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12MBAHR342

Third Semester MBA Degree Examination, Dec.2014/Jan.2015
Compensation and Benefits

Time: 3 hrs.

Max. Marks:100

**Note: 1. Answer any THREE full questions from Q.No.1 to Q.No.6,
2. Q.No.7 and Q.No.8 are compulsory.**

- 1**
- a. What do you mean by compensation? (03 Marks)
 - b. Discuss the wage fund theory. (07 Marks)
 - c. What are the different methods of job evaluation? (10 Marks)
- 2**
- a. What are the objectives of economic theories? (03 Marks)
 - b. What are the benefits of salary survey? (07 Marks)
 - c. Elucidate various approaches of compensation. (10 Marks)
- 3**
- a. What do you mean by internal equity and external equity? (03 Marks)
 - b. Discuss the significance of compensation to the organization success. (07 Marks)
 - c. Explain the surplus value theory by Karl-Marx. (10 Marks)
- 4**
- a. What is meant by Attendance-Linked components of CTC? (03 Marks)
 - b. Explain the basis for determining executive compensation. (07 Marks)
 - c. What are the various types components of salary and benefits which are exempted from payment of tax? (10 Marks)
- 5**
- a. What do you mean by executive compensation? (03 Marks)
 - b. Discuss various modes of cash incentives and non-cash incentives. (07 Marks)
 - c. Discuss the factors affecting cost of company. (10 Marks)
- 6**
- a. Define the term 'stock option'. (03 Marks)
 - b. What are the statutory components of CTC? (07 Marks)
 - c. Discuss the significances of executive compensation. (10 Marks)
- 7**
- a. What are the objectives of Equal Remuneration Act? (05 Marks)
 - b. What are the common rules for Wage Payments under Payment of Wage Act: 1936? (05 Marks)
 - c. Being working as a factory inspector, under which circumstance you impose penalties to employer? Discuss. (05 Marks)
 - d. Under which circumstance employee shall be disqualified from receiving bonus? Discuss. (05 Marks)

CASE STUDY

Mr. Samrat joined Forgewell Auto Ltd., New Delhi recently as HR manager. Forgewell Auto Ltd. is a manufacturer and supplier of safety critical automotive components which finds application in steering and suspension assemblies of passenger cars. It supplies to major OEM's in India and abroad. The company has 40 crore turnover annually.

Samrat was very enthusiastic and wanted to bring about many changes in HR policies and systems of the organization. He began by studying the various systems and practices in place. During a conversation with head of production he found that the productivity of the work force was lower than its competitors. With this cue, he started looking at HR practice in place.

He noted that the compensation management in the organization however around rewarding individual performance although the nature of work was team based so one of the first things Samrat wanted to do in his new position at Forgewell Auto Ltd., was to improve productivity through teamwork. As the new HR manager, Samrat set out to change the culture to accommodate team based approach to compensation.

Samrat decided to change Forgewell's long standing policy which had been to give all employees the same annual pay increase but Samrat felt that in the new term environment outstanding performance should be the criterion for pay rises. After consulting with CEO Vikas, Samrat sent a memo to all employees announcing the change to team based pay for performance.

The reaction was immediate and 100% negative. None of the employees was happy with the change. They complain that this will result in partiality in rewarding employees given that the performance appraisal system in the organization is quite old and primitive.

Some of the shop floor supervisors started suspecting the intentions of the new HR manager as they thought that pay-for-performance was a veil to disturb the harmony prevailing amongst the employees. Samrat and Vikas arranged a meeting for early next morning in his office over tea, they began a painful debate.

Questions:

- a. Do you agree with Samrat's idea of pay-for-performance plan? Why (or) why not? (05 Marks)
- b. What advice would you give Samrat and Vikas as they consider their decision? (05 Marks)
- c. What mistakes did they make in adapting and communicating new compensation plan? (05 Marks)
- d. What strategy should Samrat adopt to ensure the success of strategic compensation plan? (05 Marks)

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