

**MBA – INFORMATION TECHNOLOGY
MANAGEMENT (MBAITM)**

Term-End Examination

00493

June, 2015

MBMI-005 : ENTERPRISE RESOURCE PLANNING

Time : 3 hours

Maximum Marks : 100

Note :

- (i) *Section I is **compulsory**.*
- (ii) *In Section II, solve any **five** questions from Q.2 – Q.7.*
- (iii) *Italicized figures to the right indicate maximum marks.*

SECTION I

1. Epson America, Inc. is the US affiliate of the Japanese Seiko Epson Corporation, and offers a wide range of image capture and image output products for consumers and businesses. Headquartered in Long Beach, California, the company has sales offices throughout the US. Seeking to increase efficiencies and reduce operational costs, the company embarked on a major strategic project to replace all its major business systems with a single integrated solution that would be capable of consolidating and standardizing operations for all its subsidiaries in the Americas.

Russell Link, Manager of Technical Services at Epson America, says, "If we could set up a solution that would combine data from our multiple subsidiaries in a single central database instance, we would be able to improve the quality and availability of information across the enterprise, while reducing manual data entry and duplicate work. We would also be able to introduce workflows to streamline approval processes, improve the speed of financial closes, and increase our reporting capabilities to help executive managers understand company performance and profitability on a product-by-product basis." "Within our US operation, we had multiple systems — some developed in-house and others from a variety of vendors, and all linked using custom point-to-point interfaces," explains Russell Link, "And most of our subsidiaries were in a similar situation. As a result, support costs were high and managing the whole infrastructure was a complex proposition — so we definitely saw a need to move to a more strategic solution."

The company looked at various centralized ERP packages, and ultimately chose SAP Business Suite as its target platform. As the first step towards SAP-ERP implementation, Epson America decided to go live with SAP Financial Module. Epson America had two manufacturing

facilities in America, one in Arizona and the other in California. The two facilities were registered as different companies in these two States as *Epson, California* and *Epson, Arizona*. *Epson, California* and *Epson, Arizona* prepared their own financial statements. These financial statements were consolidated at the corporate level in *Epson, Long Beach, California* where the Corporate office was located.

- (a) Why did Epson decide to implement ERP-SAP in their organization ? 6
- (b) As the ERP-SAP Functional Consultant for Finance, design the Enterprise Structure for Finance in SAP system after studying Epson's current organizational structure, explaining the relationship between the various Organizational Units. 12
- (c) Explain the function of each Organizational Unit of Financial Accounting during the execution of business transactions in SAP system. 12

SECTION II

2. Explain the purpose of Organizational Structure of a company in SAP. Describe the various Organizational Units in SAP and their relationship with each other. Draw a suitable sketch to explain the Organizational Structure with the Organizational Units. 4+5+5

3. Brakes India manufactures braking systems and ferrous castings for customers in the automotive industry and other sectors. The company employs around 3,500 people at six major manufacturing sites, three smaller centers that deal with just-in-time assembly, and four warehouses.

The company is facing tough competition in the marketplace. It needed a business strategy to stabilize its input costs so that it can offer competitive prices to its customers. One of the strategies that its Purchase Department came up with was to have long-term agreements with its suppliers so that input material costs can be kept constant over a long period of time. Using this agreement, Brakes India can order its raw material from its vendor as and when production demands. Brakes India runs its business on ERP-SAP.

(a) As an SAP Consultant, suggest what will be the most appropriate procurement solution available in ERP-SAP that can be implemented for Brakes India. Explain in detail. 7

(b) ERP-SAP offers several standard solutions for Long-term Agreements. Explain the different ERP-SAP solutions giving examples of application areas for each of the solutions. 7

4. Alfa Laval Ltd. is a major manufacturer of Brewery and Dairy Equipments. It has developed a large number of vendors to whom it outsources many of its manufacturing activities. This helps it to focus on continuous improvement in its range of products and provide better and improved products to its customers.

Recently under its Vendor Development Program, it added a New Vendor – Asahi Equipments Ltd. Alfa Laval has implemented ERP-SAP as its Business Software. The new Vendors are first created by the Finance Manager in the SAP system by entering the Vendor's Details and his Financial Details. The Vendor Code is then passed on to the Purchase Department, who maintains the Vendor's Purchase Details.

(a) Consider yourself in the role of Finance Manager and Purchase Manager and explain the steps to be executed in ERP-SAP to create the vendor, Asahi Equipments Ltd. 5

(b) Name some of the standard Account Groups available with standard ERP-SAP system and their significance. What are the control functions of Account Groups during the creation of Vendors ?

5

(c) "A Vendor can have different Partner Functions when dealing with an organization." Elaborate on this statement.

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5. Force Motors is a leading manufacturer of Commercial Vehicles and Tractors. It runs its Business on ERP-SAP and has a fairly stabilized IT Infrastructure. It manages its Inventory of Components using Consumption Based Planning (CBP). Recently it noticed that inventory stock-outs were observed due to which production got affected.

(a) As an ERP-SAP Consultant, suggest what are the strategies of CBP that should be implemented in their ERP-SAP, so that stock-outs can be eliminated.

7

(b) Discuss the different Lot Sizing Procedures to be adopted after an MRP run which identifies the shortages and the rationale for adopting a particular Lot Size Procedure for Automobile components used by Force Motors.

7

6. You are going to implement ERP-SAP in a Chemical Company for the Materials Management Module. Explain the different Organizational Units that will be required to build the Enterprise Structure with a suitable sketch. Elaborate the relationships that exist between the different Organizational Units. 7+7

7. Ciba Speciality Chemicals is a leading global company dedicated to producing high-value effects for its customers' products. Ciba creates effects that improve the quality of life – adding performance, protection, colour and strength to plastics, paper, automobiles, buildings, home and personal care products and much more. Ciba brings new and creative thought to the processes and products of customers in more than 120 countries.

It has many Vendors who are supplying raw materials for its final product. Ciba has minimum three Vendors for each of its raw materials so that no Vendor enjoys monopoly of supply to Ciba. It decided to evaluate the performance of its Vendors and rank them accordingly. Ciba runs its business on ERP-SAP.

- (a) Explain how can Ciba carry out Vendor Evaluation using ERP-SAP, with a suitable sketch. 7
- (b) What could be the main and sub-criterion that could be used by Ciba for Vendor Evaluation? Elaborate each criterion. 7
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