FINAL EXAMINATION

December 2014

F–P13(MSM)
Syllabus 2008

Management Accounting - Strategic Management

Time Allowed: 3 Hours Full Marks: 100

The figures in the margin on the right side indicate full marks.

(Please answer all part of the question at one place.)

SECTION - I (60 Marks)
(Strategic Management)

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

1. (a) In each of the cases/statements given below, one out of the four alternatives is most appropriate. Indicate the correct answer: (Answer *any ten*) 1×10=10

(i) The following is not a characteristic of Corporate Strategy:
(A) Formulated by lower level management
(B) Long term
(C) Integrated
(D) Action oriented

(ii) The following is not a Primary Measure in a balanced score card.
(A) Customer Perspective
(B) Competitor Perspective
(C) Internal Perspective
(D) Learning and Growth Perspective

(iii) The following is not a limitation of environmental analysis:
(A) It does not foretell the future
(B) It does not eliminate uncertainty
(C) It guarantees organizational effectiveness
(D) Its potential is often not realized

(iv) Strategic decision making towards achievement of mission is a primary responsibility of
(A) Board of Directors
(B) Corporate Managers
(C) Business Managers
(D) Both (A) and (B)

(v) The following has the maximum risk among the strategies presented in Ansoff's Matrix:
(A) Diversification
(B) Market Penetration
(C) Market Development
(D) Product Development

Please Turn Over

(vi) Offensive Strategy is a strategy

(A) for small companies that consider offensive attacks in the market.

(B) for those companies that search for new inventory opportunities to create competitive advantage.

(C) for the market leader who should attack the competitor by introducing new products that makes existing ones obsolete.

(D) for those companies who are strong in the market but not leaders and might capture the market share from the leader.

(vii) Airtel's decision to go into the DTH business is an example of

(A) Expansion

(B) Concentric Diversification

(C) Related Diversification

(D) Unrelated Diversification

(viii) A separate division for a major product or a product line or a market in a multi product or a multi business organization is called

(A) Strategic Business Unit

(B) Sister Business Unit

(C) Same Business Unit

(D) Specific Business Unit

(ix) A tooth–paste maker's ''brush your teeth twice a day'' campaign is an example of the following corporate level strategic objective:

(A) Improve return on assets

(B) Increase overall profit

(C) Increase sales by improving market penetration in the existing markets

(D) Increase manufacturing productivity

(x) Target price is

(A) Investment driven

(B) Product driven

(C) Market driven

(D) Cost driven

(xi) The following does not provide an optimal solution:

(A) Heuristic Model

(B) EOQ Model

(C) Critical Path Analysis

(D) Linear Programming Model

(b) State whether the following statements based on the quoted terms are 'TRUE' or 'FALSE' with justifications for your answer. For false statements, you are required to state the correct terms. No credit will be given for an answer without a justification. 1×5=5

(i) A 'flexible budget' is a budget prepared for a rolling period which is reviewed monthly and updated accordingly.

(ii) 'Question marks' are products in a high-growth market where they have a high market share.

(iii) 'Information Technology, Human Resource Management' are known as critical functions within organisations.

(iv) 'Market Forecast' by a company involves the selection of its market and setting as an objective a target share of each market.

(v) ''Spider-Web strategy' is the acquisition of many small firms by a large firm.

(c) Define the following terms (in not more than two sentences): 1×5=5

(i) Sources of Synergy

(ii) Diversification

(iii) Manufacturing Resource Planning

(iv) Cash Cows

(v) Mission Statement

2. (a) Explain Porter's three competitive strategies to defend competitive forces. 6

(b) Distinguish between 'Strategy' and 'Policy'. 4

(c) What is branding? What are the decisions that need to be taken with regard to brand selection and its use? Explain each decision. 2+8=10

3. (a) How are dimensions as composite measures calculated in the Directional Policy Matrix? How is this matrix an improvement over the BCG matrix? 3+3=6

(b) Explain the use of Activity Based Cost Management to excel in business. 4

(c) Write short notes on *any two*: 5+5=10

(i) Reasons for conglomerate diversification with examples when it is appropriate

(ii) Kaizen Costing

(iii) The Channel levels of Marketing

4. (a) How can a management accountant contribute to the 'Financing Strategy' of an enterprise? 10

(b) As a newly appointed consultant for strategic management, you are required to make a presentation on the approaches to be adopted by the management. What are the steps that you would adopt for an effective case analysis? 6

(c) How would you resolve the conflicts relating to the goals of an organization? 4

SECTION - II (40 Marks)
(Risk Management)

Question No. 5 *is compulsory. Answer* any two *questions from the remaining three questions.*
(Please answer all parts to a question at one place.)

5. (a) Choose the most appropriate alternative from the four alternatives given. (Answer *any five*) 1×5=5

(i) The following is not a risk assessment technique:
(A) Questionnaires and Checklists
(B) Flowcharts
(C) SWOT and PESTLE analyses
(D) Risk Appetite

(ii) The following is not a legal principle of insurance:
(A) Insurable Interest
(B) Subrogation
(C) Probability
(D) Indemnity

(iii) Risk is defined as
(A) a variation from the actual.
(B) a possible event.
(C) uncertainty concerning loss.
(D) a certain loss.

(iv) Variability on return on investment in the market is referred to as
(A) Physical risk
(B) Business risk
(C) Market risk
(D) Pooling risk

(v) The following is not risk transfer:
(A) Life insurance
(B) Self insurance
(C) Theft of property insurance
(D) Personal liability law suits

(vi) The following does not come under general insurance:
(A) Fire policy
(B) Burglary policy
(C) Life policy
(D) Contractor's all-risk policy

(b) State whether the following statements are 'TRUE' or 'FALSE', justifying your answer. If a statement is false, give the correct term. (No marks will be given if there is no justification). 1×5=5

(i) Product Liability policy is one of the products of Industrial Insurance.

(ii) Dynamic risks, which can be either pure or speculative, stem from an unchanging society that is in stable equilibrium.

(iii) Interest rate risk is the uncertainty of the purchasing power of the monies to be received in future.

(iv) The insured must have an insurable interest at the time of effecting a marine insurance policy.

(v) Knock-for-Knock agreement relates to a motor insurance policy relating to taxi services.

6. (a) Explain the concept of 'risk adjusted return on capital' (RAROC). 6

   (b) What is pure risk? What are the major types of pure risk that affect business? Explain some common features of pure risk. 2+2+5=9

7. Write short notes on *any three*: 5+5+5=15

   (a) Risk reporting as an important step in risk management

   (b) Cross Currency Option in India

   (c) Statistical concepts used in risk measurement

   (d) Characteristics of an insurance contract distinct from other contracts

8. (a) A company has a choice among three products A, B and C for which the following estimates are available:

Estimated profits based on demand forecast (₹ '000)

	Market X	Market Y	Market Z
Product A	380	100	30
Product B	300	280	220
Product C	220	400	320

(Probabilities are: X = 0.6, Y = 0.2, Z = 0.2)

Which project should be undertaken by the Company? 6

   (b) What are the regulatory objectives of insurance rates? 3

   (c) What are the pre-loss and post-loss objectives of risk management? 6