

M.B.A. DEGREE EXAMINATION, DECEMBER 2007.

Second Year

Paper I — FINANCIAL MANAGEMENT

Time : Three hours

Maximum : 75 marks

SECTION A — (3 × 5 = 15 marks)

Answer any THREE of the following.

1. (a) 'Over capitalisation' and 'Under capitalisation'.  
(b) Risk-return-trade off.  
(c) Profit vs wealth maximisation.  
(d) Capital rationing.  
(e) Cash flow.  
(f) Inventory Management.

SECTION B — (3 × 15 = 45 marks)

Answer any THREE of the following.

2. Define the scope of financial management. What role should the financial management play in the modern enterprise?
3. What is a Dupont analysis? Explain with the help of a chart.
4. From the following balance sheets of Deepthi Ltd., make out :
  - (a) Schedule of changes in working capital; and
  - (b) Statement of sources and uses of fund

Liabilities	2005	2006	Assets	2005	2006
	Rs.	Rs.		Rs.	Rs.
Equity capital	6,00,000	8,00,000	Goodwill	2,30,000	1,80,000
8% pref. capital	3,00,000	2,00,000	Land and Building	4,00,000	3,40,000
General reserve	80,000	1,40,000	Plant	1,60,000	4,00,000
P & L a/c	60,000	96,000	Debtors	3,20,000	4,00,000
Proposed	84,000	1,00,000	Stock	1,54,000	2,18,000

dividend					
Creditors	1,10,000	1,66,000	B/R	40,000	60,000
B/P	40,000	32,000	Cash in hand	30,000	20,000
Prov. for taxation	80,000	1,00,000	Cash at bank	20,000	16,000
	<u>13,54,000</u>	<u>16,34,000</u>		<u>13,54,000</u>	<u>16,34,000</u>

Additional Information :

- (i) Depreciation of Rs. 20,000 and Rs. 40,000 have been charged on plant and buildings respectively in 2006.
- (ii) An interim dividend of Rs. 40,000 has been paid in 2006.
- (iii) Income-tax of Rs. 70,000 has been paid during the year 2006.

5. Calculate the operating leverage for each of the four firms X, Y, Z and A from following price and cost data. What conclusions can you draw with respect to levels of fixed cost and the degree of operating leverage result? Explain. Assume no. of units sold is 10,000.

Particulars	Firm			
	X	Y	Z	A
Sales price P.U.	Rs. 10	Rs. 16	Rs. 25	Rs. 35
Variable cost P.U.	3	8	10	25
Fixed operating cost	80,000	40,000	2,00,000	Nil

6. The following data pertain to a shop. The owner has made the following sales forecasts for the first 5 months of the coming year :

	Rs.
January	80,000
February	90,000
March	1,10,000
April	1,20,000
May	1,00,000

Other data are as follows :

(a) Debtors and creditors balances at the beginning of the year are Rs. 60,000 and Rs. 28,000 respectively. The balance of other relevant assets and liabilities are.

	Rs.
Cash balance	15,000

Stock	1,02,000
Accrued sales commission	7,000

(b) 40% sales are on cash basis, credit sales are collected in the month following sale.

(c) Cost of sales is 60% of sales.

(d) The only other variable cost is 5% commission to sales agents.

The sales commission is paid in month after it is earned.

(e) Inventory is kept equal to sales requirements for the next two months budgeted sales.

(f) Trade creditors are paid in the following month after purchase.

(g) Fixed cost are Rs. 10,000 per month, including Rs. 4,000 depreciation.

You are required to prepare cash budget for each of the first three months of the coming year.

7. Compare and contrast, with a numerical example, NPV with profitability Index and list the specific situations when one of these two should be preferred.

#### SECTION C — (15 marks)

(Compulsory)

8. The following capital structure is extracted from sigma Ltd's balance sheet as on 31st March, 2007.

	Rs.
Equity (Rs. 25 par)	6,64,12,000
Reserves	6,52,58,000
Preference (Rs. 100 par)	30,00,000
Debentures	3,00,00,000
Long-term loans	53,60,000
	<u>17,00,30,000</u>

The earnings per share of the company over the period 1999–2007 are :

Year	Rs.
1997	2.24
1998	3.00
1999	4.21
2000	3.96

2001	4.80
2002	4.40
2003	5.15
2004	5.05
2005	6.00
2006	6.80

The equity share of the company is selling for Rs. 50 and preference for Rs. 77.50. The preference dividend rate and interest rate on debenture respectively are 10% and 13%. The long-term loans raised at an interest of 14% from the financial institution. The equity dividend is Rs. 4 per share. The corporate tax rate is 35%.

Calculate the weighted average cost of capital for Sigma Ltd., making necessary assumptions.

**(DBUS 22)**

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Second Year

Paper II — OPERATIONS MANAGEMENT

Time : Three hours

Maximum : 75 marks

SECTION A — (3 × 5 = 15 marks)

Answer any THREE questions.

1. (a) Material handling.
- (b) Capacity planning.
- (c) Quality assurance.
- (d) Standardisation of products.
- (e) Just-in-time production.
- (f) Project Evaluation Vs Project appraisal.

SECTION B — (3 × 15 = 45 marks)

Answer any THREE questions.

2. How does production and operations management function distinguish itself from the other functions of management?
3. How does a good product design increase organisational efficiencies?
4. Discuss the effect of maintenance policy on spares inventory control.
5. Discuss the differences between Job evaluation and merit rating.
6. In what type of production situations is the make or buy decision very crucial?
7. What is lead time? Explain.
8. What is the role of MIS in the successful implementation of MRP?
9. How does good plant layout help to improve productivity?

SECTION C — (15 marks)

Case Study

10. Given the following :

Activity	Immediate predecessor	Duration in days
A	–	9
B	–	20
C	–	10
D	A	11
E	C	10
F	B, C	4
G	F	2
H	D, F	5
I	E, F, K	18
J	G, H	14
K	–	24
L	K	6

- (a) Draw the CPM diagram.

- (b) Find out the critical activities.
- (c) Compute the total, free and independent floats for activities *E*, *D*, *G*, *H* and *L*.

**(DBUS 23)**

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Paper III — MARKETING MANAGEMENT

Time : Three hours

Maximum : 75 marks

SECTION A — (3 × 5 = 15 marks)

Answer any THREE questions.

1. (a) Marketing mix.
- (b) Marketing of services.
- (c) Indian consumer environment.
- (d) Packing decision.
- (e) Sales promotion.
- (f) Market communication.

SECTION B — (3 × 15 = 45 marks)

Answer any THREE questions.

2. What are the premises of market segmentation? Explain them briefly.
3. Describe the steps involved in marketing research.
4. State the strategies that may be adopted for pricing a new product.
5. What is personal selling? Where is it adopted?
6. Explain the importance of marketing in the economic development of the nation.
7. What do you mean by product life cycle? What are the managerial principles there of?

SECTION C — (15 marks)

Compulsory.

8. Five years ago the Ahmedabad based core group stormed the domestic market for intravenous fluids, using technology accessed from global pharmaceutical companies. The challenge facing core at present is the American pharmaceutical giant Baxter Inc. who is not only the global leader in intravenous fluids but also develops its own technology unlike core. Core has already had to fight of a takeover attempt by the transnational. Baxter is likely to join hands with an Indian partner thus acquiring a readymade marketing infrastructure. Domestic competition is intensifying too.

Instead of trying to retain its slice of the 300 million bottles per annum domestic market Core plans to jump in the global market where the demand is five billion bottles per annum. While Core does enjoy an advantage over its global rivals in terms of 30% lower manufacturing costs, the international competitors use a range of high margin products to absorb the losses sustained by selling intravenous fluids cheap. Core is accordingly expanding its product range to include such high margin products.

Core is trying to quickly expand capacities to service its new markets. Manufacturing capacities will be set up in a number of foreign countries with distribution offices in each trade block to service international markets. To ensure constant supply of critical raw materials. Core Biotech, a sister concern will manufacture dextrose paper, glass and rubber to feed Core Parentals. The group has been restructured to make Core parentals and Core Biotech independent profit centres.

Questions to answer :

- (a) Comment on Core's decision to enter the international market.
- (b) What entry strategy would be most desirable to make inroads into these markets?

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Paper IV — HUMAN RESOURCE MANAGEMENT

Time : Three hours

Maximum : 75 marks

SECTION A — (3 × 5 = 15 marks)

Answer any THREE questions.

1. (a) Job environment.
- (b) Staff selection.

- (c) Salary administration.
- (d) Employee discipline.
- (e) Employee grievance.
- (f) Collective bargaining.

SECTION B — (3 × 15 = 45 marks)

Answer any THREE questions.

2. Critically examine the behavioural science aspects of human resource development.
3. Define Training. What are on the job and off the job training programme?
4. What is performance appraisal? Discuss its objectives.
5. What is compensation of employees? Explain the features of a good compensation plan.
6. Examine the importance of industrial Relations in India.
7. What is workers participation in management? Explain its significance.

SECTION C — (15 marks)

(Compulsory)

8. Mary was a first class nurse. She had wanted to be a nurse all her life and found the work satisfying, she was well regarded by both her associates and hospital management for her skills. Mary had been at J.P. Memorial Hospital for eleven years, and there was now an opening for head nurse in the surgical ward where she had substantial experience. Unfortunately, Mary basically didn't want to be a supervisor, she really liked nursing – dealing with patients and facilitating their quick recovery after surgery.

However, she was the most senior, qualified nurse. Her friends in the ward expected her to want the job and probably to get it. Further, she assumed that if she didn't express a strong interest, the job would go to Nooren. She bore no ill will toward Nooren, but Nooren, had only been a nurse for 6 years, was 25 (while Mary was in her late thirties), and working for Nooren just didn't appear to be a pleasant prospect.

On the surface, at least, Nooren may have been more qualified. She was much more likely to seek to the initiative in dealings within the nursing

group, and she often informally represented the surgical ward when they were seeking to get another department to modify its procedures. Mary on the other hand was somewhat retiring and lacking in social initiative.

Assuming you were head of Nursing Services for the hospital, respected both nurses, and knew of Mary's anxieties – but also knew that the hospital occasionally had lost nurses when younger supervisors had problems with more senior staff how would you deal with the situation?

Specifically, answer the following questions :

- (a) What is your analysis of the problem?
- (b) What are the alternative solutions to the problem that come to your mind? Evaluate each one of them.

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Paper V — RESEARCH METHODOLOGY FOR MANAGEMENT DECISIONS

Time : Three hours

Maximum : 75 marks

SECTION A — (3 × 5 = 15 marks)

Answer any THREE of the following.

1.
  - (a) Research and scientific method.
  - (b) Semantic differential scale.
  - (c) Distinguish between an experiment and survey.
  - (d) Depth interviews.
  - (e) Characteristics of non parametric tests.
  - (f) Run test.

SECTION B — (3 × 15 = 45 marks)

Answer any THREE of the following.

2. Describe the different steps involved in a research process.
3. Point out the possible sources of error in measurement. Describe the tests of sound measurement.
4. Explain different methods of collecting primary data.
5. Describe the operations involved in the processing of data.

6. Explain different types of analysis of data pointing out the significance of each.
7. Explain the significance of a research report and narrate the various steps involved in writing such a report.

SECTION C — (1 × 15 = 15 marks)

Compulsory.

8. (a) The following are the kilometres per gallon which a test driver got for ten tankfuls each of three kinds of gasoline :

Gasoline A : 30 41 34 43 33 34 38 26 29 36

Gasoline B : 39 28 39 29 30 31 44 43 40 33

Gasoline C 29 41 26 36 41 43 38 38 35 40

Use Kruskal-Wallis test at the level of significance  $\alpha = 0.05$  to test the null hypothesis that there is no difference in the average kilometre yield of the three types of gasoline.

- (b) (i) Distinguish between systematic and stratified sampling.

- (ii) The following are the numbers of artifacts dug up by two archaeologists at an ancient cliff dwelling on 18 days :

By X 1 0 2 3 1 0 2 2 3

By Y 0 0 1 0 2 0 0 1 1

By X 0 1 1 4 1 2 1 3 5

By Y 2 0 1 2 1 1 0 2 2

Use the sign test at 1% level of significance to test the null hypothesis that the two archaeologists X and Y are equally good at finding artifacts.

**(DBUS 26)**

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Paper VI — BUSINESS POLICY AND STRATEGIC MANAGEMENT

Time : Three hours

Maximum : 75 marks

PART A — (3 × 5 = 15 marks)

Answer any THREE questions.

1. (a) Strategic Advantage Profile.
- (b) Corporate values.
- (c) Hierarchy of objectives.
- (d) Environment Scanning.
- (e) Programme Strategies.
- (f) Environmental opportunities.

PART B — (3 × 15 = 45 marks)

Answer any THREE questions.

2. Define the concept of business policy and explain the 'Mission and objectives' approach.
3. How do you sense the post-implementation problems of a policy?
4. Discuss the components of 7s frame work.
5. What are the motives of mergers? Discuss different types of mergers.

6. Discuss the role of leadership in implementing corporate strategy.
7. Examine the nature and importance of long term objectives in strategic business policy.

PART C — (15 marks)

(Compulsory)

8. With a boom in the demand for cars in India, more and more MNCs are in the race for joining hands with Indian entrepreneurs for setting up their manufacturing bases here. On the contrary. Failures of DCM-Daewoo, Maruti Suzuki. Coca-Cola-Parle, to name only a few, either because of a change in the respective partner's policies or their unbridled expectations are eye-openers both for Indian and MNCs. Still, we in India find that recently Kirloskar have promoted a new company "Toyota Kirloskar Motor Ltd." to manufacture and market various brands of cars of the said Japanese MNC. This is so despite the fact that Kirloskar, unlike Mahindras of MOM and Nandas of Escorts or Bhargavas of Eicher have very little experience of the automobile sector. Besides, their indirect attempt to enter the industry through Kirloskar Tractor has been a complete failure.

On the basis of the above facts, discuss and analysis in brief the various SWOT areas of the two partners - Kirloskar and TOYOTA.

**(DBUS 27)**

M.B.A. DEGREE EXAMINATION, DECEMBER 2007.

Second Year

Paper VII — MANAGEMENT OF INFORMATION SYSTEMS

Time : Three hours

Maximum : 75 marks

SECTION A — (3 × 5 = 15 marks)

Answer any THREE of the following.

1. (a) Explain the information systems for management control.  
(b) What is an open loop system?  
(c) Define and contrast LAN and WAN.  
(d) What are the methods of data communication?  
(e) What are the objectives of a business system?

(f) What is 'Star Topology'?

SECTION B — (3 × 15 = 45 marks)

Answer any THREE of the following.

2. Explain the structure of management information systems on the basis of operating elements of an information system.
3. What are the features of database management systems?
4. In network environment, reliability of network is rated higher than the network performance. Explain.
5. What is Computer Aided Software Engineering (CASE) tools? Explain.
6. Explain the hierarchical database structure with suitable example.
7. Describe the system theory as applied to MIS.

SECTION C — (15 marks)

(Compulsory)

8. Case study

Machine Tool Tensile Limited (MTTL)

The Machine Tool Tensile Limited (MTTL) manufactures machine tools for the engineering industry. It is a wholly Indian company having technical tie-ups with companies in East European countries like Russia, Poland, and Germany for certain type of special machine tools. The turnover of the Company is Rs. 200 crore and is probably the second largest company in the machine tools industry. It is located in Chandigarh where, in and around the city, a lot of sub-contractors are available. MTTL concentrates on the design and the adoption of new machining technology.

The machine tool industry is a complex one due to the sheer range of products it handles. There are broadly, two kinds of classes — the conventional machines and the Computer Numerically Controlled (CNC) machines. The conventional machines can be classified further into the General Purpose Machines (GPMs) and the Special Purpose Machines (SPMs). The CNC machines can be put into two classes, viz., Numerically Controlled (NC) machines and Flexible Manufacturing Systems (FMS).

Figure 26.1 gives the classification structure of machine tools.

The GPMs are useful where the volumes are low and require a flexibility for producing a variety of products. The SPMs are used for the mass production requirements. The CNC machines are used when high precision and low volumes are to be handled. The trend now is towards the lean manufacturing systems using the computer technology. Robotics and Laser technology. The FMS belong to this category. In India the SPMs have gained ground but the presence of the FMS is very insignificant.

With an advent of liberalisation policy the machine tool inputs are possible and the manufacturers are Looking for the FMS to cut down the cost and investment. The MTTL has been changing with times and has kept pace with the development in the industry.

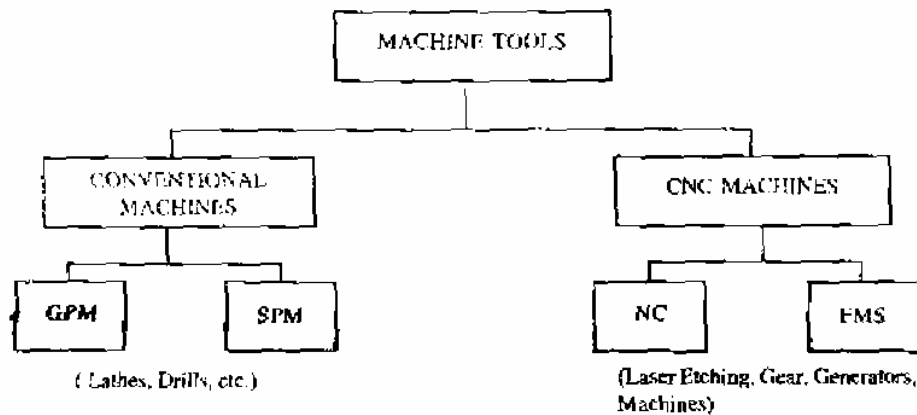


Fig. 26.1 Classification of Machine tools

The machine Tool Industry is highly correlated with the growth of Engineering sector for demand. The growth of the Machine Tool Industry lags behind the growth of the user engineering industry. The order position of the Machine Tool Industry improves with the growth of engineering industry. Most of the Machine Tool Production is a against the customer when it comes to the FMS, the NC machines and the CNC machies. It is also true in case of the SPMs. The GPMs are generally available in stock.

At the moment the growth of the engineering sector is stagnant or declining. The companies in the sector cut back or defer their expansion or diversification programme.

The product mix of the MTTL is 50 per cent GPMs, 30 per cent SPMs and 20 per cent FMS, NC and CNC machines.

The MTTL has to keep pace of production when the growth is at a higher rate than the normal one. This requires more funds to finance the capital and the technology intensiveness of the industry; but relatively the benefits come at a much slower rate.

In the business range of the MTTL there are companies in India and a number of companies abroad posing the competition. It also has competition from customers like Telco, Bajaj Auto, Kirloskar, Mahindra and Mahindra which also have in-house capabilities and capacities to manufacture machine tools.

The market of conventional machines is dominated by the HMT. Batlibai, Mysore Kirloskar, Bharat Fritz Warner, Laxmi Machine Works and ACC Design are the other competitors. There are other small manufacturers of NC and CNC machines which compete in a small range of machines. They operate against the specific orders with financial assistance from the customers.

The cost structure of the machine tool is 60 percent raw material. 10 per cent wages and salaries, 15 per cent other expenses and 10 percent interest. After providing for power, fuel, and depreciation, etc., the Profit Before Tax (PBT) is less than 2 per cent. The improvement of profit margin is possible through the better management and assured quality. The company has gone in for the ISO certification and has obtained ISO-9002 certificate of quality.

Better management is possible through the manufacturing strategy design. The expenses can be controlled through the maximum use of core competency and out-sourcing the rest from recognised sources, where the quality can be demanded at a much lesser cost. While the GPMs do not contribute much to the profit margins the SPMs, the NC, and the CNC machines give much high value to the margin. The MTTL management would like to evolve a proper product mix so that the overall contribution increases. This requires marketing the product and the production strategies linked closely to the growth of Auto Consumer Durables, Intermediate Goods and Capital Goods Industry.

The machine tool industry is also affected by a periodical recessionary phase coupled with the shift in consumption. Recently, it is observed that the defence sector is buying less, the Public Sector Undertakings (PSUs) have cut down the budgets while the Auto and White Goods industry have plans to invest. Owing to the mismatch between the capacity, the orders and the time at which the orders come, import becomes a viable alternative to customer of the machine tool industry.

The profit margins are low in this industry. The GPMs are better than the SPMs. This is mainly due to the high volumes in the GPMs as compared to the SPMs where the fixed cost is spread over the small volume. While India scores over cost in the design engineering which is lower here than in Europe, the same is true for manufacturing but the productivity is lower than the European manufactures. MTTL has similar cost and the productivity norms.

To cut down on the costs, MTTL tries to adopt advanced technology or reverse engineering and customisation of local requirements. This approach takes longer time and the delivery time promised to the customer is not kept. MTTL wants to look into this approach to find out whether the out-sourcing of the critical components is efficient, effective and economical. This, however, requires developing the business mix, the product and the production strategies. With the liberalisation of trade the world over, export of machine tools to the developing countries in the Indian subcontinent, Africa and South America is a distinct possibility. With the general trend moving towards the less manpower intensive technology by using the Computer and the Laser Technology and application of the software to control the processes, the demand shift from the GPMs to the NC and the CNC machine is most likely.

The growth projections of the user industries till the year 2000 are 20 per cent for the auto industry, 25 per cent for the consumer durables, 15 per cent for the intermediate and the capital goods.

MTTL feels confident that they will face the coming tide in the business effectively, provided they put their Information Management function in place. Though excessive use of computers is present in the functions like the design and engineering, and manufacturing

applications, in business planning, execution and control it is not very high. With the recent advances in the Information Technology, MTLL finds that its application in the business management is very low. It is evident that the enquiry and order processing cycle times are lengthy, generally over four to six months. The cost analysis is possible on a limited scale. The estimation of the costs and resources are not fairly correct. MTTL does not have information on out-sourcing, engineering databases, competition, etc., The System capability in the materials management is very poor where the costs are very high.

Though the performance of the Company is same as that of its competitors, it would like to set up a MIS for effective decision making at all levels of management.

Questions :

- (a) Why is the need of a MIS felt when the Company is doing well?
- (b) How would the MIS help in improving the present management process? Which areas of business need Information Technology Application?

**(DBUS 31)**

M.B.A. DEGREE EXAMINATION, DECEMBER 2007.

Final Year

A-Financial Management

Paper I — SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Time : Three hours

Maximum : 75 marks

SECTION A — (3 × 5 = 15 marks)

Answer any THREE of the following.

1.
  - (a) Portfolio management.
  - (b) Investment Vs Speculation.
  - (c) Purchasing power risk.
  - (d) Industry analysis.
  - (e) Trend reversal.
  - (f) Portfolio revision.

SECTION B — (3 × 15 = 45 marks)

Answer any THREE of the following.

2. Describe the features that distinguish institutional investors from individual investors.
3. Explain the basic principles and hypothesis of Dow theory.
4. What is the implication of semi-strong form market efficiency for fundamental analysis?
5. Explain the concept and process of portfolio analysis.
6. List the limitations of Markowitz Model of Portfolio selection.
7. What is meant by the holding period yield of a portfolio? How is it calculated?

SECTION C — (15 marks)

Case study

8. A stock costing Rs. 120 pays no dividends. The possible prices that the stock might sell for at the end of the year with the respective probabilities are :

Price (Rs.)	Probability
115	0.1
120	0.1
125	0.2
130	0.3
135	0.2
140	0.1

- (a) Calculate the expected return.
- (b) Calculate the standard deviation of returns.