FINAL EXAMINATION

June 2015

F–P13(MSM)
Syllabus 2008

Management Accounting-Strategic Management

Time Allowed: 3 Hours

Full Marks: 100

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

(Please answer all parts of a 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 of the four alternatives given is most appropriate. Choose the correct answer. (*Answer any ten*) 1×10=10

(i) The following market structure is commonly identified with FMCG products:

(a) Perfect Competition

(b) Monopoly

(c) Monopolistic Competition

(d) Oligopoly

(ii) Sensitivity analysis is a modelling procedure

(a) used in planning where changes are made to the estimates of the variables to see the effect of the outcome.

(b) where assumptions made about the variables are insensitive to changes in the environmental factors.

(c) that assumes no relationship exists between the input variables and the result produced.

(d) that is exclusively used in the implementation stage and not in the planning process.

(iii) Societal marketing is not the following:

(a) a concept that calls for customer orientation

(b) backed by integrated marketing

(c) aimed at generating customer satisfaction

(d) the key to profitable volume in the short-run

(iv) The following is not a requisite of an effective strategy:

(a) Flexibility and cost effectiveness

(b) Creation of a huge organization structure

(c) Responsiveness to global customers

(d) Environment-friendliness

(v) Strategies formed for employee retention by the Human Resources Manager of a production company is

(a) a functional level strategy.

(b) a business level strategy.

(c) a corporate level strategy.

(d) a grand strategy.

(vi) The following is not an example of distinctive competency:

(a) superior product quality on a particular attribute

(b) highly specialized product created for a particular marketing segment

(c) superior R & D feature not provided by competitors

(d) creating an exact copy of the existing growth-stage product

(vii) Switching from one supplier's product to another's is not associated with

(a) having to buy ancillary equipment compatible with the new product.

(b) the loss of the existing supplier's after-sales service.

(c) the risk of lesser reliability of the new supplier.

(d) the seamless migration from one product to another.

(viii) Identify the wrong statement from the following:

(a) Dogs are products in low growth, low market share

(b) Question marks are products in a high-growth, high market share

(c) Stars are products in high growth and high market share

(d) Cash cows are products in low growth, high market share

(ix) The following is not a quantitative tool for demand forecasting:

(a) Delphi Technique

(b) Exponential Smoothing

(c) Correlation

(d) Econometric Models

(x) Conglomerate growth

(a) refers to diversification in related technologically similar field.

(b) relates to forward vertical integration.

(c) refers to unrelated diversification.

(d) refers to backward vertical integration.

(xi) The following is not true:

(a) Objectives are timeless, whereas goals are time-phased.

(b) Objectives are in broad, general terms, while goals are specific.

(c) Objectives are more internal to the organization, while goals are stated in relevant environment external to the organization.

(d) Both objectives and goals can be stated in terms which are quantitatively measured but the character of measurement is different.

(b) State whether the following statements are "True" or "False" with justification for your answer. No credit will be given for an answer without a justification. 1×5=5

(i) A "vision statement" is a statement of intentions of what a company wants to create and through which lines of business.

(ii) International Trade is concerned with exchange of goods and services in non-convertible foreign currencies.

(iii) Market Segmentation is the division of a market with fairly heterogenous subsets chosen, reached and served by its own tailored marketing mix.

(iv) "Loss Leader" is the leader who is unable to conceptualse and analyse strategic problems.

(v) Supply Chain is the series of internal processes or activities a company performs to produce, design, deliver and support its product.

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

(i) Penetration Pricing

(ii) Strategic Business Unit (SBU)

(iii) Delphi Technique

(iv) Product Life Cycle

(v) Total Quality Management

2. (a) What is the purpose of a mission statement of a corporate entity? What are the characteristics of a mission statement? 3+4=7

(b) Write a short note on "product gap". 5

(c) Explain the concept of "Public Private Partnership" (PPP) in the context of infrastructural development in India. What are the major obstacles faced in the implementation of a PPP project? Suggest ways to overcome these obstacles. 2+3+3=8

3. (a) Describe the impact of globalization on competition. 7

(b) Explain the Ansoff Matrix using the example of a car manufacturing company. 8

(c) Why do new products fail? 5

4. (a) Write short notes on *any two*: 5+5=10

(i) Importance of market orientation to strategic planning

(ii) Backflush Costing

(iii) Cost of Quality

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(b) Discuss how the concepts of product positioning, product differentiation and market segmentation relate to each other. 6

(c) What is sensitivity analysis? How is it used? 4

SECTION II (40 marks)

(Risk Management)

Question 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 given alternatives (*Answer any five)* 1×5=5

(i) Instruments of hedge against risk do not include
- (a) Letter of Credit
- (b) Guarantee
- (c) Underwriting
- (d) Rights Issue

(ii) Indemnity clause is not applicable in the case of
- (a) Vehicle Insurance
- (b) Loss of Profit Insurance
- (c) Fire Insurance
- (d) Life Insurance

(iii) The following is not an example of pure risk
- (a) damage to property by fire
- (b) damage to property by flood
- (c) an event that could produce either a profit or loss
- (d) premature death caused by accident

(iv) Risk management technique does not include
- (a) Risk avoidance
- (b) Risk premium
- (c) Risk Retention
- (d) Risk Transfer

(v) The following is not true:
- (a) Futures contract has liquidity.
- (b) A forward contract is not settled by delivery of the asset on a specified date.
- (c) Futures provide an arbitrage opportunity to speculators.
- (d) Futures are a special form of forward contracts.

(vi) The Risk Management Group (RMG) of an organization should report to the following, as per best pactice

(a) The individual Divisional Heads of the organization

(b) The Insurance Dept. or the Finance Dept. which takes care of insurance in the organization

(c) The Board, through the Audit Committee

(d) The CEO of the organization

(b) State whether the following statements are "True" or "False", justifying your answer. No marks will be given for an answer without a justification. 1×5=5

(i) The values exchanged by the contracting parties in an insurance contract are equal.

(ii) The most commonly used techniques for measuring liquidity risks is the gap analysis of current assets to the maturing liabilities.

(iii) Professional indemnity insurance covers the insured against legal liability towards claims to third parties in respect of accidental death/bodily injury and/or property damage arising out of the specified business of the insured and the legal cost/expenses incurred in connection with the claim.

(iv) Protfolio Management reduces systematic risk.

(v) Financial risk includes trade cycle.

6. (a) What are the characteristics of insurance exposures? 6

(b) Explain the concept of hedging with the example of an airlines operator. 4

(c) How is the pricing of an insurance product done? 5

7. Write short notes on *any three* of the following: 5×3=15

(i) Risk Pooling

(ii) Liquidity Risk Management

(iii) Strategies of Risk Management

(iv) Solvency related measures for risk management

8. (a) Explain the Utility Theory in Risk Management. 6

(b) Explain the following concepts:

(i) Risk Avoidance 3

(ii) Self Insurance 3

(iii) Hold – Harmless Agreements 3