

PG Even Semester (CBCS) Exam., April—2017

BUSINESS ADMINISTRATION

(4th Semester)

Course No. : MBAEC-405

Full Marks : 70

Pass Marks : 28

Time : 3 hours

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

Candidates are to answer *either* FM-3108 or
MM-3211 *or* HR-3308

Course No. : FM-3108

(WORKING CAPITAL MANAGEMENT)

Answer **all** questions

1. (a) Discuss the profitability versus risk trade-offs associated with alternative levels of working capital investment. 4

- (b) The cost sheet of POR Ltd. provides the following data :

	Cost per unit (₹)
Raw Materials	50
Direct Labour	20
Overheads	
(including depreciation of ₹ 10)	<u>40</u>
Total Cost	110
Profits	<u>20</u>
Selling Price	<u>130</u>

Average raw material in stock is for one month. Average materials in work-in-progress is for half month. Credit allowed by suppliers—one month; Credit allowed to debtors—one month; Average time lag-in-payment of wages—10 days; Average time lag-in-payment of overheads—30 days. 25% of the sales is on cash basis. Cash balance expected to be ₹ 1,00,000. Finished goods lie in the warehouse for one month.

You are required to prepare a statement of the working capital needed to finance a level of the activity of 54000 units of output. Production is carried on evenly throughout the year and wages and overheads accrue similarity. State your assumptions, if any, clearly. 10

OR

2. (a) Define and describe the difference between operating cycle and cash conversion cycle for a typical manufacturing company. 4
- (b) Atul Textiles has forecasted its total fund requirements for the coming year as follows :

Month	Amount (₹)	Month	Amount (₹)
January	54,00,000	July	62,00,000
February	55,00,000	August	56,00,000
March	60,00,000	September	65,00,000
April	62,00,000	October	58,00,000
May	53,00,000	November	70,00,000
June	50,00,000	December	53,00,000

- (i) Divide the firms monthly funds requirements into a permanent and a seasonal component, and find the monthly average for each of these components.
- (ii) Describe the amount of long-term and short-term financing that is used to meet the total funds under (1) the aggressive strategy and (2) the conservative strategy. Assume that under the aggressive strategy, long-term funds finance permanent needs and short-term funds are used to finance seasonal needs.

- (iii) Assume short-term funds cost 10 per cent annually and long-term funds cost 15 per cent annually. Use the average in (i) to calculate the total cost of each of the strategies describe in (ii).
- (iv) Discuss the profitability risk trade-offs associated with the aggressive strategy and the conservative strategy. 10

3. (a) Discuss the motives that a company may have for holding liquid assets. 4
- (b) R. J. Mahajan, financial manager of the AMC Services, has been keeping the firm's fund in First Growth Fund (FGF) a money market fund that pays 8% on deposits and has no charge for withdrawals. Mahajan has found another fund, Grand Growth Fund (GGF), that pay 10.5% on deposits but has a ₹ 200 fee for withdrawal of any size. AMC Services has annual cash disbursements of ₹ 4 crore. Mahajan is considering establishing an account with GGF, transferring funds to FGF only occasionally, and using the FGF Account to handle daily transaction.
- (i) Using 360 days a year, find the daily disbursement of funds.

(5)

- (ii) When Mahajan makes a transfer, what size of the transfer be?
- (iii) How often should Mahajan make transfer?
- (iv) If Mahajan does not change to GGF, what will be his average balance in the FGF (assuming the ₹ 4 crore for disbursements is available at the beginning of the year)? What annual interest will this account earn?
- (v) If Mahajan establishes the GGF Account, what will be his average balance and annual interest from FGF?
- (vi) What will be the average balance and the annual interest from GGF?
- (vii) What is the marginal value of establishing the GGF Account? 10

OR

4. (a) Contrast the Baumol model on time pattern of cash flows assumed with Berasuk model. 7
- (b) Calculate what the average investment in inventory, assuming 360 days a year, for Zisuo Enterprize on the basis

(6)

of the following information provided by the company in each case : 7

- (i) The firm has sales of ₹ 60 crore, a gross margin of 15% and an inventory turnover ratio of 10
- (ii) The firm has a cost of goods sold figure of ₹ 54 crore and an average age of inventory of 10 days
- (iii) The firm has a cost of goods sold figure of ₹ 120 crore and an inventory turnover ratio of 60
- (iv) The firm has sales figure of ₹ 150 crore, a gross profit major of 20% and an average age of inventory of 15 days

5. (a) Identify some of the costs associated with accounts receivable and give example of each type of cost. 4

- (b) ABC Ltd. 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 rate on investment for ABC Ltd. is 20%. Average cost is ₹ 9 per unit. Annual collection expenditure is ₹ 50,000 and percentage of default is 3%. Credit terms are 2 months. ABC Ltd. is considering the

change in credit policy either by the following programme A or programme B :

	Programme—A	Programme—B
Average Collection Period	1½ months	1 month
Annual Collection Expenditure	₹ 75,000	₹ 1,50,000
% of default	2%	1%

Determine which collection programme ABC Ltd. should follow. 10

6. (a) What is the purpose of holding inventory? 5
- (b) Name the several types of inventory and describe their purpose. 4
- (c) Gupta Sportswear Company sells 750 ski parkar each year; which it purchases for ₹ 25 each. It costs Gupta Sportswear ₹ 6 to place an order for parkar and 10% to carry them in inventory.
- (i) What is Gupta Store's economic order quantity for parkar and how many orders should it place each year?
- (ii) What is the value of Gupta's average parkar inventory?
- (iii) What is the total cost of his inventory policy? 5

OR

7. (a) What are the risk-return tradeoffs associated with inventory management? 7
- (b) Bharat Paint Company uses 60000 gallons of pigment per year. The cost of ordering is ₹ 400 per order and the cost of carrying the pigment in inventory is ₹ 2 per gallon per year. The firm uses pigment at a constant rate every day throughout the year.
- (i) Calculate the EOQ.
- (ii) Calculate the total cost of the plan suggested by EOQ.
- (iii) Determine the total number of orders suggested by this plan.
- (iv) Assuming that it takes 20 days to receive an order once it has been placed, determine the reorder point in terms of gallons of pigments by using 360 days a year. 7
8. (a) What features of Commercial Paper make it attractive to money market investors? 7
- (b) A money market instrument with 60 days to maturity has a quoted ask price of 99, meaning ₹ 99 per ₹ 100 face value. What are the banker's yield, the bond equivalent yield and the effective annual return? 7

Course No. : MM-3211

(INTEGRATED MARKETING COMMUNICATION)

Answer **all** questions

1. Several multinational organizations have used IMC for their products. Examples of successful IMC campaigns by advertising agencies in recent past include McCann Erickson India for General Motors and the launch of Virgin Atlantic, FCB Ulka for the launch of TATA Indigo. Percept for Reid and Taylor and Hero Honda Ambition, and Rediffusion Y&R for Daikin Air-conditioners.

The TATA Indigo launch is a classic example of a successful Integrated Marketing Communication (IMC) campaign. The campaign repeated a uniform message of 'comfort and luxury' across all leading media platforms including print, electronic and digital. Even the invitation card of the product launch event carried the visual of the armchair signifying comfort and luxury. While TATA officials admit that the campaign proved to be highly successful, it nevertheless required a very high level of coordination to ensure that the key message was effectively adapted across all media. One had to take care of various considerations. For example, the visual of an armchair may look good on print, but one had to think

about other media . Such as banners and Web site ads as well utilizing the key elements of the message across the media platforms was an uphill task and successfully projecting a uniform image across the leading media has worked wonders for the TATA Indigo brand.

Questions :

- (a) According to TATA Officials, the campaign called for a high level of coordination. Make a list of the activities necessary to integrate the different elements of the key message and adapt it for various media. 7
- (b) Though India has witnessed various successful IMC campaigns in recent past, do you think it is possible to launch IMC campaigns for all products? Give reasons for your answer. 7
2. Discuss the role of direct marketing as an Integrated Marketing Communication (IMC) tool with emphasis on the various forms of direct marketing. 14

OR

3. What is DAGMAR? Explain how marketers might use DAGMAR in establishing objectives. What are some of the problems associated with the use of DAGMAR? 2+5+7=14

4. Differentiate between rational and emotional advertising appeals. Discuss the factors that would lead to the use of rational appeal over the emotional appeal. 7+7=14

OR

5. What do you mean by the source credibility components of expertise and trust worthiness? Give an example of an advertisement or other form of marketing communications that uses these source characteristics. 10+4=14
6. "Media planning involves a trade-off between reach and frequency." Explain the statement and give examples of when reach should be emphasized over frequency and vice-versa. 14

OR

7. Discuss the specific duties and responsibilities of an advertising manager under a centralized advertising department structure. Why might a company choose to use a creative boutique rather than a larger full service agency? 7+7=14
8. Marketers are increasingly working with small or specialist agencies to augment, replace or multiply their options. Strawberry Frog's Global Campaign, 'Spark the Rise' for

Mahindra and Mahindra and Scarecrow's Campaigns for Danone and Nestle are some of the memorable campaigns that were undertaken not by huge agencies, but small creative boutiques/hotshops whose founders started out on their own after quitting big agencies.

Those creative hotshops are also encouraged by the success of other small agencies such as Taproot India and Creative Land Asia (CLA) as well as an increasing trend among big brands to work with multiple creative agencies a chance to grab big accounts. For example, CLA, a 5-year-old independent agency, has recently rolled out the relaunched Avtar of Cinthol, the 60-year-old brand from the Godrej Group. Earlier in the year, CLA created a buzz with an integrated campaign—press, television, social media, outdoor, web—for luxury car maker Audi. Law and Kenneth, another agency handled the rebranding for Hero Moto Corp after it ended a joint venture with Honda of Japan.

Some experts feel this trend is here to stay. There has also been the trend of project-based mandates to smaller agencies. Increasingly, creative hotshops are sought more for their innovative output and out-of-box thinking. Considering the clutter

in the marketing space, clients are looking for quick impact, which perhaps a unique project undertaken by a boutique can deliver. The market has also changed. A 50-year-old brand cannot depend on the communication strategy it had 30 years ago as consumers and markets are no longer the same. What matters most for agencies though is delivering results. If the big agencies can break free of their established approaches and provide path-breaking creative ideas, they stand a better chance of retaining their clients, despite the presence of the hotshops, and what's more can offer a wider variety of services under one roof.

Questions :

- (a) Do you think the phrase 'small is creative' spells doom for big ad agencies? Give reasons for your answer. 7

- (b) Since most creative hotshops are small, specialist agencies, how effective do you think they can be incoming up with an integrated marketing campaign—one that requires a large range of skills and known how? 7

Course No. : HR-3308

(ORGANIZATIONAL DEVELOPMENT AND CHANGE MANAGEMENT)

Answer **all** questions

1. John is leading a project to implement an online benefits management portal to enable employees to have a 'one stop' location to view their health and dental benefits, get answers to benefits—related questions, and enable for changes to be made to health benefit coverage.

The requirements were gathered over two weeks time period at the start of the project. The project is near completion the portal has been developed by the IT/Application Development Group. It has been tested and will be rolled out early next week. John was approached by a member of the senior leadership team who suggests that it would be of value to add in a components so that employees can also manage their compensation and salary.

John have had such an experience with this senior leadership team stakeholder in the past. Specially, he has asked for additional scope for projects at the last minute and has been insistent about getting his requirements and included, regardless of the cost. In nearly each situation, the project has not

(15)

been successful and John has had to answer to the fact that the project was not successful.

Questions :

- (a) How could John manage this stakeholder? 5
- (b) How should John avoid this situation in the future? 5
- (c) Frame the title of the case considering problems stated above. 4

2. What is planned change? Explain in brief on the general model of planned change. Explain the problems those normally encountered in the process of planned change. 2+6+6=14

OR

3. Who is an OD practitioner? Prepare a brief statement of key competencies of an OD practitioner. What are the roles of an organizational development (OD) professionals? 2+6+6=14
4. Explain the various models of OD diagnostics. 14

OR

5. What do you mean by OD interventions? Distinguish between Human Process Intervention and Human Resource Management Intervention. 4+10=14

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(Turn Over)

(16)

6. Define structural design, downsizing and reengineering. Explain in brief the utility of functional structure and matrix structure in the process of structural design for organizational development. 6+8=14

OR

7. Define organizational transformation and transformational change. Explain in brief on the characteristics of transformational change. 4+10=14

8. Analyze the case and answer the questions below :

The Swedish Company, Shatal Asea Corp, is a global company that makes on markets electrical power generation and transmission equipment, high speed trains, automation and robotics and control system. The company has over 200000 employees that are led by 250 senior managers. When formed by the merger of the Norwegian Asea and Swiss Firm Shatal in 1987, one of the key strategies was to move power from the centre to its operating companies. The head office staff with a matrix management structure world wide. Several layers of middle management were stripped out, and directors from the central

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(Continued)

headquarters were moved into regional coordinating companies. The company was split into 1400 smaller companies and around 5000 profit centers functioning as closely as possible to independent arrangement was introduced where every one in the company had a country manager and a business sector manger and about 65 global managers ran the 8 business sectors.

Questions :

- (a) How can the company Shatal Asea Corp? Which needed to downsize, recognize and overcome its knowledge loss? 4
- (b) How firms can successfully gain employee support to identify and record knowledge when they know that the intent is to then farewell those knowledge donors? 4
- (c) What skills are required for an organization like Shatal Asea Corp undergoing merger, acquisition and downsizing to successfully manage change? 6

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