Paper 17 - Strategic Performance Management

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

Sec-A: Question No 1 which is compulsory and carries 20 Marks

1(a). The cost function is C=100+q, where the product is sold at ₹ 5 per unit. Determine break even sales and profit when 125 units are sold. **4**

1(b). ABC Ltd has two divisions A and B. A division is currently operating at full capacity. It has been asked to supply its product to division B. Division A sells its product to its regular customers for ₹ 30 each. Division B (Currently operating at 50 per cent capacity) is willing to pay ₹ 20 each for the components produced by division A (this represents the full absorption cost per component at divisions A). The components will be used by division B in supplementing its main product to conform to the need of special order. As per the contract terms of sale, the buyer calls for of full cost to division B, plus 10 percent. Division A has a variable cost of ₹ 17 per component. The cost per unit of divisions B subsequent to the buying part form division A is estimated as follows:

Particulars	**Amount (₹)**
Purchased parts – outside vendors	90.000
Purchased part – division A	20.000
Other variable costs	50.00
Fixed overheads and administration	40.000
	200.00

Required:

(i) As manager of division A would you recommend sales of your output to division B at the stipulated price of ₹ 20?

(ii) Would it be in the overall interest of the company for division A to sell its output to division B?

(iii) Suggest an alternative transfer price and show how could it lead to goal congruence?

[2+1+1]

1(c). Describe the objectives of Performance Appraisal. **4**

1(d). Describe Recurrent Artificial Neural Network. **4**

1(e). Explain about the exchange rate risk and liquidity risk. **4**

Sec-B: Answer any five questions, each question carries 16 Marks

2(a). Describe the Strategic decisions which help in Managing Risk. **8**

2(b). Describe the causes for corporate failure and their examples. **8**

3(a). Amit Ltd. provides the following details on its new product.

Years 1 and 2: R & D costs: ₹ 2,40,000, Design costs ₹ 1,60,000

Years 3 to 6: Other functional costs:

Function	One-time costs	Costs per unit
Production	₹ 1,00,000	₹ 25
Marketing	₹ 70,000	₹ 24
Distribution	₹ 50,000	₹ 16
Customer service	₹ 80,000	₹ 30

The sale quantities during the product Life Cycle at various selling prices are

Selling price per unit (₹)	400	480	600
Sale Quantity in units	5,000	4,000	2,500

Ignoring time value of money, compute the Net incomes generated over the product Life Cycle of various prices. Which price should the company select? **10**

3(b). The price (P) per unit at which company can sell all that it produces is given by the function p(x) = 300-4x. The cost function is 500+28x, where 'x' is the number of units, find x, so that profit is maximum. **6**

4(a). A Finance Manager is considering drilling a well. In the past, only 70% of wells drilled were successful at 20 meters depth in that area. Moreover, on finding no water at 20 meters, some persons in that area drilled it further up to 25 meters but only 20% struck water at that level. The prevailing cost of drilling is ₹ 500 per meters. The finance manager estimated that in case he does not get water in his own well, he will have to pay ₹ 15,000 to buy water from outside for the same period of getting water from the well. The following decisions are considered:

(i) Do not drill any well;

(ii) Drill up to 20 meters, and

(iii) If no water is found at 20 meters, drill further up to 25 meters.

Draw an appropriate decision tree and determine the Finance Manager's optimal strategy. **12**

4(b). Explain the role of the Management Accountant in Value Chain Analysis. **4**

5(a). List the steps to start of Total productivity Management. **8**

5(b). Explain Technical and operational factors of E-Commerce. **8**

6(a). Discuss the steps to be taken for preventing the Corporate Failures. **8**

6(b). Discuss Altman's Model and Explain the Five Z-Score constituent Ratios. **8**

7(a). Mention the benefits of adopting a Balanced Score Card approach to the Performance Management. **8**

7(b). Describe the objectives of Management information systems. **8**

8. Answer any four questions below: **[4×4]**

(a) Discuss the rule of dominance of the Game Theory.

(b) Discuss about the price Discrimination under the demand oriented pricing.

(c) Discuss Data Availability.

(d) Discuss the needs for implementation of ERM.

(e) Discuss the characteristics of Data Warehouse.