

**PAPER – 17 - STRATEGIC PERFORMANCE MANAGEMENT**

## PTP\_Final\_Syllabus 2012\_June 2015\_Set 2

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

	<b>Learning objectives</b>	<b>Verbs used</b>	<b>Definition</b>	
<b>LEVEL C</b>	<b>KNOWLEDGE</b>  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	
	<b>COMPREHENSION</b>  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	
	<b>APPLICATION</b>  How you are expected to apply your knowledge	Illustrate	Use an example to describe or explain something	
		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	
	<b>ANALYSIS</b>  How you are expected to analyse the detail of what you have learned	Solve	Find an answer to	
		Tabulate	Arrange in a table	
		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	
	<b>SYNTHESIS</b>  How you are expected to utilize the information gathered to reach an optimum conclusion by a process of reasoning	Prioritise	Place in order of priority or sequence for action	
		Produce	Create or bring into existence	
		Discuss	Examine in detail by argument	
	<b>EVALUATION</b>  How you are expected to use your learning to evaluate, make decisions or recommendations	Interpret	Translate into intelligible or familiar terms	
		Decide	To solve or conclude	
		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, divide 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 answers any 2 from the rest]**

**1. Read the following case let and answer the following questions:**

A Prominent Foreign Bank found itself in a precarious position: Its commercial loan volume was static, but the unit's operating costs were increasing annually. Customer responsiveness was adequate for the industry, but not the competitive advantage that the bank needed. Managers wanted to engage employees in an ongoing, continuous improvement culture. Bank facilitated a week-long session attended by senior management from each of the four regional operations centers, as well as internal business partners from IT, HR, and Sales. The team's goal was to use Voice of the Customer (VOC) analytics to see the business through the eyes of their customers, eliminate process steps that added no value, and develop the best future state for loan processing. At the end of the workshop, the group had a vision for the future operations flow and an agreed-upon roadmap to get there.

Through a series of rapid improvement projects, groups of 8 to 12 employees worked to scrutinize a particular segment of the lending process and find ways to eliminate waste and improve the flow of work. Overall, six improvement projects were completed over a five month period, engaging employees across three locations to create a new workflow that would improve the experience for customers and employees — and lower costs for the bank. A limited two-week pilot was launched to further refine and evaluate the new process. Employees in one location set up the new process and then worked to iron out details in the live customer environment. A week-long evaluation period followed, where the collected data was analyzed and discussed.

The elimination of redundant and unnecessary steps in the lending process led to dramatic increases in loan processing speed and capability. Analysis of the results from the pilot showed that the target of 20 percent productivity improvement was met and exceeded by an additional 10-15 percent gain. The lead time necessary to process a loan transaction also decreased from 4-8 hours to 20-60 minutes. The bank validated those results with pilots at two other sites. The project team and management team had the confidence to plan the full-scale roll-out of the new process.

After full implementation of the new process, the bank was able to reduce:

- Process steps from 140+ to 70
- Decision points from 20 to 14
- Physical hand-offs from 46 to 11; and electronic hand-offs from 16 to 14
- Operating expenses from \$10 to \$8 million
- Delivery time from 4-8 hours to 20-60 minutes with fewer errors and rework

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Required to:

- (a) State the shortcomings faced by the foreign bank before developing the new process.
- (b) Discuss the result achieved by the bank after implementing the new process.
- (c) Describe the advantages achieved by the foreign bank after full implementation of the new process.
- (d) Describe the steps taken by the bank to face the challenge. **[4+5+5+6]**

2. (a) Formulate the following game as a Linear Programming problem from (i) A's and (ii) B's point of view. The player A is the maximizing player here.

		Strategy of Player B		
		B <sub>1</sub>	B <sub>2</sub>	B <sub>3</sub>
Strategy of Player A	A <sub>1</sub>	90	80	110
	A <sub>2</sub>	110	120	90
	A <sub>3</sub>	120	70	80

- (b) Explain any eight productivity improvement techniques. **[8+12]**

- 3 (a) A company is planning to market a new model of a doll. Rather than setting the selling price of the doll based only on production cost estimation management polls the retailers of the doll to see how many dolls they will buy for various prices. From this survey, it is determined at the unit demand function (the relationship between the amount 'x' each retailer would buy and the price he would pay) is  $x = 30,000 - 1500P$ . The fixed cost of the production of the dolls are found to be ₹ 28,000 and cost of Material & labour to produce each doll is estimated to be ₹ 8 per unit. What price should the company charge retailer in order to obtain a maximum profit? Also find the maximum profit.

- (b) Describe the role of the Management Accountant of Competitive Intelligence.

- (c) A Company has sales of 1,00,000 units at a price of ₹ 200.00 per unit and profit of ₹ 40.00 Lakhs in the current year. Due to stiff competition, the Company has to reduce its price of product next year 5% to achieve same volume target of sales. The cost structure and profit for the current year is given as below:

Particulars	(₹ Lakhs)
Direct Material	60.00
Direct Wages	45.00
Variable Factory Overheads	20.00
Fixed Overheads including Sales & Admin Expenses	35.00
Total Cost	160.00

To achieve the Target Cost to maintain the same profit, the Company is evaluating the proposal to reduce Labour Cost and Fixed Factory Overheads. A Vendor supplying the Machine suitable for the Company's operations has offered an advanced technology Semi-Automatic Machine of ₹ 20 Lakhs as replacement of Old Machine worth ₹ 5.0 Lakhs. The Vendor is agreeable to take back the Old Machine at ₹ 2.70 Lakhs only. The Company's policy is to charge depreciation at 10% on WDV. The Maintenance Charge of the Existing Machine is ₹ 1.20 Lakhs per annum whereas there will be warranty of services free of cost for the New Machine first two years. There are ten (10) Supervisors whose Salary is ₹ 1.50 Lakhs per annum. The New Machine having Conveyor Belt is expected to help in cost cutting measures in the following ways –

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- Improve Productivity of workers by 20%
  - Cut-down Material Wastage by 1%
  - Elimination of services of Supervisors because of automatic facilities of the machine
  - Saving in Packaging Cost by ₹ 1.5 Lakhs.
- Assuming Cost of Capital to be 15%, calculate how many Supervisors should be removed from the production activities to achieve the Target Cost.

(d) Mention the objectives of Customer Relationship Management. **[5+6+5+4]**

4. (a) The production function of a commodity is given by:  $Q = 40x + 3x^2 - \frac{x^3}{3}$

Where q is the total output and x is the unit of input.

- Find the number of units of input required to give maximum output.
- Find the maximum value of marginal product.
- Verify that when the average product is maximum, it is equal to marginal product.

(b) Write a note on Contractual Terms in the context of Interaction of Transfer pricing and Taxation.

(c) 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 at various prices. Which price should the Company select?

(d) Describe the role of Demand in Pricing Decisions. **[6+4+6+4]**

### Section – B

**[Answer any 2 questions from this section]**

5. (a) State the problems are addressed by Supply Chain Management.

(b) Describe about the Recurrent Artificial Neural Network. **[6+4]**

6. (a) "Government can, however, play an important role in examining the economic and social impact of ecommerce technologies and in promoting understanding and application of these technologies throughout Indian industries and communities." – Describe any 5 role of the government.

(b) Explain about the Fuzzy sets in HR Management. **[5+5]**

7. (a) Discuss the potential impact of Computers and MIS on different levels of management.

(b) Mention any six objectives of Management Information Systems. **[7+3]**

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### Section C

[Answer any 2 questions from this section]

8. (a) Describe the Performance-Related measures in the context of Corporate Risk Management.

(b) Explain about the Exchange Rate Risk and Liquidity Risk.

[6+(2+2)]

9. Calculate Altman's Z score using multivariate analysis and assign the firm as failed or non-failed firm.

	₹
Sales	10,00,000
Operating expenses	8,00,000
Interest	6,000
Depreciation	50,000
Tax	15,000

#### Balance sheet

Equity & Liabilities	₹	Assets	₹
Shareholders' Fund: Share Capital at ₹ 10 each Reserve and surplus from retained earnings	1,00,000 50,000	Non Current Assets: Fixed Assets	1,50,000
Non Current Liabilities: 6% long term loan	1,00,000	Current Assets: Inventory	2,00,000
Current Liabilities: Sundry creditors	2,00,000	Sundry debtors	1,10,000
Provision for tax	1,00,000	Loans and Advances	40,000
		Cash at Bank	50,000
	5,50,000		5,50,000

Market value per share is ₹ 8.

[10]

10. Discuss about the Probability of Ruin and Risk Pooling.

[6+4]