Section A

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

Question No. 1 & 2 are compulsory. Answer any two questions from the rest.

1. For more than ten years, Ananda Stores Ltd. was successfully running a number of retail stores selling cosmetics and skin care products. From, next year sales were stagnating and now after a year had started declining. The general manager of the company made enquiries from stores in charge at various location of stores. All of them reported that ladies, particularly the younger generation, were found to be highly discriminating about choice of products. Demand for certain branded items widely fluctuated due to movie artists' performances shown on the TV. The general manager decided to have environmental analysis carried out with a focus on changes in social and cultural factors among urban ladies. On that basis he even thought of recommending to the Board of Directors a complete change in the product lines to be decided.

(i) Do you think the GM was right in his approach regarding environmental scanning?
(ii) What other factors in the environment needed analysis?
(iii) If there was a clear change in the tastes and preferences of buyers of certain products, is it essential for the company to switch over to a different product line? (5+5+5=15)

2. Subas Ltd. is engaged in the production of floral concentrates which have uses in a wide variety of fields from cosmetics to toiletries. At the moment the concentrates are produced and sold to perfume manufacturers, who in turn supply the producers of the ultimate products. The directors of Subas are concerned about the higher profitability at the product end of the trade compared with the production of the concentrates, and ask you to explore the possibilities of vertical expansion.

(i) What is Vertical Expansion? Explain with example.
(ii) In the given case what are the issues to be examined before deciding on vertical expansion? (10+5=15)

3. **(a)** What do you mean by strategic leadership? What are two approaches to leadership style? (2+2+2=6)

(b) Under what conditions would you recommend the use of Turnaround strategy in an organization ? (4)

4. What do you understand by "Strategy"? Explain the four generic strategies as discussed by Glueck and Jauch. (2+8=10)

5. (a) How emergent strategy is different from deliberate strategy? (3)

(b) What is competitor analysis ? (7)

Section B

Question No.1 is compulsory. Answer any two Questions from the rest.

6. A confectioner sells confectionery items. Past data of demand/week in hundred kilograms with frequency is given below:

Demand/week	0	5	10	15	20	25
Frequency	2	11	8	21	5	3

Using the fallowing sequence of random numbers, generate the demand for the next 10 weeks. Also find out the average demand per week.

Random Numbers	35	52	13	90	23	73	34	57	35	83

(8+2=10)

7. **(a)** A company is organized into two divisions. Division X produces a component, which is used by division Y in making a final product. The final product is sold for ₹ 540 each. Division X has a capacity to produce 2,500 units and Division Y can purchase the entire production. The variable cost of Division X in manufacturing each component is ₹ 256.50.

Division X informed that due to installation of new machines, its depreciation cost had gone up and hence wanted to increase the price of component to be supplied to Division Y to ₹ 297. However, Division Y can buy the component from the outside market at ₹270 each. The variable cost of Division Y in manufacturing the final product by using the component is ₹ 202.50(excluding the Component Cost).

Present a statement indicating the position of each division and the company as a whole, taking each of the following situations separately –

(i) If there is no alternative use of production facilities for Division X, will the company benefit, if division Y buys from outside suppliers at ₹270 per component?

(ii) If internal facilities of X are not otherwise idle and the alternative use of the facilities will given an annual cash operating saving of ₹ 50,625 to division X, should Division Y purchase the component from outside suppliers?

(iii) If there is no alternative use of the production facilities of Division X and selling price for the component in the outside market drops by ₹ 20.25, should Division Y purchase from outside suppliers?

(iv) What Transfer price (s) would you fix for the component in each of the above circumstances?" (4x3=12)

(b) Four Products A, B, C and D have ₹5, ₹7, ₹3 and ₹9 profitability respectively.
First type of material (limited supply of 800 kgs.) is required by A, B, C and D at 4 kgs., 3 kgs., 8 kgs., and 2 kgs., respectively per unit.
Second type of material has a limited supply of 300 kgs., and is for A, B, C and D at 1 kg., 2 kgs., 0 kg. and 1 kg. per unit. Supply of other type of materials consumed is not limited. Machine hrs. available are 500 hrs and the requirement are 8, 5, 0, 4 hours for A, B, C and D each per unit.
Labour hours are limited to 900 hours and requirements are 3, 2, 1 and 5 hours for A, B, C and D respectively.
How should the firm approach so as to maximize its profitability? Formulate this as a linear programming problem. You are not required to solve the LPP. (4)

(c) List out ten steps of quality improvement as has been conceptualized by Philip Crosby. (4)

8. **(a)** A review, made by the top management of XYZ Ltd., (which makes only one product), of the result of the first quarter of the year revealed the following:

Sales (in units)	10,000
Loss	₹ 10,000
Fixed cost (for the year ₹ 1,20,000)	₹30,000
Variable cost/unit	₹8.00

The Finance Manager, who feels perturbed, suggests that the company should at least break-even in the second quarter with a drive for increased sales. Towards this, the company should introduce better packing, which will increase the cost by Re. 0.50 per unit.
The Sales Manager has an alternative proposal. For the second quarter, additional sales promotion expenses can be increased to the extent of ₹ 5,000 and a profit of ₹5,000 can be aimed at during the period with increased sales.
The production Manager feels otherwise. To improve the demand, the selling price/ unit has to be reduced by 3%. As a result, the sales volume can be increased to attain a profit level of ₹ 4,000 for the quarter.
The Managing Director asks you, as a Cost and Management Accountant, to evaluate the three proposals and to calculate the additional sales volume that would be required in each case, in order to help him to take a decision. (10)

(b) Write short notes on: (Any two) (5+5)

a. Value Analysis
b. Supply Chain Management
c. Enterprise Risk Management

9. SV Ltd. manufactures a single product. The selling price of the product is ₹95 per unit. The following are the results obtained by the Company during the last two quarters –

Particulars	Quarter 1	Quarter 2
Sales	5,100 units	4,300 Units
Production	5,500 Units	4,500 Units
Direct Materials A	₹66,000	₹54,000
B	₹55,000	₹45,000
Manufacturing Wages	₹1,56,750	₹1,38,000
Factory Overheads	₹86,000	₹83,000
Selling Overheads	₹79,000	₹73,000

The Company estimates its sales for the next quarter to range between 5,500 units and 6,500 units, the most likely volume being 6,000 units. The manufacturing programme will match with the sales quantity such that no increase in inventory of Finished Goods is contemplated in the next quarter. The following price and cost changes will, however, apply to the next quarter –

- The price of direct Material B will increase by 10%. There will be no change in the price of direct material A.
- The wage Rates will go up by 8%. If the production volume increases beyond 5,500 units, overtime of 50% is payable on the increased volume due to overtime working to be done by the variable labour component.

- The Fixed Factory and Selling Expenses will increase by 20% and 25% respectively.
- A discount in the selling price of 2% is allowed on all sales made at 6,500 units level of output. The selling price, however, will remain unaltered, if the volume of output is below 6,500 units. While operating at a volume of output of 6,500 units in the next quarter, the company intents to quote for an additional volume of 2,000 units to be supplied to a Government Department for its captive consumption. The Working Capital requirement of this order is estimated at 80% of the sales value of the Government order. The Company desires a return of 20% on the Capital Employed in respect of this order.

Required:

(i) Prepare a Flexible Budget for the next quarter at 5,500; and 6,500 units levels and determine the profit at the respective volume.

(ii) Calculate the lowest price per unit to be quoted in respect of the Government order for 2,000 units. (12+8=20)