

Paper- 13 : MANAGEMENT ACCOUNTING – STRATEGIC MANAGEMENT

Time Allowed : 3 Hours

Full Marks : 100

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

**Section -I (60 Marks)
(Strategic Management)**

**Answer Question No.1 and any other two more from the rest in this section.
(Please answer all part of the question at one place.)**

Question 1.

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

- (i)** The difference between strategic alliances and joint ventures can best be explained by:
 - (A) all strategic alliances are joint ventures;
 - (B) all joint ventures are strategic alliances;
 - (C) all strategic alliances are temporary phenomena;
 - (D) all joint ventures involve equity participation.

- (ii)** Which of the following could be a core competence?
 - (A) A brand;
 - (B) Fixed asset;
 - (C) Ability to manage the integrity of the asset;
 - (D) Enlightened leadership.

- (iii)** The acquisition of Corus by TISCO is an example of:
 - (A) Horizontal integration;
 - (B) Vertical integration;
 - (C) Concentric diversion;
 - (D) Forward integration.

- (iv)** Target price is:
 - (A) Market driven;
 - (B) Product driven;
 - (C) Cost driven;
 - (D) Investment driven.

- (v)** Sony's distinctive capacity is
 - (A) Distribution;
 - (B) Innovation;
 - (C) Service;
 - (D) Sales and marketing.

- (vi)** Which model among the following is not example of mathematical programming models (optimization models)?
 - (A) Linear programming model;

MTP_Final_Syllabus 2008_Dec2014_Set 2

- (B) EOQ model;
 - (C) CPA or PERT model;
 - (D) Game theory model.
- (vii) McCarthy's marketing mix refers to:
- (A) Price, push, pull and product;
 - (B) Price, promotion, place and product;
 - (C) Price, profit, promotion and product;
 - (D) Price, promotion, profits and product.
- (viii) The competitive advantage through market share approach is derived from:
- (A) Economies of scale;
 - (B) Experience;
 - (C) Market power;
 - (D) All of the above.
- (ix) The introduction of 'Nano' by Tata Motors could be viewed as a good example of:
- (A) Price leadership;
 - (B) Cost leadership;
 - (C) Product leadership;
 - (D) Technology leadership.
- (x) The Product Market Matrix comprising of Strategies of Penetration, Market development, Product development and Diversification was first formulated by:
- (A) Ansoff;
 - (B) Drucker;
 - (C) Porter;
 - (D) Andrews.

(b) State whether the following statements are 'True' or 'False' with justification for your answer.

[1x5]

- (i) 'Management buy-in' refers to the purchase of all or part of a business firm from its owners by the managers.
- (ii) At "EOQ", the carrying cost per unit is equal to the ordering cost per unit.
- (iii) "Maturity" stage of PLC is characterized by decreasing rate of increase in sales volume.
- (iv) 'PIMS' analysis attempts to establish the profitability (i.e. return on capital) of various marketing strategies.
- (v) ABC costing is the process of identifying and learning from the best practices anywhere in the world.

(c) Define the following terms (in not more than two sentences):

[1x5]

- (i) Brand
- (ii) Kanban card
- (iii) Loss-Leader
- (iv) Barriers to entry
- (v) Turnaround management

Question 2.

- (a) Unrelated Diversification can sometimes work well. When is unrelated diversification a good strategy? Illustrate.

[6]

- (b) What are the types of simulation models? What are the advantages and disadvantages of simulation models? **[3+(2+2)]**
- (c) Write the role of Product development as a part of an overall marketing strategy. **[4]**
- (d) State the basic goals of the Environmental analysis. **[3]**

Question 3.

- (a) Explain the way a cost leadership strategy can help a firm in handling the five competitive forces. **[5]**
- (b) Identify the most important pitfalls that ought to be avoided in starting and doing strategic planning. **[5]**
- (c) "A Dog (in respect of BCG matrix) need not be divested always. Someone can acquire a Dog." State. **[3]**
- (d) Explain how Product-life Cycle (PLC) is related to marketing planning. **[7]**

Question 4.

- (a) Benchmarking exercise is based on "best exercise" and not on "best performances". Discuss. Also state briefly the important benchmarking processes used in strategy implementation. **[3+6]**
- (b) What are the "key success factors" for a business enterprise? How would you determine them? Compare and contrast the different types of standards which can be used for evaluation and control of strategy? **[3+3+3]**
- (c) What is Crown Jewel tactics in the field of hostile takeover? **[2]**

SECTION-II (40 Marks)
(Risk Management)

Answer Question No. 5 and any other two from the rest in this section.
(Please answer all parts of the question at one place.)

Question 5.

- (a) In each of the cases/statements given below, one of four alternatives is correct. Indicate the correct answer: **[1x5]**
- (i) The most commonly used techniques for measurement of liquidity risk is:
(A) The gap analysis of maturing assets to the maturing liabilities;
(B) The financial analysis;
(C) The audit of maturing assets;
(D) The gap analysis of current assets to the maturing liabilities.
- (ii) Variability in return on investment in the market is referred to as:

MTP_Final_Syllabus 2008_Dec2014_Set 2

- (A) Market Risk;
- (B) Physical Risk;
- (C) Pooling Risk;
- (D) Business Risk.

- (iii) The concept of the process of identification of separate risks and put them all together in a single basket, so that the monitoring, combining, integrating or diversifying risk can be implemented, is called:
- (A) Physical risk;
 - (B) Pooling risk;
 - (C) Business risk;
 - (D) Sharing risk.
- (iv) Performance related risk measures do not include:
- (A) Operating earnings;
 - (B) Weighted Average Cost of Capital (WACC);
 - (C) Economic Value Added (EVA);
 - (D) Shortfall risk.
- (v) Commercial Insurance do not include:
- (A) Jewelers block policy;
 - (B) Bankers Indemnity policy;
 - (C) Endowment policy;
 - (D) Marine cargo policy.

(b) State whether the following statements are 'True' or 'False' with justifications for your answer.

[1x5]

- (i) Purchasing power risk is the uncertainty of the purchasing power of the monies to be received, in the future.
- (ii) Hedging involves the transfer of pure risk.
- (iii) In future trading the exchange rate at which the currencies are agreed to be exchanged under the contract is called "call and put option".
- (iv) Risk management is the process used to systematically manage exposures to both pure risks and speculative risks.
- (v) Risk cannot be avoided through insurance but may be considered as a means to transfer the risk.

Question 6.

- (a) Explain the concept of "Risk Pooling" and "Diversification of Risk ". **[3+3]**
- (b) Describe the role of Management Accountants in insurance risk management. **[6]**
- (c) What are the strategies to be adopted to hedge and diversify project risk? **[3]**

Question 7.

- (a) State the Impact of Macro Economic Factors on Risk. **[4]**
- (b) State the types of risks a firm may face while developing a new product / market. **[8]**
- (c) What are the performance related measures for risk measurement? **[3]**

Question 8.

Write short notes on the following:

[5×3]

- (a)** Corporate Risk Governance
- (b)** Solvency related measures in the context of risk management
- (c)** Risk adjusted performance measurement