FINAL EXAMINATION

December 2013

F–P13(MSM)

Syllabus 2008

Management Accounting—Strategic Management

Time Allowed: 3 Hours

Full Marks: 100

SECTION-I (60 Marks)

(**Strategic Management**)

Answer Question No. 1 *and* any other two *from the rest in this section.*

(Please answer all parts of a question at one place.)

1. (a) In each of the cases/statements given below, one of four/five alternatives is correct. Indicate the correct answer: 1×10

(i) "Marketing mix" is a general phrase used to describe the different kinds of choices organisation's have to make in the whole process of bringing a product or service to market. The 4Ps is one way—probably the best-known way—of defining the marketing mix, and was first expressed in 1960 by

(A) Boom and Bitner

(B) Lauterborn

(C) Borden

(D) McCarthy

(ii) The role of leadership can be best evaluated by looking at

(A) Mission

(B) Strategy

(C) Communication

(D) Succession planning

(E) All of the above

(iii) For an Entrepreneur

(A) Vision is before the mission

(B) Mission is before the vision

(C) Both are developed simultaneously

(D) Profitability is most crucial

(E) Vision or mission is an unimportant issue

(iv) The BCG growth matrix is based on the two dimensions

(A) Market size and market share

(B) Market size and profit margins

(C) Market size and competitive intensity

(D) Market size and market competition

(E) Market growth and market share

(v) Sharing investment is one of the basic motive of

(A) Strategic alliances

(B) Joint ventures

(C) Conglomerate acquisition

(D) Vertical merger

(vi) 'Marketing Research' studies are undertaken
(A) To measure brand loyalty of a class of consumers
(B) To predict market potential of a product on a future date
(C) To understand product-price relationship
(D) All of the above

(vii) The pricing strategy in which the seller has an obligation to deliver goods to a named place for transfer to a carrier known as
(A) Zone delivered pricing
(B) FOB pricing
(C) Point of production pricing
(D) Freight absorption pricing
(E) Uniform delivered pricing

(viii) ABC Corporation has a cost of capital of 10% but that the company has undertaken too many projects, many of which are incomplete. This causes the company's actual return on investment to drop well below the 10% level. As a result, management decided to place a cap on the number of new projects by raising the cost of capital for these new projects to 15%. This is an example of
(A) Capital asset strategy
(B) Insurance strategy
(C) Capital rationing
(D) Target costing
(E) Process costing

(ix) Which one of the following is not a measure related to BSC?
(A) Financial
(B) Customer Satisfaction
(C) Innovation
(D) Gap Analysis

(x) The minimum cash balance is Rs. 20,000 is required at Miller-Orr Co., and transferring money to or from the bank costs Rs. 50 per transaction. Inspection of daily cash flows over the past year suggests that the Standard Deviation is Rs. 3,000 per day, and hence the variance (Standard Deviation squared) is Rs. 90 lakhs. The interest rate is 0·03% per day on marketable securities. So the spread between the upper and lower limits under 'Stochastic Model' is
(A) Rs. 31,200
(B) Rs. 31,100
(C) Rs. 31,300
(D) Rs. 31,000

(b) State whether the following statements, based on the quoted terms, are *'TRUE' or 'FALSE' with justifications for your answer*. If any statement is false, you are required to give the correct terms, duly quoted. *No credit will be given for any answer without justification.* 1×5

(i) 'Merger' is the purchase of controlling interest of another company.
(ii) 'CVP model' is a simple 'Break-Even model'.
(iii) 'Time Value' refers to the difference between the market value of an option and its intrinsic value.
(iv) ABC Ltd. is engaged in sale of footballs. Its cost per order is Rs. 400 and its carrying cost unit is Rs. 10 per unit per annum. The company has a demand for 20,000 units per year. EOQ for the company is 1,300 units.
(v) A 'Cost-Plus' policy can lead to inflexibility in a firm's pricing decisions.