



# SPOM SET -B

# SCPM COMPILER

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CA Aspirant

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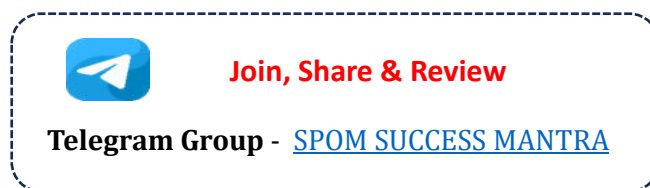
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Vandana Dahiya

VANDANA

S. No.	<h2 style="margin: 0;">Chapter 1: Case Study</h2>		
<b>1</b>	<p>DEF Ltd. is a company operating in the consumer electronics industry. The strategic management team at DEF Ltd. uses Porter's Five Forces Model to analyze the competitive environment and to develop strategies for maintaining its market position. The analysis covers:</p> <p><b>Threat of New Entrants:</b> The industry has high barriers to entry due to significant capital investment requirements and strong brand loyalty among consumers.</p> <p><b>Bargaining Power of Suppliers:</b> There are few suppliers of critical components, giving suppliers considerable power over prices.</p> <p><b>Bargaining Power of Buyers:</b> Buyers have a moderate amount of power due to the availability of alternative brands and the increasing access to market information.</p> <p><b>Threat of Substitute Products:</b> The threat is high due to rapid technological advancements and the availability of alternative electronic products.</p> <p><b>Industry Rivalry:</b> Competition is intense among existing players, with aggressive marketing and frequent product innovations.</p>		
	Questions	Answers	Reasons
	Which of the following factors is considered under the "Threat of New Entrants" in Porter's Five Forces Model? a) High bargaining power of suppliers b) Significant capital investment requirements c) Availability of substitute products d) Intense competition among existing players	b) Significant capital investment requirements	High capital investment requirements create barriers to entry, making it difficult for new firms to enter the market.
	What effect does the high bargaining power of suppliers have on DEF Ltd.'s operations? a) It increases the threat of new entrants b) It decreases the bargaining power of buyers c) It puts upward pressure on production costs d) It reduces the intensity of industry rivalry	c) It puts upward pressure on production costs	High bargaining power of suppliers means that they can demand higher prices for their components, increasing DEF Ltd.'s production costs.
	Why is the threat of substitute products considered high for DEF Ltd.? a) Due to strong brand loyalty among consumers b) Because of rapid technological advancements c) Because suppliers have considerable power d) Due to high barriers to entry	b) Because of rapid technological advancements	Rapid technological advancements lead to the development of alternative electronic products that can replace DEF Ltd.'s offerings.
	What is the primary reason for intense industry rivalry in the consumer electronics market as faced by DEF Ltd.? a) High barriers to entry b) Few suppliers of critical components c) Aggressive marketing and frequent product innovations d) Availability of alternative brands	c) Aggressive marketing and frequent product innovations	Intense rivalry is characterized by aggressive marketing strategies and frequent product innovations, leading to strong competition among existing players.
	Which of the following strategies can DEF Ltd. use to mitigate the threat of new entrants? a) Establishing strong relationships with suppliers b) Enhancing brand loyalty through marketing c) Reducing production costs to increase margins d) Developing substitute products	b) Enhancing brand loyalty through marketing	By enhancing brand loyalty, DEF Ltd. can create a stronger customer base that is less likely to switch to new entrants.
	How does moderate bargaining power of buyers impact DEF Ltd.? a) It allows DEF Ltd. to increase prices without losing customers b) It forces DEF Ltd. to focus on customer satisfaction and competitive pricing c) It reduces the need for marketing and innovation d) It increases the power of suppliers	b) It forces DEF Ltd. to focus on customer satisfaction and competitive pricing	Moderate bargaining power of buyers means that DEF Ltd. must maintain competitive prices and high customer satisfaction to retain its market share.
<b>2</b>	<p><b>A company has four products S, P, A, N with different tag lines:</b>  <b>S-</b> "Why pay more when you can pay less"  <b>P-</b> Slogan related to sustainability &amp; environment  <b>A-</b> "Safety first!"  <b>N-</b> "You get what you pay for"</p>		
	Questions	Answers	Reasons
	Which product relates to cost leadership? a) Product P b) Product A c) Product S d) Product N	c) Product S	The tagline "Why pay more when you can pay less" indicates a cost leadership strategy focused on providing lower-priced products.
	Which product is likely to be marketed as a premium product with an emphasis on quality and value? a) Product S b) Product P c) Product A d) Product N	d) Product N	The tagline "You get what you pay for" suggests that Product N is positioned as a high-quality, premium product, implying a differentiation strategy based on quality.

Which product emphasizes a differentiation strategy based on environmental sustainability? e) Product S f) Product P g) Product A h) Product N	<b>b) Product P</b>	<b>The slogan related to sustainability and environment for Product P aligns with a differentiation strategy focusing on environmentally friendly products.</b>
i) Which product emphasizes safety as its primary differentiating factor? a) Product S b) Product P C) Product A D) Product N	<b>c) Product A</b>	<b>The tagline "Safety first!" indicates that Product A differentiates itself based on its focus on safety features.</b>
<b>3</b> <b>Coal Pro Ltd. is a leading company involved in the mining and production of coal. The company operates in a highly regulated industry with significant capital investments required for exploration and mining operations. Below is a detailed analysis of Coal Pro Ltd. using Porter's Five Forces model.</b>		
<b>Questions</b>	<b>Answers</b>	<b>Reasons</b>
Identify the level of threat of new entrants in the mining and production of coal industry. a) High b) Moderate c) Low d) Very High	c) Low	Due to, High Capital Requirements, Regulatory Barriers, Access to Distribution Channels, Economies of Scale
Evaluate the bargaining power of buyers in the coal industry. a) High b) Low c) Moderate d) Very High	a) High	Due to Large Volume Purchases, Price Sensitivity, Alternative Energy Sources
Assess the bargaining power of suppliers in the coal mining industry. a) High b) Low c) Moderate d) Very Low	b) Low	Due to Abundance of suppliers, Standardization of inputs, backward intigration
Analyze the intensity of competitive rivalry within the coal mining industry. a) High b) Low c) Moderate d) Very High	d) Very High	Due to Numerous competitors, Price wars, Overcapacity
Determine the level of threat posed by substitute products in the coal mining industry. a) High b) Low c) Moderate d) Very High	a) High	Due to Renewable energy sources, government policies
Analyze the intensity of competitive rivalry within the coal mining industry. e) High f) Low g) Moderate h) Very High	d) Very High	Due to Numerous competitors, Price wars, Overcapacity
Determine the level of threat posed by substitute products in the coal mining industry. e) High f) Low g) Moderate h) Very High	a) High	Due to Renewable energy sources, government policies
<b>4</b> <b>ABC Ltd. is a global manufacturing company looking to expand its operations in a new international market. The company's strategic team conducts a STEEPLE analysis to understand the various external factors that might impact their decision. The analysis covers: <u>Social Factors:</u> Increasing demand for eco-friendly products among consumers.  <u>Technological Factors:</u> Rapid advancements in manufacturing technology.  <u>Economic Factors:</u> Fluctuating exchange rates and inflation rates in the target market.  <u>Environmental Factors:</u> Stricter environmental regulations and sustainability initiatives.  <u>Political Factors:</u> Political stability and government policies favouring foreign investments.  <u>Legal Factors:</u> Compliance with international trade laws and local labour laws.  <u>Ethical Factors:</u> Corporate social responsibility and ethical labour practices</b>		

	Questions	Answers	Reasons
	Which of the following is an example of a <u>Social</u> factor in the STEEPLE analysis for ABC Ltd.? a) Political stability in the target market b) Rapid advancements in manufacturing technology c) Increasing demand for eco-friendly products d) Compliance with international trade laws	c) Increasing demand for eco-friendly products	Social factors include demographic and cultural aspects such as consumer preferences and trends.
	How might rapid advancements in manufacturing technology, a Technological factor, impact ABC Ltd.'s decision to expand? a) By increasing the political stability in the target market b) By <u>reducing</u> production costs and improving efficiency c) By influencing local labor laws and regulations d) By causing fluctuations in exchange rates	b) By reducing production costs and improving efficiency	Technological advancements can lead to more efficient manufacturing processes and lower costs, making expansion more attractive.
	Which factor in the STEEPLE analysis would involve assessing the compliance with international trade laws and local labor laws? a) Social b) Technological c) Political d) <u>Legal</u>	d) Legal	Legal factors encompass laws and regulations that the company must comply with in the new market, including trade and labor laws.
	What type of factor is "stricter environmental regulations" in the context of the STEEPLE analysis for ABC Ltd.? a) Economic b) <u>Environmental</u> c) Political d) Legal	b) Environmental	Environmental factors include regulations and sustainability initiatives that impact the company's operations and environmental footprint.
5	<b>XYZ Ltd. operates in the consumer electronics industry and has adopted two distinct competitive strategies for its product lines: cost leadership and product differentiation. For its basic line of smartphones, XYZ Ltd. focuses on cost leadership, aiming to become the lowest-cost producer in the industry. For its premium line of smartphones, XYZ Ltd. emphasizes product differentiation by offering unique features and superior quality.</b>		
	Questions	Answers	Reasons
	Which strategy is XYZ Ltd. using for its basic line of smartphones? a) Market penetration b) Cost leadership c) Product differentiation d) Focus strategy	b) Cost leadership	
	What is the primary objective of a cost leadership strategy? a) To achieve the highest quality in the industry b) To offer unique products at a premium price c) To become the <u>lowest-cost</u> producer in the industry d) To target a narrow market segment	c) To become the lowest-cost producer in the industry	
	Which of the following features is most likely associated with XYZ Ltd.'s premium line of smartphones? a) Basic functionality and low price b) <u>Unique features and superior quality</u> c) Mass production and economies of scale d) Minimal investment in marketing	b) Unique features and superior quality	
	In the context of XYZ Ltd., what could be a potential benefit of implementing a product differentiation strategy for its premium line? a) Reduced costs of production b) <u>Increased brand loyalty and customer retention</u> c) High sensitivity to price changes d) Streamlined operations and reduced complexity	b) Increased brand loyalty and customer retention	
	What could be a significant challenge for XYZ Ltd. when pursuing a product differentiation strategy in a highly competitive market? a) Maintaining the lowest production costs b) <u>Keeping up with frequent technological advancements</u> c) Achieving high sales volume with low prices d) Reducing the number of product variations	b) Keeping up with frequent technological advancements	
	Which of the following is a potential risk of the cost leadership strategy for XYZ Ltd.? a) High production costs b) Inability to attract price-sensitive customers c) <u>Competitors imitating cost reduction strategies</u> d) Over-investment in product development	c) Competitors imitating cost reduction strategies	

What is a key characteristic of a product differentiation strategy? a) High levels of production efficiency b) Low pricing to attract cost-sensitive customers c) <b>Unique product attributes that create value for customers</b> d) Focus on a small niche market	c) Unique product attributes that create value for customers
If XYZ Ltd. wants to maintain its cost leadership strategy, which of the following actions should it prioritize? a) Investing heavily in research and development b) <b>Reducing overhead costs and improving operational efficiency</b> c) Expanding the product line to cater to various customer segments d) Enhancing the aesthetic design and functionality of its products	b) Reducing overhead costs and improving operational efficiency

6	<p><b>Match the Following Statements to the Elements:</b></p> <p><b>Statements:</b></p> <p>1. The industry requires significant capital investments for new firms to enter.                  2. Large volume purchases by power plants give them significant negotiating power.                  3. The presence of alternative energy sources like natural gas and renewables.                  4. Numerous coal mining companies compete aggressively for market share.                  5. Standardized inputs and multiple suppliers reduce supplier leverage.</p> <p><b>Elements of Porter's Five Forces:</b></p> <p>a) Threat of New Entrants                  b) Bargaining Power of Buyers                  c) Threat of Substitutes                  d) Competitive Rivalry                  e) Bargaining Power of Suppliers</p>
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	Questions	Answers	Reasons
	Match the Following Statements to the Elements	1-a 2-b 3-c 4-d 5-e	

Individual MCQs			
	Questions	Answers	Reasons
7	Full Form of STEPLE	social, technological, economic, environmental, political, legal, and ethical	
8	Which of the following is not a reason to use the concept of Learning Curve?	Introducing new technology	
9	Which of these doesn't affect market share variance a) sales efforts, b) successful marketing strategy, c) learning curve effect.	Learning curve effect	

S. No.	Chapter 2: Case Study
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1	A service level agreement (SLA) has been established between XYZ Company and its client. The agreement includes a gain-sharing arrangement based on cost savings achieved over three years. The cost savings realized in each year are as follows: Year 1 ₹1,00,000 Year 2 ₹1,50,000 Year 3 ₹2,00,000
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	Questions	Answers	Reasons
	If the gain-sharing ratio is 50:50, how much does XYZ Company receive from the total savings? a) ₹1,50,000 b) ₹2,00,000 c) ₹2,25,000 d) ₹2,50,000	c) ₹2,25,000	
	What is the total cost savings achieved over the three years? a) ₹3,00,000 b) ₹4,00,000 c) ₹4,50,000 d) ₹5,00,000	c) ₹4,50,000	

	Assuming the total cost savings in Year 3 are shared in a 30:70 ratio, how much does XYZ Company receive? a) ₹60,000 b) ₹1,00,000 c) ₹1,40,000 d) ₹1,80,000	a) ₹60,000	
	For Year 2, with a gain-sharing ratio of 40:60, what is the client's share of the cost savings? a) ₹60,000 b) ₹90,000 c) ₹1,00,000 d) ₹1,20,000	b) ₹90,000	
2	JK Ltd. produces and sells a single product. Presently, the company has an annual external failure cost of ₹440,000 and an internal failure cost of ₹850,000. The company considers implementing a new quality control system, which would result in an annual prevention cost of ₹560,000 and an appraisal cost of ₹70,000. The new system is expected to reduce external and internal failure costs by ₹100,000 and ₹410,000 respectively. All other activities and costs will remain unchanged.		
	<b>Questions</b>	<b>Answers</b>	<b>Reasons</b>
	What will be the total cost of quality (COQ) after implementing the new quality control system? a) ₹1,800,000 b) ₹1,590,000 c) ₹1,370,000 d) ₹1,410,000	14,10,000	Current COQ = External Failure Cost + Internal Failure Cost = ₹440,000 + ₹850,000 = ₹1,290,000 + 560,000 + 70,000 - 100,000 - 410,000
	Based on the new system, should JK Ltd. implement the new quality control system? a) Yes, it results in a cost saving. b) No, it results in an additional cost. c) Yes, but only if external failure costs are completely eliminated. d) No, unless internal failure costs are zero.	b) No, it results in an additional cost.	
3	Red Star Limited (RSL) is the largest manufacturer of Air Conditioners. RSL is not good at attending the customer calls due to lack of capabilities, but it is an important activity from the aspect of the value chain. Hence, in order to improve customer experience (downstream supply chain), RSL decided to hire Krishna Infotech & BPO Services (KIBS) for attending the calls of their existing and prospective customer. Service level agreement (SLA) was duly entered and service level (SL) of 90/20 has been prescribed to keep a check on service quality. Invoice will be generated monthly, and SL will also be observed on monthly basis. For the first month along with the invoice, KIBS provide the following details to RSL- - Total calls offered = 5,120 - Calls answered within threshold time = 4,850 - Short or Abandon calls within threshold time = 115 CFO while authorising the payment queues generated by the account executive in ERP, come across the KIBS payment; he immediately seeks a copy of SLA from legal but not able to understand the technical aspects hence he decided to call you (management accountant) to EXPLAIN few terms (including SL) and certain COMPUTATIONS.		
	<b>Questions</b>	<b>Answers</b>	<b>Reasons</b>
	What is the SLA threshold time? a. 90seconds b. 15seconds c. 20seconds d. 30seconds	c. 20 seconds	A service-level agreement (SLA) threshold is the activity response time specified in a service level agreement. In the current case, the SLA threshold is the number of seconds within which a call shall be responded to by a tele-caller at KIBS. The threshold time, in this case, is 20 seconds it is represented by a service level (SL) of 90/20.
	What is the significance of 90/20 SL? a. 100% of the calls should be answered within 30 seconds b. 90% of the calls should be answered within 20 seconds c. 90% of the calls should be answered within 30 seconds d. 100% of the calls should be answered within 20 seconds	b. 90% of the calls should be answered within 20 seconds	A service-level agreement (SLA) defines the level of service you expect from a vendor, laying out the metrics by which service is measured. Service level basically measures the performance. Service level (SL) of 90/20 signifies that 90% of the calls shall be answered within 20 seconds.

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	How much is the SL level for the first month? a. 94.72% b. 95.25% c. 96.90% d. 90.00%	c. 96.90%	SL for month = SL for month = Total Calls answered within threshold time / (Total calls offered - short or abandon calls within threshold time) $4,850 / (5,120 - 115) = 96.90\%$
	Whether KIBS attained the SL level to full the terms of SLA a. Yes b. No	a. Yes	Against the expected service level of 90%, KIBS attain the service level of 96.90% which means out of each 100 calls nearly 97 class are answered within 20 seconds (threshold time), whereas the requirement was minimum requirement is 90%; hence KIBS attain the SL level to full the terms of SLA.
	For how many calls KIBS can bill to RSL a. 5120 calls b. 4,850 calls c. 5,005 calls d. 4,950 calls	c. 5,005 Calls	No, doubt SL used for measuring the performance which relies upon the calls answered within the threshold time, but the calls answered beyond threshold time also cause costs and resources at end of the BPO vendor (KIBS in this case) hence billing shall be for total calls responded/answered (rather only those which are answered in threshold time). Hence, in a given case, the
4	<b>ABS Company:</b> <b>Total calls: 12,000</b> <b>Calls answered within the threshold limit: 11,500 Abandoned calls: 300</b> <b>RBS Company:</b> <b>Total calls: 9,500</b> <b>Calls answered within the threshold limit: 8,000 Abandoned calls: 250</b> <b>The figures 95/20 and 90/15 need to be interpreted in the context of service levels:</b> <b>95/20 for ABS= This likely means that 95% of the calls should be answered within 20 seconds.</b> <b>90/15 for RBS= This likely means that 90% of the calls should be answered within 15 seconds.</b>		
	<b>Questions</b>	<b>Answers</b>	<b>Reasons</b>
	What is SLA threshold & what is threshold time?	For ABS, the threshold is 20 seconds. For RBS, the threshold is 15 seconds.	It is Activity response time specified in agreement.
	What is the SLA threshold in percentage for ABS and RBS?	95% and 90%	
	Compute the Service Level (SL)?	ABS: 98.29% RBS: 86.49%	For ABS = Total calls answered: 12,000 - 300 (abandoned calls) = 11,700 Calls answered within the threshold: 11,500 SLA Achievement: $(11,500 / 11,700) * 100 = 98.29\%$ For RBS = 9500-250 = 9250 SLA Achievement = $(8000/9250)*100 = 86.49\%$
5	<b>Raya Health Care Limited, a leading healthcare service provider in Mumbai, is outsourcing its CT scan and MRI services to Liv life, an international chain of diagnostic centres. Liv life promises to provide radiologist reports within 24 hours. The agreement includes: Cost savings generated in the first year will be retained by Liv life.</b> <b>Cost savings generated in the second and third years will be shared between Raya and Liv life at a ratio of 30%:70%.</b> <b>Cost savings generated in the fourth year will be passed to Raya</b> <b>Additional Data:</b> <b>The total cost savings generated in each of the first four years are as follows:</b> <b>Year 1 ₹1,00,000</b> <b>Year 2 ₹2,00,000</b> <b>Year 3 ₹3,00,000</b> <b>Year 4 ₹4,00,000</b>		
	<b>Questions</b>	<b>Answers</b>	<b>Reasons</b>

How much cost savings is attributable to Company 1 (Raya Health Care Limited) in the second and third years combined?	₹ 1,50,000	In the second and third years, the cost savings are shared at a ratio of 30% to Raya and 70% to Livlife. Year 2= 30% of ₹2,00,000 = ₹60,000 Year 3= 30% of ₹3,00,000 = 90000 Total for Year 2 and 3 ₹60,000 +90,000= ₹1,50,000
How much cost savings is attributable to Company 2 (Livlife) in the second and third years combined?	₹ 3,50,000	In the second and third years, the cost savings are shared at a ratio of 30% to Raya and 70% to Livlife. Year 2= 70% of ₹2,00,000 = ₹1,40,000 Year 3= 70% of ₹3,00,000 = ₹2,10,000 Total for Year 2 and 3= ₹1,40,000 + ₹2,10,000 = ₹3,50,000
What is the cumulative amount of cost savings retained by Livlife over the four years?	₹ 4,50,000	Year 1= 100% of ₹1,00,000 = ₹1,00,000 Year 2= 70% of ₹2,00,000 = ₹1,40,000 Year 3= 70% of ₹3,00,000 = ₹2,10,000 Year 4= 0% of ₹4,00,000 = ₹0 Total for four years: ₹1,00,000 + ₹1,40,000 + ₹2,10,000 = ₹4,50,000

**Individual MCQs**

	<b>Questions</b>	<b>Answers</b>	<b>Reasons</b>
6	Which of the following is NOT a component of the Cost of Quality? a) Prevention Costs b) Appraisal Costs c) External Failure Costs d) Market Share Costs	d) Market Share Costs	
7	Which of the following costs is associated with the prevention of poor quality in products and services? a) Appraisal Costs b) Internal Failure Costs c) Prevention Costs d) External Failure Costs	c) Prevention Costs	
8	Who popularized the concept of the Cost of Quality in his book "Quality Is Free"? a) W. Edwards Deming b) Joseph M. Juran c) Philip B. Crosby d) Armand V. Feigenbaum	c) Philip B. Crosby	
9	What type of cost is associated with defects that are found before the customer receives the product or service? a) Prevention Costs b) Internal Failure Costs c) External Failure Costs d) Appraisal Costs	b) Internal Failure Costs	
10	What is the correct sequence of the 5S methodology? A. Sort, Shine, Set in Order, Standardize, Sustain B. Shine, Sort, Set in Order, Sustain, Standardize C. Sort, Set in Order, Shine, Standardize, Sustain D. Set in Order, Sort, Shine, Sustain, Standardize	C. Sort, Set in Order, Shine, Standardize, Sustain	
11	Rework cost can classified as	Internal failure Cost	

S. No.	<h2>Chapter 3: Case Study</h2>		
1	<p>DEF Manufacturing has decided to implement Just-in-Time (JIT) inventory management to streamline their production process and reduce costs. Before implementing JIT, the company held an average inventory worth ₹500,000. Post-implementation, several changes were observed: Inventory holding costs reduced by 25% Production lead time decreased from 12 days to 7 days On-time delivery rate improved from 80% to 92% The defect rate decreased from 6% to 3%</p>		
	Questions	Answers	Reasons
	What is the amount of reduction in inventory holding costs post-JIT implementation? a) ₹100,000 b) ₹125,000 c) ₹150,000 d) ₹200,000	b) ₹125,000	Initial inventory holding cost = ₹500,000 Reduction = 25% of ₹500,000 = 0.25 x ₹500,000 = ₹125,000
	By how many days did the production lead time decrease after implementing JIT? a) 3 days b) 4 days c) 5 days d) 6 days	c) 5 days	Initial lead time = 12 days New lead time = 7 days Decrease = Initial lead time - New lead time = 12 days - 7 days = 5 days
	What is the new inventory holding cost after the reduction? a) ₹375,000 b) ₹400,000 c) ₹425,000 d) ₹450,000	a) ₹375,000	New inventory holding cost = Initial cost - Reduction New inventory holding cost = ₹500,000 - ₹125,000 = ₹375,000
	What is the percentage improvement in the on-time delivery rate? a) 10% b) 12% c) 14% d) 16%	b) 12%	Initial on-time delivery rate = 80% New on-time delivery rate = 92% Improvement = New rate - Initial rate = 92% - 80% = 12%
	What is the percentage decrease in the defect rate? a) 2% b) 3% c) 4% d) 5%	b) 3%	Initial defect rate = 6% New defect rate = 3% Decrease = Initial rate - New rate = 6% - 3% = 3%
2	<p>ABC Ltd. implemented Just-in-Time (JIT) inventory management. The following changes were observed postimplementation: Reduction in inventory holding costs by 30% Increase in on-time delivery from 85% to 95% Decrease in production lead time by 40% Improvement in product quality, reducing defects by 20%</p>		
	Questions	Answers	Reasons
	What was the initial inventory holding cost if it was reduced by ₹60,000 after a 30% reduction? a) ₹1,20,000 b) ₹1,50,000 c) ₹1,80,000 d) ₹2,00,000	b) ₹2,00,000	
	If the initial production lead time was 10 days, what is the new lead time after a 40% reduction? a) 4 days b) 6 days c) 7 days d) 8 days	b) 6 days	
	What is the new on-time delivery rate after JIT implementation? a) 85% b) 90% c) 95% d) 100%	c) 95%	

If the defect rate was initially 5%, what is the new defect rate after a 20% improvement? a) 1% b) 2% c) 4%	c) 4%	
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**Individual MCQs**

	Questions	Answers	Reasons
3	Which of the following is NOT a characteristic of lean management? A. Focus on customer value B. Elimination of waste C. Flexibility and continuous improvement D. Maximizing inventory levels	D. Maximizing inventory levels	
4	Which technique is commonly used in JIT to signal the need for production or replenishment of inventory? a) Push system b) Kanban system c) FIFO system d) Batch processing	b) Kanban system	
5	Aim of JIT	reduce inventory holding costs and increase inventory turnover	
6	What are primary objective of Just-in-Time (JIT) inventory management?	Minimizing inventory levels	
7	Which of the following best describes a key benefit of implementing Justin-Time (JIT) systems?	Reduced waste and improved efficiency	
8	Which of the following does Kaizen improvement process not focus on?	Improvement by innovation	

## Chapter 4: Case Study

S. No.	Chapter 4: Case Study		
1	<p><b>Mould &amp; Dies (M&amp;D) was established in 1980 and has enormous wealth of experience in the mould manufacturing industry and serves a wide range of plastic moulds all over the nation. Over the past decade, M&amp;D has developed a reputation for quality products &amp; services for a customer-focused approach. It deals in injection moulds, blow moulds, die sets, moulds base, etc.</b></p> <p><b>With a state-of-the-art infrastructure facility, M&amp;D is able to meet the qualitative and quantitative demands of its clients. Its vision &amp; mission is to provide high-class manufactured products by using the best quality raw materials.</b></p> <p><b>M&amp;D has developed a new product "M" which is about to be launched into the market and anticipates selling 80,000 of these units at a sales price of ₹300 over the product's life cycle of four years. Data pertaining to product "M" are as follows:</b></p> <p><b>Costs of Design and Development of Molds, Dies, and Other Tools: ₹8,25,000</b></p> <p><b>Manufacturing Costs: ₹125 per unit</b></p> <p><b>Selling Costs: ₹12,500 per year + ₹100 per unit</b></p> <p><b>Administration Costs: ₹50,000 per year</b></p> <p><b>Warranty Expenses: 5 Replacement Parts per 25 units at ₹10 per part; 1 Visit per 500 units Cost ₹500 per visit)</b></p>		

	Questions	Answers	Reasons
	Calculate the budgeted life cycle operating income for the new product "M". a) ₹5,00,000 b) ₹4,75,000 c) ₹4,50,000 d) ₹4,25,000	a) ₹5,00,000	Note: Received this question from one student, but Can't confirm this is correct or not. So, if your answer does not match, leave this question. It maybe incorrect.
	What is the total life cycle cost of product "M"? a) ₹75,00,000 b) ₹70,00,000 c) ₹65,00,000 d) ₹60,00,000	b) ₹70,00,000	Note: Received this question from one student, but Can't confirm this is correct or not.
	Compute the percentage of budgeted total product life-cycle costs incurred till the R&D and design stages. a) 15% b) 20% c) 25% d) 30%	c) 25%	So, if your answer does not match, leave this question. It maybe incorrect.

Advise the strategies to be adopted by M&D to develop the new product "M". Which of the following is NOT a recommended strategy? a) Investing in high-quality raw materials to ensure long-term durability. b) Reducing the administration costs by 10%. c) Increasing the selling price to ₹350 per unit. d) Enhancing the design and development process to minimize errors.	c) Increasing the selling price to ₹350 per unit.
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2	<b>Z Plus Security (ZPS) manufactures surveillance camera equipment that is sold to various office establishments. The firm also installs the equipment at the client's place to ensure that it works properly. Each camera is sold for ₹2,500. The direct material cost of ₹1,000 for each camera is the only variable cost. All other costs are fixed. Below is the information for manufacturing and installation of this equipment:</b> <b>Manufacture Annual Capacity (camera units): 750</b> <b>Installation Annual Capacity (camera units): 500</b> <b>Actual Yearly Production and Installation (camera units): 500</b>
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Questions	Answers	Reasons
Identify the bottleneck in the operation cycle that ZPS should focus on improving. a) Manufacturing process b) Installation process c) Direct material procurement d) Sales and marketing	b) Installation process	
Engineers have identified ways to improve the manufacturing technique that would increase production by 150 camera units. This would involve a cost of ₹100 per camera unit due to necessary changes to be made in direct materials. Should ZPS implement this new technique? a) Yes, because it increases production capacity. b) No, because the additional units cannot be installed. c) Yes, because the improvement cost is minimal. d) No, because it leads to inventory buildup.	b) No, because the additional units cannot be installed.	
What is the throughput contribution per camera unit? a) ₹2,500 b) ₹1,500 c) ₹1,000 d) ₹500	b) 1500	

Chapter 5: Individual MCQs

S. No.	Questions	Answers	Reasons
1	Which of the following describes the "Free Model" in disruptive business models? a) A business model where users pay for the core product, but premium features are provided for free. b) A business model where the core product is free for a large number of users, but premium features are sold to a smaller subset. c) A business model where the product is free, but the service is charged. d) A business model where the core product and all premium features are provided for free.	b) A business model where the core product is free for a large number of users, but premium features are sold to a smaller subset.	
2	What is the main characteristic of the "Freemium Model"? a) Users pay for basic services and get premium features for free. b) The product is completely free, and revenue is generated from advertisements. c) Basic services are free, but users pay for premium features. d) Users pay a one-time fee for unlimited access to all features.	c) Basic services are free, but users pay for premium features.	
3	Which of the following is an example of the "Subscription Model"? a) A software company offering its product for free but charging for updates. b) An e-commerce platform charging a monthly fee for exclusive access to deals. c) A mobile app that is free to download but charges for in-app purchases. d) A grocery store offering discounts on bulk purchases.	b) An e-commerce platform charging a monthly fee for exclusive access to deals.	

4	How does the "On Demand Model" disrupt traditional business models? a) By providing products for free and charging for premium services. b) By charging a premium for instant access to products and services. c) By offering products and services on a subscription basis. d) By using a traditional retail model with fixed prices.	b) By charging a premium for instant access to products and services.	
5	Which of the following best describes blockchain technology? a) A centralized database managed by a single entity. b) A system that records public transactions, or blocks, in multiple records known as chains, linked by peer-to-peer connections.c) A private ledger system used exclusively by banks. d) A technology used solely for cryptocurrency transactions.	b) A system that records public transactions, or blocks, in multiple records known as chains, linked by peer-to-peer connections.	
6	Which of the following is NOT a feature of blockchain technology? a) Decentralization b) Transparency c) High transaction speed d) Immutability	c) High transaction speed	
7	What is the main advantage of using blockchain technology? a) It is cheaper than traditional databases. b) It centralizes control to improve security. c) It provides a high level of security by using immutable cryptographic signatures known as hashes. e) It is managed by a single trusted authority.	c) It provides a high level of security by using immutable cryptographic signatures known as hashes.	
8	What does DLT stand for in the context of blockchain technology? a) Digital Ledger Technology b) Distributed Ledger Technology c) Decentralized Ledger Technology d) Direct Ledger Technology	b) Distributed Ledger Technology	
9	What is the primary characteristic of a hyper-competitive market? a) High entry barriers for new players b) Slow and predictable changes in technology and structure c) High level of rivalry among the players d) Stable and long-term competitive advantages	c) High level of rivalry among the players	
10	How does hyper-competition influence cost, value, and performance in a company? a) By creating long-term competitive advantages b) By forcing companies to focus on short-term advantages and continuous innovation c) By reducing the need for strategic planning	b) By forcing companies to focus on short-term advantages and continuous innovation	
11	Which of the following is NOT a characteristic of hyper-competitive markets? a) Rapid technological and structural changes b) Adoption of flexible strategies c) High entry barriers d) Temporary competitive advantage	c) High entry barriers	
12	A company sold printers cheaply to build demand for high-margin printer cartridges. Which model is followed by the company? a) Freemium Model b) Service Ecosystem Model c) Razorblade Business Model d) Predatory Pricing Model	c) Razorblade Business Model	
13	Which statement about the freemium business model is correct? a) Basic version is free & upgraded version is at a premium b) Freemiums are free forever for basic versions & customers can't get the full product c) Offers free version for a limited time d) Charges all users a small fee for the basic version	a) Basic version is free & upgraded version is at a premium	
14	Which business model involves a company applying a lock system limiting customers' options? a) Razorblade Business Model b) Service Ecosystem Model c) Freemium Model d) Predatory Pricing Model	b) Service Ecosystem Model	

15	A company reduced the price of its product to throw away the competitor from the market. This pricing strategy is called: a) Razorblade Business Model b) Service Ecosystem Model c) Freemium Model d) Predatory Pricing Model	d) Predatory Pricing Model	
16	Coupon is given under which pricing strategy? A. Skimming Pricing B. Penetration Pricing C. Promotional Pricing D. Value-Based Pricing	C. Promotional Pricing	
17	Which digital technology involves continuous connectivity of smart devices and sensors, providing manufacturers access to their products and processes? a) Robotics b) Internet of Things IoT c) Cloud Computing d) Blockchain	b) Internet of Things (IoT)	
18	Which digital technology is known for its decentralized database where each transaction is verified and protected by digital signatures, ensuring data security? a) Mobile Internet b) Digital Twin c) Blockchain d) Autonomous Vehicles	c) Blockchain	
19	Which technology refers to systems that can sense input, apply rules or artificial intelligence, and physically react, being highly useful in sectors such as healthcare, agriculture, and manufacturing? a) Artificial Intelligence (AI) b) Robotics c) Augmented Reality d) 3D Printing	b) Robotics	
20	Which e-commerce model involves transactions between manufacturers and wholesalers, or wholesalers and retailers, through an online sales portal? a) Business to Customer (B2C) b) Customer to Customer (C2C) c) Business to Business (B2B) d) Customer to Business (C2B)	c) Business to Business (B2B)	
21	Which type of e-commerce model involves sales between online businesses and consumers? a) Business to Customer (B2C) b) Customer to Customer (C2C) c) Business to Business (B2B) d) Customer to Business (C2B)	a) Business to Customer (B2C)	
22	Which e-commerce model facilitates commerce between private individuals, often through platforms like OLX and Quikr? a) Business to Customer (B2C) b) Customer to Customer (C2C) c) Business to Business (B2B) d) Customer to Business (C2B)	b) Customer to Customer (C2C)	
23	What describes the "Free Model" in disruptive business models?	A business model where the core product is free for a large number of users, but premium features are sold to a smaller subset.	
24	Find out correct sentence about freemium - a) basic version is free & upgraded version is at premium, b) freemiums are free forever for basic versions & customers cant get full product c) offers free version for limited time.	a) basic version is free & upgraded version is at premium,	
25	Which of the following is an example of the "Subscription Model"?	An e-commerce platform charging a monthly fee for exclusive access to deals	

26	A company sold Printers cheaply to build demand for high-margin printer cartridges. Which model is followed by co?	Razorblade business model	
27	What is the primary characteristic of a hyper-competitive market?	High level of rivalry among the players	
28	Identify business model - when two people interact and buy.	Ecommerce	
29	How does the "On Demand Model" disrupt traditional business models?	By charging a premium for instant access to products and services.	
30	Identifying On-Demand Model.	Swiggy & Zomato	
31	How does robotic help in business		
32	Which of the following best describes blockchain technology?	A system that records public transactions, or blocks, in multiple records known as chains, linked by peer- to-peer connections.	
33	Incubators means in a company	help startup by developing its strong idea into a viable product It work on a fee-basis as opposed to taking an equity stake in the startup.	
34	Disruptive innovation refers to	the process of transforming an expensive or highly sophisticated product, offering, or service into one that is simpler, more affordable, and accessible to a broader population.	
35	Disruptive innovation can be classified as	Low end disruption and new market disruption	
36	Business model in which the company applies lock system limiting customers options.	Service ecosystem model	

## Chapter 6: Case Study

S. No.	<b>Chapter 6: Case Study</b>		
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1	<p><b>Aditya Heavy Engineering Ltd. produces a product, A7. The variable cost to manufacture a unit of A7 is ₹2,20,000. Market research shows no orders will be received at a selling price of ₹5,10,000. However, demand for A7 increases by two units for every ₹5,000 reduction in the unit selling price below ₹5,10,000.</b></p> <p><b>Objective:</b> Find the unit selling price for A7 that maximizes AHEL's profit.</p> <p><b>Given:</b> Marginal Cost per unit: ₹2,20,000 Initial Price <math>P_0 = ₹5,10,000</math> Price reduces by ₹5,000 per every additional 2 units</p>		
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Questions	Answers	Reasons
Which of the following represents the profit-maximizing condition in economic theory? A. Total Revenue (TR) = Total Cost (TC) B. Marginal Revenue (MR) = Marginal Cost (MC) C. Average Revenue (AR) = Average Cost (AC) D. Total Fixed Cost (TFC) = Total Variable Cost (TVC)	B. Marginal Revenue (MR) = Marginal Cost (MC)	
If Aditya Heavy Engineering Ltd. sets the price of A7 at ₹3,65,000, what will be the quantity demanded? A. 48 units B. 50 units C. 58 units D. 60 units	C. 58 units	Marginal Revenue equation: $MR=5,10,000-5,000Q$ Set MR equal to MC: $5,10,000- 5,000Q=2,20,000$ Solve for Q: $Q=(5,10,000- 2,20,000)/5,000=58$
In the context of Aditya Heavy Engineering Ltd., what is the slope of the demand curve (b) if the price decreases by ₹5,000 for every increase in 2 units? A. 2,500 B. 5,000 C. 1,250 D. 10,000	A. 2,500	Price decreases by ₹5,000 for every increase in 2 units. $b=5,000/2 = 2,500$

Individual MCQs			
	Questions	Answers	Reasons
2	Ayudhya Ltd. plans to produce 200,000 units and adopts a cost-plus pricing approach with a markup of 25% on the full budgeted cost basis. The budgeted variable cost per unit is ₹32 and the total fixed cost is ₹16,00,000. What will be the selling price per unit? A. ₹32 B. ₹40 C. ₹45 D. ₹50	D. ₹50	
3	If the market is price-sensitive and Ayudhya Ltd. can only sell 140,000 units at the calculated selling price of ₹50 per unit, what would be the revised selling price per unit to sell all 200,000 units, assuming the company still wants to cover the full budgeted cost and markup? A. ₹45 B. ₹48 C. ₹50 D. ₹55	A. ₹45	
4	What is the main disadvantage of using the Cost Plus Pricing method in a highly competitive market? A. It ensures a consistent profit margin. B. It is simple to calculate and implement. C. It does not take into account the competitive pricing and market demand. D. It adjusts quickly to changes in production cost.	C. It does not take into account the competitive pricing and market demand.	
5	Which of the following best describes the Cost Plus Pricing method? A. Setting prices based on competitor prices. B. Setting prices based on the perceived value to the customer. C. Setting prices by adding a fixed percentage to the cost of producing the product. D. Setting prices based on the customer's ability to pay.	C. Setting prices by adding a fixed percentage to the cost of producing the product.	
6	If Ayudhya Ltd. decides to reduce the variable cost per unit by negotiating better rates with suppliers, which of the following would be the new selling price per unit if the variable cost is reduced to ₹30 per unit, keeping the fixed cost and markup percentage the same? A. ₹48 B. ₹47.50 C. ₹46	B. ₹47.50	
7	What are "Indifferent qualities" in the Kano model? A. Attributes that lead to dissatisfaction when present. B. Attributes that increase satisfaction in a linear manner. C. Attributes that neither add to nor detract from customer satisfaction. D. Attributes that must be present for a product to be viable in the market.	C. Attributes that neither add to nor detract from customer satisfaction.	
8	In the Kano model, which type of attributes can potentially lead to dissatisfaction when present but do not contribute to satisfaction when absent? A. Threshold attributes B. Performance attributes C. Excitement attributes D. Reverse qualities	D. Reverse qualities	
9	Which type of attributes in the Kano model are referred to as "One-dimensional qualities"? A. Threshold attributes B. Performance attributes C. Excitement attributes D. Indifferent qualities	B. Performance attributes	

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10	Which Price Strategy involve setting a low initial price to quickly gain large market share?	Penetration pricing	
11	Pricing strategy of combining package with manufacturing coupon or rebate?	Mixed Bundling	
12	A company reduced the price of its product to throw away the competitor from market. This pricing strategy is called?	Predatory Pricing	

S. No.	<b>Chapter 7: Case Study</b>		
1	<p><b>A manufacturing company is evaluating its operations and wants to determine its Manufacturing Cycle Efficiency (MCE). The company has collected the following data for the production process:</b>  <b>Processing time: 9 hours per batch</b>  <b>Waiting time: 6 hours per batch</b>  <b>Inspection time: 1.5 hours per batch</b>  <b>Move time: 7.5 hours per batch</b></p>		
	<b>Questions</b>	<b>Answers</b>	<b>Reasons</b>
	What is the Manufacturing Cycle Efficiency (MCE) for the company? A) 33.33% B) 50% C) 25% D) 20%	A) 33.33%	Note: The correct percentage is calculated as 37.5%. If the option 37.5% was given, it would be correct. However, given the current options, the closest match would be selected.
2	<p><b>A company wants to improve its Manufacturing Cycle Efficiency (MCE) and reduce non-value-added activities. The following activities are identified in their process:</b>  <b>Processing time: 5 hours</b>  <b>Inspection time: 2 hours</b>  <b>Waiting time: 3 hours</b>  <b>Move time: 4 hours</b></p>		
	<b>Questions</b>	<b>Answers</b>	<b>Reasons</b>
	What would be the new MCE if the company manages to eliminate the waiting time? A) 50% B) 41.67% C) 45.45% D) 55.56%	C) 45.45%	
<b>Individual MCQs</b>			
	<b>Questions</b>	<b>Answers</b>	<b>Reasons</b>
3	Which of the following is a primary advantage of using Pareto Analysis? A) It provides a detailed analysis of all potential causes of a problem. B) It helps in identifying the few causes that are responsible for the majority of the problems. C) It ensures all minor issues are addressed first. D) It guarantees all resources are utilized equally across all areas.	B) It helps in identifying the few causes that are responsible for the majority of the problems.	
4	What is a potential drawback of using Pareto Analysis? A) It requires minimal data to be effective. B) It may overlook small but growing problems. C) It ensures immediate and complete problem resolution. D) It only focuses on external factors of a problem.	B) It may overlook small but growing problems.	

5	<p>How can Pareto Analysis help in improving business processes?</p> <p>A) By focusing on the largest number of problems regardless of their impact.</p> <p>B) By identifying and prioritizing the most significant problems for corrective action.</p> <p>C) By ensuring that all departments receive equal attention.</p> <p>D) By addressing all minor issues before tackling major ones.</p>	<p>B) By identifying and prioritizing the most significant problems for corrective action</p>	
6	<p>Which of the following is a key step in performing a Pareto Analysis?</p> <p>A) Randomly selecting data points for analysis.</p> <p>B) Ensuring all data points are given equal importance.</p> <p>C) Collecting and categorizing data to identify the frequency or impact of problems.</p> <p>D) Ignoring any problems that occur infrequently.</p>	<p>C) Collecting and categorizing data to identify the frequency or impact of problems.</p>	
7	<p>In the context of stock control, how is Pareto Analysis typically applied?</p> <p>A) By ensuring all stock items are equally prioritized.</p> <p>B) By focusing on the 20% of stock items that make up 80% of the stock value.</p> <p>C) By reducing the inventory of all items by the same percentage.</p> <p>D) By randomly selecting stock items for analysis.</p>	<p>B) By focusing on the 20% of stock items that make up 80% of the stock value.</p>	
8	<p>Pareto principle based upon the law of</p>	<p>Diminishing returns</p>	

S. No.	<h2>Chapter 8: Case Study</h2>		
1	<p><b>Sigma Cast &amp; Pig Moulder (SC&amp;PM) Limited has the following financial details:</b>                      Working Capital: ₹4,200 crores                      Total Assets: ₹3,500 crores                      Retained Earnings: ₹800 crores                      EBIT: ₹6,500 crores                      Market Value of Equity: ₹7,000 crores                      Total Liabilities: ₹5,000 crores                      Sales: ₹8,300 crores</p>		
	<b>Questions</b>	<b>Answers</b>	<b>Reasons</b>
	Calculate the Altman Z-Score for SC&PM Limited. a) 5.67 b) 6.89 c) 9.12 d) 11.09	d) 11.097	
	Which coefficient has the most weight in the Z-score model? a) X1 -Working capital/Total assets b) X2 - Retained earnings/Total assets c) X3 - Earnings before interest and taxes/Total assets d) X4 - Market value of equity/Book value of total liabilities	X3 - Earnings before interest and taxes/Total assets	
	Z-score is helpful in predicting what? a) Profitability b) Liquidity c) Bankruptcy d) Market share	c) Bankruptcy	
2	<p><b>XYZ Ltd. is a retail company that has been operating for 15 years. The company specializes in selling consumer electronics and has recently been facing financial difficulties. Over the past three years, XYZ Ltd. has seen a significant decline in profits, high levels of debt, and increased competition from online retailers. Additionally, internal management conflicts and poor strategic decisions have further exacerbated the company's problems. The company is now at risk of corporate failure, and an analysis using the Argenti A-Score model is essential to understand and predict its potential downfall.</b></p>		
	<b>Questions</b>	<b>Answers</b>	<b>Reasons</b>
	Which of the following is NOT a component of the Argenti A Score model? a) Management Defects b) Accounting Defects c) Marketing Defects d) Symptoms of Trouble	c) Marketing Defects	
3	<p><b>A company scores the following under Argenti's A-Score model:                      Management Defects: 15                      Accounting Defects: 5                      Management Mistakes: 10                      Symptoms of Trouble: 5</b></p>		
	<b>Questions</b>	<b>Answers</b>	<b>Reasons</b>
	Determine whether the company is considered healthy or at risk of failure. Options: a) Healthy b) At risk	b) At risk	Total score is 35 (Threshold is 25)
<b>Individual MCQs</b>			
	<b>Questions</b>	<b>Answers</b>	<b>Reasons</b>
4	Which of the following is an example of a Management Defect in the Argenti A-Score model? a) High levels of debt b) Poor profitability c) Lack of strategic planning d) Economic downturn	c) Lack of strategic planning	
5	A company with high Management Defects is likely to experience which of the following? a) Increased market share b) Improved customer satisfaction c) Operational inefficiencies d) Higher profitability	c) Operational inefficiencies	

6	Consider the following statements about Argenti's A-Score model 1. Mistakes and defects are not inter-related. 2. The threshold is kept at a score of 45. 3. There are three underlying groups (dimensions), i.e., Mistakes, Defects, and Symptoms of Failure. Which of the following statements are incorrect? a) 1 only b) 2 only c) 1 and 2 only d) 3 only	c) 1 and 2 only	
7	Which of the following is a strategic response to hyper-competition according to D'Aveni's 7S framework?	Shifting the rules of the market	
8	Zscore is helpful in predicting what?	Bankruptcy	
9	Which of the following is part of the 'Soft S' in McKinsey's 7S framework? a) Strategy b) Systems c) Structure d) Skills	d) Skills	
10	How many main dimensions does Argenti's A-Score model include?	three	

## Chapter 9: Case Study

1	<b>A company is a heavy engineering firm involved in setting up &amp; installing plant and machinery with more than 350 offices in India and 2000 direct employees.</b>		
	<b>Questions</b>	<b>Answers</b>	<b>Reasons</b>
	From this, identify the organizational structure of the company. a) Functional structure b) Divisional structure c) Matrix structure d) Geographical structure	b) Divisional structure	
2	<b>Two divisions (Division A and Division B) have the following financial data:</b> <b>Division A:</b> <b>Operating Profit: ₹5,00,000</b> <b>Capital Employed: ₹20,00,000</b> <b>Division B:</b> <b>Operating Profit: ₹4,00,000</b> <b>Capital Employed: ₹16,00,000</b> <b>Company's Cost of Capital (CoC): 10%</b>		
	<b>Questions</b>	<b>Answers</b>	<b>Reasons</b>
	Calculate the ROI for Division A and Division B. a) Division A: 20%, Division B: 20% b) Division A: 25%, Division B: 25% c) Division A: 20%, Division B: 25% d) Division A: 25%, Division B: 20%	b) Division A: 25%, Division B: 25%	Division A: $(500000/2000000)*100 = 25\%$ Division B: $(400000/1600000)*100 = 25\%$
	Calculate the RI for Division A and Division B. a) Division A: ₹3,00,000, Division B: ₹2,40,000 b) Division A: ₹3,00,000, Division B: ₹2,00,000 c) Division A: ₹2,00,000, Division B: ₹2,00,000 d) Division A: ₹2,00,000, Division B: ₹2,40,000	a) Division A: ₹3,00,000, Division B: ₹2,40,000	A: $500000 - (2000000 \times 10\%) = 300000$ B: $400000 - (1600000 \times 10\%) = 240000$
	Identify the correct statement about ROI and RI. a) ROI is an absolute measure, and RI is a relative measure. b) ROI is a relative measure, and RI is an absolute measure. c) Both ROI and RI are relative measures. d) Both ROI and RI are absolute measures.	b) ROI is a relative measure, and RI is an absolute measure.	

	Given the current ROI of both divisions and the CoC, identify the correct statement (from an ROI perspective). a) Division A manager will accept the project if its ROI > Division A's ROI. b) Division A manager will reject the project if its ROI < Division A's ROI, but the project should be accepted if its ROI > Company's ROI. c) Division A manager will accept the project if its ROI > Company's ROI. d) Division A manager will accept the project if its ROI = Company's ROI.	b) Division A manager will reject the project if its ROI < Division A's ROI, but the project should be accepted if its ROI > Company's ROI.	
3	<b>A company, Eco Minds Ltd., has undertaken several initiatives towards sustainability. The company's operations impact the environment and society and are focused on long-term economic viability.</b>		
	<b>Questions</b>	<b>Answers</b>	<b>Reasons</b>
	Which of the following is an example of the "Planet" bottom line in the Triple Bottom Line framework? a) Increasing the company's market share b) Implementing a recycling program for waste materials c) Providing employee training programs d) Improving customer satisfaction scores	b) Implementing a recycling program for waste materials	
	Which metric would be most relevant to the "People" bottom line in the Triple Bottom Line framework? a) Net profit margin b) Employee turnover rate c) Energy consumption d) Return on investment ROI	b) Employee turnover rate	
	EcoMinds Ltd. reported the following initiatives: constructing a solar-powered warehouse and reducing plastic usage in packaging. Under which bottom line would these initiatives be classified? People Planet Profit	b) Planet	
	What is the primary goal of the Triple Bottom Line framework? a) Maximizing shareholder wealth b) Balancing short-term profits with long-term growth c) Measuring a company's performance in financial, social, and environmental terms d) Enhancing product quality and customer satisfaction	c) Measuring a company's performance in financial, social, and environmental term	
4	<b>Water Utilities Services (WUS) is involved in water distribution and water bottle operations. The company's performance is evaluated using Economic Value Added (EVA) and the Return on Capital Employed (ROCE) set by the regulator at 7.00%.</b> <b>Data Provided:</b> <b>Revenue from Water Distribution Operation (WDO): ₹555 Crore</b> <b>Revenue from Water Bottle Operation (WBO): ₹186 Crore</b> <b>Operating Cost for WDO: ₹460 Crore</b> <b>Operating Cost for WBO: ₹119 Crore</b> <b>Finance Charges: ₹46 Crore</b> <b>Tax Rate: 30%</b> <b>Capital Employed as per Regulator for WDO: ₹1,558 Crore</b>  <b>Note: This question is incomplete, to check the full working please refer to ICAI SM Q. 4 Pag 9.44</b>		
	<b>Questions</b>	<b>Answers</b>	<b>Reasons</b>
	Calculate the Economic Value Added (EVA) for WUS a) ₹5.98 Crore b) ₹81.20 Crore c) ₹162.00 Crore d) ₹124.20 Crore	a) ₹5.98 Crore	WACC = 8.61% Capital Employed: 1512 cr EVA = 5.98
	Assess whether WUS complies with its acceptable ROCE level set by the regulator a) Yes, ROCE is above 7.00% b) No, ROCE is below 7.00% c) Yes, ROCE is exactly 7.00% d) Compliance depends on EVA, not ROCE	b) No, ROCE is below 7.00%	
	Identify a method to improve WUS's profitability. a) Increase operating costs b) Reduce operating profits c) Increase NOPAT or reduce capital employed d) Increase tax rate	c) Increase NOPAT or reduce capital employed	

**Sure shot 60+ Marks - More than 500 students memory based  
Actual Exam Questions-  
Vandana Dahiya**

5 A service company, Service Pro Inc., has implemented the Building Block Model to enhance its performance measurement system. The model focuses on dimensions, standards, and rewards.			
Questions	Answers	Reasons	
Which of the following is a determinant under the Building Block Model? a) Flexibility b) Equity c) Clear communication d) Controllability	a) Flexibility		
In the Building Block Model, what characteristic should performance measures possess to be considered equitable?	They should be challenging for all parts of the business equally		
ServicePro Inc. sets a target to achieve four product innovations per year rather than simply "innovate". This target exemplifies which characteristic of standards in the Building Block Model? a) Controllability b) Clarity c) Ownership d) Motivation	c) Ownership		
e) What is a key benefit of using the Building Block Model in performance measurement? f) It focuses solely on financial metrics g) It encourages short-term gains over long-term success h) It aligns performance measures with strategic goals and employee motivation i) It simplifies performance evaluation by using fewer metrics	j) c) It aligns performance measures with strategic goals and employee motivation		
Individual MCQs			
Questions	Answers	Reasons	
6 In the Triple Bottom Line framework, which aspect would NOT be reported under the "People" bottom line? a) Employee turnover rate b) Community engagement programs c) Net income d) Workplace safety measures	c) Net income		
7 The number of inpatient hospital deaths decreased 8% from 776 in 2022 to 715 in 2023. This metric falls under which bottom line? a) Economic (Profit) b) Social (People) c) Environmental (Planet) d) Not relevant to TBL	b) Social (People)		
8 Which of the following perspectives is NOT part of the Balanced Scorecard? A. Financial Perspective B. Customer Perspective C. Internal Business Processes Perspective D. Competitive Advantage Perspective	D. Competitive Advantage Perspective		
9 The Balanced Scorecard approach integrates which of the following types of measures? A. Only financial measures B. Only non-financial measures C. Both financial and non-financial measures D. Neither financial nor non-financial measures	C. Both financial and non-financial measures		
10 Which perspective of the Balanced Scorecard focuses on employee training and corporate cultural attitudes? A. Financial Perspective B. Customer Perspective C. Internal Business Processes Perspective D. Learning & Growth Perspective	D. Learning & Growth Perspective		
11 Limitation of Network or Virtual Organisation	reducing management's control and the reliability of partners		
12 Limitation as compared to performance prism	Performance pyramid consider as only shareholder and customer whereas Performance Prism Model considers the expectations and contributions of all the stakeholders as core		
13 Which is superior against other in performance pyramid & Balanced scorecard.	Performance Pyramid		

14	Level 2 in performance pyramid shows what??	In order to achieve corporate vision, the initial focus is on the attainment of CSFs related to market and finance at the SBU or division level.	
15	Full Form of SMART.	Strategic Measurement Analysis and Reporting Technique	
16	Full form of SBU.	Strategic Business Unit	
17	Objective of Level 1 in Performance Pyramid?	organisation defines how long-term success and competitive advantage will be attained.	
18	Order of ADAPTED Balanced scorecard?	1)Customer, 2)Financial, 3) Internal, 4) Innovation learning	
19	Turnover increase is which dimension of building block model?	Financial Performance	
20	What are the three main areas focused on by the Triple Bottom Line (TBL) reporting framework?	Profit, People, Planet	
21	Which financial performance measure arguably has strong correlation with shareholders wealth?	Net Present value	
22	Formula to calculate no of relations & cross relations.	$n(n-1)/2 + n(n-1)$	

## Chapter 10 : Individual MCQs

	Questions	Answers	Reasons
1	Which of the following is NOT a component of the Value for Money (VFM) framework? A) Effectiveness B) Efficiency C) Economy D) Equality	D) Equality	
2	Which aspect of the VFM framework focuses on obtaining the appropriate quantity and quality of inputs at the lowest cost? A) Efficiency B) Effectiveness C) Economy D) Equity	C) Economy	
3	What does "Effectiveness" measure in the Value for Money (VFM) framework? A) Whether the resources and funds available to the organization have been efficiently utilized. B) Whether the appropriate quantity and quality of inputs are available at the lowest cost. C) Whether the organization has achieved its desired mission and objectives. D) Whether the organization has a high 'students to teacher' ratio.	C) Whether the organization has achieved its desired mission and objectives.	
4	What additional elements have been added to the traditional 3Es of the Value for Money framework? A) Equality and Efficiency B) Equity and Ethics C) Economy and Effectiveness D) Effectiveness and Equality	B) Equity and Ethics	
5	Which of the following is an example of an 'Economy' measure for a not-for-profit organization?	Negotiating discounted rates with suppliers for medical equipment.	
6	Which of the following elements is necessary to ensure that the Value for Money framework works properly?	Outcome	
7	Maximise ratio of input of resources & output of goods, services or other material.	Efficiency	

## Chapter 11 : Individual MCQs

	Questions	Answers	Reasons
1	A project manager is monitoring a large construction project. The project involves integrating scope, schedule, and cost performance to ensure the project stays on track. To do this, the manager uses a specific type of performance report that provides detailed insights into project performance using various management techniques. What type of report is the project manager using? a) Variance Analysis Report b) Earned Value Report c) Cost-Benefit Analysis Report d) Risk Assessment Report	b) Earned Value Report	
2	What does ESG reporting stand for?	Environmental, Social, and Governance	
3	What is the primary purpose of ESG reporting?	To shed light on a company's ESG activities while improving investor transparency	
4	Which of the following is NOT a component typically included in ESG reporting?	Marketing strategies	
5	In the context of integrated reporting, which type of capital is NOT typically considered?	Technological	
6	Which reporting framework provides a holistic view of an organization's value creation process over the short, medium, and long term?	Integrated Reporting Framework	
7	Type of report that Captures the state of the activity at a particular point or project at a particular point in its life	Status Report	
8	Disclosure in ESR reporting	shed light on a company's ESG activities while improving investor transparency and inspiring peer organizations	

## For chapter 12 & 13 Please Practice Numerical

Few important topics of both chapters are-

### Chapter-12

Method of transfer pricing  
III-1, TYK 8, MCQ -8,9,10, example (12.25 Pg).

### Chapter -13

Interpretation of variance  
Planning variance is diff b/w original std & revised std (uncontrollable)  
Operational variance is diff b/w revised std & actual (controllable) refer ill 1(Pg-13.6), TYK-1, TYK-4  
Sale margin /sale price/ sale volume/ sale mix variances  
**Que – sale volume variance is favourable, but sale price variance is adverse**  
**Ans- It mean co. following price reduction & market is price sensitive.**  
**Que- fixed overhead variance is**  
**Ans- Difference b/w Budgeted & Actual OH**  
Variable OH variance & labour efficiency variance & its interpretation (Pg 13.26)  
Material variance  
Market share & market size variance  
Mcq-11, ill-3 &4

**IMPORTANT CASE STUDIES ASKED BY ICAI IN SPOM FROM  
STUDY MAT /RTP/PAST PAPERS**

Question 3

VEN Private Limited is a diversified agri-business company having three different business verticals - Dairy, Animal Feed and Crop Protection. The performance of each division is measured separately and staff members are rewarded accordingly.

Following information pertaining to the financials for the year ended 31st March, 2021 is furnished below :

	Dairy	Animal Feed	Crop Protection
Revenue	6,80,00,000	10,62,50,000	6,00,00,000
Profit before interest and tax	60,10,000	63,77,500	57,66,000
Net book value of plant and equipment	5,65,25,000	7,43,75,000	2,62,50,000
Net Current Assets (Current Assets less Current Liabilities)	1,04,75,000	1,51,25,000	60,00,000

**Additional information:**

- Cost of capital of the company is 9% per annum.
- Profit before interest and tax as mentioned above has been arrived at after deducting head office expenses at 2% on the revenue of each division.
- Depreciation rate for plant and equipment is 15% on cost per annum.

The divisional performance of VEN is measured using the Return on Investment (ROI) and Residual Income (RI) methods based on controllable profits of each division. The staff members are rewarded based on these results. VEN calculates ROI and RI using Net Book Value of the plant and equipment at the reporting date.

The manager of Animal Feeds division claims that their division is the best performing division of the company.

**Required**

(a) CALCULATE the Return on Income and Residual Income for each division and explain the validity of the claim made by the manager of Animal Feeds division. (7 Marks)

(b) It has been proposed to expand the business of Dairy Division by venturing into manufacture of frozen desserts. This would require additional investment in plant and equipment of ` 1,75,00,000 which will generate a contribution of ` 95,00,000 per annum. Annual fixed cost of the division will increase by ` 8,50,000 (excluding depreciation). Net current assets of this division will increase by ` 25,00,000 due to acceptance of this proposal. EVALUATE the proposal of expansion of the Dairy Division for a period of one year and advise the management on the acceptance of the project using ROI and RI criteria. (5 Marks)

(c) Return on Investment (ROI) improves with the age of the asset. EXPLAIN with calculations how this happens using the proposal of the dairy division. (2 Marks)

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(a) Calculation of ROI (Return on Investment)/ RI (Residual Income)

(Amount in ₹)

Particulars	Dairy	Animal Feed	Crop Protection
a. Profit before interest and tax	60,10,000	63,77,500	57,66,000
b. Revenue	6,80,00,000	10,62,50,000	6,00,00,000
c. Head office expenses [@2% of (b)]	13,60,000	21,25,000	12,00,000
d. Controllable operating profit (a)+(c)	73,70,000	85,02,500	69,66,000
e. Net book value of plant and equipment	5,65,25,000	7,43,75,000	2,62,50,000
f. Net current assets	1,04,75,000	1,51,25,000	60,00,000
g. Investment (e)+(f)	6,70,00,000	8,95,00,000	3,22,50,000
h. ROI [(d)/(g)×100]	11%	9.50%	21.6%
i. Required return [@9% of (g)]	60,30,000	80,55,000	29,02,500
j. RI [(d)-(i)]	13,40,000	4,47,500	40,63,500

The claim made by the manager of animal feeds division is **invalid** because it registered worst performance among the three divisions under both the criteria. ROI of animal feeds division is 9.50%, which is less than (11.00% and 21.60%) other two divisions, whereas RI is ₹4,47,500 which is also less than (₹13,40,000 and ₹40,63,500) both other divisions.

It is important to note that Animal Feed Division earns the highest profit, however **since its investment is high** the ROI and RI are the lowest compared to the other divisions.

(b) Evaluation of Expansion Proposal – Dairy Division

ROI/ RI for proposed expansion (for first year)

Particulars	Amount in ₹
a. Additional investment in plant and equipment	1,75,00,000
b. Depreciation for first year on the above investment (15%)	26,25,000

c. Net book value of additional investment in plant and equipment at reporting date (a-b)	1,48,75,000
d. Additional net current assets	25,00,000
e. Total additional investment (c)+(d)	1,73,75,000
f. Additional contribution	95,00,000
g. Additional fixed cost	8,50,000
h. Net addition to earning (f)-(g)-(b)	60,25,000
i. ROI [(h)/(e)×100]	34.68%
j. Required return [9% of (e)]	15,63,750
k. RI [(h)-(j)]	44,61,250

**(c) ROI improves with age of the assets**

Since ROI is rate of earning as percentage of investment, hence while assets getting older the amount of investment reduced; resultantly **if same productivity or efficiency is maintained** then ROI improves. Same can be seen through calculations below that ROI improves from 34.68% in first year to 40.85%, and 49.69% respectively in second and third year.

**ROI for proposed expansion over years (Amount in ₹, round off to nearest rupee)**

Particulars	Second Year	Third Year
a. Plant and equipment at beginning of year	1,48,75,000	1,22,50,000
b. Depreciation for year on the above plant and equipment (15%)	26,25,000	26,25,000
c. Net book value of plant and equipment at reporting date (a)-(b)	1,22,50,000	96,25,000
d. Net current assets (assumed to be constant)	25,00,000	25,00,000
e. Total relevant investment (c)+(d)	1,47,50,000	1,21,25,000
f. Contribution (assumed to be constant)	95,00,000	95,00,000
g. Fixed cost (assumed to be constant)	8,50,000	8,50,000
h. Net addition to earning (f)-(g)-(b)	60,25,000	60,25,000
i. ROI [(h)/(e)×100]	40.85%	49.69%

Vandana Dahiya

8. X sells 'mu-50' to its customers. It purchases mu-50 from Y @ ₹ 140 per unit. Y pays all freight to X. No incoming inspection is necessary because Y has a superb reputation for delivery of quality merchandise. Annual demand of X is 13,000 units. X requires 15% annual ROI. The purchase order lead time is 2 weeks. The purchase order is passed through EDI and it costs ₹ 2 per order. The relevant insurance, material handling etc. ₹ 3.10 per unit per year. X has to decide whether or not to shift to JIT purchasing. Y agrees to deliver 100 units of mu-50 → 130 times per year (5 times every two weeks) instead of existing delivery system of 1,000 units → 13 times a year with additional amount of ₹ 0.02 per unit. X incurs no stock out under its current purchasing policy. It is estimated X incurs stock out cost on 50 units under a JIT purchasing policy. In the event of a stock out, X has to rush order which costs ₹ 4 per unit.

Solution:

8. Comparative 'Statement of Cost' for  
Purchasing from Y under 'Current Policy' & 'JIT'

Particulars	Current Policy (₹)	JIT (₹)
Purchasing Cost	18,20,000 (13,000 units × ₹140)	18,20,260 (13,000 units × ₹140.02)
Ordering Cost	26.00 (₹2 × 13 Orders)	260.00 (₹2 × 130 Orders)
Opportunity / Carrying Cost	10,500.00 (1/2 × 1,000 units × ₹140 × 15%)	1,050 (1/2 × 100 units × ₹ 140.02 × 15%)
Other Carrying Cost (Insurance, Material Handling etc)	1,550.00 (1/2 × 1,000 units × ₹3.10)	155.00 (1/2 × 100 units × ₹3.10)
Stock Out Cost	---	200 (50 units × ₹4.00)
<b>Total Relevant Cost</b>	<b>18,32,076</b>	<b>18,21,925</b>

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8. **Zutus Ltd.** is a leading Indian Pharmaceutical company which is a fully integrated, global healthcare provider. With in-depth domain expertise in the field of healthcare, it has strong capabilities across the spectrum of the pharmaceutical value chain. Zutus has earned reputation worldwide amongst pharmaceutical companies for providing comprehensive and complete healthcare solutions.

One of the drugs, Rifmn is an antibiotic used to treat contagious disease "Tbis". Rifmn is a patented medicine. The patent for which is now going to expire, and several other competitors are expected to enter in the market for selling the medicine using the same components of chemicals, under different other name. In order to reposition itself in the market, the company is reviewing its pricing policy considering the market change and other threat.

The market research for Rifmn indicates that for every ₹4 decrease in price, demand would be expected to increase by 8,000 batches, with maximum demand for Rifmn being one million batches.

Each batch of Rifmn is currently made of using chemical salts:

Salt X: 367.50 gm at ₹0.08 per gm

Salt Y: 301.50 gm at ₹0.40 per gm

Each batch of Rifmn requires 30 minutes of machine time to make and the variable running costs for machine time are ₹40 per hour. The fixed production overhead cost is expected to be ₹35 per batch for the period, based on a budgeted production level of 3,00,000 batches.

The skilled workforce who has been working on Rifmn until now are being shifted onto the production of Zutus company's new antiviral drug (injection) for Viral Disease-19 which costs millions of ₹ to develop. Zutus has obtained patent for this revolutionary drug and it is expected to save millions of lives all across the world. The launch of this drug is excitedly anticipated all over the world, while its demand is unknown and no other similar specific drug exists. The average labor cost (outsourcing) of each batch of Rifmn is ₹38.60.

The management of Zutus considers that pricing decision of Rifmn should be based on each batch.

**Required**

- (i) CALCULATE the optimum (profit-maximizing) selling price for Rifmn and the resulting annual profit which Zutus will make from charging this price.
- (ii) RECOMMEND the pricing strategy for launching of new antiviral drug.

[Note- If  $P = a - bQ$ , then  $MR = a - 2bQ$ ]

(i) Demand function

$b = \text{change in price/change in quantity} = ₹4/8,000 \text{ units} = 0.0005$

The maximum demand for Rifmn is 10,00,000 units, so where  $P = 0$ ,  $Q = 10,00,000$ , so 'a' is established by substituting these values for P and Q into the demand function:

$$0 = a - (0.0005 \times 10,00,000)$$

$$0 = a - 500$$

Therefore,

$$a = 500$$

Demand function is therefore:  $P = 500 - 0.0005Q$

**Marginal cost**

		Total ₹
Salt X	$367.50g \times ₹0.08$	29.40
Salt Y	$301.50g \times ₹0.40$	120.60
Labour	Given in ques	38.60
Machine running cost	$(30/60 \times ₹40.00)$	20
Total marginal cost per batch		208.60

**Marginal revenue function:  $MR = a - 2bQ$**

Equate MC and MR and insert the values for 'a' and 'b' from the demand function in step 1

$$\Rightarrow 208.60 = 500 - (2 \times 0.0005 \times Q)$$

**Solve the MR function (to determine optimum quantity, Q)**

$$\Rightarrow 208.60 = 500 - 0.001Q$$

$$\Rightarrow 0.001Q = 291.4$$

$$\Rightarrow Q = 291,400 \text{ batches}$$

**Calculate the optimum price**

$$\Rightarrow P = 500 - (0.0005 \times 291,400)$$

$$\Rightarrow P = ₹354.30$$

**Calculate Profit**

	₹
Revenue (2,91,400 batches $\times$ ₹354.3)	10,32,43,020
Less: Variable costs (2,91,400 batches $\times$ ₹208.60)	6,07,86,040
Less: Fixed costs (3,00,000 batches $\times$ ₹35)	1,05,00,000
Profit	3,19,56,980

Also asked question related to this case study  
-which strategy is followed by co. earlier &  
now. (4 marks in spom)

b) ORAL LTD is engaged in marketing of wide range of electronic goods. The area is divided in four zones - North, South, East and West. Each zone has zonal sales head. The company fixes annual sales target for zonal heads. The cost of sales target fixed during 2021 is as under :

North	₹ 25,00,000
South	₹ 22,00,000
East	₹ 26,50,000
South	₹ 20,00,000

The Zonal sales managers are paid commission @ 10% on sales made by them. During 2021 the sales commission paid for each zone is as under :

North	₹ 3,00,000
South	₹ 2,90,000
East	₹ 3,10,000
West	₹ 2,40,000

The summary of the variances calculated for each zone are as under :

Particulars	North	South	East	West
Sales Price Variance	40,000 F	60,000 A	50,000 A	20,000 A
Sales Volume Variance	60,000 A	2,60,000 F	1,50,000 F	80,000 F
Sales Margin Mix Variance	1,40,000 A	80,000 F	1,70,000 F	30,000 A

The Company wants to award an incentive to the best performer among all the zonal managers on the basis of :

1. Contribution earned to the company
2. Achievement of the sales target.
3. Sales margin achieved against target margin.

Required :

- (A) Calculate the amount of sales target fixed and the actual amount of contribution earned in case of each of the zonal sales manager. **5**
- (B) Analyze the overall performance of these zonal sales managers taking three relevant base factors and recommend the best performer. **4+1**

**Answer**

Statement Showing "Sales Target Fixed & Actual Margin/ Contribution

Particulars	Zone (₹)			
	North	South	East	West
Commissioned Earned	3,00,000	2,90,000	3,10,000	2,40,000
<b>Actual Sales (Commission Earned/ 10%)</b>	30,00,000	29,00,000	31,00,000	24,00,000
Sales Price Variance	40,000 (F)	60,000 (A)	50,000 (A)	20,000 (A)
Sales Volume Variance	60,000 (A)	2,60,000 (F)	1,50,000 (F)	80,000 (F)
<b>Sales Target (Budgeted Sales)</b>	30,20,000	27,00,000	30,00,000	23,40,000
Standard Cost of Sales Target	25,00,000	22,00,000	26,50,000	20,00,000
<b>Budgeted Margin</b>	5,20,000	5,00,000	3,50,000	3,40,000
Sales Margin Mix Variance	1,40,000 (A)	80,000 (F)	1,70,000 (F)	30,000 (A)
Sales Price Variance	40,000 (F)	60,000 (A)	50,000 (A)	20,000 (A)
<b>Actual Margin</b>	4,20,000	5,20,000	4,70,000	2,90,000

Statement Showing "Evaluation of the Performance of Zonal Sales Managers"

Particulars	Zone			
	North	South	East	West
<b>Contribution earned to the company</b>				
(a) Margin Earned (₹)	4,20,000	5,20,000	4,70,000	2,90,000
(b) Rank	III	I	II	IV
<b>Efficiency towards the Target Sales</b>				
(a) Whether target achieved	No	Yes	Yes	Yes
(b) Actual Sales to Target Sales Ratio	99.34%	107.41%	103.33%	102.56%
(c) Rank	IV	I	II	III
<b>Margin Vs Sales Ratio</b>				
(a) Budgeted Margin/Sales Target Ratio	17.22%	18.52%	11.67%	14.53%
(b) Actual Margin Vs Actual Sales Ratio	14.00%	17.93%	15.16%	12.08%
(c) Achievement	81.31%	96.82%	129.91%	83.14%
(d) Rank	IV	II	I	III

**ANALYSIS**

The **margin vs. sales ratio** helps to track how much margin firm is making from its sales. Zone EAST is yielding a ratio of 15.16% against the target ratio of 11.67% which is the good indicator of performance. At the same time, other zones are not performing well as they have been clearly failed to achieve this target ratio, for instance NORTH Zone is yielding a ratio of 14% against the budgeted figure of 17.22% while SOUTH Zone is almost near to this ratio and West zone is also falling behind by 2.45%.

On the basis of **margin earned** SOUTH Zone is the best zone since it is highest contributor 30.59% to the total margin of the ORAL while EAST Zone is contributing 27.65% and NORTH Zone is contributing 24.71%. Zone WEST is contributing only 17.05% which is the lowest among all.

NORTH Zone is clearly failed to achieve the **target sales** while SOUTH has obtained a figure 7.41% over and above the targeted sales. Zone EAST and WEST have also successfully achieved the targeted sales.

**Conclusion**

NORTH and WEST Zone have been ranked either III or IV in each standard criterion while SOUTH & EAST Zone are standing at either I or II in these criteria. SOUTH Zone is having highest sales as well as highest margin amongst all zones, but they are failed to achieve target margin ratio, they are slightly behind the ratio. Zone EAST is having superb margin vs. sales ratio as discussed earlier at the same time they have achieved targeted sales ratio. They are just behind SOUTH zone in target sales ratio and margin (in absolute term). On the basis of analysis, this can be concluded that **Zone EAST is best performer**.

### International Transfer Pricing

8. Standard Corporation Inc. (SCI) is a US based multinational company engaged in manufacturing and marketing of Printers and Scanners. It has subsidiaries spreading across the world which either manufactures or sales Printers and Scanners using the brand name of SCI.

The Indian subsidiary of the SCI buys an important component for the Printers and Scanners from the Chinese subsidiary of the same MNC group. The Indian subsidiary buys 1,50,000 units of components per annum from the Chinese subsidiary at CNY (¥) 30 per unit and pays a total custom duty of 29.5% of value of the components purchased.

A Japanese MNC which manufactures the same component which is used in the Printer and Scanners of SCI, has a manufacturing unit in India and is ready to supply the same component to the Indian subsidiary of SCI at ₹320 per unit.

The SCI is examining the proposal of the Japanese manufacturer and asked its Chinese subsidiary to presents its views on this issue. The Chinese subsidiary of the SCI has informed that it will be able to sell 1,20,000 units of the components to the local Chinese manufactures at the same price i.e. ¥ 30 per unit but it will incur inland taxes @ 10% on sales value. Variable cost per unit of manufacturing the component is ¥ 20 per unit. The Fixed Costs of the subsidiaries will remain unchanged.

The Corporation tax rates and currency exchange rates are as follows:

Corporation Tax Rates		Currency Exchange Rates	
China	25%	1 US Dollar (\$)	= ₹ 61.50
India	34%	1 US Dollar (\$)	= ¥ 6.25
USA	40%	1 CNY (¥)	= ₹ 9.80

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DIVISIONAL TRANSFER PRICING

12.47

#### Required

- PREPARE a financial appraisal for the impact of the proposal by the Japanese manufacturer to supply components for Printers and Scanners to Indian subsidiary of SCI. [Present your solution in Indian Currency and its equivalent.]
- IDENTIFY other issues that would be considered by the SCI in relation to this proposal.

**MOST IMPORTANT LINES FOR 1 MCQ OF 2 MARKS**

Taxation, profit repatriation and transfer prices are consideration to senior management of MNC. The supplying division is in a country with higher tax rate, the transfer price will be set lower in order to reflect higher earnings (resulting from lower purchase cost) in the purchasing division, which has a lower tax rate. Likewise, supply from lower tax rate countries may be priced higher, in order to reflect higher earning for that unit, reducing tax impact.

8. (i) Impact of the Proposal by the Japanese Manufacturer to Supply Components for Printers and Scanners to the Indian Subsidiary of the SCI.

**On Indian Subsidiary of SCI**

Particulars	Amount (₹)
Cost of Purchase from the Chinese Manufacturer :	
Invoiced Amount $\{(1,50,000 \text{ units} \times ₹ 30) \times ₹ 9.80\}$	4,41,00,000
Add: Total Custom Duty $(₹ 4,41,00,000 \times 29.5\%)$	1,30,09,500
Total Cost of Purchase from the Chinese Manufacturer ... (A)	5,71,09,500
Cost of Purchase from Japanese Manufacturer in India:	
Invoice Amount $(1,50,000 \text{ units} \times ₹ 320)$	4,80,00,000
Total Cost of Purchase from Japanese Manufacturer in India ... (B)	4,80,00,000
Savings on Purchase Cost Before Corporate Taxes ... (A) – (B)	91,09,500
Less: Corporate Tax @34%	30,97,230
Savings after Corporate Taxes	60,12,270

**On Chinese Subsidiary of SCI**

Particulars	Amount (₹)
Loss of Contribution $\{[(1,50,000 - 1,20,000 \text{ units}) \times ₹ (30 - 20)] \times ₹ 9.80\}$	29,40,000
Add: Inland taxes on Local Sale - Chinese Manufacturer $\{[(1,20,000 \text{ units} \times ₹ 30) \times 10\%] \times ₹ 9.80\}$	35,28,000
Total Loss Before Corporate Taxes	64,68,000
Less: Tax Savings on the Losses $(₹ 64,68,000 \times 25\%)$	16,17,000
Net Loss after Corporate taxes	48,51,000

**On SCI Group**

Particulars	Amount (₹)
Saving from Indian Subsidiary	60,12,270
Loss from Chinese Subsidiary	48,51,000
Net Benefit to SCI Group	11,61,270

From the above analysis, it can be seen that the proposal from the Japanese manufacturer in India is beneficial for the SCI as it give a net benefit of ₹11,61,270.

**Manufacturing Cycle Efficiency**

1. "W" specialises in engineering design and manufacture in the automotive and motorsport industry. "W"'s design team has many years' experience in the design and development of engine components for the market and high performance engines. Though "W" is performing well, but many a times, the customers complained that they had to wait for long after placing the orders. "W" is interested in cutting the amount of time between when a customer places an order and when the order is completed. For the last year, the following data were reported in respect of Division "D":

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STRATEGIC PROFIT MANAGEMENT

7.43

Inspection time	=	0.5 days per batch
Process time	=	2.8 days per batch
Wait time	=	16.0 days per batch
Queue time	=	4.0 days per batch
Move time	=	0.7 days per batch

**Required**

- (i) CALCULATE Manufacturing Cycle Efficiency (MCE) and INTERPRET the result.
  - (ii) STATE what percentage of the production time is spent in non-value-added activities.
  - (iii) CALCULATE the delivery cycle time.
  - (iv) CALCULATE the new MCE if by using Lean Production all queue time can be eliminated.
1. (i) **Manufacturing Cycle Efficiency (MCE)**

$$\begin{aligned} &= \frac{\text{Processing Time}}{\text{Inspection Time} + \text{Process Time} + \text{Queue Time} + \text{Move Time} + \text{Wait Time}} \\ &= \frac{2.8 \text{ days}}{0.5 \text{ days} + 2.8 \text{ days} + 4.0 \text{ days} + 0.7 \text{ days} + 16.0 \text{ days}} = 11.67\% \end{aligned}$$

**Interpretation**

In AKG, the MCE is 11.67%, which means that 88.33% of the time a unit is in process is spent on the activities that do not add value to the product. Monitoring the MCE helps companies to reduce non-value added activities and thus get products into the hands of customers more quickly and at a lower cost.

(ii) **Percentage of Time Spent on Non- Value Added Activities**

$$= 100\% - 11.67\%$$

$$= 88.33\%$$

(iii) **Delivery Cycle Time**

$$= 0.5 \text{ days} + 2.8 \text{ days} + 4.0 \text{ days} + 0.7 \text{ days} + 16 \text{ days}$$

$$= 24 \text{ days}$$

(iv) **Revised MCE**

$$= \frac{2.8 \text{ days}}{0.5 \text{ days} + 2.8 \text{ days} + 0 \text{ days} + 0.7 \text{ days} + 16 \text{ days}}$$

$$= 14\%$$

VANDANA DAHIYA

3. Mould & Dies (M&D) was established in 1980 and has enormous wealth of experience in the mould manufacturing industry and serves a wide range of plastic moulds all over the nation. Over the past decade, M&D has developed a reputation for quality products & services for a customer-focused approach. It deals in injection moulds, blow moulds, die sets, moulds base etc.

With a state-of-the-art infrastructure facility, M&D is able to meet the qualitative and quantitative demands of its clients. Its vision & mission is to provide high class manufactured products by using the best quality raw materials.

M&D has developed a new product "M" which is about to be launched into the market and anticipates to sell 80,000 of these units at a sales price of ₹ 300 over the product's life cycle of four years. Data pertaining to product "M" are as follows:

Costs of Design and Development of Molds, Dies, and Other Tools	₹ 8,25,000
Manufacturing Costs	₹ 125 per unit
Selling Costs	₹ 12,500 per year + ₹ 100 per unit
Administration Costs	₹ 50,000 per year
Warranty Expenses	5 Replacement Parts per 25 units at ₹ 10 per part; 1 Visit per 500 units (Cost ₹ 500 per visit)

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4.60

#### STRATEGIC COST & PERFORMANCE MANAGEMENT

**Required**

- (i) COMPUTE the product "M"'s 'Life Cycle Cost'.
- (ii) SUGGEST two ways to maximize "M"'s lifecycle return.

3. (i) Statement Showing "M's Life Cycle Cost (80,000 units)"

Particulars	Amount (₹)
Costs of Design and Development of Molds, Dies, and Other Tools	8,25,000
Manufacturing Costs (₹125 × 80,000 units)	1,00,00,000
Selling Costs (₹100 × 80,000 units + ₹12,500 × 4)	80,50,000
Administration Costs (₹50,000 × 4)	2,00,000
Warranty (80,000 units / 25 units × 5 parts × ₹10)	1,60,000
(80,000 units / 500 units × 1 visit × ₹500)	80,000
<b>Total Cost</b>	<b>1,93,15,000</b>

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4.68

STRATEGIC COST & PERFORMANCE MANAGEMENT

(ii) Following ways are suggested to maximize "M" lifecycle return:

**R&D Costs**

Often **significant part of cost (even above 80%) is committed at the R&D phase of new product**, hence M&D should carefully plan and design its new product "M" as it will determine the number of parts, production process to be used etc. M&D can apply **value engineering** here. It involves improving product quality, reducing product costs, fostering innovation, eliminating unnecessary and costly design elements, ensuring efficient investment in product, and developing implementation procedures. Value engineering is most successful when it is performed early in the product development stage. A value engineering study should be performed within the first 25-30% of the design effort prior to selecting the final design alternative. Here, it is also important that R&D team should work as a part of cross functional team i.e. (participate in a group of people from different functional areas), to minimise lifecycle cost and the production cycle time in new development.

**Speed up the Product Launch**

In cutthroat competitions, it is important for M&D to get new product 'M' launch into the market as soon as possible since this will give "M" a **long stay** in the marketplace *without competition* in the market. Competitors always try to launch a rival product as quickly as possible in order to gain a 'competitive edge'. M&D may lose overall profitability if it delays in launching of Product 'M'. It is usually worthwhile incurring extra costs to keep the launch on schedule or to speed up the launch.

## Chapter 10 - STRATEGIC PERFORMANCE MEASURES IN THE NON-FOR-PROFIT ORGANIZATION

### Case let Based MCQ's

ABC Healthcare is a non-profit organization that provides medical services to the underprivileged population of a developing country. The organization was established 10 years ago and has been successful in providing quality healthcare services to thousands of people who cannot afford private healthcare. ABC Healthcare places great importance on value for money, which is reflected in the efficient use of resources and effective delivery of healthcare services. The organization implemented several measures to ensure that it is providing value for money, including:

- ABC Healthcare implemented a cost-effective model for healthcare delivery, which allowed it to keep the costs of medical services low. In addition, ABC negotiated discounted rates with the suppliers for medical equipment and supplies, enabling it to reduce its operating costs.
- ABC Healthcare created a streamlined healthcare delivery process to reduce wait time and ensure that patients receive prompt and efficient medical attention. Further, ABC introduced a digital medical records system to reduce paperwork and administrative cost.
- ABC Healthcare appointed a team of highly qualified and experienced medical professionals, ensuring that patients receive quality medical care. Further, ABC was also engaged in various preventive healthcare programs to reduce the incidence of diseases. Recently, ABC has entered into various agreements with several international organizations, enabling it to provide specialized medical services to patients with complex medical conditions.
- ABC Healthcare provided scholarships to 100 medical students in the past year, ensuring that there is a pipeline of highly qualified medical professionals to serve the population in the future. In the same year, ABC Healthcare served more than 50,000 patients.
- ABC Healthcare operates with the highest ethical standards, ensuring that patient privacy is protected and that medical procedures are conducted in a safe and responsible manner. For this, ABC Healthcare established a code of conduct for all employees, ensuring that they uphold ethical principles in all aspects of their work.
- ABC Healthcare provides medical services to all patients, regardless of their ability to pay, ensuring that everyone has access to quality healthcare services. In last year, ABC conducted several community outreach programs, to provide medical services to underserved populations in rural areas.

### Required

#### MCQ 1

What is an example of an “efficiency” measure in ABC Healthcare?

#### Options

- a. Streamlining healthcare delivery processes
- b. Hiring highly qualified medical professionals
- c. Establishing partnerships with international organizations
- d. Providing medical services to all patients, regardless of ability to pay

#### Key – a

**Reason** – Streamlining healthcare delivery processes relates to ‘efficiency’ measure. It relates to high productivity.

**MCQ 2**

What is an example of an 'economy and efficiency' measure in ABC Healthcare?

**Options**

- a. Specializing in complex medical conditions
- b. Hiring highly qualified medical professionals
- c. Implementing a digital medical records system
- d. Providing medical services to all patients, regardless of ability to pay

**Key – c**

**Reason** – Implementing the digital medical records system will not only reduce paperwork (i.e., increase in efficiency), but also administrative costs (i.e., bring economy).

**MCQ 3**

Which of the following is NOT related to 'effectiveness' measure in ABC Healthcare?

**Options**

- a. Programs to reduce the incidence of diseases
- b. Specializing in complex medical conditions
- c. Hiring highly qualified medical professionals
- d. Streamlining healthcare delivery processes

**Key – d**

**Reason** – Streamlining healthcare delivery processes relates to 'efficiency' measure. It relates to high productivity. All others relate to the valued outcomes

**MCQ 4**

Which of the following measures has ABC Healthcare implemented to ensure 'economy'?

**Options**

- a. Established a team of highly qualified medical professionals
- b. Negotiated discounted rates with suppliers for medical equipment and supplies
- c. Conducted community outreach programs
- d. Implemented a code of conduct for employees

**Key – b**

**Reason** – Negotiated discounted rates with suppliers for medical equipment and supplies related to 'economy'. Economy refers to obtaining the appropriate quantity and quality of resources at the lowest cost possible.

**MCQ 5**

How has ABC Healthcare established 'ethics' in its operations?

- a. By providing medical services to underserved populations in rural areas
- b. By implementing community outreach programs
- c. By establishing a code of conduct for all employees
- d. By implementing preventive healthcare programs

**Key – c**

**Reason** – ABC Healthcare established a code of conduct for all employees, ensuring that they uphold ethical principles in all aspects of their work.

# **CHAPTERWISE IMPORTANT TOPIC**

## **Chapter-1**

Value Chain Analysis (Michael Porter)

Strategic Positioning Analysis

Differentiation & Cost leadership

Porter's 5 forces model (Industry Structure Analysis)

Pillars of Strategic Cost Management

Value Chain Analysis

Cost Driver Analysis means the examination, quantification, and explanation of the monetary effects of cost drivers associated with an activity.

Information systems, information mgt, information technology

## **Chapter -2**

Components of Cost of quality Mix

Six C's of TQM Theory

Relationship Marketing Theory

Service level Agreement Practical

Gain Sharing Arrangement Theory

Downsizing, outsourcing, offshoring Theory

Push Model: Manufacture based on forecast + Inventory produce in advance Pull Model:

Manufacture based on Order + Inventory produce in need basis Upstream Supply chain:

Relationship with Supplier Downstream: Relationship with Customer

## **Chapter -3**

JIT (Just in Time) (Must Do TYK Q. 2)

Kaizen costing

5S

Six Sigma

OEE (TPM Topic) (Must DO REVERSE CALCULATION OF OEE QUESTION FOR PRACTICE BECAUSE ASKED IN MY EXAM)

## **Chapter -4**

Throughput Accounting / Theory of Constraints (TYK Q. 5)

Target Costing

Product Life Cycle / Life Cycle Costing (ALSO PRACTICE QUE GIVEN IN PDF ABOVE)

Environmental Mgt. Accounting (EMA) (TYK Q. 8)

## **Chapter -5**

Types of Key technologies for Digital transformation Theory 1) Internet of Things 2) 3D

Printing 3) Robotics 4) Digital Twin 5) Artificial Intelligence 6) Augmented Reality 7)

Automation 7) Mobile internet 9) Cloud 10) BlockChain 11) Autonomous Vehicle

Cloud Computing

Hyper Disruptive Business Models

**Vandana Dahiya**

**Chapter -6**

CVP Analysis- Sell or Process Further -Mix TH & PRACTICAL  
Profit Maximisation Model- Mix  
Pricing under different market structure Theory 1) Perfect Competition 2) Monopoly 3) Monopolistic Competition 4) Oligopoly (Predatory Pricing) Pricing of New Product : Skimming & Penetration- Theory  
Pricing of Existing Product:- TEV Practical  
Pricing Decision in Special Circumstances -Theory  
Kano's Performance attributes- Theory

**Chapter -7**

Value-Added & Non Value-Added Activities (Manufacturing Cycle Efficiency)  
Pareto Analysis

**Chapter -8**

Z Score  
A Score  
7S McKinsey (Flow of 7s, Hard S, Soft S & Order of Implementing)  
Relationship Formula (Cross Relationship) PG-8.15 (ALSO REFER EXAMPLE IN BOX)  
Types of Organizational Structure (Identify Structure)  
Value Chain Analysis  
Meaning of Matrix Organization, Limitation of network/virtual organisation

**Chapter -9**

EVA  
ROI  
Residual Income (RI)  
Triple Bottom Line  
Building Block Model  
Balance Scorecard  
Critical Success Factors & KPI  
Performance Pyramid (It is called as SMART)  
SMART (Specific Measurable Achievable Relevant Time-Bound)

**Chapter -10**

Value for Money Framework (Performance Measurement NPO) (REFER EXAMPLE -Pg-10.6 )  
Adaptive Balance Scorecard (Pg-10.7)

**Chapter -11**

ESG Report  
Performance Reports (Types) (Match the following type Ques.)



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Review

