

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA Semester –III Examination Dec. - 2011

Subject code: 2830302

Date: 15/12/2011

Subject Name: Compensation Management (CM)

Time: 10.30 am – 01.30 pm

Total Marks: 70

Instructions:

- 1. Attempt all questions.**
- 2. Make suitable assumptions wherever necessary.**
- 3. Figures to the right indicate full marks.**

- Q.1 (a)** How a reward system operates and briefly explains any five components of reward system and its interrelationship. **07**
- (b)** What is the difference between incentives and rewards and discuss the types of non-financial rewards. **07**
- Q.2 (a)** Discuss the different types of non-cash recognition awards and Explain Analytical job evaluation schemes **07**
- (b)** Discuss the objectives and types of individual contingent pay. **07**
- OR**
- (b)** Write a note on rewarding manual workers in brief. **07**
- Q.3 (a)** Explain provisions of finance and audit under the employees state insurance act,1948. **07**
- (b)** State the provisions of payment of minimum rate of wages under the minimum wages act,1948. **07**
- OR**
- Q.3 (a)** What do you understand by expression “salary” under the Income tax act provisions with respect to salaried persons. **07**
- (b)** Briefly explain the payment of gratuity act,1972. **07**
- Q.4 (a)** Explain expatriate pay with four approaches to calculating expatriate pay. **07**
- (b)** Compare the two main types of occupational pension schemes defined benefit and defined contribution. **07**
- OR**
- Q.4 (a)** Explain The role of the reward professional in implementing reward strategies, policies and processes. **07**
- (b)** What are the reasons for evaluating reward systems and what are the possible reasons for the lack of interest in evaluation and what can be done about it? **07**
- Q.5 (a)** What did you understand from mediclaim policy explain with features. **07**
- (b)** Explain provisions related to Maternity Benefit act,1981. **07**
- OR**
- Q.5 (a)** Discuss payment of wages act 1936,for rules of deduction and enforcement of the act. **07**
- (b)** Read the case given below and answer the following questions. **07**

Fortune furnitech is a state-of-the-art modular furniture manufacturer, started with an initial Rs 500 crore investment, by raising a term loan from different financial institutions and about 65% contribution from the traditional family business. The group has a traditional family history of woodcraft manufacturing. Leveraging the family trend, the present owner Asim Singh and his wife Ragini ventured into this business. Asim Singh has toured extensively all over the world with his father, right from his childhood. According to Mr. Singh, India has top quality berg woods in its North-eastern states, which are imported by countries such as the US. However, Indians use them as firewood, because of lack of awareness. The company launched an ambitious plan to manufacture and sell hardwood furniture worldwide, as their study indicated that the Indian market for furniture is still unorganized, and that the affluent class used imported furniture made of concentrated wood dust or waste products.

To achieve this goal , the company recruited the best designers, business heads, and production people worldwide. Many designers were either Italian born, or trained in Italy. The biggest challenge the company faced was in designing managerial compensation.

Management compensation received attention primarily because of its performance implications and strategic fit in Fortune Furnitech. The HR manager claimed that it had a positive effect on the company's financial performance and recommended the appropriateness of different compensation for specific strategic situations. However, he could not convince the top management of the need to formulate an executive compensation package accordingly.

Asim Singh only considered such alignment for executives on the board, arguing that their achievement was traceable. The HR manager argued that compensation cost in the company was the second largest expense category, the first being the cost of raw materials and other implements (excepting labour).Hence, it had to be managed strategically, aligning with the performance of the organization and its fit with overall organizational strategy. He supplied extensive literature to sell his argument. He complained that the organization did not have a well-documented compensation philosophy, despite this evidence. Some incentives were also counterproductive. He argued that it is time to develop executive compensation, de-emphasizing the immediate financial gains and tagging it with long-range strategy of the organization. After listening to the HR head's argument, the CEO directed him to develop a model that may work in the organization.

[Que.:] Imagine you are the HR manager. Design the appropriate pay model for executives of the organization.
