

Exam CP 311

Date: Friday, March 27, 2026

INSTRUCTIONS TO CANDIDATES

General Instructions

1. This examination has 6 questions numbered 1 through 6 with a total of 50 points.

The points for each question are indicated at the beginning of the question. Questions 2 through 5 pertain to the Case Study.

2. While every attempt is made to avoid defective questions, sometimes they do occur. If you believe a question is defective, the supervisor or proctor cannot give you any guidance beyond the instructions provided in this document.

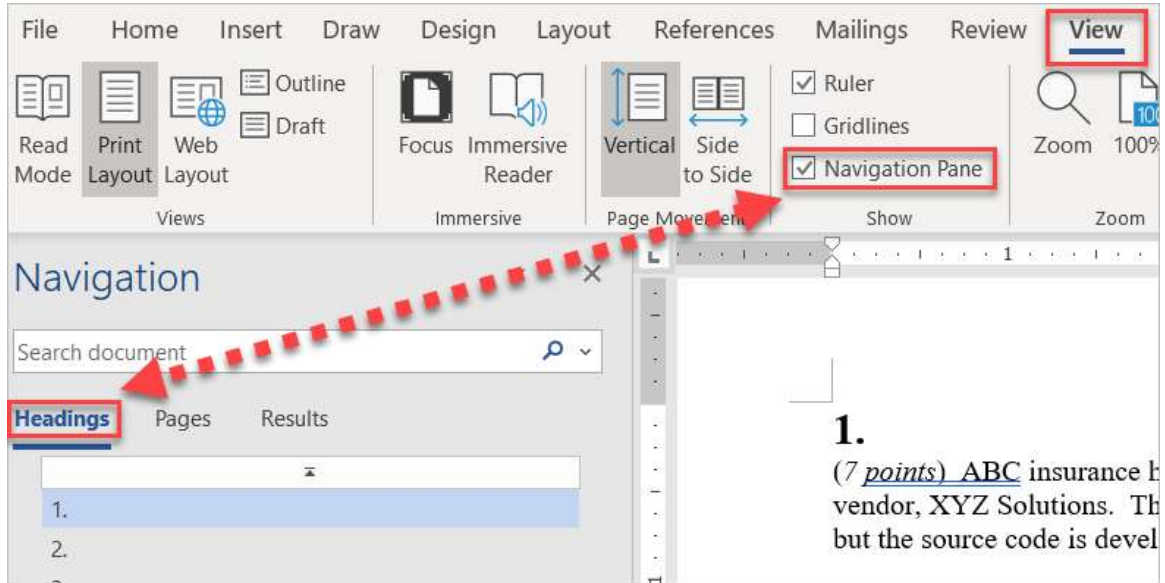
Written-Answer Instructions

1. Each question part or subpart should be answered either in the Word document or the Excel file as directed. Graders will only look at work in the indicated file.
 - a) In the Word document, answers should be entered in the box marked ANSWER. The box will expand as lines of text are added. There is no need to use special characters or subscripts (though they may be used). For example, β_1 can be typed as beta_1 (and ^ used to indicate a superscript).
 - b) In the Excel document formulas should be entered. Performing calculations on scratch paper or with a calculator and then entering the answer in the cell will not earn full credit. Formatting of cells or rounding is not required for credit.
 - c) Individual exams may provide additional directions that apply throughout the exam or to individual items.
2. The answer should be confined to the question as set.
3. Prior to uploading your Word and Excel files, each file should be saved and renamed with your unique candidate number in the filename. To maintain anonymity, please refrain from using your name and instead use your candidate number.
4. The Word and Excel files that contain your answers must be uploaded before time expires.

Navigation Instructions

Open the Navigation Pane to jump to questions.

Press Ctrl+F, or click View > Navigation Pane:



CASE STUDY INSTRUCTIONS

The case study will be used as a basis for all examination questions. Be sure to answer the question asked by referring to the case study. For example, when asked for the advantages of a particular plan design to a company referenced in the case study, your response should be limited to that company. Other advantages should not be listed, as they are extraneous to the question and will result in no additional credit. Further, if they conflict with the applicable advantages, no credit will be given.

1.

(8 points) XYZ is an auto maker that produces two models (the IV and the EV) in three separate phases (manual labor, robotic labor, and inspection). Each IV vehicle requires 6 hours of manual labor, 1 hour of robotic labor, and 4 hours for inspection. Each EV vehicle requires 1 hour of manual labor, 2 hours of robotic labor, and 2 hours for inspection.

XYZ's total daily capacity is 600 hours for manual labor and 500 hours for inspection, but they must use at least 400 hours of robotic labor.

Each IV generates earnings of \$7,250 and each EV generates earnings of \$3,500. XYZ wishes to maximize total daily earnings.

- (a) (1 point) State the constraint functions.

ANSWER:

- (b) (3 points) Calculate the optimal solution. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

During the negotiations for a new collective bargaining agreement, the company is trying to increase the daily labor hours at the production line to 700 to increase earnings.

- (c) (2 points)
- (i) (1 point) Calculate the optimal earnings based on the potential increase in labor hours. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

- (ii) (0.5 point) Calculate the marginal impact on earnings of increasing the constraint of robotic labor by 100 hours. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

- (iii) (0.5 point) Calculate the marginal impact on earnings of increasing the constraint of inspections by 100 hours. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

1. Continued

- (d) (2 points) Recommend a total labor hours strategy for XYZ to increase its net earnings based on your findings in (c). Justify your answer.

ANSWER:

**Questions 2 through 5 pertain to the Case Study.
Each question should be answered independently.**

2.

(11 points) Information about Big Ben Bank can be found in section 4 of the Case Study.

- (a) (2.5 points) Calculate Big Ben's intrinsic equity value as of the end of 2024 using the Equity Discounted Cash Flow (DCF) method. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

- (b) (0.5 point) Calculate the market-to-book ratio for Big Ben's equity as of the end of 2024. Show your work.

The response for this part is to be provided in the Excel spreadsheet.

- (c) (2 points) Interpret Big Ben's market-to-book ratio from (b) with respect to its current value creation capability.

ANSWER:

- (d) (2 points) Recommend two strategic actions Big Ben could take to improve its value creation. Justify your answer.

ANSWER:

2. Continued

Big Ben faces key financial risks with its plan to expand its cryptocurrency business, two of which are shown below:

- I. Capital requirements – Cryptocurrency investments could affect Risk-Weighted Assets and regulatory capital needs.
- II. Earnings volatility – Cryptocurrency market fluctuations could affect Big Ben’s income.

(e) (4 points)

- (i) (2 points) Assess how risks I and II may impact Big Ben’s financial condition.

ANSWER:

- (ii) (2 points) Recommend two strategic actions Big Ben could take to mitigate these risks and enhance shareholder value. Justify your answer.

ANSWER:

**Questions 2 through 5 pertain to the Case Study.
Each question should be answered independently.**

3.

(8 points) Information about Big Ben Bank can be found in section 4 of the Case Study.

Big Ben uses Zero Based Budgeting (ZBB).

Big Ben recently launched two new cryptocurrency related products - crypto savings account and cryptocurrency ETFs. Senior Management supports an expansion package of the cryptocurrency business by

- Acquiring relevant start-ups,
- Hiring talent, and
- Significantly increasing the initiative's budget for Research & Development activities.

The Cryptocurrency Decision Package reflects Senior Management's expansion recommendation.

- (a) (1 point) Explain two potential consequences for Big Ben in supporting Senior Management's expansion package.

ANSWER:

- (b) (3 points) Develop the Decision Package alternatives to this recommendation.

ANSWER:

- (c) (4 points) Explain two potential consequences for Big Ben in supporting each of the alternatives identified in (b).

ANSWER:

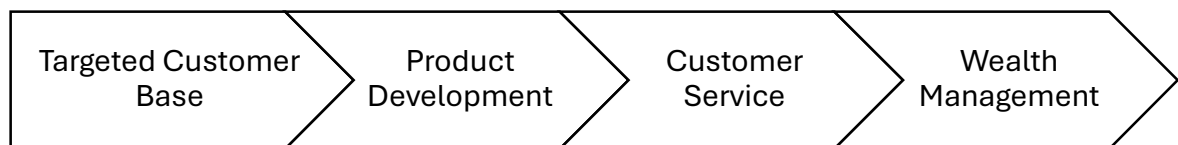
**Questions 2 through 5 pertain to the Case Study.
Each question should be answered independently.**

4.

(8 points) Information about Darwin Life Insurance Company (Darwin) is provided in section 5 of the Case Study.

Darwin is reviewing its strategy. To support this effort, resources are allocated to wealth management, enabling Darwin to customize investment strategies for each policyholder to meet their individual needs.

Below is the general value chain for Darwin's industry.



- (a) (1 point) List Darwin's value chain choices based on the value chain above.

ANSWER:

- (b) (2 points) Describe two tradeoffs Darwin has made in its value chain choices.

ANSWER:

- (c) (3 points) Assess Darwin's Strategy Fit.

ANSWER:

- (d) (2 points) Explain the effectiveness of each value chain choice with respect to Darwin's vision.

ANSWER:

**Questions 2 through 5 pertain to the Case Study.
Each question should be answered independently.**

5.

(8 points) Information on Darwin Life’s strategic initiatives can be found in section 5.3 of the Case Study.

Darwin Life is currently partnering with a startup to develop its digital distribution strategy. A consultant has recommended that Darwin Life acquire the startup and bring development of the digital platform in-house rather than continuing to outsource the project.

- (a) (2 points) Identify two attributes related to Darwin’s potential acquisition that would increase the probability of success. Justify your answer.

ANSWER:

- (b) (2 points) Evaluate two significant problems Darwin may face in achieving acquisition success.

ANSWER:

Darwin’s CEO, Gabriela Martinez, just received the green light from RPPC to pursue an IPO next year. She is wondering if this new information impacts whether it is the right timing for an acquisition.

- (c) (2 points) Recommend if Darwin Life should proceed with the digital distribution strategy initiative. Justify your answer.

ANSWER:

5. Continued

You have been hearing negative feedback from the team of agents who are worried that the new digital strategy will cannibalize their sales, and you warned the CEO of the imminent conflict. Her response makes you worried that this project may turn out to be detrimental to the company culture:

“We need to make a big shift in culture. Agents will need to be at their best as we’re considering alternative distribution strategies. The world is changing, and we need to adapt. They must be ready for some healthy competition!”

(d) (2 points)

(i) (1 point) Assess whether the CEO’s response promotes a cultural change that will stick.

ANSWER:

(ii) (1 point) Propose a method to measure and monitor the cultural evolution of the distribution team.

ANSWER:

6.

(7 points)

- (a) (1.5 point) Describe the two lines of thought on the impact of team size and team performance.

The executive management team of XYZ Insurance recommends integrating the Underwriting and Account Management divisions, so client experience is seamless. You want the combined team to be effective without adding new headcount to your division. Your managers have recommended the division be organized into smaller teams of two underwriters along with five account managers to oversee large blocks of businesses.

The Sales division is asking for more customized and complex plan designs to attract more clients and their employees.

- (b) (2 points) Explain whether the recommended team organization will effectively implement the Sales division's request with respect to team processes.

ANSWER:

When an insurance policy is sold, the administration system must be set up with various rates agreed upon before the onboarding of the client can begin. It requires coordination between the underwriter and the account manager. The administration system setup task has been separated into subcomponents below including whom on the team performs the subtasks:

- I. Review signed client policy contract (Underwriter/Account Manager)
- II. Set up rates to various coverages (Underwriter)
- III. Attach coverages to specific client's employee classes (Account Manager)
- IV. Set up employee information (Account Manager)
- V. Attach employees to specific employee classes (Account Manager)
- VI. Review the setup against the policy contract (Underwriter)

- (c) (1 point) Determine the type of goal being accomplished by the administration system setup task. Justify your response.

ANSWER:

6. Continued

(d) (2.5 points)

- (i) (2 points) Recommend a management plan, given the proposed restructuring, to help effectively administer the new business system setup task based on the punctuated equilibrium model. Justify your answer.

ANSWER:

- (ii) (0.5 point) Explain how the management plan in (i) can be adjusted to incorporate the input - mediation processes - output - input (IMOI) model framework.

ANSWER:

****END OF EXAMINATION****