

PAPER – 17 - STRATEGIC PERFORMANCE MANAGEMENT

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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 analyse the detail of what you have learned	Analyse	Examine in detail the structure of
		Categorise	Place into a defined class or division
		Compare and contrast	Show the similarities and/or differences between
		Construct	Build up or compile
		Prioritise	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 assess the value of	
	Recommend	Propose a course of action	

Paper – 17 - Strategic Performance Management

Full Marks: 100

Time Allowed: 3 hours

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.

Section –A

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

1. Adam, fresh from school was a newly recruited HR practitioner. During his one month into the job, he was asked to be in-charge of the orientation programme for the entire organization. Being new, he followed closely to the processes. Recently, Roy joined the organization and Adam was required to orientate him. On Roy's first day of work, Adam brought him around the organization for introduction to the rest of the staffs. Unfortunately, Roy's assigned mentor was not around hence, Adam was unable to make an official introduction for Roy to meet up with his mentor. In the afternoon, during the HR briefing, Adam mentioned to Roy that there is a buddy system in place but it is only on an opt-in basis. Roy requested to opt for a buddy. Adam was rather surprised by Roy's request as according to Adam's manager-Jean, no one in the organization has requested for a buddy.

Hence, Adam checked with Jean on the criteria in getting a buddy for Roy and according to her, Adam found out that it needed to be someone preferably from Roy's department. Having clarified on the criteria, Adam was supposed to get a buddy for Roy, unfortunately, this issue was clearly forgotten by Adam due to his busy schedule as he was involved in other HR matters as well and he did not follow up with Roy's request promptly.

One week later, Adam met Roy in a lunch gathering and Adam greeted Roy and asked him casually how he is doing and if he has adapted well to his job. Roy, asked Adam blatantly and angrily where is his buddy that he had requested. At that moment, Adam recalled on the existence of this request and unwittingly told Roy that he thought Roy was joking with him on the request for a buddy as he did not want to admit to Roy that he had clearly forgotten about the whole issue. Roy was very angered by Adam's response and told him off that he was very serious in getting a buddy and that it's Adam's responsibility to do so. Adam, clearly embarrassed and guilty about his mistake, apologized immediately and promised to get him a buddy. On the very day, a buddy- Sam, was found for Roy. Roy was very unhappy with Adam and confronted Adam and his buddy when he was able to have an official meet up session with his mentor. Adam explained to Roy that the organization has no current practice in place for meet up sessions to be arranged between mentors and mentees and it's a practice for mentees to take self-initiative to do so in arranging for meetings with their mentors and also that his mentor is currently out of town and will only be back the next day. Adam, himself being a new staff also was at that moment in time speaking on personal experience and also based on what Jean had told him. Sam, who was present agreed and helped to explain to Roy on the practice. Roy

kept quiet and Adam unknowingly thought that Roy has understood the organization practice. Hence, Adam did not continue to check with Roy on this aspect.

The following day, Roy had a feedback session with his manager and Adam was called upon to sit in as a part of the orientation programme. Roy brought up the issue on Adam's failure to get him a buddy promptly and that he was not introduced to his mentor at all. He complained about the poor management of the HR mentor and buddy system and that it was not effective at all and that he expressed that he is very unhappy with Adam as he felt that he was not doing his job at all. Adam tried to explain to Roy and his manager about what happened and also reassured Roy that he will take his suggestions of improving on the system and was apologetic about the issue. He told Roy's manager that he will bring Roy to see his mentor after the session as his mentor is back in the office after being on leave for the past week.

Roy was still very unhappy with Adam and continued telling Adam off in front of his manager.

Required:

- (a) On an HR practitioner point of view, what should Adam do to resolve the issue?
- (b) Describe Roy's reaction towards Adam's way of handling his request.
- (c) Roy is very unhappy with Adam and holds it against him even though all has been done and followed up. What should Adam as HR do to resolve this and should Jean, as Adam's manager do something?
- (d) What role does Roy's manager play in this issue and should he be implicated?
- (e) Discuss the steps in implementing EVA.

[5+5+2+4+4]

2. (a) The following information relates to budgeted operation of Division X of a manufacturing company.

	₹
Sales (50,000 units of ₹ 8)	4,00,000
Less: Variable costs @ ₹ 6 per unit	3,00,000
Contribution margin	1,00,000
Less: Fixed costs	75,000
Divisional profit	25,000

The amount of divisional investment is ₹ 1,50,000 and the minimum desired rate of return on the investment is the cost of capital of 20%.

Required:

- (i) Calculate divisional expected ROI.
- (ii) Calculate divisional expected RI.
- (iii) Comment on the results of (i) and (ii).
- (iv) The divisional manager has the opportunity to sell 10,000 units at ₹ 7.50 per unit. Variable cost per unit would be the same as budgeted, but fixed costs would increase by ₹ 5,000. Additional investment of ₹ 20,000 would also be required. If the manager accepts the special order, by how much and in what direction would his residual Income change?

[1+1+2+6=10]

(b) State the strengths of Residual Income.

[5]

(c) Ram is the Managing Partner of a business that has just finished a building. He anticipates that he will rent these rooms for 16,000 room – nights next year. All rooms are similar and will

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rent for the same price. The following Operating Costs are expected to be incurred for next year –

Variable Operating Costs	₹ 800 per room night
Fixed Costs: Salaries and Wages	₹ 17,50,000
Maintenance of Building	₹ 3,70,000
Other Operating and Administrative	₹ 14,00,000
Total Fixed Costs	₹ 35,20,000

The Capital invested is ₹ 60 Lakhs and the Firm expects 25% return on its investment.

- (i) What price should be charged for a room-night?
 (ii) Market Research indicates that if the Price of a room-night as determined above is reduced by 10%, the number of rooms rented out will increase by 10%. Should the Firm reduce prices by 10%. **[2+3]**

3. (a) Pay offs of three acts A, B and C and states of nature X, Y and Z are given below :

Payoff (in ₹)

Acts → State of Nature ↓	A	B	C
X	-20	-50	200
Y	200	-100	-50
Z	400	600	300

The probabilities of the states of nature are 0.3, 0.4 and 0.3.

Calculate the Expected Monetary Value (EMV), for the above data and select the best act. Also find the EVPI. **[5]**

- (b) Discuss the Principles of Lean. **[5]**
- (c) Discuss the role of the Management Accountant in ABM. **[5]**
- (d) In Transfer pricing, what is the common conflict between the Division and the company as whole? **[5]**
- 4. (a) (i)** The total cost (C) and the total revenue (R) 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. **[5]**
- (ii) The total revenue from sale of 'x' units is given by the equation $R = 100x - 2x^2$, calculate the point price elasticity of demand, when marginal revenue is 20. **[5]**
- (b) List the general objectives of a Pricing Policies. **[5]**
- (c) Describe the benefits of adopting a Balanced Scorecard approach to performance management. **[5]**

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Section – B

5. (a) Discuss about the Hopfield Artificial Natural Network. [5]
- (b) Discuss the Key roles of Six Sigma. [5]
6. Define the following term in the context of Supply Chain Management
(i) Agreement, (ii) Forecast Error, (iii) Inventory Management Systems , (iv) Performance Measurement. [2×5=10]
7. (a) Discuss about the Malm Quist Index (MI). [5]
- (b) Mention the benefits of the TPM. [5]

Section – C

8. (a) Briefly describe about the Value at Risk. [5]
- (b) Describe about the Gambler's Ruin Theory. [5]
9. The balance Sheet of Uncertain Ltd. as on 30.06.2015 is given below:

Balance Sheet
as at 30th June, 2015

Equity & Liabilities	₹	Assets	₹
(1) Shareholder Fund:		(1) Non – Current Assets	
(a) Share Capital (@ ₹ 100 each)	2,00,000	(a) Fixed Assets	10,00,000
(b) Reserves & Surplus	1,75,000	(b) Non Current Investment - Trade Investment	2,00,000
		(2) Current Assets	1,50,000
(2) Non – Current Liabilities:		(i) Inventory	
- 12% Debentures	3,00,000	(ii) Book Debts	75,000
- 10% Bank Loan	2,00,000		
(3) Current Liabilities	5,50,000		
	14,25,000		14,25,000

Additional Information:

- (i) Net Sales for 2014-15 was ₹ 29,50,000.
(ii) Dividend per share in 2014-15 = ₹ 0.40.
(iii) Dividend Payout Ratio as on 30.06.2015 = 50%.
(iv) Price Earnings Ratio is 15.
(v) Corporate tax rate = 50%.

Using Altman's function, calculate Z score of Uncertain Ltd. and interpret the result. [10]

10. (a) Risk management process. [5]
- (b) Mention the objectives of GACAP. [5]