

PAPER – 17 - STRATEGIC PERFORMANCE MANAGEMENT

PTP_Final_Syllabus 2012_June 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 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 asses 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 answer 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 answer any 2 from the rest]

1. Read the following case study and answer the following questions:

Whirlpool Corporation is a leader of the \$100 billion global home appliance industry. Ranked sixth in the electronics industry list of FORTUNE magazine's "World's Most Admired Companies", Whirlpool Corporation is a Fortune 500 company and the world's leading manufacturer and Marketer of major home appliances. Annual sales are approximately \$19 billion, and there are 70,000 employees, with 69 manufacturing and technology research centers around the world.

Founded in 1911, the company markets Whirlpool, Maytag, Kitchen Aid, Jenn-Air, Amana, Brastemp, Consul, Bauknecht and other major brand names to consumers in most countries around the world. Whirlpool manufactures appliances across all major categories, including fabric care, cooking, refrigeration, dishwashers, countertop appliances, garage organization and water filtration. Whirlpool is committed to a brand value-creation strategy—focusing on innovation, cost Productivity, product quality and consumer value. The company continues to improve its global Operating platform to ensure it is the best-cost and best-quality appliance manufacturer Worldwide. Its supply chain has been transformed to better deliver products to trade customers and consumers. The benefits of actions are evident through a stronger network, increased efficiencies and timely deliveries. Whirlpool Corporation is committed to building products which consumers around the world can depend upon to meet their daily needs. This commitment to quality begins in the concept stages and continues throughout the lifetime of the appliance. The result of these efforts is a sustainable and competitive advantage for the company.

Globally, Whirlpool Corporation manufactures products using principles of lean manufacturing and operational excellence to ensure continuous improvement of processes and to produce products that meet the company's high-quality standards. At Whirlpool, there is a constant focus on seeking out new and unique ways to improve the function, performance and Sustainability of products.

After acquiring the Maytag Corporation on March 31, 2006, Whirlpool Corporation became the largest home appliance maker in the world.

A merger with Maytag added another layer of complexity to Whirlpool's efforts to manage sales, orders, and cash flow. Brian Hancock, VP Supply Chain, talks about how this was achieved. Until recently, Whirlpool's strategic focus was on its products and brands. In recognition of environmental changes (customer needs in particular) attention was shifted to their supply chain and how best to manage it. The need to focus on the supply chain was also instigated by major internal and organizational changes (the merger with Maytag). Furthermore it was recognized that two issues required attention: 1)

the desire for trade partners to hold lots of inventory (which impacted upon cash flows) 2) balancing number one with customers needing their products quickly. One of the goals constraining the redesign of their supply chain was to ensure a customer order could be fulfilled and delivered to the customer within 48hrs. The company set about its operations/ supply chain strategy with the aim of improving cash flow, reducing costs and providing the right service to customers.

The first aspect of their strategy was the order process. Process, technology and inventory changes were made. Systems required replacement and integration with Maytag systems. Overall, there was a need to improve visibility within the supply chain.

Secondly, the company rationalized facilities, reducing the number of buildings from 184; they eliminated 100 buildings and consolidated major warehouses into 10 regional distribution centers. This resulted in cost savings of over \$60 Million.

Thirdly, they optimized supply and demand, with changes to demand planning models and Software and integration with upstream suppliers.

Required:

- (a) Describe Components of Supply Chain Management.
- (b) Describe the objectives of the Supply chain Management.
- (c) Importance of Supply Chain Management.
- (d) Describe the challenges faced by the company: What were the drivers for change to the supply chain?
- (e) Describe the Whirlpool strategy. **[5+3+3+5+4]**

- 2. (a)** Division A is a profit centre that produces three products X, Y and Z and each product has an external market.

The relevant data is as:

Particulars	X	Y	Z
External market price per unit (₹)	48	46	40
Variable cost of production (Division A) (₹)	33	24	28
Labour hours per unit (Division A)	3	4	2
Maximum external sales units	800	500	300

Up to 300 units of Y can be transferred to an internal Division B.

Division B has also the option of purchasing externally at a price of ₹ 45 per unit.

Determine the transfer price for Y. The total labour hours available in division A is:

- (i) 3,800 hours
- (ii) 5,600 hours

- (b) Discuss the role of the Management Accountant in value chain Analysis.

- (c) State the steps of Business Process Re – Engineering. **[12+4+4]**

- 3. (a)** A Finance Manager is considering drilling a well. In the past, only 70% of wells drilled were successful at 20 metres depth in that area. Moreover, on finding no water at 20 metres, some persons in that area drilled it further up to 25 metres but only 20% struck water at that level. The prevailing cost of drilling is ₹ 500 per metre. The Finance Manager estimated that in case he does not get water in his own well, he will have to pay ₹ 15,000 to buy water from outside for the same period of getting water from the well. The following decisions are considered:

- (i) Do not drill any well;
- (ii) Drill up to 20 metres, and
- (iii) If no water is found at 20 metres, drill further upto 25 metres.

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Draw an appropriate decision tree and determine the Finance Manager's optimal strategy.

(b) Describe the Performance Prism Model in the context of evaluation of Financial and Non Financial Performance.

(c) Discuss the Risk Adjusted Discount Rate Method.

(d) From the following information Calculate EVA:

Equity Share Capital	₹ 5,00,000
13% Preference Share Capital	₹ 2,00,000
Reserves and Surplus	₹ 6,00,000
Non trade investments (Face Value ₹ 1,00,000), Rate of Interest	10%
20% Debentures	₹ 3,00,000
Profits before tax	₹ 3,00,000
Tax Rate	40%
WACC	13%

[6+4+4+6]

4 (a) K Ltd. sells output in a perfectly competitive market. The average variable cost function K Ltd. is $AVC = 300 - 40Q + 2Q^2$. K Ltd has an obligation to pay ₹ 500 irrespective of the output produced. What is the price below which K Ltd. has to shut down its operation in the short run?

(b) The total cost function for a monopolist is given by

$$TC = 900 + 40Q^2$$

The demand function for the good produced by the monopolist is given by

$$2Q = 48 - 0.08P$$

What will be the profit maximizing price?

(c) Listing the steps of the principles of Lean.

(d) Limitation of Value Chain Analysis.

[5+5+5+5]

Section – B [Answer any 2]

5 (a) List the Advantages of these Data Envelopment Analysis.

(b) "Data quality management incorporates a virtuous cycle in which continuous analysis, observation, and improvement lead to overall improvement in the quality of organizational information across the board. This virtuous cycle incorporates five fundamental data quality management practices, which are ultimately implemented using a combination of core data services." – Discuss the five fundamentals. [5+5]

6 (a) Describe about the Malm Quist Index (MI).

(b) Discuss the benefits of TPM.

[6+4]

7. Define the following term in the context of Supply Chain Management:

(a) Capacity Utilization, (b) In source vs Outsourcing, (c) Logistics Management, (d) Strategic Alliance (e) Supplier Performance Evaluation. [2x5]

Section C
[Answer any 2]

8. (a) Discuss the needs for Implementation of ERM.
(a) State the objectives of Risk Management. **[5+5]**
9. "Just as diseases are identified by certain symptoms, industrial sickness too can be identified by some symptoms." - Justify the statement. **[10]**
10. (a) From the following information, calculate of the Z-Score of a company :

Sales	25,978
Total Assets	49,579
Total Liabilities	5,044
Retained Earnings	177
Working Capital	-1,777
Market Value of Equity	2,605
Book Value of Total Liabilities	5,044

- (b) Discuss about Probability of Ruin. **[6+4]**