



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ACCOUNTING AND FINANCE

EXAMINATION PAPER

COURSE CODE : CAC403
COURSE TITLE : STRATEGIC PERFORMANCE MANAGEMENT
SPECIAL REQUIREMENTS :
DURATION : 3 Hours
LEVEL : 4.1
DATE :

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue
2. Use of silent, non-programmable calculators is allowed
3. Answer ALL questions in both Section A and Section B.
4. Begin each question on a new page.
5. The number of marks for each question or part question is shown in brackets []

SECTION A

Answer all questions in this section. Each question carries 2 marks.

1. Corporate strategy does not include
 - A. Diversification
 - B. Consolidation
 - C. Cost leadership
 - D. Vertical integration

2. What does question mark (?) symbolize in BCG matrix?
 - A. Remain
 - B. Diversified
 - C. Invest
 - D. Liquidate

3. What is the starting point of strategic intent?
 - A. Goals
 - B. Objectives
 - C. Mission
 - D. Vision

4. A method of budgeting that involves using previous budget as a reference point is called
 - A. Incremental
 - B. Formula
 - C. Zero based
 - D. Activity based

5. Key principles of TQM do NOT normally include
 - A. Measuring and recognizing employees
 - B. Disciplinary process for poor workmanship
 - C. Employee training
 - D. Suggestion scheme

6. Porters generic strategies are
 - A. Low price, differentiation, focus
 - B. Cost leadership, differentiation, cost focus, focus differentiation
 - C. Price leadership, differentiation, focus
 - D. Low cost, differentiation, focus differentiation

7. Corporate level strategy deals with
 - A. Objectives of specific functions
 - B. Objectives of single strategic business unit
 - C. Objectives of the corporate
 - D. Objectives of specific operations

8. This is not one of Kaplan and Norton's Balanced Scorecard perspectives
- A. Learning and Growth
 - B. Business Process
 - C. Customer
 - D. Social
9. Which of the following is of concern to not-for-profit making organisations
- A. The markets to service
 - B. Identifying suppliers to deal with
 - C. Developing capabilities
 - D. Building monopolies
10. Industry or sector benchmarking compares
- A. Organizational performance between firms/public sector organisations in different industries or sectors
 - B. Organizational performance between firms/public sector organisations in the same industry or sector
 - C. Organizational performance between firms/public sector organization in different countries
 - D. Organizational performance between different divisions of the firm
11. What does Stars symbolize in BCG matrix?
- A. Introduction
 - B. Growth
 - C. Maturity
 - D. Decline
12. Strategic management handles
- A. External issues
 - B. Management issues
 - C. Internal issues
 - D. Administrational issues
13. BCG in the BCG matrix stands for
- A. Boston Calmette Group
 - B. British Consulting Group
 - C. Boston Corporate Group
 - D. Boston Consulting Group
14. Which of the following is the **BEST** example of strategy development?
- A. A company allocates resources to enable it to reach new markets
 - B. A company decides to market its products internationally
 - C. A company motivates employees to increase international sales
 - D. A company decides to cut back on its costs

15. Dust Co has two division, A and B. Each division is currently considering the following separate project:

	Division A	Division B
Capital required for the project	\$32.6million	\$22.2million
Sales generated by project	\$14.4million	\$8.8million
Operating profit margin	30%	24%
Cost of capital	10%	10%
Current return on investment of division	15%	9%

If residual income is used as the basis for the investment decision, which division(s) would choose to invest in the project?

- A. Division A only
- B. Division B only
- C. Both Division A and Division B
- D. Neither Division A nor Division B

[Total: 30 marks]

SECTION B

Answer all questions in this section

Question One

One of the directors of Footsteps Ltd made the following remarks after attending a strategy formulation workshop in Victoria Falls.

“Business strategy formulation consumes a lot of organizational resources which may not be matched by the returns. Such a practice seems to be unsuitable for the owner managed and small businesses’

REQUIRED

- (a) Explain the merits of strategy formulation [6 marks]
- (b) Identify and explain the demerits of strategy formulation. [6 marks]
- (c) Discuss why the formal business strategy formulation may be a challenge in the owner managed or small businesses [6 marks]
- (d) Propose strategies that are required to rescue these small businesses [7 marks]

[Total: 25marks]

Question Two

A company operates two divisions. Select and Choice. Select manufactures two products X and Y. Product X is sold to external customers for \$84 per unit. The only outlet for product Y is Choice. Choice supplies an external market and can obtain its semi-finished supplies (product Y) from either Select or an external source.

Choice currently has the opportunity to purchase product Y from an external supplier for \$76 per unit. The capacity of division Select is measured in units of output, irrespective of whether product X, Y or a combination of both are being manufactured.

The associated product costs are as follows:

	X	Y
Variable cost per unit	64	70
Fixed overheads per unit	10	10
Total unit costs	74	80

REQUIRED

(a) Using the above information, provide advise on the determination of an appropriate transfer price for the sale of product Y from Division Select to Division Choice under the following conditions:

- (i) when Division Select has spare capacity and limited external demand for product X [5 marks]
- (ii) when Division Select is operating at full capacity with unsatisfied external demand for product X. [6 marks]

(b) The transfer pricing system operated by a divisional company has the potential to make a significant contribution towards the achievement of corporate financial objectives.

Explain the potential benefits of operating a transfer pricing system within a divisionalised company. [7 marks]

(c) The design of an information system to support transfer pricing decision making necessitates the inclusion of specific data.

Identify the data that needs to be collected and how you would expect it to be used. [2 marks]

[Total: 20 marks]

Question Three

Stoneland Company is in the Civil engineering business. In proposing a Balanced Scorecard for measurement of the company's performance, managers interviewed many current and potential customers. They found that some customers were highly price sensitive and wanted to continue business as usual. These customers developed internally all the specifications for their bids, put a detailed bidding document out to tender, and chose, from among all qualified contractors, the one submitting the lowest bid. As one price-sensitive customer said during an interview:

"We don't have the resources of time for doing anything fancy with our suppliers. Our business has become ruthlessly competitive with price and margin reductions in recent years, and the need for us to cut costs wherever we can. We cannot afford to choose anyone but the lowest price supplier. But, of course, we still expect quality standards and deadlines to be met".

But the interviews also revealed that several large and important customers were looking for something different. They said:

"we have to cut costs wherever we can, but we are looking to our suppliers to help us. If it is cheaper and more effective for our suppliers to take over some of our engineering functions, we

should let them do that and reduce our internal engineering staff accordingly. We want suppliers that can suggest new ways of doing business, and who can take advantage of new technologies”.

Although price would still be a factor with this second category of customer, a contractor’s ability to offer innovative and more long-term cost-effective approaches would be a strong influence on selection.

REQUIRED

(a) As part of a Balanced Scorecard, you are to identify objectives and measurement for

- (i) the Customer perspective
- (ii) Internal Business Processes perspective for Stoneland for the two separate types of customer.

The Financial, and Learning and Growth perspectives need not be addressed

[10 marks]

(b) Using examples of measures within the four Balanced Scorecard perspectives for a company of your choice (not Stoneland), you should demonstrate how reaching an objective in a lower perspective could contribute to the consequential achievement of an objective in the next higher perspective, i.e, three separate cause and effect relationships should be explained.

[15 marks]

[Total 25 marks]

END OF EXAMINATION