

Code : 1P1304A

R11

MBA III Semester Regular Examinations December 2014

**Management Control Systems**

Time: 3 hours

Max Marks: 60

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**Part A**

Answer any Four Questions (12 Marks each)

4 x 12 = 48 Marks

1. Define the term Management Control? What are the distinguishing characteristics of Management Control?
2. What do you mean by Responsibility Accounting? Briefly explain about various responsibility centres?
3. What do you understand by transfer pricing? Explain briefly various objectives of transfer pricing.
4. The following is the data related to Sri Charan Ltd.,  
Sales 200000 units at the rate of Rs.20 Each  
Variable Cost per unit Rs.12  
Fixed cost per annum Rs.600000. calculate the following:
  - a) Break Even Point,
  - b) Margin of Safety as a percentage of sales
  - c) Sales required to earn a profit of Rs.400000 and
  - d) Profit when sales are Rs.3000000
5. What do you understand by Budgetary Control? Explain about essentials of a successful Budgetary control System?
6. What is Inventory Management? Discuss in detail the objectives of effective inventory control?
7. Briefly explain the following?
  - a) Non-profit Organisations
  - b) Multi-national firms

**Part B—Compulsory Question**

Analyze the following case and answer the questions.

**CASE STUDY**

12Marks

8. From the following data given below, calculate:
  - a) Material Cost Variance
  - b) Material Price Variance
  - c) Material Usage Variance

Products	Standard Quantity (Units)	Standard Price	Actual Quantity (Units)	Actual Price
A	1,050	2.00	1100	2.25
B	1500	3.25	1400	3.50
C	2100	3.50	2000	3.75

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Code : 1P1304B

R11

MBA III Semester Regular Examinations December 2014

*Product and Brand Management*

Time: 3 hours

Max Marks: 60

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**Part A**

Answer any Four Questions (12 Marks each)

4 x 12 = 48 Marks

1. a) Why companies need to go for new product development? 6M  
b) What are the reasons for new product failures in India 6M
2. Explain the following  
a) Brand Equity 6M  
b) Types of Brands 6M
3. Explain the relationship among Price, Performance, equity and Category dynamics of Brand Value 12M
4. Explain the following  
a) Brand Revitalization 6M  
b) Brand Positioning Fit falls. 6M
5. What are the advantages and Dis-advantages of Brand Extension and Co-branding? 12M
6. Brand Valuation is an Important because intangible assets are increasingly being recognized highly valued properties-comment 12M
7. Write short notes on:  
a) Product Vs Brand 4M  
b) Brand endorsement 4M  
c) Branding in Retail sector. 4M

**Part B—Compulsory Question**

*Analyze the following case and answer the questions.*

**CASE STUDY**

12Marks

**Amul the Brand**

Amul a market leader in the butter segment pursues a unique advertising positioning which does not necessarily aim at brand building, but has been able to create high brand recall and appreciation. Amul is the market leader in the 600 crore butter market in India with virtually non-existent competition, despite some big names being present. Communication, feel analysts has given the brand the right kind of thrust, despite the fact that the ad campaigns hardly talk about the attributes. According to market analysis 22% of population over one billion people consume butter in India.

Companies such as Britannia, Nestle, Le Bon and Verka have 2 to 3 % share in the market. The National Dairy Development Board (NDDB) that produces Amul products controls about 86% of butter market in the country. Butter consumption in India in 2003 to 2004 stood at 45,000 tones and Amul butter posted a 19% increase in sales. Besides this salted yellow butter other varieties include Amul lite, low fat spread, Amul cooking butter and Amul white butter. The name Amul an acronym of Anand Milk Union limited was coined by Doctor Kurien .The top person in NDDB. In Sanskrit the word Amulya means priceless. Amul has been available in since 1946, but the branding and tag line utterly butterly delicious, Amul was coined in the 1960s by the advertising agency, advertising and sale promotion ASP.

The team then consisted of Mike Khanna, Sylvester da Cunha, K. Kurien and Fernandes. The account shifted to Da Cunha communication when Sylvester da Cunha opened his own agency. The account has been with them ever since. The moppet endearing little girl with orange face, blue hair in a pony tail and wearing a polka-dotted dress, is probably the most loved mnemonic in the history of India. With mischievous glint in her eyes, the utterly butterly girl always has a one line comment on an issue of national interest. With so many things happening in a country as vast as India, it is herculean task to select an issue week after week. Some memorable ads in recent years include Patna se nahi hanta, when Laloo Yadav refused to step down after being jailed for his alleged involvement in the fodder scam, test tube baby: when the first test tube baby born in India puppy Pyar, when two popular cine stars were embroiled in a controversy over an MMS and many more. The organisation spends a minuscule amount on advertising that according to industry estimates work out to about 0.02 % of its sales turnover. The primary medium for Amul advertising is outdoor with 80 hoardings placed nationwide at any given point in time. According to Anand Halve director with Chlorophyll brand and communication consultancy private ltd. NDDB runs the risk of being witty at cost of sponsored amusement. It may be interesting but devoid of any value addition to the brand for per se. For an inclusive product like Amul opines Halve the advertising is highly exclusive because of the firm it has adopted. The appeal according to analysts is attractive to the extent the people wait for another jibe from the girl on yet another issue. Some feel that Amul advertising is too urbane to make any sense to small town people. The agency defends its strategy arguing the butter is an urban product and being elitist has helped them to build higher brand recall

### 8. Questions

- a) How has distinct advertising for Amul butter helped the brand?
- b) Can you recall and write about at least three recent Amul Butter ads and any ad from competitive brands?

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Code : 1P1302

R11

MBA III Semester Regular Examinations December 2014

**Retailing Management**

Time: 3 hours

Max Marks: 60

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**Part A**

Answer any Four Questions (12 Marks each)

4 x 12 = 48 Marks

1. Define retailing? Discuss various types of retailing 12M
2. Explain the process of retail planning and its advantages 12M
3. How a retail organization can gain competitive advantage through Human Resources Management. 12M
4. (a) Define Merchandising 4M  
(b) Explain the process of merchandise planning 8M
5. Examine various retail pricing strategies 12M
6. (a) Define store management 3M  
(b) Write short notes on merchandise presentation techniques 9M
7. Explain  
(a) E – Retailing 4M  
(b) Retail store branding 4M  
(c) Retail Franchising 4M

**Part B—Compulsory Question**

Analyze the following case and answer the questions.

**CASE STUDY**

12Marks

A small South American import shop that has been in business since nine months in a popular ski town is considering moving to a slightly larger location. The business is operating above the break-even point, with sales approaching \$250 per square foot, but a move at this time would put some strain on financial resources. The present location has good access and parking, but it is in a neighborhood center three blocks away from the main shopping area at the ski mountain

The merchandise carried in the shop is imported directly from South America, is mostly handmade, and is of high quality. The Product line consists of such items as hand-woven tapestries in the \$200 to \$1,200 price range and gift and apparel items from \$17 to \$300. The primary target market is upper-middle-class tourists. Some local residents do gift shopping in the store as well.

The new location under consideration is toward the end of a string of street developments at the base of the ski mountain. This development contains about thirty shops and is considered the main shopping district at the ski area. Although the available location is at the far end of the development from the ski lifts, it is close to the main hotel and very near the bus stop. Parking is limited, and most shoppers are on foot.

Both spaces currently have the same rent of \$25 per square foot, but the available location under consideration calls for rent of 7 percent of gross sales if this amount exceeds the base rent expected. This location does offer a 300-square foot loft, suitable for a storage and office area, rent-free.

The lease on the present location is up for renewal in three months at the option of the tenant. The alternative location would require a three-year lease.

**Questions**

8. What factors should the owner consider in changing location?

**Reward Management**

Time: 3 hours

Max Marks: 60

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**Part A**

Answer any Four Questions (12 Marks each)

4 x 12 = 48 Marks

1. Discuss the concept, significance and basis of Reward Management. 12M
2. 'Job Evaluation is the basis for Competency Analysis.' Discuss 12M
3. Discuss various types and importance of pay structures. 12M
4. Write short notes on
  - (a) Performance Related Pay 6M
  - (b) Non-Financial Reward 6M
5. What are the special groups? Discuss the growing importance of executive compensation in service industry. 12M
6. What do you mean by expatriate rewards? Discuss the legal and taxation issues in International Pay System. 12M
7. Write short notes on
  - (a) Participative Management 6M
  - (b) EVA Incentive Scheme 6M

**Part B—Compulsory Question***Read the following case and answer the questions.***CASE STUDY****12Marks**

The Indian Electric Company is a city based manufacturer of welding machines and motors. When Mr. Nirad Shah established the company in 1970, he was keenly aware of the importance of a highly motivated workforce, and how the company's success, in fact, depended on it. Therefore, Mr. Shah had to ensure that each employee would work as diligently as possible for the good of the organisation.

Mr. Shah realized that the best way to motivate employees would be to link the company's reward and recognition system to its goals. To establish this connection, Shah developed and implemented an incentive system. Its aim was to improve the company's overall performance by allowing contributing workers to share in the proceeds. The plan rewards employees for turning out quality products efficiently while controlling costs. The system includes the following components :

**Paying by the piece rate:** Production workers are paid according to the number of "pieces" or product units they produce that are not defective. If a customer sends a defective part back to the company, the employee who produced it must repair it on his or her own time.

**Providing year-end Bonus:** To reward workers further for their efforts, Shah introduced a year-end bonus system that gives all workers opportunity to nearly double their base wages. Workers get the bonus if the company's annual profit increases.

**Providing Stock Options:** Shah also provided his employees with the option of buying company's stock at a low cost. Employees are also given shares of the company's stock based on annual profits.

All the above financial incentive payments enabled the employees to earn more and helped to improve their morale and motivation.

**8. Questions:**

- a) Identify the salient issues of this case in general.
- b) What are the additional financial incentive schemes you suggest for sustaining the morale and motivation of the employees?
- c) Suggest suitable non-financial incentives for further improving the morale and motivation of the employees of Indian Electric Company.

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Code : 1P1305C

R11

MBA III Semester Regular Examinations December 2014

*Training & Development*

Time: 3 hours

Max Marks: 60

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**Part A**

**Answer any Four Questions (12 Marks each)**

**4 x 12 = 48 Marks**

1. Explain management development? Discuss the various approaches to management development?
2. What is the significance of training in career development? Discuss the role of HR Manager in career Management
3. Mention any three important roles of trainers in HRD. Discuss the personal needs of trainers.
4. a) Define need assessment training. Discuss various components of need assessment  
b) Discuss different steps in conducting a training need assessment
5. What are the factors to be considered while designing training & development activities?
6. Discuss in detail the importance of management games? Give in detail the summary to two management games?
7. What is the importance of evaluation of training programmes? What are the problems in evaluation

**Part B—Compulsory Question**

*Analyze the following case and answer the questions.*

**CASE STUDY**

**12Marks**

XYZ was established in 1985 as a joint venture between various foreign companies. The company has grown from a capacity of 15,000 AC units in 1985 comprising of largely an assembly operation, into the largest and only integrated manufacturing unit in India for Auto Air Conditioning systems. The company has the capability to manufacture compressors, condensers, heat exchangers and all the connecting elements that are required to complete the AC Loop. The company has three plants in Noida, one in Manesar and one in Pune. It also has a R&D centre and Tool room in Noida. The manufacturing capacity has grown to a level of 7,50,000 AC units per annum and there is a plan to go to a level of 1,00,000 per annum by 2008.

HR department of the company has its well developed training and development process but wants to move one step ahead with the training effectiveness evaluation process and make it more competitive. For the same they have implemented a policy wherein the employees are asked to take up a project based on the training which they had undergone and should have the practical application of learning in training.

The employees are then to be evaluated for 'On-the-job training effectiveness evaluation' on their performance accordingly. In simple words, to show how they are applying their learning in their job. They give employees a duration of three months to evaluate themselves and for doing a project on the basis of his/her learning. Then employees rate themselves as per their learning. After that the employee is rated by his/her HOD (Head of the department) on the basis of the project and his learning and on the basis of application of that learning. Finally HOD rates his employees against the rating given by the employees themselves. HOD then writes remarks and provides recommendations to the HR department, which gives the HR dept. information to check whether there is any requirement of re-training or if their investment on the training of the employee is successful or not. This is how HR dept. conducts on the job evaluation of training effectiveness. But the problem which the HR dept. faces is that the employee takes this project work as a burden on their daily routine work and they escape from it. They do not understand the importance of the filling of the Training Effectiveness Form and taking up a project. Till the date of HR Audit the HR people keep on running after the employee to collect the Training Effectiveness forms. And finally when those forms are compiled it is observed that the employees just do it for formality sake.

After a lot of discussion on this topic, the AGM (HR) of the company conveys that if the company keeps on changing policies then it will create a wrong impression among employees. This wrong impression implies that the HR department will change the policies as and when a problem arises. AGM follows a school of thought that policies are not meant to be changed frequently. On the contrary the surprising fact is, while employee interacts with the HR Dept. the issue is never raised, even after being probed.

AGM says that today if only 10-12% employees take this exercise seriously then in future then only he will be on motivating his employees and make this policy successful, ignoring the fact that majority of employees escape from this exercise. He is adamant on his stand but still strives to find a solution for successful execution of this policy.

#### 8. QUESTIONS:

- a) Is the stand taken by the HR manager of not changing the policy is justified?
- b) What would be your course of action had you been in the place of the HR manager?
- c) Is the method implemented by the HR dept. to evaluate on-the-job training effectiveness proper? If 'NO', then what is the alternative as per your perception?

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Code : 1P1307B

R11

MBA III Semester Regular Examinations December 2014

*Advertising & Sales Promotion Management*

Time: 3 hours

Max Marks: 60

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**Part A**

Answer any Four Questions (12 Marks each)

4 x 12 = 48 Marks

1. Discuss briefly the major developments in the history of advertising.
2. Explain the role and functions of advertisement agencies.
3. What major approaches can be used in determining the advertising budget?
4. Enumerate the important advertising media and point out their relative role and advantages.
5. Explain the significance and importance of visual layout in creation of advertisement.
6. What is sales promotion? Discuss the advantages and drawbacks of sales promotion.
7. Describe the role of public relations department. How is it related to the marketing department?

**Part B—Compulsory Question**

*Analyze the following case and answer the questions.*

**CASE STUDY**

12Marks

There are a number of products designed for consumption by children, but the purchases are made by mothers. Such products must appeal to children and have the mother's approval too.

EnerVit, a malt chocolate milk drink, was manufactured and marketed by a large multinational company. The product was launched in the Indian market in 1989 after a successful test market in Delhi and Chennai. It was a brown coloured powder packed in 500 gm glass jars. Its refill packs were also available. Consumer acceptance of the brand was good and the sales kept on growing till 1994, then reached a plateau, and started declining.

An in-depth review of the brand and its competition revealed that the positioning of EnerVit as an energy drink for children was correct and advertising had done a good job of communicating this position. The ads and commercials had shown a speeding train to communicate the energy theme. "EnerVit, the fuel for active children. Taken regularly it help improve both physical and mental energy."

**Sales Promotion Objective**

It was decided to increase sales of EnerVit by 15 percent during the six-month period, August 1995 to January 1996, and restore sales to the peak level of 1993 (earlier market share).

**QUESTION**

8. What type of sales promotion would you suggest-same for less or more for the same? Why? Recommend three techniques of sales promotion that can achieve the objective.

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P. Prayanna

Code : 1P1303

R11

MBA III Semester Regular Examinations December 2014

**Entrepreneurship Development**

Time: 3 hours

Max Marks: 60

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**Part A**

Answer any Four Questions (12 Marks each)

4 x 12 = 48 Marks

1. Explain the functions and features of Entrepreneur? 12M
2. Explain the Partnership form of business organization with its features, advantages and disadvantages? 12M
3. Write a short note on
  - a) Intellectual Property rights 4M
  - b) Patent 4M
  - c) Trademarks 4M
4. Write a short note on
  - a) Source of Capital 4M
  - b) Debt Capital 4M
  - c) Venture Capital 4M
5. Explain about the project proposal and report preparation? 12M
6. What are the promotional efforts supporting women entrepreneurs in India and explain them in brief? 12M
7. Explain about the Foreign Direct Investment in India with its types 12M

**Part B—Compulsory Question**

Analyze the following case and answer the questions.

**CASE STUDY**

12Marks

Saturday, June 28, 2008 at 2112 hrs Bill Gates kept his 2006 promise that he will quit from his day to day work at Microsoft – a company he founded in 1970 and which began its meteoric rise with the launch of MS-DOS in a tie-up with IBM in 1980. The master of PC software will now concentrate his efforts on Philanthropy through the Bill and Melinda. Gates Foundation, while remaining non executive chairman of Microsoft. Ironically enough, he retires at a time, when his company is facing its biggest challenges ever – it has found itself lagging behind Google in internet technologies which are fast replacing personal computer technologies as the cutting edge of IT industry. Microsoft's failure to acquire Yahoo was a symptom of a deeper problem and challenge. Still, Google's march over Microsoft should give critics, who accused Microsoft of being a monopoly, something to think about. Ultimately, market forces caught up with Microsoft where government spending unnecessary millions in anti-trust lawsuits could not. While Microsoft did have a near monopoly of the software market for close to three decades, it was on the strength of its ability to continuously innovate. But perhaps its comfortable market position and high profits made it a trifle complacent about new technologies and sharper rivals—a thought which must cross Bill Gates' mind as he moves on.

Coincidental with the declining fortunes of Microsoft was the relative decline in Gates' wealth – he is now only the third richest man in the world. Still, it is hard to accuse him of being solely motivated to enriching himself. He has always maintained that 'great wealth means great responsibility'. The fact that he has devoted most of his personal fortune to his foundation shows that he takes his words seriously. The foundation has been a remarkable success, developing a number of market-friendly solutions for the challenges facing by the poor. The foundation's work in the field of health, particularly HIV and malaria, has been noteworthy is more creative and superior to the work done by any government. Of course, nobody's perfect and nor is Bill Gates - he took a long time to see the PC revolution was being challenged, and the market made him see it. Still, given his remarkable legacy in software, his work in philanthropy should be fascinating to watch.

### 8. Questions

- a) Explain the contributions of Bill Gates as an Entrepreneur?
- b) Explain the concept of Social Entrepreneur on the context of the case.
- c) Briefly discuss the meaning of 'great wealth means great responsibility'?
- d) What is your opinion on "Exit Gates"? Explain.

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Code : 1P1305A

R11

MBA III Semester Regular Examinations December 2014

*Financial Institutions, Markets and Services*

Time: 3 hours

Max Marks: 60

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**Part A**

Answer any Four Questions (12 Marks each)

4 x 12 = 48 Marks

1. Explain the development of financial system in India
2. Describe the functions of RBI and write about monetary policy
3. Describe roles and functions of SEBI
4. Describe mutual fund. Explain growth of mutual fund in India.
5. Give a brief account on the structure and functions of call money market in India
6. (a) Explain the structure of leasing industry in India  
(b) Explain the functions and advantages of factoring
7. Briefly explain about stock broking and credit rating in India.

**Part B—Compulsory Question**

Analyze the following case and answer the questions.

**CASE STUDY**

12Marks

Sahara India Pariwar an Indian conglomerate company headquartered in Lucknow 05. Introduction: Sahara India Pariwar & housing, media & The Brand Trust Report published by Trust Research Advisory, listed Sahara in the top 100 most trusted brands of India. 50 Main sponsor of the Indian Cricket Team (apparently withdrawn and Hockey Team. They own an IPL Team and 42.5% stake in Formula One's Force India F1 0 Peak of success in very short period, such a success motivating but suspicious 0 Started by Mr. Subrata Roy Sahara in 1978 0entertainment, consumer merchandise retail venture etc.

As per Sahara issue of OFCDS was private placement. 60 Filed RHPs to the concerned ROC and specified intention of company not wanting to list the shares on any stock exchanges. 0 The purpose of issue was to carry out infrastructural activities namely, constructing the bridges, modernizing or setting up of airports, rail system or any other projects which may be allotted to the company 0 Raised around Rs.20,000 crores from investors 0 Sahara India Real Estate Corporation Limited (SIRECL) and Sahara Housing Investment Corporation Limited (SHIC) issued Optionally Fully Convertible Debentures (OFCDS) through subscriptions from investors with effect from 25th April 2008 up to 13th April 2011. 06. SAHARA V/S SEBI: Facts

Subsequently Sahara filed an appeal before the Supreme Court of India against the SAT order. 80 Sahara then preferred an appeal before Securities Appellate Tribunal (SAT) against the order. SAT confirmed and maintained the order of the Whole Time Member by an order dated 18th October, 2011. 0 Also restrained the promoters of the two companies including Mr. Subrata Roy from accessing the securities market till further orders. 0 The Whole Time Member of SEBI passed an order dated 23rd June, 2011 directing the two companies to refund the money so collected to the investors 08. SAHARA V/S SEBI: Facts (Cont'd)

No statutory requirement to list OFCD,,s. 90 Serious error is committed by SEBI. 0 OFCD"s are "Hybrid Instruments" cannot be listed. 0 OFDC are neither shares nor Debentures but "Hybrid" Class 0 Issue of OFCD"s is not a public issue. 0 Issue of Optionally Fully Convertible Bonds (OFCD"s) is legal. 09. SAHARA"S CONTENTION

Confirmation of violation of rules θ Issue of fresh notice to Sahara by SEBI. θ SEBI again approached Supreme Court θ Allahabad High Court rejected the recall order. θ Recall of the earlier order. θ SEBI filed petition to Supreme Court. θ Sahara aggrieved against the notice of SEBI moved the Allahabad High court and obtained stay. θ13. FACTUAL SUMMARY and regulations and therefore, order against Sahara was passed. 13

There is no conflict of jurisdiction between the MCA and the SEBI in the matters where interests of the investors are at stake. 14 □ SEBI has special powers are not derogatory to any other provisions existing in any other law □ SEBI Act is a special legislation bestowing SEBI with special powers to investigate and adjudicate to protect the interests of the investors. □ SEBI does have power to investigate and adjudicate in this matter. □14. Observation by supreme Court The Supreme Court of India interpreted provisions of the Companies Act, SEBI Act, Securities Contract (Regulation) Act, 1956, (SCRA) and other related rules to give decisions after considering some issues. Issue 1. Whether the power to investigation and adjudication lies with SEBI in this matter as per Sec 11, 11A, 11B of SEBI Act and or Ministry of Corporate Affairs (MCA) under Sec 55A of the Companies Act. Observations of SC:

Actions of both the companies clearly depicts they wanted to issue securities to public in the grab of private placement to bypass various laws and regulations 16 □ The Supreme Court observed as the companies elicited public demand for the OFCDs through issue of Information Memorandum which is only meant for Public Issues. □ The issue of OFCDs is not private placement since made to 50 or more [sec 67(3)] □16. Observation by supreme Court:(Cont"d) Issue 3. Whether the issue of OFCDs to millions of persons is a Private Placement and not covered by SEBI Regulations and various provisions of Companies Act. Observations of SC:

17. Observation by supreme Court:(Cont"d) Issue 4: Whether listing provisions under sec 73 is mandatory for all public issues or depends on 'Intention of the Company' Observation of SC: • Law is clear and unambiguous as to any issue made to more than 49 persons is mandatory to list [u/s 67 (3) of Company"s Act, 1956] • Sec 73(1) casts obligation on every company indenting to make offer securities to public to list its securities. • Intention can not override Act. 17

SEBI has demanded arrest of Subrata Roy 19 θ SEBI is demanding personal asset details, bank a/c of Subrata Roy θ Refund of estimated amount of Rs. 24,000 crore θ Non genuine investor details are provided by Sahara, many of which are fake θ Refund is being made from Rs. 5,120 crore deposited by Sahara θ SEBI has began process of refund to investors being verified by it θ19. Latest of the Case

Jurisdictional gap is removed between MCA and SEBI in matters of public interest 20 θ Forbids them from companies advantages of legislative loopholes θ Removes grey areas relating to issue by so called unlisted companies θ SEBI has myriad powers to investigate listed and unlisted companies into matters relating to the interest of investors θ Landmark Judgment is milestone in India"s corporate Landscape θ20. Conclusion

## 8. Questions

- a) SEBI vs SHARA Describe ?
- b) Explain role of SEBI in Regulating SHARA Group

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Code : 1P1301

R11

MBA III Semester Regular Examinations December 2014

**International Business Management**

Time: 3 hours

Max Marks: 60

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**Part A**

Answer any Four Questions (12 Marks each)

4 x 12 = 48 Marks

1. Define the word Globalisation. Explain the rationale of companies going global.
2. What is business environment? Explain the different factors of international business environment.
3. What is international franchising? Explain the basic issues involved in franchising and franchising agreement.
4. Critically examine the functioning of World Trade Organisation with special reference to promotion of international business by India.
5. Explain the origin, objectives and functions of IBRD.
6. What is international adjustment? Explain the different stages of international adjustment.
7. What is dumping? Explain the different kinds of dumping strategies used in international business.

**Part B—Compulsory Question**

*Analyze the following case and answer the questions.*

**CASE STUDY**

**12Marks**

On June 13, 1999 Coca-Cola recalled over 15 million cans and bottles after the Belgian Health Ministry announced a ban on coke's drinks, which were suspected of making more than 100 schoolchildren ill in the preceding six days. This recall was in addition to the 2.5 million bottles that had already recalled in the previous week. The company's products had been bottled in Antwerp, Ghent and Wilruik, Belgium, while some batches were also produced in Dunkirk, France.

Children in six schools in Belgium had complained of headache, nausea, vomiting and shivering which ultimately led to hospitalization after drinking Coke beverages. Most of them reported an 'unusual odor' and an off-taste in the drink.

In the same week, the government of France, Spain, and Luxembourg also banned Coke's products while Coke's Dutch arm recalled all products that had come from its Belgium plant. The entire episode left more than 200 Belgian and French schoolchildren ill. The company had to assure its British customers that the products made in its UK factories were safe. By June 15, 1999, Coke had recalled about 30 million cans and bottles, the largest ever recall in its 113 year history. For the first time, the entire inventory of Coke's products from one country were banned from sale.

As part of a damage control exercise, Coke sent a team of scientists to Europe. The CEO Michael Douglas apologized to its European customers. Coke Belgium announced that it would reimburse the medical costs for the ill. The recall had a significant negative impact on Coke's financial performance with its second-quarter net income coming down by 21% to \$942mn. Moreover, the entire operation cost Coke \$103mn while its European Bottling venture showed a 5% fall in revenues.

Analysts felt that the Belgium recall was one of the worst public relations problem in Coke's history. It was alleged that the company had information about people who had become ill weeks prior to the above incidents. Coke had an opportunity to disclose this information but chose not to do so and was accused of being unethical. Another issue that worried analysts was the illness caused to the innocent schoolchildren. They blamed Coke's promotion strategy to sell soft drinks to school children, which had raised a lot of controversies in the US.

After the crisis, Coke investigated the problem by testing the suspect batches for chemicals. The company claimed that the tests showed nothing toxic in the beverages. The company said there had been separate odor as some fungicide had accidentally fallen on the exterior of the cans. In addition they had determined that the strange taste was the result of a substandard gas used to carbonate the products.

Analysts said that Coke had not handled the situation well and its media message was confusing, inconsistent and muddled. Coke alternatively claimed that pesticide residue on the can or bottle, or a bad batch of carbon dioxide was to be blamed for the "Off" taste. On the other hand, the company also insisted that there was never any health threat. A company spokesman assured consumers. "It may make you feel sick, but it is not harmful."

In August 1999, the European commission reprimanded Coke, asserting that the company had not cooperated adequately and its explanations were not entirely satisfactory. It also said that errors were committed in the selection of plants or the dosage of extracts in Coke's own concentrate. While no deaths were linked to the Coke problem, it had a significant negative impact on the public confidence in Europe.

## 8. Questions

- a) Analyse the case from the perspective of ethical issues involved in country risk analysis.
- b) Analyse the actions taken by Coke during and after the crisis

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**Investment and Portfolio Management**

Time: 3 hours

Max Marks: 60

**Part A***Answer any Four Questions (12 Marks each)*

4 x 12 = 48 Marks

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1. Describe briefly the array of investment avenues. 12M
2. What has been the combined effect of screen- based trading and electronic delivery on the transaction cost? 12M
3. What factors should the analyst examine to determine whether a firm is likely to gain competitive advantages? 12M
4. What are the differences between technical analysis and fundamental analysis? 12M
5. During the past five years, the return of a stock was as follows.

Years	Return
1	0.07
2	0.03
3	-0.09
4	0.06
5	0.10

- Compute the following 1) Variance and 2) Standard Deviation 12M
6. State and illustrate the formula to find the approximate YTM on a bond. 12M
  7. Briefly describe the three basic policies with respect to portfolio rebalancing. 12M

**Part B—Compulsory Question***Analyze the following case and answer the questions.***CASE STUDY**

12Marks

8. Gopal holds portfolio of two companies A and B with the following details.

	A	B
Security Return	10	5
Security Variance	0.0064	0.0016
Investment Proportion	0.5	0.5
Correlation	0.5	

Under the Markowitz model what is the portfolio return &amp; portfolio risk?

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