

PAPER – 17: Strategic Performance Management

MTP_Final_Syllabus 2012_Jun2016_Set 1

Paper – 17 : Strategic Performance Management

Time Allowed: 3 Hours

Full Marks: 100

Answer Question No. 1 which is compulsory Carries 20 Marks and answer any 5 questions from Q. No. 2 to Q. No. 8.

1. Answer any 4 from the below

(a) The Operating Performance of three divisions of ABC Ltd for the year 2016 is as below

Particulars	Division A	Division B	Division C
Sales (₹)	38,00,000	170,00,000	200,00,000
Operating Profit(₹)	2,00,000	5,00,000	10,00,000
Investments (₹)	20,00,000	62,50,000	80,00,000

Using Operating Profit margin percentage as the criterion, which is the most profitable division?

(b) Cost Function of a product is $300x - 10x^2 + \frac{1}{3}x^3$ compute the output at which Marginal Cost is minimum?

(c) A Computer manufacturer sells 7500 units of a product. The full cost per unit of the product is ₹ 100. The company has fixed its price so as to earn a 20% return on Investment of ₹ 9,00,000. Compute the target selling price per unit? Also compute the margin % on the Full Cost per unit?

(d) Define the term "Risk Management". State briefly its basic objectives?

(e) State the problems that are to be addressed by Supply Chain Management? [4 × 5 = 20]

2. (a) The budgeted overheads and cost driver volumes of XYZ are as follows.

Cost Pool	Budgeted Overheads (₹)	Cost Driver	Budgeted Volume
Material procurement	5,80,000	No. of orders	1,100
Material handling	2,50,000	No. of movements	680
Set-up	4,15,000	No. of set ups	520
Maintenance	9,70,000	Maintenance hours	8,400
Quality control	1,76,000	No. of inspection	900
Machinery	7,20,000	No. of machine hours	24,000

The company has produced a batch of 2,600 components of AX-15, its material cost was ₹ 1,30,000 and labor cost ₹ 2,45,000. The usage activities of the said batch are as follows.

Material orders – 26, maintenance hours – 690, material movements – 18, inspection – 28, set ups – 25, machine hours – 1,800

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Calculate – cost driver rates that are used for tracing appropriate amount of overheads to the said batch and ascertain the cost of batch of components using activity Based Costing [10]

(b) Describe the Components of Performance Management? [6]

3. (a) The following is the pay-off matrix of a game, being played by A and B. Determine the optimal strategies for the players and the value of the game

		B's Strategy	
		B1	B2
A's Strategy	A1	8	-7
	A2	-6	4

[10]

(b) List the Steps of Business Process Re-Engineering [6]

4. (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
 Year 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 quantities during the product life cycle at various selling prices are sale

Selling price Per Unit (₹)	400	480	600
Sale Quantity in Units	5,000	4,000	2,500

Ignoring the time value of money, compute the Net Incomes generated over the Product Life Cycle at various price. Which price should the company select? [10]

(b) Describe the role of Demand in Pricing Decisions [6]

5. (a) Describe the steps to be taken for preventing the Corporate failures? [8]

(b) Mention the Performance related measures in the context of Corporate Risk Management [8]

6. (a) Describe the different types of On-Line Analytical Processing? [8]

(b) Describe the Objectives of Management Information Systems? [8]

7. (a) ABC Co. is considering a new sales strategy that will be valid for the next 4 years. They want to know the value of the new strategy. Following information relating to the year which has just ended, is available:

Income Statement	
Sales	20,000
Gross margin (20%)	4,000
Administration, Selling & distribution expense (10%)	2,000
PBT	2,000
Tax (30%)	600
PAT	1,400
Balance Sheet Information:	
Fixed Assets	8,000
Current Assets	4,000
Equity	12,000

If it adopts the new strategy, sales will grow at the rate of 20% per year for three years. The gross margin ratio, Assets turnover ratio, the Capital structure and the income tax rate will remain unchanged.

Depreciation would be at 10% of net fixed assets at the beginning of the year.

The Company's target rate of return is 15%.

Determine the incremental value due to adoption of the strategy.

[8]

(b) Mention the benefits of adopting a Balanced Score Card approach to the Performance Management? [8]

8. Write a short note on any four of the following

- (a) Objectives of Pricing Policy
- (b) Doctrine demand of Six Sigma
- (c) Risk Pooling
- (d) Steps to start Total Productivity Management
- (e) Activity Based Management

[4×4=16]