

P17_Practice Test Paper_Syl12_Dec13_Set 1

Strategic Performance Management Syllabus-2012 Section -A

[Question 1 and 2 are compulsory and any 3 from the rest]

1. 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.

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Required:

- (i). Describe objectives of Supply Chain Management.
- (ii). Importance of Supply Chain Management.
- (iii). Describe the challenges faced by the company: What were the drivers for change to the supply chain?
- (iv). What are the benefits of change to the supply chain?
- (v). Describe the Whirlpool strategy. [3x5 = 15]

2. Taxmann Allied Services is a leading publisher specializing in books on Indian taxation and corporate laws, accounting and auditing, banking, finance and management. It also prints a vast array of journals, web-based products and legal databases on DVDs.

Until 2012, Taxmann did not have any solution to automate and manage sales or service processes. "Our sales, service and marketing teams managed customer information such as call and comments in a diary or at times in Excel worksheets, based on personal preferences," recalls Sumita Sharma, Head – Customer Care, Taxmann. The result was either duplication or data loss. Disorganized tracking and monitoring made the sales cycle longer than anticipated, thus resulting in a higher cost of sales and poor closure rate.

Taxmann also offers online subscription to journals and books and other content. Previously, if a customer contacted its call center, the representative did not have sufficient information to handle the calls effectively. Even simple issues such as activation, renewal and access, took time to resolve. In addition, there was no provision to log the customer and call details, or record the interaction. "Manual routing of calls, high wait time, and finding the right resources to resolve issues was a challenge. Resolution took 3–7 days, resulting in customer dissatisfaction," says Vishal Gambhir, Team Lead – Customer Care, Taxmann. Sometimes customers would abandon the call due to the long wait time and there was no way to identify repeat callers.

The company wanted a robust and centralized Customer Relationship Management (CRM) solution that would help optimize business processes, effectively plan and track sales activities to shorten the sales cycles, increase closure rates and provide quality services to its customers, thus leading to customer satisfaction.

Taxmann evaluated several CRM solutions available in the market, including Sage, Zoho, Salesforce.Com, Microsoft Dynamics CRM and Sugar CRM.

Taxmann approached Godrej Infotech, a Microsoft Gold Certified Partner to implement the solution because of its experience, expertise and on-time delivery record.

After much analysis, the team opted for the Microsoft Dynamics CRM 2011 solution. "It was imperative that the solution proposed consolidate all of the customer data into a single system and reduces overheads, duplication and rework," says Hemant Savla, Delivery Manager, Godrej Infotech. "At the same time, integration with other existing applications was a must." Out-of-the-box features of Microsoft Dynamics CRM and integration abilities met all Taxman's requirements.

The deployment started in October 2012 and the solution went live in less than five months with all the three modules, Sales, Service and Marketing for 50 concurrent users. In March 2013, Taxmann started using its CRM solution at the head office and its two customer call centers in Delhi. It purchased 50 concurrent user licenses.

Taxmann now defines marketing campaigns, and assigns employees to specific customers. All employees add updates to the CRM solution, for example, sales persons will update leads and

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opportunities in Dynamics CRM. This generates a 360-degree view of the customers. A salesperson can also track a customer's preferences, such as the preferred mode of communication, and the type of information and offers he/she would like to receive. This information helps the marketing team to deliver the right information via the right touch point to the customer. Taxmann develops new strategies based on the information available in Dynamics CRM to cross-sell and up-sell its products and services, thus increasing revenue.

Godrej Infotech also customized and integrated Dynamics CRM with third-party applications to fulfill unique business requirements. "Integration with SMS and email helps us to stay connected with our customers on their mobile phones," says Vishal. Computer Telephony Integration (CTI) routes calls immediately to the technical team to resolve queries. If required, agents escalate the queries from one office to another, thus giving immediate response to customers and ensuring satisfaction. Call wrap-up capability for managing post-call operations in Dynamics CRM, such as adding notes, activity and case management helps the Taxmann management to understand its customers better.

Godrej Infotech configured the master data management, that set the policies, governance and management of the master data. In addition, it integrated Microsoft Dynamics NAV, the ERP solution at Taxmann with Dynamics CRM.

"All the requisition orders and sales orders from Dynamics CRM automatically flow into Dynamics NAV and are added to the master data," states Sunita Singh, ERP Head, Taxmann. For example, an employee can use the customer information that is in Microsoft Dynamics NAV, which is synchronized with Dynamics CRM, to fill in an order form that a salesperson creates in Microsoft Dynamics CRM. "It automatically synchronizes a customer's account, contact, product, sales order and invoice information in both the applications, thus eliminating duplication of data."

The solution also provides meaningful charts and dashboards, culling out useful reports using tools such as SQL Server Reporting Services (SSRS) and SQL Server Integration Services (SSIS – for CTI reports) and creating customized forms for individual customers. Additionally, it offers tools to improve its ability to predict market trends and requirements.

Taxmann plans to integrate its website with the solution in the near future. This will assist in capturing leads and opportunities from the website as well as service requests.

Benefits

Microsoft Dynamics CRM consolidated information in a centralized system giving a precise 360-degree view of every customer. It has effectively mitigated business challenges faced earlier. "We have improved the visibility of information and processes for more predictable and manageable business operations," says Sumita.

- (i) Improves Collaboration
- (ii) Enhances Customer Service
- (iii) Increase in Revenue
- (iv) Increases Efficiency

Required:

- (i) Define the Customer Relationship Management.
- (ii) Describe the objectives of the using of CRM applications.
- (iii) What are problem faces by the Taxmann before implementing the Customer Relationship?
- (iv) What are the steps are taken by the Taxmann to solve the problem.
- (v) What are the facilities getting from implementation of Customer Relationship Management?

[3x5 =15]

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3.(a) The operating performance of the three division of ABC Company for 2012 is as follows:

| Particulars | Division A (₹) | Division B (₹) | Division C (₹) |
|------------------|-------------------|-------------------|-------------------|
| Sales | 38,00,000 | 1,70,00,000 | 2,00,00,000 |
| Operating Profit | 2,00,000 | 5,00,000 | 10,00,000 |
| Investment | 20,00,000 | 62,50,000 | 80,00,000 |

- (i) Using the operating profit margin percentage as the criterion, which is the most profitable division?
 (ii) Using the rate of return on investment as the criterion, which is the most profitable division?
 (iii) Which of the two measures do you think gives the better indication of overall operating performance? Explain your reasoning.
- (b) Explain the objectives of transfer pricing. [(3+2+2)+2]

4. (a) List a few business applications of Activity Based Management.

(b) B manufacturing company sells its product at ₹ 1,000 per unit. Due to competition, its competitors are likely to reduce price by 15%. Bee wants to respond aggressively by cutting price by 20% and expects that the present volume of 1,50,000 units p.a. will increase to 2,00,000. Bee wants to earn a 10% target profit on sales. Based on detailed value engineering the comparative position is given below:

| Particulars | Existing(₹) | Target(₹) |
|----------------------------------|-------------|-----------|
| Direct Material Cost P.U. | 400 | 385 |
| Direct manufacturing labour P.U. | 55 | 50 |
| Direct machinery costs P.U | 70 | 60 |
| Direct manufacturing costs P.U | 525 | 495 |
| Manufacturing Overheads : | | |
| No. of Orders (₹ 80 per order) | 22,500 | 21,250 |
| Testing hours (₹ 2 per hour) | 45,00,000 | 30,00,000 |
| Units reworked (₹100 per unit) | 12,000 | 13,000 |

Manufacturing overheads are allocated using relevant cost drivers. Other operating costs per unit for the expected volume are estimated as follows:

| | |
|------------------------|-------|
| Research and design | ₹50 |
| Marketing and Customer | ₹130 |
| | ₹ 180 |

Required:

- (i) Calculate target costs per unit and target costs for the proposed volume showing break up of different elements.
 (ii) Prepare target product profitability statement. [5+5]

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5 (a) Two firms are competing for business under the conditions so that one firm's gain is another firm's loss. Firm A's pay-off matrix is given below:

| | | | | | |
|---------------|---------------------------|-------------------|---------------------------------|----------------------|---|
| | | No advertising | Firm B Medium advertising | Heavy advertising | |
| Firm A | No advertising | 10 | 5 | -2 |] |
| | Medium advertising | 13 | 12 | 15 | |
| | Heavy advertising | 16 | 14 | 10 | |

Suggested optimum strategies for the two firms and the net outcome thereof.

(b) "Normally when new Investments have the same risk as existing operations, the discount rate applied is the average cost of capital of the operations, If the risk of the new project is greater....." – Explain the above statement. [5+5]

6. (a) Answer any one

(i) A radio manufacturer produces 'x' sets per week at total cost of Rs. $X^2 + 78x + 2500$. He is a monopolist and the demand function for his product is $x = \frac{(600 - p)}{8}$, when the price is 'p' per set show that maximum net revenue is obtained when 29 sets are produced per week what is the monopoly price.

(ii) The demand function for particular commodity is $y = 15e^{-\frac{x}{5}}$ where 'y' is the price per unit and 'x' is the no. of units demanded, determine the price and quantity for which revenue is maximum.

(b) Target customers, Cost of the product, Market position of the firm, Distribution channel policy, Price elasticity of Demand – all are factors influencing the price of a product. Discuss each of the above factors. [5+5]

Section – B

[Answer any one]

7. (a) Explain Technical and operational factors of E-commerce.
- (b) Discuss the term of Data Availability.
- (c) Explain the Statistical Process Control (SPC) methods.
- (d) "The MI is based on the concept of the Production function. This is a function of maximum possible production, with respect to a set of inputs pertaining to capital and labour" – Discuss it.
- (e) After adopting Total Productivity Maintenance, what types of benefit will your organization get?

[6+3+4+4+3]

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8.(a) "It may be useful for development organizations to consider the many issues involved before embarking on an e-commerce initiative, in relation to the organization's mandate, development goals, and organizational structure. The primary issues involved would include: (i) Resource Expansion, (ii) Capital Costs, (iii) Marketing etc" – Discuss the mentioning the three points.

(b) Mentioning the characteristics of Datawarehouse. [12+8]

Section –C

[Answer any one of the following questions]

9. (a) "Risk management process refers to the process of measuring or assessing risk and then developing Strategies to manage risk. In the risk management, the following steps are taken up to minimize the risk"- Discuss the steps which are taken to minimize the risk

(b) There are various Strategic Decisions for Managing Risk. Describe those strategic decisions.

(c) Describe the Asset Liability Management Model in the perspective of Corporate Risk Management. [5+9+6]

10.(a)"Symptoms are interrelated. The classic path to corporate failure starts with the company experiencing low profitability. This may be indicated by trends in the ratios for:

(i) Profit margin,(ii) Return on Capital Expenditure and (iii) Return on Net Assets" – Discuss it.

(b) "Several techniques have been developed to help in prediction why companies fail." – Describe the Altman: Z Score Model in this regard.

(c) Explain the Neural Network (NN) under the Corporate Bankruptcy Prediction Models.

[5+10+5]