FINAL EXAMINATION

December 2015

P–17(SPM)

Syllabus 2012

Strategic Performance Management

Time Allowed: 3 Hours

Full Marks: 100

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

This Question paper has been divided into 3 parts viz., Section-A (60 marks), Section-B (20 marks) and Section-C(20 marks).

Please note:

- From *Section-A*: Performance Management, you are to 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 20 marks.
- From *Section-B*: IT & Econometric tool in Performance Management, you are to answer *any two* Questions, each carrying 10 marks.
- From *Section-C*: Enterprise Risk Management, you are to answer *any two* Questions, each carrying 10 marks.

SECTION-A (60 Marks)

Performance Management

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 20 marks.*

1. This Case Study explains why Nestle Inc. needs a first class Supply Chain, with high quality linkages from where the coffee is grown in the field, to the way in which it reaches the consumer. For Nestle's, the Supply Chain is a bit complex and includes:
   - Growers of Coffee
   - Intermediaries like dealers/brokers/roasters/retailers, etc., Some Intermediaries may buy Coffee and doing some of the primary processing.
   - Growing and processing of Coffee. This includes activities like coffee picking, drying and hulling, sorting, grading & picking.
   - Price-Balancing Supply and Demand: Coffee prices are determined on day-to-day basis on the world commodity markets in London and New York. The price of Coffee is determined by the relationship between the amount of Coffee available to be sold (Supply) and the amount which the company would like to buy (demand). If there is more Coffee available than what the company would desire to buy at current prices, the prices will fall. The market, thus, ultimately determines the price that the farmer receives.
   - Nestle's Trading Methods: Nestle is a pioneer in purchasing Coffee direct from growers. A growing % of the company's Coffee is bought direct from the producer and it is now one of the world's largest direct purchasers. In Countries, where this is not possible, Nestle operates in a way that takes it as close to the growers as possible.

Please Turn Over

- Buying from dealers: In countries like UK, it is impossible for Nestle to buy from the hundreds of thousands of farmers, who ultimately supply the Company and so the coffee is bought from dealers, using the international market.

Conclusion: Creating wonderful cups of Coffee is not only Nestle's business, it is the business of everyone involved in the Supply Chain. It is in everyone's interest-the farmers' and Nestle's-that farmers receive a fair income from their Coffee. This ensures that they will continue to grow Coffee and to invest in increasing their yield and quality and this in turn, guarantees the supply of quality Coffee, which companies like Nestle require.

In the context of the above case study, answer the following questions:

(i) What is Supply Chain Management? Explain clearly its basic concept?

(ii) What are the basic objectives of a Supply Chain?

(iii) State the way Nestle Inc., manages its Supply Chain? 8+5+7=20

2. (a) Krish of India presently operates its plant at 80% of the normal capacity to manufacture a product only to meet the demand of Government of India under a rate contract. He supplies the product for ₹ 4,00,000 and earns a profit margin of 20% on sales realizations.

Direct Cost per unit is constant.

The indirect costs as per his budget projection are:

Indirect costs	20,000 units (80% capacity) ₹	22,500 units (90% capacity) ₹	25,000 units (100% capacity) ₹
Variable	80,000	90,000	1,00,000
Semi-Variable	40,000	42,500	45,000
Fixed	80,000	80,000	80,000

He received an export order for the product equal to 20% of its present operations. Additional packing charges on this order will be ₹ 1,000.

As a Management Accountant, Calculate the price to be quoted for the export order so as to give him a profit margin of 10% on the export price. 10

(b) What is 'competitive intelligence'? Discuss the role of Management Accountant in competitive intelligence process? 3+7

3. (a) Timma Ltd., has the capacity of production of 80,000 units and presently sells 20,000 units at ₹ 50 each. The demand is sensitive to Selling Price and it has been observed that for every reduction of ₹10 in the Selling Price, the demand is doubled.

You are required to calculate:

(i) What would be the Target Cost at full capacity, if Profit Margin of Sale is 10%?

(ii) What should be the Cost Reduction Scheme, if at present 40% of Cost is Variable, with the same % of Profit?

(iii) If the Rate of Return desired is 15%, what will be the maximum investment at full capacity? 2+3+3