination under the demand oriented Pricing? [**6**]

5. (a) Describe the Strategic decisions which help in Managing Risk? [**8**]

(b) Describe the causes for corporate failure and their examples? [**8**]

6. (a) Mention the Characteristics of Data Warehouse? [**8**]

(b) State the technological and Operational factors of E-Commerce? [**8**]

7. (a) Using Altman's Model, compute the value of Z from the provided data (Balance Sheet extract):

Liabilities	(`)	Assets	(`)
Share Capital (@ `10 each)	2,00,000	Fixed Assets	4,20,000
Reserves & Surplus	60,000	Inventory	1,80,000
10% Debentures	3,00,000	Book Debts	70,000
Sundry Creditors	80,000	Loans & Advances	20,000
Outstanding Expenses	60,000	Cash at Bank	10,000

	7,00,000		**7,00,000**

Additional Information

(i) Market value per share ` 12.50.

(ii) Operating Profit (20% on sales) ` 1,40,000. [**8]**

(b) Describe the Limitations of Value Chain Analysis [**8]**

8. Write a short note on any four of the following
(a) Objectives of Customer Relationship Management
(b) Mention the Phases of DMADV
(c) Systematic Risk VS Unsystematic Risk
(d) Factors that influence the Price of a Product
(e) Describe any four Productivity Improvement techniques [**4×4 =16]**