

FINAL EXAMINATION

December 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.

Answer Question No. 1 in Section A, which is compulsory, carrying 20 marks.

Further, answer any 5 (five) Questions from Section B, each carrying 16 marks.

SECTION – A (20 marks)

1. (a) State whether the following statements are **True** or **False**. Give reasoning for your answers. No credit will be given for answers without reasoning. If the statement is False, give the correct statement: 1×5=5

- (i) The “Vision” statement of a company answers the question “What it stands for” i.e., what broad products or services it intends to offer to its customers.
- (ii) ‘Choice of Strategy’ is influenced by factors like external constraints, time constraints, intra organizational forces and values & preferences and the managerial attitudes towards risk.
- (iii) Under the “Strategy under uncertainty”, we think about “Should we stay the course or abandon and redirect our focus elsewhere”?
- (iv) The environmental appraisal is structured by the preparation of Environmental Threats and Opportunities Prospects (ETOP), which involves dividing the environment into different sectors and then analyzing the impact of each sector on the organization.
- (v) In BCG Matrix, products with low market share but high growth potential are referred to as “Dogs”.

(b) Match the statement under Column I with the appropriate statement under Column II:

1×5=5

| Column I | Column II |
|--------------------------------------|---|
| (A) Maturity stage of PLC | (i) Provides accurate, timely and understandable information that can be used by managers, sales personnel, operational leaders and others. |
| (B) Lean Accounting | (ii) Based on the assumption that all other variables remain constant. |
| (C) Kaizen Costing | (iii) Clarity of objectives. |
| (D) Cost-Volume-Profit Analysis | (iv) Improvements in manufacturing processes. |
| (E) Successful Benchmarking requires | (v) Focuses on the production process and cost reductions are derived primarily through the efficiency of the production process. |

(c) Define the following terms in just one or two sentence(s):

1×5=5

- (i) Responsibility Accounting
- (ii) Business Process Re-engineering (BPR)
- (iii) Strategic Alliances
- (iv) PERT
- (v) Learning Organization

Please Turn Over

- (d) In each of the case/statement given below, one of four alternatives is correct. Indicate the correct answer: 1×5=5
- (i) Addition of "Broad Band" to the existing "Telephone Services" facility by BSNL an example of
 - (A) Concentratic diversification
 - (B) Unrelated diversification
 - (C) Merger diversification
 - (D) Acquisition diversification
 - (ii) 'Jio' by Reliance Jio Infocomm Limited (RJIL) provides interesting example to fit in the BCG Matrix as
 - (A) Star
 - (B) Question Mark
 - (C) Cash Cow
 - (D) Dog
 - (iii) Business-level strategies detail commitments and actions taken to provide value to customers and gain competitive advantage in specific product markets by exploiting
 - (A) the selection of industries in which the firm will compete.
 - (B) the Core Competencies.
 - (C) the selection of primary value chain activities.
 - (D) the selection of particular geographic locations.
 - (iv) The operation of Activity Based Cost Management system involves the use of the following terms, except
 - (A) Blanket overhead recovery
 - (B) Resources
 - (C) Cost pools
 - (D) Cost drivers
 - (v) Following are included in the concept of the TQM philosophy, except
 - (A) Customer focus
 - (B) Static improvement
 - (C) Employee empowerment
 - (D) Use of quality tools

SECTION – B (80 marks)

Answer any 5 (five) questions.

2. (a) State the value of a firm's vision and mission.
- (b) Change is inevitable, and those organizations who do not keep up with change will become unstable, with long-term survivability in question. Keeping this in mind what elements the organizations can change to survive? 8+8=16

3. (a) What are the applications of 'strategic bundling' of individual products that achieve greater profit margins through shared organizational processes?
- (b) 'Value chain analysis' is a strategic managerial tool to assess and review the various business functions in which utility is added to the products or services. As a CMA your company wants step-wise methodology to be implemented for Value Chain Analysis. How would you break-up the company activities in sequential steps in this respect? 8+8=16
4. (a) 'Choice of Strategy' is a decision making process of comparing the impact of the possible strategic of the firm and it implies trade-off between courses of action considering the selection factors. What are the factors which are influenced by choice of strategy?
- (b) What do you mean by 'strategic leadership'? State the two basic approaches to strategic leadership. 8+(2+6)=16
5. (a) Define 'global industries'. State the four drivers which determine an industry's globalization potential.
- (b) An electronic firm is undecided as to the most profitable mix for its products. The products which are manufactured now are Transistors, Resistors and Carbon Tubes with a profit (per 100 units) of ₹ 10, ₹ 6 and ₹ 4 respectively. To produce a shipment of Transistors (containing 100 units) requires 1 hour of engineering, 10 hours of direct labours and 2 hours of administration services. To produce a shipment of Resistors (containing 100 units) requires 1 hour, 4 hours and 2 hours of engineering, direct labour and administration services respectively. To produce a shipment of Carbon Tubes (containing 100 units) requires 1 hour engineering, 5 hours of direct labour and 6 hours of administration services. There are 100 hours of engineering services, 600 hours of direct labour and 300 hours of administration services available.
- Formulate the LPP model.
- Find out the product mix to maximize profit. (2+6)+8=16
6. (a) (i) Define the term 'Vertical integration'. Give a suitable example with explanation.
- (ii) State the drawbacks of 'vertical integration'.
- (b) State the important issues which are to be considered in making decisions associated with vertical integration. (2+2+4)+8=16
7. (a) As the head of marketing department, how can you advise company CEO on product policy? What are the important dimensions would you present to CEO?
- (b) (i) For any given product there are at least five strategic choices by the firm regarding its underlying economic structure that drive cost position. Enlist them.
- (ii) Write the key ideas of structural cost drivers.
- (c) Mumbai based Hero Electronics manufactures a component for RCom Mobile in batches of 2,000 each. Each component is tested before being sent to the RCom for sales. Each component can be tested at the factory at a cost of ₹ 25. If any component is found to be defective, it can be rectified by spending ₹ 200. In view of the large demand for the components and the sophisticated system of manufacture, a proposal came up that the practice of pre-testing of the components is to be dispensed with to save costs. In that event, any defective component is received back from the customer under warranty, the cost of rectification and re-dispatch will be ₹ 400 per component.
- State at what percentage of manufacture of components, the Hero Electronics will find it cheaper to pre-test of each component? 5+6+5=16

Please Turn Over

8. (a) (i) How Critical Path Analysis (CPA) helps an organization?
 (ii) If a project is delayed ^{due} to any of the activities on the critical path, what steps are to be taken by an organization?
- (b) ABC Machinery Company has been offered a contract to build and deliver nine extruding presses to PQR Boating Company. The contract price negotiated is contingent upon meeting a specified delivery time, with a bonus offered for every delivery. The marketing department has established the following cost and time information:

| Activity | Normal time (weeks) | | | Normal cost (₹) | Crash time (weeks) | Crash Cost (₹) |
|----------|---------------------|-------|-------|-----------------|--------------------|----------------|
| | t_0 | t_p | t_m | | | |
| 1-2 | 1 | 5 | 3 | 5,000 | 1 | 9,000 |
| 2-3 | 1 | 7 | 4 | 8,000 | 3 | 14,000 |
| 2-4 | 1 | 5 | 3 | 4,000 | 2 | 6,000 |
| 2-5 | 5 | 11 | 8 | 5,000 | 7 | 6,000 |
| 3-6 | 2 | 6 | 4 | 3,000 | 2 | 5,000 |
| 4-6 | 5 | 7 | 6 | 2,000 | 4 | 3,600 |
| 5-7 | 4 | 6 | 5 | 10,000 | 4 | 14,000 |
| 6-7 | 1 | 5 | 3 | 7,000 | 1 | 10,600 |

Normal delivery time is 16 weeks for a contract price of ₹ 62,000.

On the basis of the calculated profitability for each delivery time specified in the following table, what delivery schedule do you recommend that the company may implement?

| Contract Delivery Time (weeks) | Contract Amount (₹) |
|--------------------------------|---------------------|
| 15 | 62,500 |
| 14 | 65,000 |
| 13 | 70,000 |
| 12 | 72,500 |

(Here, t_0 = Optimistic time, t_p = Pessimistic time, t_m = Most likely time)

(3+5)+8=16