



TCS Online

Mini Mock Exam - Questions

Management Case Study – November 2021 / February 2022

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The examination is structured as follows:

Section number	Time for section (minutes)	Number of tasks	Number of sub task/s	% time to spend on each sub task
1	45	1	2	(a) 54% (b) 46%
2	45	1	2	(a) 60% (b) 40%

Each section (task) has a number of sub tasks. An indication of how much of the time available for the section that you should allocate to planning and writing your answer is shown against each sub task in the text of the question (and summarised in the table above).

This information will be available for you to access during the examination by clicking on the Pre-seen button.



Section 1 (45 mins)

It is the 18th of November, 2021. Amadou Gallo, Senior Finance Manager at Frinta has forwarded you the following email from the company's Finance Director, Taras Kononenko

To: Amadou Gallo; Senior Finance Manager

From: Taras Kononenko; Finance Director

Subject: 'Devising' a plan for the future.

Hi Amadou,

Just got out of our monthly meeting with David and the rest of the board. Like the company has been stating in almost all its past town hall meetings, it is important that our organisation looks for new diverse avenues to ensure we don't become stagnant. As was the case with our controls market reaching the maturity stage, we were able to seamlessly transcend into the market of smart speakers that not only complemented our heating and ventilation controls, but also opened up avenues to complement smart devices that were compatible with our speakers.

The board collectively decided that we need to look at the next stage of diversified evolution for Frinta, and unanimously agreed upon the smart device manufacturing industry. This would be operated separately from the Frinta brand, and products would mainly function through a mobile application, with full compatibility with Frinta Friend speakers. With the number of connected smart devices growing per household, and with the Internet of Things (IoT) this seems a good diversified offering we can 'string to our bow' so to speak!

This proposal is still in the works, and an analysis of the market along with the associated risks is something I have to present to the board with regards to this new industry. I came across an article in the Eastland Business Daily, which was quite alarming with regards to data security and privacy.

Coming to my earlier point, David wanted me to draft out some of the key risks with regards to us moving into a new line of business as well. Pretty tied up Amadou, need your help on the below quite desperately. Maybe you could involve FM as well? Thanks a bunch!

Taras

To: Finance Manager
From: Amadou Gallo; Senior Finance Manager

Hi FM,

At a workshop for the next three days as you know. Please do the needful for Taras within the next 45 minutes the latest, he needs this desperately. I had a call with him and this is exactly what he needs from us:

- Firstly, suggest the ways in which we can approach formulating a digital strategy that is in line with the business model of a smart device manufacturer, including the approach you would recommend after taking into consideration the article attached.

[sub task (a) = 54%]

- Secondly, explain three main business risks along with their mitigation strategies with regards to selling our own smart devices. Please exclude the data privacy related risk based on the article Taras sent, as he told me he's already taken it into account.

[sub task (b) = 46%]

Regards,
Amadou

-----REFERENCE MATERIAL IS AVAILABLE ON THE NEXT PAGE-----

Cyber-security Concerns Over Eastland Firm's Controlling of Smart Devices

Written by: Paleezdont Hackmey

Smart home thermostats, home security cameras, refrigerators, TVs, pet feeders and even breast pumps. From rooftop to basement and the bedrooms in between, much of the technology involved in making consumer products in the country of Eastland comes from a little-known local firm, called iSpie Inc. located in the country's city of Wisiyu.

However, cyber-security experts (especially those outside of Eastland) are worrying about the lack of protection for the consumer data collected by iSpie Inc. in household items and in products used in health care and hospitality. The experts are urging countries to limit or ban iSpie from doing business, largely because a new Eastland government law requires companies to turn over any and all collected data when the government requests it.

iSpie's technology provides the function known as "platform as a service" (PaaS), which enables things to be "smart" by providing them with an internet connection. The smart devices then create a large, inter-connected network. One of the experts, a former Westland government data privacy regulator Mrs. Saiba Sukurthy said "iSpie may well be funnelling information picked up on home security cameras and connected health devices – just to name two examples – back to Wisiyu."

"iSpie is one of the global market leaders in smart device technology and is quickly gaining a foothold in the country of Westland" she said. "We must address the larger issues beyond iSpie, but we cannot wait for the perfect solution while digging deeper and deeper into Westland's IoT infrastructure"



Section 2 (45 mins)

Three weeks have gone by, Amadou has sent you an email.

To: Finance Manager

From: Amadou Gallo; Senior Finance Manager

Subject: Acquisition Propositions and Performance Metrics

Hi Finance Manager,

Thank you so much for your work that day for Taras. The presentation with the board went really well, and we are in talks to acquire DigiSmart, one of Westland's leading and largest smart device manufacturers. However, the majority opposed, and asked to consider two other players (FlikSwitch and Clickvamp) who are relatively smaller, yet present much larger potential for growth through flexibility and innovation. Diversity from our existing portfolio is also a main consideration the board is looking at, in addition to being able to get more involved in subsidiary operations. I also think they are not in a position to afford a huge amount as well.

We assigned some of the R&D team to gather data regarding these companies, and the data has been sufficiently verified and compiled into a few key non-financial metrics, along with some key financials which I believe is a key starting point for us to evaluate these potential prospects. I was thinking to myself – a briefing on the balanced scorecard might have helped our research and development team gather information and formulate KPI's much more efficiently and effectively. Still they haven't done too shabby a job!

Could you please prepare a report based on the below:

- Firstly, taking into consideration the financials and other information, evaluate each company with a recommendation for the ideal potential subsidiary best suited to the current climate and position of Frinta.

[sub task (a) = 60%]

- Secondly, expanding on the non-financial information provided in the attached table, provide two additional key performance indicators for each non-financial perspective of the balanced scorecard, along with a brief justification for each indicator.

[sub task (b) = 40%]

Regards,
Amadou

Reference Material

Company	Description	Key Financials		Non-Financials	
		FY2020	FY2019	FY2020	FY2019
 	<p>Founded in 1989, specialises in smart watches and smart remotes that control home lighting. Around 40% of portfolio compatible with Frinta speaker software.</p>	<p>Gross margin = 55.6%</p> <p>D/E ratio = 24.4%</p> <p>Revenue growth YoY = 2.7%</p>	<p>Gross margin = 54.2%</p> <p>D/E ratio = 28.0%</p> <p>Revenue growth YoY = 2.1%</p>	<p>New devices introduced per annum = 1</p> <p>% of new product ideas failed to launch per annum = 3%</p> <p>Number of retailer channels = 81</p>	<p>New devices introduced per annum = 0</p> <p>% of new product ideas failed to launch per annum = 3%</p> <p>Number of retailer channels = 81</p>
 	<p>Founded in 2008, manufacturing all sorts of smart devices. Has also recently launched complementary speakers to go with some of its devices that use a unique software only allowing its own speakers to function with its devices.</p>	<p>Gross margin = 34.4%</p> <p>D/E ratio = 59.2%</p> <p>Revenue growth YoY = 21.0%</p>	<p>Gross margin = 39.6%</p> <p>D/E ratio = 55.5%</p> <p>Revenue growth YoY = 16.7%</p>	<p>New devices introduced per annum = 15</p> <p>% of new product ideas failed to launch per annum = 25%</p> <p>Number of retailer channels = 13</p>	<p>New devices introduced per annum = 10</p> <p>% of new product ideas failed to launch per annum = 23%</p> <p>Number of retailer channels = 5</p>
 	<p>Founded in 2006, manufacturing smart kitchen appliances, and home security devices. Has developed a patented prototype speaker that is universal, and can function with a large range of smart devices in Westland.</p>	<p>Gross margin = 34.4%</p> <p>D/E ratio = 49.7%</p> <p>Revenue growth YoY = 17.9%</p>	<p>Gross margin = 35.4%</p> <p>D/E ratio = 44.4%</p> <p>Revenue growth YoY = 13.4%</p>	<p>New devices introduced per annum = 5</p> <p>% of new product ideas failed to launch per annum = 0%</p> <p>Number of retailer channels = 13</p>	<p>New devices introduced per annum = 6</p> <p>% of new product ideas failed to launch per annum = 3%</p> <p>Number of retailer channels = 10</p>