

FINAL EXAMINATION

June 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.

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.)

SECTION - I (60 Marks)
(Strategic Management)

1. (a) In each of the cases/statements given below, one of four alternatives is most appropriate. Indicate the correct answer: (Answer any ten) 1×10
- (i) For an actor in Bollywood, his outstanding performance would be a/an
 - (A) Asset
 - (B) Strategic asset
 - (C) Core competency
 - (D) Capability
 - (ii) As per Peter F. Drucker, father of management principles, mission to give answers to following except
 - (A) Present business
 - (B) Present customer
 - (C) Values to be delivered to customers to secure their delight
 - (D) Business our competitor want to develop
 - (E) Business we ought to take up
 - (iii) Which of the following market structures would be commonly identified with FMCG products?
 - (A) Monopoly
 - (B) Monopolistic competition
 - (C) Oligopoly
 - (D) Perfect competition
 - (iv) During Diwali seasons, the manager of Samsung at the Ranchi branch office may be in a dilemma to offer discount to the customer. There may not be any explicit policy to guide him. But to meet competition in local market situation where competitors offer discounts, top management, on the basis of an appeal made by the branch manager may allow him to offer discount. This is an example of
 - (A) Originated policies
 - (B) Appealed policies
 - (C) Externally imposed policies
 - (D) Implied policies

Please Turn Over

- (v) By changing the value of different variables in the model, a number of different scenarios for the future will be produced. For example, wage increases can be altered to 10% from 5%; demand for a product can be reduced from 1,00,000 to 80,000 units the introduction of new processing equipment can be deferred by six months, on the revised assumption that there will be delays, and so on are a good example of
- (A) Cost benefit analysis
 - (B) Risk analysis
 - (C) Parity analysis
 - (D) Sensitivity analysis
- (vi) 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
- (vii) A publisher of school books approach a publisher of college and/or university level books to establish a benchmarking relationship. This is an example of
- (A) Intra-group benchmarking
 - (B) Inter-industry benchmarking
 - (C) Internal benchmarking
 - (D) Process benchmarking
- (viii) A Strategic Business Unit (SBU) is defined as a division of an organisation
- (A) that helps in the marketing operation
 - (B) that enables managers to have better control over the resources
 - (C) that helps in the choice of technology
 - (D) that helps in the allocation of scarce resources
 - (E) that helps in identifying talents and potentials of people
- (ix) In the context of Strategic Management the term 'Portfolio Planning' implies
- (A) the art and science of making decisions about investment mix and policy
 - (B) the choice of investments in debt vs equity for maximising returns
 - (C) developing a relationship between prices, cost and volume of business
 - (D) identification of current strengths and weakness of an organisation's products in the markets and the strategy needed to improve upon such a state
- (x) Airtel basically a phone company decided to go into Direct to Home (DTH) television business, as there is no direct fit with the existing business. This is a good example of
- (A) Related diversification
 - (B) Conglomerate diversification
 - (C) Distinctive capacity
 - (D) Financial analysis
 - (E) Sales value
- (xi) The Flanking Warfare is
- (A) one where the players in a marketing war would be fighting in the market place like the guerrillas
 - (B) the most innovative from marketing warfare
 - (C) finding a weakness in the leader's strength and attack at that point
 - (D) essentially recommended for market leaders

- (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) 'CVP' model is a simple break-even model.
 - (ii) Market growth and market share are assumed to be reliable pointers for cash flow. High market share mean high profits, especially if a firm has high costs, or has bought market share by low pricing.
 - (iii) A stakeholder is a person or organisation that has an interest in an enterprise.
 - (iv) 'Leverage takeover' is achieved using a high proportion of debt.
 - (v) 'PIMS' analysis attempts to establish the profitability (i.e. return on capital) of various marketing strategies.
- (c) Define the following terms (in not more than two sentences): 1×5
- (i) Make-or-buy decision
 - (ii) Scenario building
 - (iii) Corporate vision
 - (iv) Debt strategy
 - (v) Technical products
2. (a) Why 'environmental scanning' is necessary in corporate planning? How it helps the management?
 (b) Write three consumer dimensions for identifying Strategic Business Unit (SBU).
 (c) Write five reasons for stagnation in traditional approach to organisational structure
 (d) How company's strategic intent can help the company? (4+4)+3+5+4
3. (a) The SWOT analysis is simple and useful tool of environmental analysis. Highlight its application for an Indian bulk drug company.
 (b) What are the limitations of SWOT analysis in the context of a growth oriented company?
 (c) Show how PLC is related to marketing strategy and marketing planning.
 (d) What do you understand by the term 'benchmarking'? Distinguish between 'intra-group benchmarking' and 'inter-industry benchmarking'. 8+2+4+(2+4)
4. (a) As CMA you need to anticipate future trends and new developments that may change the existing market and industry structure. In this reference explain the distinction between market and industry.
 (b) Hindusthan Unilever Limited (HUL), the Indian subsidiary of Unilever, was the country's largest FMCG Company. HUL had extended many of its popular brands with varying degree of success. After a phase of stagnant growth for over a decade, HUL decided to re-position 'Lifebuoy' from health bar soap to up-market family bath soap. It also extended its product range to give new life to 'Lifebuoy'.
 As CMA working in HUL you have to take five specific decisions with regard to brand selection and its use in Indian context.
 (c) Write 5-tools of Total Cost Management.
 (d) Write short note on 'The Ansoff Matrix'. 5+5+5+5

SECTION - II (40 Marks)
(Risk Management)

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

5. (a) In each of the cases/statements given below, one of four alternatives is most appropriate. Indicate the correct answer: (Answer any five) 1×5
- (i) Uncertainty of damage to property by fire or flood or the prospect of premature death caused by accident or illness would be example of
 - (A) Speculative risk
 - (B) Static risk
 - (C) Pure risk
 - (D) Liability risk
 - (ii) Social insurance does not involve
 - (A) Rural Insurance Policy
 - (B) Professional Indemnity Policy
 - (C) Child Welfare Policy
 - (D) Women Marriage Welfare Policy
 - (iii) The fraction of total risk which is unique to a company or industry due to inherent factors like managerial capabilities, consumer responsiveness, labour unrest etc. are known as
 - (A) Systematic risk
 - (B) Unsystematic risk
 - (C) Market risk
 - (D) Exchange risk
 - (iv) Risk is defined as
 - (A) a variation from the actual
 - (B) a variation from the expected
 - (C) a possible event
 - (D) a possible uncertainty
 - (v) Risk management strategies are
 - (A) Avoid risk, Reduce risk, and Retain risk
 - (B) Combine risks, Transfer risk, and Share risk
 - (C) Hedge risk
 - (D) All of the above
 - (vi) Project risk does not include
 - (A) Institutional risk
 - (B) Turbulence
 - (C) Completion risk
 - (D) Uncertainty

- (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) Risk transfer is another essential element of insurance. With the exception of self-insurance, a true insurance plan always involves risk transfer.
 - (ii) Personal and advertising injury liability is part of Public Liability (Industrial Insurance).
 - (iii) The policy reserve can be defined as the difference between the present value of future benefits and the present value of future net premium.
 - (iv) The IRDA regulates all kinds of insurance related activities in India.
 - (v) Risk management techniques do not include among other things the risk premium.
6. (a) Write the meaning of 'risk transfer' of insurance. Mention different forms of it.
(b) What is meant by 'Project Risk Management'? How such risks do arise?
(c) Define Net Single Premium (NSP). Write three basic assumptions of NSP. (5+5+5)
7. (a) What is meant by 'Utility Theory'? How risk can be classified in 'Utility Theory'?
(b) What is meant by "Loss Control" in risk measurement? State two general approaches to loss control.
(c) What is meant by the 'Time Value of an Option'?
(d) What is the meaning of valuation model based on the Discounted Cash Flow (DCF) technique? Can DCF technique be used to value the options? Give reasons with your answer. (2+2)+(2+2)+2+5
8. Answer *any three* from the following: 5×3=15
- (a) Risk Protocols under Risk Management checklist.
 - (b) What do you understand by the term 'risk control' and 'degree of risk'?
 - (c) State two primary principles of insurance. What is meant by "All-risks" policy under insuring agreement? Give one example.
 - (d) Write five strategies in relation to the 'Corporate Risk Management'.
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