Paper-17: Strategic Performance Management

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

Whenever necessary, suitable assumptions should be made and indicate in answer by the candidates.
Working Notes should be form part of your answer

Section –A
[Question 1 is compulsory and answers any 3 from the rest]

1. **Case study of Competitive Intelligence**

Wilbur Stratton was invited to work with a Global Technology Vendor that wanted to establish and understand the maturity of the sustainability technology market in the UK. The objective was to enable the company to make informed decisions about how to structure and develop the sustainability technology services strategy to support new customers. The report gathered critical information from competitors looking to strengthen specific technology solutions.

The Market Intelligence Report was a modified research report to identify the size, scope and strategy behind the technology services, consulting, systems integrators and outsourcing market in the UK. It provided a breakdown of where organizations are focusing, what their strategies are for future sustainable technology offerings and which companies are leading the way with innovation.
The research report included a summary of findings about where organizations are in terms of the different phases of development with their sustainable technology offerings, along with the commitment behind this and how it is being taken to market.

The report provided a high level overview of what the technology industry is taking to market in terms of sustainable technology offerings and the scope of market within competitors.
The report described competitors' commitment to this issue and a real time understanding of the size and scope of the market background. It provided the material to develop a proposal for the global Board of Directors to consider for the future strategy of the sustainability function across the UK business.

Required:

(a) Describe the objectives of Competitive Intelligence.
(b) Discuss the Role of the management accountant in Competitive Intelligence.
(c) List the outcomes of Competitive Intelligence Research Report?

[4+8+3]

2.(a) Discuss about Certainty Equivalent.

(b) Desktop Co. manufactures and sells 7,500 units of a product. The full Cost per is ₹100. The Company has fixed its price so as to earn a 20% return on an Investment of ₹9,00,000.

Required:

(i) Calculate the selling Price per unit from the above. Also, calculate the mark- up % on the Full cost per unit.
(ii) If the Selling Price as calculated above represents a mark- up% of 40% on variable Cost per unit, calculate the variable Cost per unit.
(iii) Calculate the Company's Income if it had increased the Selling Price to ₹115. At this price, the Company would have sold 6,750units. Should the company have increased the Selling price to ₹230?

(iv) In response to competitive pressures, the Company must reduce the price to ₹105 next year, in order to achieves sales of 7,500 units. The company also plans to reduce its investment to ₹8,25,000. If a 20% return on Investment should be maintained, what is the Target cost per unit for the next year?

(c) Describe the Components of Performance Management. **[6+4 +5]**

3.(a) "Advertising is an almost universal tool. You can use it to gain your customers' interest, create desire for your product and service and then prompt them to buy."- Explain the above statement.

(b) A person wants to invest in one of three alternative investment plans; Stock, Bonds, Debentures. It is assumed that the person wished to invest all of the funds in a plan. The payoff matrix based on three potential economic conditions is given in the adjoining table:

Alternative Investment	Economic Conditions		
	High Growth (₹)	Normal Growth (₹)	Slow Growth (₹)
Stock	10,000	7,000	3,000
Bonds	8,000	6,000	1,000
Debentures	6,000	6,000	6,000

Determine the best investment plan using each of the following criteria:
(i) Laplace (ii) Maximin (iii) Maximax

(c) Describe the objectives of Performance Appraisal. **[5+(3+1+1)+5]**

4. (a) Two breakfast food manufacturing firms A and B are competing for an increased market share. To improve its market share, both the firms decide to lunch the following strategies:

A_1, B_1 = Give coupons
A_2, B_2 = Decrease price
A_3, B_3 = Maintain present strategy
A_4, B_4 = Increase advertising

The pay- off matrix, shown in the following table describes the increase in market share firm A and decrease in market share for firm B:

$$\begin{array}{cc} & \text{Firm B} \\ & \begin{array}{cccc} B_1 & B_2 & B_3 & B_4 \end{array} \\ \text{Firm A} \begin{array}{c} A_1 \\ A_2 \\ A_3 \\ A_4 \end{array} & \begin{bmatrix} 35 & 35 & 25 & 5 \\ 30 & 20 & 15 & 0 \\ 40 & 50 & 0 & 10 \\ 55 & 60 & 10 & 15 \end{bmatrix} \end{array}$$

Determine the optimal strategies for each firm and value of the game.

(b) Limitation of Value Chain Analysis **[10+5]**

5. (a) The monopolist faces the demand curve $P = 100 - \frac{1}{2}q$ and he produces the same product in 2 plants. The cost functions for these plants are $C_1 = 10q_1$, $C_2 = 0.25q_2^2$.

(i) How much will he allocate in both the markets?
(ii) How much are the profits?

(b) The long run demand and cost functions of a firm under monopolistic competition is are given as $P = 7 - q$ and $TC = q^3 - 11q^2 + 32q$

(i) What is the equilibrium price and output for the firm?
(ii) What is the economic profit of the firm?

(c) Discuss the objectivity of the Divisional Profitability.

(d) Describe about the Nash Equilibrium. **[(3+2) +(2+1)+2+5]**

6.(a) The following information is available of a concern; Calculate E.V.A. :

12% Debt Capital	₹ 2,000 Crores
Equity Capital	₹ 500 Crores
Reserve and Surplus	₹ 7,500 Crores
Risk – Free rate	9%
Beta Factor	1.05
Market Rate of Return	19%
Equity (market) risk premium	10%
Net operating profit after Tax	₹ 2,100 Crores
Tax Rate (say)	30%

(b) "Methods of pricing policy can be classified into 5 broad categories. One of them on that category is pricing Policies based on Market Conditions. There are 5 different types of market in Economics and certainly there are different types of pricing policies - Monopoly and Oligopoly is not different." – Explain the above statement.

(c) Mention the Advantages and Disadvantages of EPS. **[5+5+5]**

Section –B
[Answer any one]

7.(a) Discuss about the Hopfield Artificial Neural Network.
(b) Explain about the Data Quality and System Development Life Cycle.
(c) Describe about the Data Quality practices and Core Data Services.
(d)"Supply Chain activity can be grouped into Strategic, Tactical and Operational Activity". – Describe about the Operational Activity. **[5+5+5+5]**

8. (a) Define the following term in the context of Supply Chain Management
(i) Collaboration , (ii) Scheduling ,(iii) Currency Conversion, (iv) Facility Location , (v)Supplier Integration in New Product Development.

(b) Explain the potential impact Computers and MIS on different levels of management.
[(2 x 5) +10]

Section – C
[Question no. 9 is compulsory and any one of the rest]

9.(a) CASE STUDY: AIG

Corporate failures do not come much bigger than the once-mighty AIG. Envied in the insurance world for its consistently big increases in premium income and profit, it was one of only two major players to enjoy a coveted AAA rating.

AIG grew with breathtaking speed to become the world's largest insurance group, reaching a peak market capitalization of $213bn in 2001.

At the end of the third quarter 2007, AIG's consolidated assets were $1.072trn and shareholders' equity was $104.07bn; in early 2008, it was the 18th largest public company in the world. Less than a year later it had notched up annual losses of nearly $100bn and was rescued by the US government with a lending facility of $182.5bn, meaning that it had effectively been nationalized.

Among the many people to lose their jobs and reputations were the legendary chairman Hank Greenberg and Joseph Cassano, who headed up its financial products subsidiary AIGFP.

AIG's weaknesses stemmed in large measure from risk blindness and the over-riding need to grow the company and its profits by 15 per cent p.a. in an often extremely competitive environment.

It started to go wrong when the New York attorney-general Eliot Spitzer accused the company of bid-rigging with insurance brokers. Nothing was ever proven against AIG, but another more serious allegation was substantiated; that it had produced misleading accounts and used spurious reinsurance policies to inflate profits.

One executive went to jail, the company paid out $1.6bn to settle civil charges and Greenberg paid $15m to settle charges from the Securities and Exchange Commission (SEC), the US regulator, for having altered AIG's records to boost results between 2000 and 2005.

The resulting fall in share price and, above all, reduced security ratings were a body blow to the company's financial products operation in London.

When the AAA rating disappeared it became more expensive for the company to post cash collateral for its derivative products, destroying profit. And worse was to follow. The really devastating news came in the shape of the sub-prime crisis, which destroyed AIG's credit default swap portfolio.

An apparently risk-free source of wealth turned almost overnight into a liability of unimaginable proportions. This is a classic example of risk blindness caused by a desire to pursue profit at almost any cost.
[Full abbreviation bn = billion, trn = trillion]

Required:

(a) Discuss the any four causes of Corporate Failure.
(b) Describe the step taken for preventing the Corporate Failure.
(c) Discuss the result for AIG after the corporate failure happen? **[8+4+3]**

10. (a) Describe the Artificially Intelligent Expert system (AIES) Model in the context of Corporate Bankruptcy Prediction Models. **[5]**

or

(b) Discuss about the Unique Competitor Risk. **[5]**