Paper 17 - Strategic Performance Management

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Time Allowed: 3 Hours   Full Marks: 100

Section - A

Question No 1 which is compulsory and carries 20 Marks

1. (a) 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.   **4**

    (b) A company AB Ltd. has two divisions, Division X manufactures a special type of electrical component and Division Y sells a finished product for which it requires one component per unit from X division. Division X sells the component in the external market @ ₹ 180 per unit and division X is also working at almost full capacity. The variable cost of manufacturing per component is ₹ 102.

    Division Y is now operating at 50 % capacity. It has received a special order for its product. As Y is keen to get this order. Division Y will meet the special order at a price of ₹ 1200 per unit and it offers a price of ₹ 120 per component to division X. The cost per unit of Division Y is as:

Particulars	₹
Other purchased component	500
Component supplied by Division X	12
Other variable overheads	320
Fixed overheads	180
Total cost per unit	1,120

    (i) As a manager of division X what decisions would you like to take on B's request for the supplies @ ₹120?

    (ii) Would it be any short-term economic advantage for AB Ltd. to make Division X transfer to Division Y at the price of ₹ 120?   **[2+2]**

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

    (d) Discuss the importance of Decision Support Systems for gaining the Competitive Advantage.   **4**

    (e) Discuss about the Unique Competitor Risk.   **4**

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

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

    (b) "The causes of sickness can be categorized into two viz., internal causes and external causes. Internal causes are those that are internal to the organisation over which the management of the organisation has control." – Explain the Statement and explain the terms Project formulation, Project Implementation and production.   **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**

(b) A company is planning to market a new model of a doll. Rather than setting the selling price of the doll based only on production cost estimation management polls the retailers of the doll to see how many dolls they will buy for various prices. From this survey, it is determined at the unit demand function (the relationship between the amount 'x' each retailer would buy and the price he would pay) is x = 30,000 – 1500P. The fixed cost of the production of the dolls are found to be ₹ 28,000 and cost of Material & labour to produce each doll is estimated to be ₹8 per unit. What price should the company charge retailer in order to obtain a maximum profit? Also find the maximum profit. **6**

4. (a) A business man has two independent investments A and B available to him; but he lacks the capital to undertake both of them simultaneously. He can choose to take a first and then stop, or if A is successful then take B, or vice versa. The probability of success on A is 0.7 while for B it is 0.4. Both the investments require an initial capital outlay of ₹ 20, 000 and both return nothing if the venture is unsuccessful. Successful completion of A will return ₹30,000 (overcost). And successful completion of B will return ₹ 50,000 (overcost). Draw the decision tree and determine the best strategy. **12**

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

5. (a) Explain the objectives of Six Sigma. **8**

(b) State the problems addressed by Supply Chain Management. **8**

6. (a) Describe the causes of corporate failure and their example. **8**

(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**

(b) "Data quality management incorporates a virtuous cycle in which continuous analysis, observation, and improvement lead to overall improvement in the quality of organisational information across the board. This virtuous cycle incorporates five fundamentals data quality management practices, which are ultimately implemented using a combination of core data services."- Discuss the five fundamentals. **8**

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

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

(b) Describe about the Nash Equilibrium.

(c) Explain the Statistical Process Control (SPC) methods.

(d) Discuss the needs for implementation of ERM.

(e) Explain the usage of Artificial Neural Network (ANN).