

**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 BGG growth matrix is based on two dimensions:  
(A) Market size and Competitive intensity;  
(B) Profit margins and Market size;  
(C) Relative market share and Market/Industry growth rate;  
(D) Market size and Profit margins.
- (ii)** The maturity stage of the PLC is most often associated with:  
(A) rapid growth;  
(B) uncertainty in market;  
(C) improvements in manufacturing processes;  
(D) re-alignment of competitive structure.
- (iii)** BSNLs plan behind introduction of "Internet Plan 99", ISDN Virtual Private Network etc would be an example of:  
(A) Utilisation of newer technologies;  
(B) Portfolio generation;  
(C) Diversification of business;  
(D) Product development.
- (iv)** Green-mail tactics is where a firm:  
(A) Purchases its own stocks at a premium to avert a take-over bid;  
(B) Forestalls the possible take-over bid through legal mode;  
(C) Arranges to sell one of its highly profitable S.B.U.s in order to dissuade the predator;  
(D) None of the above.
- (v)** Delphi Technique is used in:  
(A) Budgeting  
(B) Projecting Business  
(C) Market Research Technique  
(D) Technological Forecasting
- (vi)** Brand names such as Coca-Cola, Sony, McDonald's and Nike are a source of competitive advantage as:  
(A) They are owned by global firms;

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- (B) They are well managed brands;  
(C) They are more than 50 years old;  
(D) They are highly innovative firms.
- (vii) 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 make existing ones obsolete;  
(D) For those companies who are strong in the market but not leaders and might capture market share from the leader.
- (viii) Technology adaptation is:  
(A) the complete assimilation of technical know-how acquired from a collaborator;  
(B) the acquisition of technical know-how from the source external to the firm;  
(C) the acquisition of design from a collaborator and carrying onto necessary modifications thereto;  
(D) the improvement of the level or quality.
- (ix) Business process re-engineering is:  
(A) Eliminating loss-making process;  
(B) Redesigning operational processes;  
(C) Redesigning the product and services;  
(D) Recurring the process engineers.
- (x) Pepsi's "Nothing Official About it" would be an example of:  
(A) Mission;  
(B) Vision;  
(C) Strategic intent;  
(D) Policy.

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

**[1x5]**

- (i) "Stars" are the products in a high-growth market but where they have a low-market share.
- (ii) "Strategic planning" focuses on forecasting the future by using economic and technical tools.
- (iii) Penetration Pricing is the use of price to drive a competitor out of business.
- (iv) "Simulation model" helps to narrate and predict the characteristics of a given system under different conditions.
- (v) "Divestment" means selling off a part of a firm's operations, or putting out of certain product-market operations.

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

**[1x5]**

- (i) Turbulence  
(ii) Conglomerate diversification  
(iii) Merger  
(iv) Franchising  
(v) Market Segmentation

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### Question 2.

- (a) State the various criteria used in selecting a forecasting method. [4]
- (b) What is Corporate Mission? State the benefits of Mission Statement. [2+5]
- (c) Distinguish between Corporate Planning and Long-Range Planning. [2+2]
- (d) "Technology forecasting is a crucial input in strategy formulation." Which is the best method to forecast the technological changes? State. [3]
- (e) What do you mean by, "Marketing Mix"? [2]

### Question 3.

- (a) Discuss how "Gap Analysis" might be applied to a product/market situation. [7]
- (b) There are several reasons as to why new products fail. Mention few of those. [5]
- (c) Describe the role of brands in the construction of barriers to entry. [5]
- (d) What is SWOT Analysis? State in brief the purpose of it. [2+1]

### Question 4.

- (a) Your research shows that over 53% of all purchases are made on impulse. You advise your packaging design team that the package must communicate many of the sales tasks. List the sales tasks that packaging must now incorporate. [3]
- (b) Mention the specific tools with which the Management Accountant should associate himself in the implementation of Strategic Total Cost Management (TCM) in an organization. [5]
- (c) State the differences between Cost leadership and Cost reduction. [4]
- (d) Write a short note on the following: [4+4]
- (i) Reverse Engineering
  - (ii) Objectives of Sales Promotion activities

### 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) ECOR in risk management means:
- (A) Expected Cost of Ruin;
  - (B) Expected Cost of Opportunity Loss;
  - (C) Economic Cost of Ruin;

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- (D) Economic Cost of Opportunity Loss.
- (ii) Often analysts focus on characteristics of loss distribution such as:  
(A) Expected loss;  
(B) Standard deviation of loss;  
(C) Maximum probable loss;  
(D) All of the above.
- (iii) Financial Risk arises out of:  
(A) The nature of the financial transaction;  
(B) Conduct of business and investment;  
(C) Both (A) and (B);  
(D) Increase of competition.
- (iv) Motorola learning lessons from Domino's Pizza and Federal Express, to improve the speed of delivery for its cellular phones, comes under:  
(A) Strategic Benchmarking;  
(B) Functional Benchmarking;  
(C) Process Benchmarking;  
(D) Performance Benchmarking.
- (v) Futures have four specific characteristics as against the forwards, which among them is not a character?  
(A) Liquidity;  
(B) Third party warranty;  
(C) Standard volume;  
(D) Intermediate cash flows.

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

- [1x5]**
- (i) Causa proxima is defined as "the active efficient cause that sets in motion a chain of events which brings about a result, without the intervention of any force started and working actively from a new and independent source."
- (ii) The individual insurers or professional rate making organisation may determine insurance rates are called profit loaders.
- (iii) Interest rate risk refers to the uncertainty market volumes in the future and the quantum of future income caused by the variations in the interest rates.
- (iv) 'Future' a derivative, is used as a hedging mechanism against 'Risk'
- (v) "Loss Control" is a method of risk financing for managing pure risk.

**Question 6.**

- (a) Why is Risk Reporting considered to be an important step in Risk Management? **[6]**
- (b) Describe the broad categories of risks that can be identified for an organisation? **[3]**
- (c) State "Asset-Liability Model" and its utility for managing liquidity risk and exchange rate risk. **[2+(2+2)]**

**Question 7.**

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**(a)** To be effective, any Enterprise Risk Management (ERM) implementations should be integrated with strategy-setting". Do you agree? Give your views. Bringing out the basic elements of ERM and the reasons why ERM is implemented. **[3+(3+3)]**

**(b) (i)** State the rights and responsibilities of:

- Insurer and
- Insured – in the sphere of Risk Insurance.

**(ii)** Also mention two functions of insurers.

**[(2+2)+2]**

**Question 8.**

Write short notes on the following:

**[5×3]**

- (a)** Re-insurance
- (b)** Risk Retention
- (c)** Pure Risk