



Strategy and Performance Measurement

Instructions to examinees:

- (i) Answer all **SEVEN** questions.
(ii) Answer in **black** pen only.

- Q.1 (a) Innovative Motorcycles Limited (IML) is a medium sized motorcycles manufacturing company in Pakistan. IML entered into the motorcycle market in 2012 when only few competitors were present. Thereafter, various local assemblers entered into the market with different brand names, by importing cheap motorcycles CKDs from China leading to increased competition.

To counter the competition, IML has introduced some value added variants (e.g., GPS enabled bikes) and value added products (e.g., Scooters for females and electric bikes) over the years which has helped it to grow even in this highly competitive environment.

Following information is extracted from IML's management accounts for the year ended 30 November 2022:

	2022	2021
	----- Rs. in '000 -----	
Revenue	5,421,360	5,315,010
Operating profit	381,122	325,810
R&D expenses	42,700	85,080
Trade and other receivables	180,423	175,090
Cash and cash equivalent	44,624	9,520
Current liabilities	131,250	130,616
Return on capital employed	33.3%	35.4%
Annualised total shareholder return (Dividend + Capital gain)	7.7%	7.6%
Interest on bank loan	11%	11%
Number of new products/variants launched during the year	1	2

Sale prices of motorcycles have remained unchanged during the last two years.

Required:

Evaluate IML's financial and non-financial performance for the year ended 30 November 2022. Also give suggestion(s) to IML on the basis of your evaluation. (12)

- (b) The CEO of IML feels that traditional financial reporting is not sufficient as a sole measure of a company's performance and the business needs a reporting environment that allows to determine/monitor how IML's strategy drives performance and leads to the creation of value over time. He intends to introduce integrated reporting for IML.

Required:

Briefly discuss the guiding principles for developing an 'Integrated report'. (03)

- Q.2 City Motors (CM) specializes in making 660cc and 1300cc hatchback cars. CM differentiates its car variants with two features: Eco-mode and Hi-tech package. Eco-mode feature maximizes fuel efficiency in the car, whereas Hi-tech package is used to equip the car with the state of the art navigation and stereo system. Presented in the table below is sales volume for each of the car variants currently in the market.

Power	Car variant	Eco-mode	Hi-tech package	Price (Rs. in lacs)	Sales volume in '000				
					2017	2018	2019	2020	2021
660cc	A1	Yes	Yes	20	9	11	13	19	25
	A2	Yes	No	18	5	7	9	18	27
	A3	No	No	16	2	4	6	7	7
1300cc	B1	Yes	Yes	34	12	14	16	19	22
	B2	No	Yes	32	5	7	9	7	6
	B3	No	No	30	3	5	7	7	7

CM is looking to bring another car variant that serves the gap of Eco-mode and Hi-tech package variations.

Required:

- (a) Analyse the trend in sales volume presented in the table. Also suggest possible reason(s) for such a trend. (12)
- (b) Analyse the gaps present in car variants. Also, recommend a new variant that CM should introduce in the market in 2022. (03)
- Q.3 Smart Sanitary Limited (SSL) sells bathroom accessories and aspires to become a leading brand for all bathroom related products. It is located in Belovenia, a small city in Europe with a population of about 1.1 million.

Belovenians normally buy built houses that have all the necessary bathroom fixtures installed by the builders who normally consult with the plumbers for the best products. Most of the Belovenian houses and apartments have similar bathroom products and fixtures that are readily available at the local hardware and sanitary stores. At present, the bathrooms in Belovenia are normally equipped with fixed showerheads. When a product such as a showerhead malfunctions, a plumber is called to fix it who can readily get the required products from a neighbourhood store he is associated with.

SSL believes there is an opportunity to provide innovative designs of showerheads to Belovenians. It has developed a handheld showerhead that is of better quality and slightly lower in price than the existing showerheads. The handheld showerhead can be easily installed in the existing bathroom pipelines and can also be mounted on a wall stand to be used in a fixed place. By getting encouraging response from consumer trials and focus group discussions on the new showerhead, SSL is convinced that they have developed a superior product. To capture the market, SSL has already run several advertisement campaigns on TV and social media platforms showcasing the benefits, quality and affordability of the new handheld showerhead to the consumers. SSL has placed the showerheads at the most prominent supermarkets around the city and provides free home delivery if the product is ordered online or through the phone. However, SSL has not received a positive response from the market on the handheld showerheads. Every time SSL runs the TV or social media campaign, there is a slight increase in sales volume but it does not sustain.

Required:

- Analyse the existing 4Ps of marketing mix deployed by SSL for handheld showerheads and recommend corrective measures, if required, for sustainable growth. (10)

- Q.4 Khalid Masood owns a small plastic bottle making factory named Khalid Bottlers (KB). At full operating capacity, KB can make about 7000 bottles per hour, which easily meets daily order requirements. He is currently considering to implement Just-in-time (JIT) system to improve efficiency at the factory.

Khalid personally visits wholesale market to buy plastic pellets when there is only a week's supply left. The plastic pellets are placed in a state of the art injection machine that heats them up and turns them into liquid, which is then injected at high pressure into moulds. The moulding process casts pieces of plastic into pre-forms that subsequent machines turn into bottles. The moulded pre-form hardens instantly by a built-in cooling system. All pre-forms are of a standard size that are tested by an automated machine for quality. The pre-forms that meet the required quality standard are kept in the process and others are scrapped away as waste. The quality approved pre-forms are then transported into another moulding machine that reheats them upto the required temperature, stretches them to the required size and then blows them up to the specific size. It is then cooled by the cooling system in the machine and turned into plastic bottles. The bottles are then passed on a small conveyor belt towards a packaging machine that packages them for delivery.

Random quality checks are done on bottles at the conveyor belt for each customer consignment to ensure bottles are made to specification. Upon detection of a fault, the entire consignment of the customer is checked and the faulty bottles are scrapped away as waste. As soon as the consignment is complete, it is shipped to the customer.

Required:

- (a) Identify, explain and relate the types of quality related costs that are incurred by KB. (08)
- (b) In the light of practical implications of JIT system, assess KB's readiness indicating clearly whether KB meets the essentials of JIT system or not. Also recommend possible corrective measures to KB where essentials are not met. (08)
- Q.5 Easy Printing (EP) is a leading publisher, specialised in printing periodical newsletters and journals. EP's substantial sales are made through newsagents and bookstores in the country. EP bears the distribution costs incurred by the newsagents and bookstores.

During the year, cost of raw material i.e. paper has increased significantly. The pine wood trees that are used to produce the required paper locally are becoming scarcer in the country. Second, distribution costs have also increased. Third, there is an increase in demand for online publication in the country. Due to these factors, sales and profit margin have declined sharply for EP in the current year.

During a recent meeting, EP's CEO informed that its two main competitors have adopted e-business model and are now offering heavy discounts on their online publication. She suggested that in order to stay up-to-date and competitive, EP should also switch to e-business model completely and continue EP as an online brand through its own website. Further, she was of the opinion that Big data analysis can help EP to gain useful insight to increase its revenues, get or retain customers and improve operations.

Required:

- (a) In the light of the factors identified in the above scenario, explain the impact of adopting e-business model at EP. (03)
- (b) Discuss the e-branding method as recommended by the CEO. Suggest other ways of e-branding to CEO. (06)
- (c) Suggest and explain any *three* key strategies to the CEO for commercially leveraging Big data. (06)

- Q.6 Adil, ACA has recently joined XYZ Limited (XYZ) as the finance manager and is currently on a three months' probation. XYZ is involved in the business of manufacturing tiles. Before joining XYZ, Adil worked in the finance department of ABC Limited (ABC), which is a glass manufacturing company. His last assignment at ABC was determination of a bid price for the potential acquisition of PQR Limited (PQR), a company which is also engaged in the business of glass manufacturing.

Today, XYZ's CFO has informed Adil that XYZ is considering to acquire PQR under a strategy to diversify its business. The CFO has also informed him that they know that there is one more bidder interested in the acquisition of PQR but does not know its name. Considering Adil's experience of glass manufacturing business, the CFO wants him to provide his expert opinion on the potential range of prices so as to win the bid. The CFO has also informed that the finance department staff shall be eligible for a bonus subject to the successful acquisition of PQR.

Required:

Advise how Adil may apply the ethical model based on threats and safeguards in the above situation. (15)

- Q.7 Presented in the table below is a standard plan of Alamgir Builders (AB) for the construction of a 100 square yard single story office space. The table also states the number of people required for each activity assuming each person does equal amount of work for the respective activity.

	Activity	Duration in weeks (week = 7 days)	Preceding activity	People required
A	Dig & Pour Footers	2	-	5
B	Make Concrete Foundation	1	A	5
C	Build Rough Wall & Roof	3	B	7
D	Build Side Walls	2	C	5
E	Install Plumbing Fittings	3	C	3
F	Install Electrical Fittings	2	C	3
G	Install Drywall	1	D,E,F	3
H	Lay Flooring	3	G	4
I	Paint Interior	2	G	2
J	Install Interior Fixtures	2	H,I	2
K	Install Gutters & Downspouts	1	J	3
L	Do Landscaping & Handover	3	K	4

AB is considering a proposal to add one more resource person in one of the activities to reduce the overall time.

Required:

Advise the activity in which the additional resource person should be hired for a maximum impact on reducing the timeline. Support your answer with reasons using Network Analysis. (14)

(THE END)