

Paper 17 - Strategic Performance Management

MTP_Final_Syllabus 2012_Dec2017_Set 2

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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 Demand function is $x = 100 + 4p + 10p^2$, where x is demand for the commodity at price ' p ' compute marginal quantity demand, average quantity demand and hence elasticity of demand, at $p = 4$ 4
- (b) The Best Industries Ltd has two divisions, A and B. Division A manufactures product X which it sells in outside market as well as to division B which processes it to manufacture Z. The manager of division B has expressed the opinion that the transfer price is too high.
The two divisional managers are about to enter into discussions to resolve the conflict, and the manager of division A to supply him with some information prior to the discussions.
Division A has been selling 40000 units to outsiders and 10000 units to division B, all at ₹ 20 per unit. It is not anticipated that these demand will change. The variable cost is ₹12 per unit and the fixed costs are ₹ 2 lakh.
The manager of division A anticipates that division B will want a transfer price of ₹ 18. If he does not sell to division B ₹ 30000 of fixed costs and ₹ 175000 of assets can be avoided. The manager of division A would have no control over the proceeds from the sale of the assets and is judged primarily on his rate of return.
(a) Should the manager of division A transfer its products at ₹ 18 to division B?
(b) What is the lowest price that the division A should accept? Support your decision. [2+2]
- (c) Write a note on Contractual Terms in the context of Interaction of Transfer pricing and Taxation. 4
- (d) Describe Recurrent Artificial Neural Network. 4
- (e) Discuss the Benefits of Risk Mapping. 4

Section – B

Answer any five questions, each question carries 16 Marks

2. (a) The operation costs of a product produced by ABC Ltd are ₹53. Presently, the company produces only 600 units p.a. to sell at ₹55 per unit due to hard competition in the market. But with existing facilities, production can be increased to 1,000 units if additional production can be sold in the market. The company accordingly introduced target costing on market research, new design for the product and changes in the process so that costs are brought down substantially and market share can be increased. The estimates for the next year are:

Target selling price	₹ 50 per unit
Target profit margin	10% on sales
Target volume	900 units

Required:

- i) Calculate target costs per unit and target costs for the expected volume; and
ii) Compare existing profit with target profit. 10

- (b) There are different recommendations to reduce the Risk of the corporate failures. Mention the recommendations. 6

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3. (a) IGF Ltd. supports the concept of the terotechnology or life cycle costing for new investment decisions covering its engineering activities.

The company is to replace a number of its machines and the Production Manager is to run between the 'X' machine, a more expensive machine with a life of 12 years, and the 'W' machine with an estimated life of 6 years. If the 'W' machines chosen it is likely that it would be replaced at the end of 6 years by another 'W' machine. The pattern of maintenance and running costs differs between the two types of machine and relevant data are shown below:

(₹ in '000)		
Particulars	X	Y
Purchase Price	7,600	5,200
Trade in Value	1,200	1,200
Annual Repair Costs	800	1,040
Overhaul costs (p.a.)	1,600	800
Estimated Financing Costs averaged over machine life (p.a.)	10%	10%

You are required to recommend, with supporting figures, which machine to purchases, stating any assumptions made. 10

- (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

- (b) List the steps of Business process Re-Engineering. 4

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

- (b) Define the following terms in the context of supply chain Management:

- (i) Activity Based Management;
- (ii) Capacity Management;
- (iii) Customer Relationship management;
- (iv) Lean Manufacturing. 8

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

- (b) Describe about the Partial Adjustment Process under the Corporate Bankruptcy Prediction Models. 8

7. (a) Explain any eight productivity improvement techniques. 8

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

8. Answer any four questions below:

[4×4]

- (a) Discuss the Risk Adjusted discount rate Methods.**
- (b) Discuss about the price Discrimination under the demand oriented pricing.**
- (c) Discuss Data Availability.**
- (d) Describe various Strategic decisions for Managing Risk.**
- (e) Discuss the characteristics of Data Warehouse.**