Paper 17 : Strategic Performance Management

Full Marks: 100   Time : 3 hours

Section A
[Question No. 1 and 2 are Compulsory and any 3 from Question No.3,4,5,6]

1. The Royal Botanical Gardens has been established for more than 120 years and has the following mission statement: "The Royal Botanical Gardens belongs to the nation. Our mission is to increase knowledge and appreciation of plants, their importance and their conservation, by managing and displaying living and preserved collections and through botanical and horticultural research."

Located towards the edge of the city, the gardens are visited regularly throughout the year by many local families and are an internationally well known tourist attraction. Despite charging admission, it is one the top five visitor attractions in the country. Every year it answers many thousands of inquiries from universities and research establishments, including pharmaceutical companies from all over the world, and charges for advice and access to its collection. Inquiries include requests for access to the plant collection for horticultural work, seeds for propagation or samples for chemical analysis to seek novel pharmaceutical compounds for commercial exploitation. It receives an annual grant in aid from central government, which is fixed once every five years. The grant is due for review in three years' time.

The finance director has decided that, in order to strengthen its case when meeting the government representatives to negotiate the grant, the management board should be able to present a balanced scorecard demonstrating the performance of the gardens. He has asked you, the senior management accountant, to help him. Many members of the board, which consists of eminent scientists, are unfamiliar with the concept of a balanced scorecard.

Required:
a. Describe the benefit of the Balanced Scorecards.
b. Discuss the process you would employ to develop a suitable balanced scorecard for the Royal Botanical Gardens and give examples of measures that would be incorporated within it.   [5+10]

2. Game Theory Strategies
Two local suppliers are seeking to win the right to upgrade the communications capability of the internal Aintranets that link a number of customers with their suppliers. The system quality decision facing each Competitor, and potential profit payoffs, is illustrated in the table. The first number listed in each cell is the profit earned by U.S. Equipment Supply; the second number indicates the profit earned by Business Systems, Inc. For example, if both competitors, U.S. Equipment Supply and Business Systems, Inc., pursue a high quality strategy, U.S. Equipment Supply will earn $25,000 and Business Systems, Inc., will earn $50,000. If U.S. Equipment Supply pursues a high-quality strategy while Business Systems, Inc., offers low-quality goods and services, U.S. Equipment supply will earn $40,000; Business Systems, Inc. will earn $22,000. If U.S. Equipment Supply offers low-quality goods while Business Systems, Inc., offers high quality goods, U.S. Equipment Supply will suffer a net loss of $25,000, and Business Systems, Inc., will earn $20,000. Finally, if U.S. Equipment Supply offers low quality goods while Business Systems, Inc., offers low-quality goods, both U.S. Equipment Supply and Business Systems, Inc., will earn $25,000.

		Business Systems,inc.	
	Quality Strategy	High Quality	Low Quality
U.S. Equipment Supply	High Quality	$ 25,000, $ 50,000	$ 40,000, $ 22,000
	Low Quality	-$ 25,000, $ 20,000	$ 25,000, $ 25,000

Required:

A. Does U.S. Equipment Supply and/or Business Systems, Inc., have a dominant Strategy? If so, what is it?

B. Does U.S. Equipment Supply and/or Business Systems, Inc., have a secure Strategy? If so, what is it?

C. What is the Nash equilibrium concept, and why is it useful? What is the Nash equilibrium for this problem?   [3x5=15]

3(a) 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 component produced by division A (this represents the full absorption cost per component at division 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 per cent. Division A has a variable cost of ₹ 17 per component. The cost per unit of division B subsequent to the buying part from division A is estimated as follows:

Particulars	Amount (₹)
Purchased parts - outside vendors	90.00
Purchased part - division A	20.00
Other variable costs	50.00
Fixed overheads and administration	40.00
	200.00

Required:
   (1) As manager of division A would you recommend sales of your output to division B at the stipulated price of ₹ 20?
   (2) Would it be in the overall interest of the company for division A to sell its output to division B?
   (3) Suggest an alternative transfer price and show how could it lead to goal congruence?

(b) Explain the strengths of the ROI.   [(2+3+2)+3]

4(a) "The better partner will not stand still but will be booking continuously for ways to improve his own performance. To leapfrog it becomes imperative for an organization to continuously do a P.E.S.T Scan - monitor the developments in the political, economic social and technological fronts and identify future gaps that may be created by significant market changes, customer preferences, innovation threats new entrants and other environmental variables critical to the long term success of the firm." - Explain the statement and describe the strategic consideration.

 (b)   List the steps of Business Process Re- Engineering.   [(2+4) +4]

5(a) Discuss the rule of dominance of the Game Theory.
 (b) Describe the Normal Profit and Super Normal Profit.
 (c) The cost function 'c' for the commodity 'q' is given by $C = q^3 – 4q^2 + 6q$ find Average Variable Cost and also find the value of q for which average variable cost is minimum.
                                                                              [3+ (3+2) +2]
6(a) Describe the important Key Performance Indicators.
 (b) Explain about the Financial Gearing Ratio.   [8+2]

Section B
[Any one from Question No. 7 and 8]

7. (a) Explain the following terms:-
     (i) Business 2 Business, (ii) Business 2 Customer, (iii) Customer to Business, (iv) Customer to Customer.
   (b) Describe the doctrine demand of Six Sigma.
   (c) Explain the usage of Artificial Neural Network.
   (d) Describe about On – Line Analytical Processing [OLAP]   [(4x2)+4+4+4]

8. (a) Define the following terms in the context of Supply Chain Management:
     (i)Activity Based Management, (ii) Capacity Management, (iii) Customer Relationship Management , (iv) Customer Value ,(v) Information Sharing , (vi) Lean Manufacturing.
   (b) Describe the objectives of Management Information Systems.
   (c) List the steps to start of Total Productivity Management.   [(6x2)+5+3]

Section C
[Any one from Question No. 9 and 10]

9. (a) Define the Risk Management and describe the objectives of that.
   (b) Explain about the Total Loss Distribution and Probability of Ruin.
   (c) Describe the benefits of Risk Mapping.   [(3+5)+(4+5)+3]

10. (a) "It is a fact that some companies perform well and that some underperform and some fails. In many, if not most cases, these companies are led by executives that are quite experienced. Below are some recommendations that can help to reduce the risk of failures of organizations"- Justify the statements.
    (b) Explain the L. C. Gupta Model under the Predictions of Corporate Failure.
    (c) Describe the causes of corporate failure and their examples.   [4+6+10]