Paper 17- Strategic Performance Management

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Full Marks: 100 **Time allowed: 3 hours**

The figures in the margin on the right side indicate full marks.
This question paper has two sections.
Both the sections are to be answered subject to instructions given against each.

Section – A

Question no. 1 is compulsory

1. Answer the Following Questions: **[4 × 5 = 20]**

(a) The cost function is C=100+q, where the product is sold at ₹ 5 per unit. Determine break even sales and profit when 125 units are sold.

(b) 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 components produced by division A (this represents the full absorption cost per component at divisions 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 percent. Division A has a variable cost of ₹ 17 per component. The cost per unit of divisions B subsequent to the buying part form 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:

(i) As manager of division A would you recommend sales of your output to division B at the stipulated price of ₹ 20?

(ii) Would it be in the overall interest of the company for division A to sell its output to division B?

(iii) Suggest an alternative transfer price and show how could it lead to goal congruence?

(c) What is meant by Decision Support System? State any four components of Decision Support System?

(d) Describe the term 'Business Process Re-engineering'.

(e) Explain about the exchange rate risk and liquidity risk?

Section - B

Answer any five questions **[16 × 5 = 80]**

2. (a) Explain the Genetic Algorithm under the Corporate Bankruptcy Prediction Model.

(b) Name the Key Performance Indices (KPI) that should be monitored. **[8+8 = 16]**

3. (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

Years 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 sale quantities during the product Life Cycle at various selling prices are:

Selling price per unit (₹)	400	480	600
Sale Quantity in units	5,000	4,000	2,500

Ignoring time value of money, compute the Net incomes generated over the product Life Cycle of various prices. Which price should the company select?

(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. **[10+6 = 16]**

4. (a) A Businessman has two independent investments A and B available to him but he lacks the capital to undertake both of them simultaneously. He can choose to take A first and then stop, or if A is successful, then take B or vice-versa. The probability of success on A is 0.7, while for B, it is 0.4. Both the investments require an initial capital outlay of ₹2,000 and both return nothing, if the venture is unsuccessful. Successful completion of A will return ₹3,000 (over cost) and successful completion of B will return ₹5,000 (over cost).

Draw the Decision Tree and determine the best strategy. **[4+4=8]**

(b) Jai Ltd., has the capacity of production of 80,000 units and presently sells 20,000 units at ₹50 each. The demand is sensitive to Selling Price and it has been observed that for every reduction of ₹10 in Selling Price, the demand is doubled.

As a Cost and Management Accountant, you are required to find out

(i) What should be the Target Cost at full capacity, if the Profit Margin on Sale is 10%?

(ii) What should be the Cost Reduction Scheme, if at present, 40% of the Cost is variable, with the same % of profit?

(iii) If the rate of return desired is 15%, what will be the maximum investment at full capacity? **[2+4+2=8]**

5. (a) What is balanced scorecard and what are its advantages.

(b) "Competitive Intelligence is a process of gathering data, creating information and making decisions. Management accountants are trained to gather data, assimilate data into information and make decisions based on information, frequently with their management counterparts". Comment. **[10 + 6 = 16]**

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

(b) Discuss Altman's Model and Explain the Five Z-Score constituent Ratios? **[8 + 8 = 16]**

7. (a) State the different types of Bench – Marking and explain them.

(b) What are the key roles required for successful implementation of Six sigma. **[8 + 8 = 16]**

8. Answer any four questions below: **[4 × 4 = 16]**

(a) Discuss the BPR Tools and Techniques.

(b) Discuss about the price discrimination under the demand oriented pricing.

(c) State the factors on which the amount Economic Risk in a country is dependable.

(d) Discuss the needs for implementation of ERM.

(e) Describe the limitations of financial performance measures.