

**PAPER – 17 - STRATEGIC PERFORMANCE
MANAGEMENT**

MTP_Final_Syllabus 2012_Dec 2015_Set 1

The following table lists the learning objectives and the verbs that appear in the syllabus learning aims and examination questions:

	Learning objectives	Verbs used	Definition
LEVEL C	KNOWLEDGE What you are expected to know	List	Make a list of
		State	Express, fully or clearly, the details/facts
		Define	Give the exact meaning of
	COMPREHENSION What you are expected to understand	Describe	Communicate the key features of
		Distinguish	Highlight the differences between
		Explain	Make clear or intelligible/ state the meaning or purpose of
		Identify	Recognize, establish or select after consideration
		Illustrate	Use an example to describe or explain something
	APPLICATION How you are expected to apply your knowledge	Apply	Put to practical use
		Calculate	Ascertain or reckon mathematically
		Demonstrate	Prove with certainty or exhibit by practical means
		Prepare	Make or get ready for use
		Reconcile	Make or prove consistent/ compatible
		Solve	Find an answer to
		Tabulate	Arrange in a table
	ANALYSIS How you are expected to analyze the detail of what you have learned	Analyze	Examine in detail the structure of
		Categorize	Place into a defined class or division
		Compare and contrast	Show the similarities and/or differences between
		Construct	Build up or compile
		Prioritize	Place in order of priority or sequence for action
		Produce	Create or bring into existence
	SYNTHESIS How you are expected to utilize the information gathered to reach an optimum conclusion by a process of reasoning	Discuss	Examine in detail by argument
		Interpret	Translate into intelligible or familiar terms
		Decide	To solve or conclude
	EVALUATION How you are expected to use your learning to evaluate, make decisions or recommendations	Advise	Counsel, inform or notify
		Evaluate	Appraise or asses the value of
		Recommend	Propose a course of action

Paper 17 - STRATEGIC PERFORMANCE MANAGEMENT

This paper contains 10 questions, divided in three sections Section A, Section B and Section C. In total 7 questions are to be answered.

From Section A, Question No.1 is compulsory and answers any two questions from Section A (out of three questions - Questions Nos. 2 to 4). From Section B, Answer any two questions (i.e. out of Question nos. 5 to 7). From Section C, Answer any two questions (i.e. out of Question nos. 8 to 10).

Students are requested to read the instructions against each individual question also. All workings must form part of your answer. Assumptions, if any, must be clearly indicated.

Full Marks: 100

Time allowed: 3 hours

Section –A

[Question 1 is compulsory and answers any 2 from the rest]

1. Read the Case let and answer the following questions:

M/s. XYZ Steel Plant is one of the most modern Steel Plants in the country. The plant has a capacity of producing 3 Million tonnes of liquid steel and 2.65 Million tonnes of Saleable Steel. The main products of M/s. XYZ Steel Plant are Angles, Billets, Channels, Beams, Squares, Flats, Round Rebars and Wire Rods. The major units in M/s. XYZ Steel Plant are the Coke Ovens, Sinter Plant, Blast Furnace, Steel Melt Shop, Light and Medium Merchant Mill, Wire Rod Mill and Structural Mill.

The vision of M/s. XYZ Steel Plant is to become a 10 Million tonne World Class integrated Steel Plant by 2019-20. Its mission is to be a continuously growing company through technological upgradation, operational efficiency and expansion, producing steel at international standards of cost and quality, ensuring optimal return on investment to stakeholders and meeting the expectations of the customers. The core values of M/s. XYZ Steel Plant are firm commitment, customer satisfaction, continuous improvement and concern for environment.

Today, M/s. XYZ Steel Plant is moving forward with an aura of confidence with pride to enable the company to reach new heights in organizational excellence. But in the earlier days, the plant could not attain the envisaged capacity levels and financial viability. There were huge cost over-runs and high capital-related charges. High input costs, recession in steel industry, global competition, sluggish economy both in domestic as well as international market, economic crisis-world-wide, the production of steel had declined. M/s. XYZ Steel Plant was labelled as the 'sick child of the industry'. The company had no alternative but to report to BIFR (Board for Industrial and Financial Reconstruction). Following this, the company was directed to formulate a 'turnaround' strategy for long-term financial viability of the plant. The capital restructuring proposal of the company was rejected by the government.

The major step taken by the company was an aggressive treasury management. Rescheduling of high cost loans, obtaining softer interest loans from banks, securing cheaper lines of credit for import of raw materials, issue of non-cumulative preference shares, increasing the authorized share-capital, reduction on long-term loans, generation of wealth, made out of internal generation through various measures-were some of the steps taken to tide over this situation.

The plant had taken innovative steps to operate consistently beyond rated capacities in all the production units. Efficient operation management coupled with optimum waste utilization and improved techno-economic parameters, along with cost reduction

MTP_Final_Syllabus 2012_Dec 2015_Set 1

measures have been the major contributing factors that led to the companies' turnaround.

With regard to the techno-economic front, during the period 1998-99 till date, the plant has made a significant improvement in the specific energy consumption, average converter life, rolling rate, total coke rate, and fuel consumption. Thrust was given for recycling of metallurgical waste. Initiatives taken to recycle the solid waste and utilizing them led to a saving of raw material consumption.

Another major strategy of the company that resulted in the turnaround of the company is various cost reduction measures taken in the plant production. Further, the company had laid emphasis on total involvement by workers' participation in management through suggestion schemes, which played a major role in the rapid growth of techno-economic parameter and the labour productivity.

Required:

- (a) Mention the principles of Business Process Re-engineering.
- (b) State the reasons for which M/s. XYZ Steel Plant faced challenges for implementing the Business Process Re-engineering.
- (c) What strategies are taken by M/s. XYZ Steel Plant for facing the challenge?
- (d) Describe the objectives of the Business Process Re- Engineering (BPR). **[4+4+5+7]**

- 2 (a) Arnab Ltd. Co. has different divisions which are working as Strategic Business Units. Division A of the company is a profit making centre, which produces four products W, X, Y & Z. Each product is sold in the external market and the company has provided the following information:

	W	X	Y	Z
Market Price per unit (₹)	150	146	140	130
Variable cost of production per unit	130	100	90	85
Labour Hours required per unit	3	4	2	3

Product Z can be transferred to Division B but the maximum quantity that may be required for transfer is 2,500 units of Z.

	W	X	Y	Z
The maximum sales in the external market (units)	2,800	2,500	2,300	1,600

Division B can purchase the same product at a price of ₹ 125 per unit from outside instead of receiving transfer of product Z from Division A.

You are required to calculate the transfer price for each unit for 2,500 units of Z, if the total labour hours available in division A are:

- (i) 20,000 hours
- (ii) 30,000 hours

[10]

- (b) Discuss the difference between structural Cost Drivers and Executional Cost Drivers. **[3]**

- (c) Yonex India Ltd. is segmented into three divisions A, B and C. All were formed in the same year and now all assets have left exactly one-half of their expected life. Top management is attempting to determine which of the division is the most profitable. The following data have been prepared for your analysis:

MTP_Final_Syllabus 2012_Dec 2015_Set 1

Particulars	Division		
	A (₹)	B (₹)	C (₹)
Net income before taxes	78,000	90,000	96,000
Investment base-gross book value	3,90,000	5,00,000	6,00,000
Investment base-net book value	1,95,000	2,50,000	3,00,000

Prepare rankings of the three divisions using ROI and RI with a capital charge of 12.5% that each division manager might use to assert that here is the most profitable division. [7]

3 (a) Explain the steps in implementing EVA. [4]

(b) There is 40% chance that a patient admitted to the hospital is suffering from Cancer. A doctor has to decide whether a serious operation should be performed or not. If the patient is suffering from Cancer and the serious operation is performed, the chance that he will recover is 70%, Otherwise it is 35%. On the other hand, if the patient is not suffering from Cancer and the serious operation is performed, the chance that he will recover is 20%, otherwise it is 100%. Assume that recovery and death are the only possible results.
Construct an appropriate decision tree. What decision should the doctor take? [5+5]

(c) Discuss the difference between Traditional Management Accounting and Value chain Analysis. [6]

4 (a) (i) The cost function 'c' of a firm = $\frac{1}{3}X^3 - X^2 + 5x + 3$, find the level at which the marginal cost and the average variable cost attain their respective minimum. [5]

(ii) The total cost (C) and the total revenue @ of a firm are given $C(x) = x^3 + 60x^2 + 8x$; $R(x) = 3x^3 - 3x^2 + 656x$, x being output. Determine the output for which the firm gets maximum profit. Also obtain the maximum profit. [6]

(b) Explain the advantages and disadvantages of EBITDA. [3]

(c) Discuss the benefits of Branding. [6]

Section – B [Answer any two questions]

5 (a) Explain the concept of DATA WAREHOUSES. [5]

(b) Discuss the importance of Decision Support Systems for gaining the Competitive Advantage. [5]

6 (a) "Data Mining is a process of discovering various models, summaries and derived values from a given collection of data." Discuss it and state the problem of adoption of Data Mining Process. [4]

(b) Explain the term "Business Intelligence". How you would choose the right business solution? [4+2]

7. Define the following terms in the context of Supply Chain Management: [5×2]

(i) Quality

- (ii) Promotions
- (iii) Strategic Alliance
- (iv) Agreement
- (v) Forecast Error

Section – C
[Answer any two questions]

- 8 (a)** Describe the stagnation Risk in the context of Corporate Risk. **[4]**
- (b)** Explain about the Systematic Risk and Unsystematic Risk. **[6]**
- 9 (a)** Explain about the Multiple Discriminant Analysis (MDA). **[4]**
- (b)** Explain about the Asset Liability Management. **[6]**

10. Following is the Balance Sheet of a company as on 31st March, 2015:

Equity & Liabilities	₹	Assets	₹
(1) Shareholder Fund:		(1) Non – Current Assets	
(a) Share Capital (@ ₹ 100 each)	4,00,000	(a) Fixed Assets	10,00,000
(b) Reserves & Surplus	2,00,000	(b) Non Current Investment - Trade Investment	2,00,000
		(2) Current Assets	
		(i) Inventory	1,25,000
(2) Non – Current Liabilities:		(ii) Book Debts	75,000
- 12% Debentures	3,00,000		
- 10% Bank Loan	2,00,000		
(3) Current Liabilities	3,00,000		
	14,00,000		14,00,000

Additional Information:

- (i) Net sales for 2014-15 were ₹20,00,000.
- (ii) Price-Earnings Ratio is ₹10.
- (iii) Dividend Pay-out Ratio is 50%.
- (iv) Dividend per Share in 2014-15 is ₹20.
- (v) Corporate Tax Rate is 50%.

Using Altman's Model, calculate the Z-score of the company and interpret the result. **[10]**