

PG Even Semester (CBCS) Exam., April—2019

BUSINESS ADMINISTRATION

(4th Semester)

Course No. : FM-3108/MM-3211/
HR-3308/OM-3407

Full Marks : 70
Pass Marks : 28

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

Candidates have to answer *either* from
Option—A or Option—B or Option—C or Option—D

OPTION—A

Course No. : FM-3108

(WORKING CAPITAL MANAGEMENT)

1. (a) “Working capital is one of the sources of funds a firm can use to finance its financial need for operation.” Explain the statement with suitable example. 4

(b) From the following information of Bharat Industries Ltd., calculate—

- (i) net operating cycle period;
(ii) number of operating cycle in a year : 5×2=10

1. Raw materials inventory consumed during the year—₹ 6,00,000
2. Average stock of raw materials—₹ 50,000
3. Work-in-progress inventory—₹ 5,00,000
4. Average work-in-progress inventory—₹ 30,000
5. Finished goods inventory—₹ 8,00,000
6. Average finished goods stock held—₹ 40,000
7. Average collection period from debtor—45 days
8. Average credit period availed—30 days
9. No. of days in a year—360 days

OR

2. (a) “Working capital management entails the control and monitoring of all components of working capital.” Throw light with special reference to the issues involved in the working capital management. 5

(b) The following information is available in respect of Ganapati Ltd. :

Stock Holding :

- Raw material—1 month
Work-in-progress—15 days
Finished goods—1 month

(3)

Average collection period from
debtors—2 months
Time lag in payment of bills—45 days

Calculate—

- (i) cash cycle;
- (ii) no. of cash cycle in a year assuming a 360-day year;
- (iii) average working capital required, if annual cash operating expenses are ₹ 90 lakhs. 3×3=9

3. (a) “If the main goal of a firm is to distribute profit to investors, why do they choose to hold cash?” Elaborate. 6

(b) Calculate the average investment in inventory, assuming a 360-day year for Ambika Enterprise on the basis of the following information provided by the company in each case : 2×4=8

- (i) The firm has sales of ₹ 60 crores, a gross margin of 15 percent and an inventory turnover ratio of 10
- (ii) The firm has a cost of goods sold figure of ₹ 54 crores and an average age of inventory of 10 days
- (iii) The firm has a cost of goods sold figure of ₹ 120 crores and an inventory turnover ratio of 60

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(4)

(iv) The firm has sales figure of ₹ 150 crores, a gross profit margin of 20 percent and an average age of inventory of 15 days

OR

4. (a) Compare and contrast Baumol’s approach with Miller and Orr model of cash optimization. 6

(b) Hindusthan Machine Tools expects to have ₹ 25,00,000 in cash outlays for next year. The firm believes that it will face an opportunity interest rate of 12.5 percent and will incur a cost of ₹ 150 each time it borrows (or withdraws). Cash outlays are expected to be steady over the year.

- (i) What is the optimal borrowing or withdrawal lot size?
- (ii) What is the total cost for the use of cash needed for transactions demand?
- (iii) What will be the cash cycle for the firm?
- (iv) What will be the average cash balance for the firm? 2×4=8

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(Continued)

5. (a) "Commercial firms financing clients face some exposure to credit risk." Elaborate the statement on the basis of the factors influencing the evaluation and management of trade credit risk. 7

(b) Diamond Pipes has annual sales of ₹ 24,00,000. The selling price per unit is ₹ 10 and the variable cost is 70% of the selling price. Required return on investment for Diamond is 20%. Average cost is ₹ 9 per unit. Annual collection expenditure is ₹ 50,000 and percentage of default is 3%. Credit terms are two months. Diamond is considering the change in credit policy either by following Programme A or Programme B :

	Programme—A	Programme—B
Average collection period	One and half month	One month
Annual collection expenditure	₹ 75,000	₹ 1,50,000
Percentage of default	2%	1%

Determine which collection programme Diamond Pipes should follow. 7

OR

6. (a) "Trade receivables are a large investment, and as such they need to be adequately financed." Discuss any two mechanisms that allow firms to specifically finance their investment in clients. 7

(b) Oswal Electronics is attempting to evaluate whether it should ease collection. The firm repairs 7200 radio sets per year at an average price of ₹ 340 each. Bad debt expenses are 1 percent of receivables, and collection expenditures are ₹ 40,000. The average collection period is 40 days, and the variable cost per unit is ₹ 300. By easing the collection efforts, Oswal expects to save ₹ 25,000 per year in collection expenses. Bad debts will increase to 2 percent of receivables, and the average collection period will increase to 60 days. The repair business will increase by 1000 radio sets per year.

If the firm has a required rate of return on equal risk investment of 24 percent, what recommendation would you give to the firm? 7

(7)

7. (a) Discuss the EOQ model of optimum inventory management. 5
- (b) A firm has a ₹ 1,000 per year carrying cost (including cost of financing), on each unit of inventory, an annual usage rate of 40000 units, and an ordering cost of ₹ 2,000 per order. Ignore any potential stock out cost.
- (i) Calculate the economic order quantity for the firm.
- (ii) What would be the total annual inventory costs of the firm if it orders in this quantity?
- (iii) If the firm gets a quantity discount of ₹ 0.10 per unit and if the firm orders in lots of 500 units, should the firm take the quantity discount? 2+3+4=9
8. Write a detailed note on the different types of money market instruments available for making investment in Indian securities market. Discuss the role of money market instruments for liquidity management. 10+4=14

(8)

OPTION—B

Course No. : MM-3211

(INTEGRATED MARKETING COMMUNICATION)

1. Define integrated marketing communication. Discuss the role of advertising and promotion in integrated marketing communication. 4+10=14

OR

2. What do you mean by promotional mix? Explain the various promotional elements along with their strengths and weaknesses. 6+8=14
3. Hotel InterContinental, Kuala Lumpur, formerly Nikko Hotel, officially relaunched its brand, whereby the rebranded hotel underwent an 18-month refurbishment for the rooms, restaurants and other facilities. Global efforts to create awareness on the rebrand included utilizing InterContinental Hotel Group's network of 4500 hotels across the world through its brand Web site and priority club guests, as well as placing advertisements in key locations such as New York, Singapore, Hongkong and

Australia. On the domestic side, the hotel roped in the help of taxi associations to spread the word via taxi drives through a word-of-mouth on-ground initiative. Around 15000 taxi drivers were involved in spreading the word on InterContinental through their two-way radio as well as the operators behind the radio.

(a) Discuss the various marketing communication techniques that could have been used by the hotel to spread their word-of-mouth message. 7

(b) List out the different communication appeals that may be used by the hotel for the rebranding exercise. 7

4. Define message source. Describe in detail the basic categories of message source attributes. 4+10=14

OR

5. "Structure of a persuasive message can influence its effectiveness." Discuss the various elements that should be taken into consideration while designing the structure of the message. 14

6. Define media planning. Describe the activities involved in developing the media plan. 4+10=14

OR

7. Compare and contrast the creative tactics used for print media and TV advertisements. 14

8. The proxy war between the brands, Rin and Tide of detergent category of the multinational giants HUL and P&G that commenced in December 2009 has entered into non-price to price war, promotion war, brand war, legal war on several fronts, unethical practices war, flouting of Advertising Standards Council of India (ASCI) rules, war to denigrate and outwit each other, open war and indeed what not in a 'guerrilla marketing' way. HUL believed it was compelled to create the comparative advertisement due to Tide Natural's (P&G) claims in its launch advertisement.

(a) Highlight the ethical standards suggested by ASCI to be followed in advertising campaigns. 7

(b) What effects do these comparative ads have on consumers? Are the brands capable of validating their claims as made in the advertisement? 7

(11)

OPTION—C

Course No. : HR-3308

**(ORGANIZATIONAL DEVELOPMENT AND
CHANGE MANAGEMENT)**

1. (a) What do you mean by change? Explain the different types of change. 3+4=7
(b) "People resist change for the sake of resistance." Comment. 7
 2. Discuss the various theories of change management. 14
- OR**
3. (a) What do you mean by organizational subsystems? Prepare an illustrative list of organizational subsystems. 2+5=7
(b) Define organizational process. Draft an illustrative list of organizational processes for a complex organization. 2+5=7
 4. (a) "The focus of OD is on organization and making the functions better, that is, on total system change." Elaborate and comment. 7

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- (b) Distinguish between 'organizational development' and 'organizational transformation'. 7

OR

5. Describe on the organizational restructuring strategies and discuss the new perspective on organizational design. 14
6. Toyota India located in Pune had experienced the crisis of confidence and morale of work groups. The divisional head of Toyota India on 2018 called his subordinate Masatoshi a head of HR of Toyota India, solicited the immediate advice. Masatoshi in response drafted a consultation plan with a proposal to engage external consultants. The divisional head of Toyota India agreed to engage consultants for organizational development. Accordingly, the consultants too came into engagement contract and diagnosed various areas of organizational processes, they are—
 - (i) intergroup process;
 - (ii) group problem solving;
 - (iii) group decision making;
 - (iv) communication;

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- (v) group norms and growth;
- (vi) functional roles of group members;
- (vii) leadership and authority.

By the proposed actions of consultants, the divisional head was quite unhappy and showed a poker face to the consulting group. But, the HR head was happy to get the proposal of consultants. As because Masatoshi understands the nitty-gritty of the problems in the Toyota India, Pune Division. He consulted with the divisional head and consoled that the solution will be sure, the consultants are credible by their proposal. The Head of Toyota India and Masatoshi finally examine the process problems with the help of consulting group.

- (a) What about is the case? 4
- (b) Why was the divisional head dissatisfied on the proposal of consultants? 4
- (c) If consultants will accept the engagement proposal, 'what will they exactly do'? Explain. 6

OR

7. Write short notes on any *two* of the following : 7×2=14

- (a) Lewins Model of Change
- (b) Human Processes in Organization
- (c) Reengineering
- (d) OD Evaluation

8. Mitsubishi has often been referred as the gold standard of automative industry. In the first quarter of 2007, Mitsubishi overtook General Motor Corporation in sales for the first time as the top automative manufacturer of the world. Mitsubishi reached success because of its exceptional reputation for quality and customer care. Despite the global recession, the Mitsubishi witnessed the 8 million vehicles sales due to unintended acceleration. How could this happen to a company known for its own quality and structured to solve problem as soon as they arise. To examine this further, one has to understand about Mitsubishi Production System (MPS).

MPS is built on the principle of 'just-in-time' production. In other words, raw materials

and supplies are delivered to the assembly line at the time they are to be used. MPS helps in empowerment of employee in front lines, assembly lines, workers, manufacturing lines when they see a problem.

However, during the 1990s, Mitsubishi began to experience rapid growth and expansion. With this success, the organization became more defensive and protective of information. Expansion constrained the resources across the organization and slowed response time. Mitsubishi's CEO, the grandson of its founder, has conceded 'Quite Frankly' I fear the pace at which we have grown may have been too quick. Vehicle recalls are new to Mitsubishi; after defects were found in the Company's Lexus Model in 1989, Mitsubishi created teams to solve the issue quickly, and in some cases, the company went to customer's home to collect the cars. The question on many people's mind is, how could a company whose success was built on its reputation for quality have had such failure? What is all more puzzling is that brake problems in vehicles apparent. In 2009, but only after being confronted by United States transportation Secretary,

Mitsubishi issuing recalls in the United States too. And during the early months of the crisis, Mitsubishi's top leaders were all but missing from public sight.

The organizational structure of Mitsubishi may give up some insight into handling the crisis and idea for the most effective way for the company to move forward. A conflict, such as this has the ability to paralyze productivity but if dealt with constructively and effectively, can present opportunities for learning and improvement. Companies such as Mitsubishi that have rigid corporate culture and a hierarchy of seniority are at risk of reacting to external threats slowly. It is not uncommon that individuals feel reluctant to pass bad news up to the chain within a family company such as Mitsubishi. The Board of Directors is composed of 29 Japanese men, all of whom are Mitsubishi insiders. As a result of its centralized power structure, authority is not delegated within the company : all US executives are assigned a Japanese Boss to mentor them, and no Mitsubishi executive in US is authorized to issue recall. Most information flow is one-way, back to Japan where decisions are made.

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Will Mitsubishi turn its recall into an opportunity for increase participation for its international manufacturers? Will decentralization and increased transparency occur? Only time will tell.

- (a) What changes in organization facets of the P-O-L-C framework might make at Mitsubishi to prevent future mishaps like the massive recalls related to brake and accelerator failures? 3
- (b) Do you think Mitsubishi's organizational structure and norms are explicitly formalized in rules, or do norms seem to be the more inherent in the culture of organization? 4
- (c) What are pros and cons of Mitsubishi's organization structure? 7

(18)

OPTION—D

Course No. : OM-3407

(ENTERPRISE RESOURCE PLANNING)

1. What is enterprise resource planning? Mention the ERP performance outcomes with examples. 6+8=14

OR

2. What is Material Requirements Planning (MRP)? How does MRP differ from MRP-II and ERP? Discuss. 6+8=14
3. Cadbury is 123-year-old confectioner currently owned by American Snack Foods Conglomerate Mondelez International. The company was on an accelerated growth track while facing problems meeting its production and distribution requirements. Subsequently SAP was engaged to resolve these concerns. Along with other significant changes triggered by the ERP implementation; multimode resources management was extended throughout its supply chain, along with a complete revamping of existing warehouse and distribution process. The consequent impacts afforded Cadbury an opportunity to reduce overall operating costs,

while its newly engaged supply chain, produced significantly better production efficiencies throughout its manufacturing chain. For ERP implementation to really payoff there is a need to see improvement in key areas. A through requirements gathering effort during the selection phase is therefore essential.

Discuss and indicate the key areas in a manufacturing concern influenced by ERP. 14

- 4. How does ICT facilitate ERP? Describe the elements of business process reengineering. 7+7=14

OR

- 5. Describe the ERP system design phases. 14
- 6. As an enormous international candy maker, Nestle, SA headquartered in Konicki, Switzerland, had harbored a goal of integrating ERP across all three of its operating companies Nestle SA, Nestle UK and Nestle USA. The later operation had been working toward complete initiation. By the turn of the millennium its management finally decided that a holistic reapproach to its business requirements were in order. Consequently, this effort paid dividends that allowed SAP to finally get the \$ 200 million job done.

Ultimately, positive business impacts included the consolidation of an outdated accounting structure, better and more efficient communication throughout its supply chain and a much more confident workforce. Integration across different sites requires a lot of up front effort, but it pays off in the long run.

How did SAP integrate the complex processes? Discuss the phases of implementation of the module of ERP. 14

- 7. Discuss in brief the materials management module of SAP system. 14

OR

- 8. Write short notes on the following : 7+7=14
 - (a) ERP packages
 - (b) Customized ERP solution

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