Chapter 03: Section 1 and 2

Practice Question 68:

As a Management Accountant at Mango Holdings, you are tasked with addressing a critical challenge following the group's recent ERP implementation. The conglomerate operates five distinct divisions—Agriculture, Textiles, Renewable Energy, Seafood, and Logistics—each historically using its own performance metrics.

The Agriculture division tracks crop yields and auction prices, while Renewable Energy focuses on the Levelised Cost of Energy. This fragmented approach prevents effective group-level assessment and strategic coordination.

The CFO has recognised this limitation and poses a fundamental question: **How should a diversified group design a performance management system that balances divisional autonomy with group-level strategic control?**

Your challenge is to design a unified performance management system that provides comprehensive oversight while respecting divisional expertise.

Practice Question 69:

As the Strategic Planner at Citrus Advertising Ltd., you face a critical challenge in operationalizing the CEO's newly announced strategic objective for the upcoming year: "To become the undisputed leader in client value creation." This ambitious vision presents significant implementation challenges given the diverse nature of your divisions.

The Creative team traditionally focuses on winning industry awards for artistic excellence, while the Media Buying team prioritizes cost efficiency and budget optimization. The Digital division emphasizes innovation and emerging platforms, whereas Account Management concentrates on relationship building.

The central question you must address is: **How can a professional services firm translate a high-level strategic goal like "enhancing client value" into meaningful performance targets for departments with fundamentally different functions and success metrics?**

Your task is to develop a concrete performance management framework that aligns these diverse teams toward the single corporate vision.

Practice Question 70:

As an Operations Analyst at Zenith Logistics, you are reviewing the company's latest performance dashboard. Revenue has exceeded Rs. 50 million this month and net profit margins are meeting all quarterly targets. However, the Chief Operating Officer shares concerns about the measurement framework's effectiveness. The current dashboard focuses heavily on lagging financial indicators like monthly revenue and gross margin.

Meanwhile, client complaints about delivery delays have increased by 15% this quarter. Vehicle breakdown incidents have risen from 3% to 7% of the fleet. Neither issue appears in the primary performance reports.

The COO poses a critical question: Why would a logistics company that is hitting all its financial targets still need to worry about the effectiveness of its non-financial measurement framework?

Your task is to propose a more effective measurement framework that provides early warning of operational issues before they impact financial performance.

Practice Question 71:

As the Financial Planning & Analysis (FP&A) Manager at BlueGem Textiles Pvt Ltd, you are responsible for the company's performance measurement. The company is successfully moving towards high-margin sustainable and technical fabrics, away from its traditional focus on volume. The monthly performance report, however, still highlights outdated metrics like 'Total Production Volume' and 'Cost per Meter'. The CEO believes these figures fail to represent the success of the new business direction.

Your work must address the question: **How does a company's shift in strategy from a volume-based producer to a value-based innovator change its selection of Key Performance Indicators?**

You must now develop a new performance measurement set with KPIs that align with the company's focus on value, innovation, and sustainability.

Practice Question 72:

As the Product Manager at PalmNest Foods, you are responsible for evaluating the performance of the new "Lemongrass Chicken Curry Pouch" convenience meal. Six months have passed since the product launch, and initial sales figures appear promising.

The CEO has now requested a comprehensive performance review to determine whether to increase investment in the entire convenience foods product line. She needs more than surface-level revenue figures to make this decision.

Your review must answer the question: **How can a company use a combination of financial and non-financial lagging indicators to determine if a new product launch was truly a success?**

Your task is to prepare a balanced performance report that provides a complete picture of the launch's actual results.

Practice Question 73:

Taprobane Finance, a retail banking institution, wants to calculate its customer retention rate for the financial year 2024/25 to gauge customer loyalty, a key component of its 'Customer Intimacy' strategy. The company's records show the following data:

- Account holders at the start of the year (1 April 2024): 80,000
- Account holders at the end of the year (31 March 2025): 85,000
- New account holders acquired during the year: 15,000

Practice Question 74:

Zenith Logistics has a strategic objective of 'Operational Excellence'. A Critical Success Factor (CSF) for this strategy is 'Punctual and Accurate Delivery'. The primary KPI used to measure this is the On-Time, In-Full (OTIF) delivery rate, with a target of 98.5%. In November, the company handled a total of 4,500 deliveries. A review of the delivery records revealed:

- Deliveries that were on-time and complete (in-full): 4,365
- Deliveries that were on-time but had missing items: 75
- Deliveries that were complete but late: 60

Calculate OTIF rate for November

Practice Question 75:

Scenario: Taprobane Finance, a private wealth management institution, competes on customer intimacy. It wants to measure its "Share of Wallet" for a key client.

Given Information:

- Client's total investable assets (across all financial institutions): Rs. 200,000,000
- Assets managed by Taprobane Finance for this client: Rs. 80,000,000

Practice Question 76:

Scenario: Palmnest Foods, a food and beverage company, competes on operational excellence and needs to measure how efficiently it manages its inventory across its retail distribution network.

Given Information:

- Cost of Goods Sold (COGS) for the year: Rs. 400,000,000
- Average Inventory value during the year: Rs. 50,000,000

Practice Question 77:

Scenario: Mango Holdings' entertainment streaming subsidiary wants to calculate the lifetime value of an average subscriber to inform its marketing and retention strategies.

Given Information:

- Average monthly subscription fee per customer: Rs. 1,500
- Average gross margin per customer: 60%
- Monthly customer churn rate: 2%

Practice Question 78:

Scenario: Trident Logic Ltd. uses "Weighted Sales Pipeline Value" as a leading indicator for future revenue. The sales team assigns a probability of closing to each deal in the pipeline for enterprise software solutions.

Given Information:

Potential Client	Deal Value (Rs.)	Probability of Closing
Client Alpha	15,000,000	75%
Client Beta	25,000,000	50%
Client Gamma	10,000,000	20%
Client Delta	40,000,000	10%

Practice Question 79:

Oceanleaf Exports' FP&A team uses a predictive model to forecast revenue. The model indicates that for every 5% depreciation of the Rs. against the USD, sales are expected to drop by 10% in the following quarter due to increased price sensitivity in foreign markets. The company's baseline revenue forecast for the next quarter is Rs. 50 million. The central bank has just forecast a 15% depreciation of the Rs. for the upcoming quarter.

calculate the adjusted revenue forecast.

Practice Question 80:

BlueGem Textiles operates a critical weaving machine on an 8-hour (480-minute) shift. During the shift, there are two 15-minute breaks. The machine experienced 45 minutes of unscheduled downtime due to a thread jam. The machine's ideal cycle time is 1 minute per metre of fabric. During the operational time, it produced 320 metres, of which 16 metres were found to be defective. Calculate the OEE for this machine.

ANSWER

1. **Calculate Availability:**

$$\begin{aligned}\text{Scheduled Time} &= 480 \text{ minutes}\\ \text{Planned Breaks} &= 2 \times 15 = 30 \text{ minutes}\\ \text{Planned Production Time} &= \text{Scheduled Time} - \text{Planned Breaks}\\ &= 480 - 30 = 450 \text{ minutes}\end{aligned}$$

$$\begin{aligned}\text{Run Time} &= \text{Planned Production Time} - \text{Unscheduled Downtime}\\ &= 450 - 45 = 405 \text{ minutes}\end{aligned}$$

$$\begin{aligned}\text{Availability} &= \frac{\text{Run Time}}{\text{Planned Production Time}}\\ &= \frac{405 \text{ minutes}}{450 \text{ minutes}} = 0.90 \quad \text{or} \quad 90\%\end{aligned}$$

2. **Calculate Performance:**

$$\begin{aligned}\text{Potential Production during Run Time} &= \frac{\text{Run Time}}{\text{Ideal Cycle Time}}\\ &= \frac{405 \text{ minutes}}{1 \text{ minute/metre}} = 405 \text{ metres}\end{aligned}$$

$$\text{Actual Production} = 320 \text{ metres}$$

$$\begin{aligned}\text{Performance} &= \frac{\text{Actual Production}}{\text{Potential Production}}\\ &= \frac{320 \text{ metres}}{405 \text{ metres}} \approx 0.79 \quad \text{or} \quad 79\%\end{aligned}$$

3. **Calculate Quality:**

$$\text{Total Metres Produced} = 320 \text{ metres}$$
$$\text{Defective Metres} = 16 \text{ metres}$$
$$\begin{aligned}\text{Good Metres} &= \text{Total Metres} - \text{Defective Metres} \\ &= 320 - 16 = 304 \text{ metres}\end{aligned}$$

$$\begin{aligned}\text{Quality} &= \frac{\text{Good Metres}}{\text{Total Metres Produced}} \\ &= \frac{304}{320} = 0.95 \quad \text{or} \quad 95\%\end{aligned}$$

4. **Calculate Overall OEE:**

$$\begin{aligned}\text{OEE} &= \text{Availability} \times \text{Performance} \times \text{Quality} \\ &= 0.90 \times 0.79 \times 0.95 \\ &= 0.67545 \quad \text{or} \quad 67.5\%\end{aligned}$$

Practice Question 81:

Zenith Logistics reported a Cost of Goods Sold (COGS) of Rs. 120 million for the year from its warehousing and distribution operations. Its beginning inventory was Rs. 12 million and its ending inventory was Rs. 18 million. Calculate the Inventory Turnover ratio and the Days Inventory Outstanding (DIO).

Practice Question 82:

Mango Holdings reports a consolidated Net Operating Profit After Tax (NOPAT) of Rs. 250 million. The group's total invested capital (Debt + Equity) is Rs. 1.8 billion. Its Weighted Average Cost of Capital (WACC) is 12%. Calculate the Economic Value Added.