

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.
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)**

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

- (ii)** Which one of the following is not a measure related to Balanced Score Card?
 - (A) Financial;
 - (B) Customer satisfaction;
 - (C) Internal processes;
 - (D) Gap Analysis.

- (iii)** The corporate governance framework should ensure:
 - (A) Equitable treatment of all shareholders;
 - (B) Rights of stakeholders as established by law;
 - (C) Timely and accurate disclosure of all material matters including finance, performance and ownership of the company;
 - (D) All of the above and social responsibility.

- (iv)** The competitive advantage through market share approach is derived from:
 - (A) Economies of scale;
 - (B) Experience;
 - (C) Market power;
 - (D) All of the above.

- (v)** 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.

- (vi)** Value analysis aims at:
 - (A) Increasing sales by economizing expenditure and increasing productivity;
 - (B) Reducing cost by economizing expenditure and increasing productivity;

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- (C) Reducing profit by increasing expenditure and increasing productivity;
- (D) Reducing cost by economizing expenditure and increasing manpower.

- (vii) Outsourcing is the —
- (A) Spinning of a value-creating activity to create a new firm;
 - (B) Selling of a value-creating activity to other firms;
 - (C) Purchases of a value-creating activity from external supplier;
 - (D) Use of competitors to obtain value-creating data from the internet.
- (viii) Which in the following is not there in support activities of a value chain analysis?
- (A) Firm infrastructure;
 - (B) Marketing and sales;
 - (C) HRM;
 - (D) Technology Development.
- (ix) Bata Shoe Company's pricing of products like ₹ 79.95, ₹ 289.95 etc. is called —
- (A) Leader Pricing;
 - (B) Unit Pricing;
 - (C) Price Lining;
 - (D) Psychological Pricing –Odd Pricing.
- (x) Sony's distinctive capacity is —
- (A) Distribution;
 - (B) Innovation;
 - (C) Service;
 - (D) Sales and marketing.

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

[1x5]

- (i) Kanban Card
- (ii) Strategic intent
- (iii) Market segmentation
- (iv) Market Information System
- (v) Grand strategy.

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

[1x5]

- (i) Crown jewel tactics is strategic tactics of joint venture.
- (ii) In BCG matrix, Question marks are products in a low-growth market, but where they have a high market share.
- (iii) 'Forward Integration' means in-house production of critical inputs for the main business.
- (iv) 'Management buy-in' refers to the purchase of all or part of a business firm from its owners by the managers.
- (v) Competitive Benchmarking involves the comparison of competitors products, process and business results with own.

Question 2.

(a) Discuss in brief the elements of a meaningful mission statement of a corporate organization.

[5]

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- (b) Critics of Nike often complain that its shoes cost almost nothing to make, yet cost the consumer so much. Identify the strategic marketing planning steps which provide value that add to Nike's offering and result in the high price of Nike's shoes. [5]
- (c) Write a short note on 'Sensitivity Analysis'. [5]
- (d) "In the maturity stage of Product Life Cycle (PLC) the market becomes saturated, price competition intensifies and the rate of sales growth slows down." Suggest five strategic choices in such a stage of PLC. [5]

Question 3.

- (a) "Differentiation Strategy is not possible without pitfalls." – Identify five common pitfalls. [5]
- (b) What is meant by Strategic Total Cost Management? Mention the specific tools with which the Management Accountant should associate himself in the implementation of Strategic TCM in an organization. [2+5]
- (c) According to the Profit Impact on Marketing Strategies (PIMS), list out the possible reasons for earning high returns by the companies with higher market share. Also point out the circumstances where businesses with low market share in a low growth market can earn good profits. [3+5]

Question 4.

- (a) 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? [4+3+3]
- (b) Tata Steel's mega takeover of European steel major Corus Company is \$12.2 billion, the biggest ever for an Indian company. This is first big business transaction which marked the arrival of Indian Inc on the global stage. Which one amongst four components of growth gap can be filled by Tata Steel in this accusation? [4]
- (c) How does 'Market Research' help a Management Accountant to gain strategic cost advantage for a firm? [6]

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;

(D) Economic Cost of Opportunity Loss.

(ii) 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.

(iii) Types of risk does not include:

- (A) Business Risks;
- (B) Market Risks;
- (C) Interest Rate Risks;
- (D) Uncertainties.

(iv) When risk is perceived and not transferred/recognized/reduced is actually known as:

- (A) Risk retention;
- (B) Risk reduction;
- (C) Risk transfer;
- (D) Risk sharing.

(v) Solvency related risk measures do not include:

- (A) Probability of ruin;
- (B) Short-fall risk;
- (C) Value at risk;
- (D) Return on equity.

(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: [1x5]

- (i)** Hedging involves the transfer of pure risk.
- (ii)** The condition known as moral hazard stems from an individual's mental attitude.
- (iii)** 'Future' a derivative, is used as a hedging mechanism against 'Risk'.
- (iv)** Net Single Premium (NSP) is the future value of the future death benefit.
- (v)** Probable Maximum Loss (PML) is a risk measurement and evaluation technique.

Question 6.

- (a)** How 'hedging' helps airlines operators to protect themselves against jet fuel price hike? **[4]**
- (b)** Why 'Risk-Adjusted Return on Capital' (RAROC) is mainly used by banks and insurance companies? **[4]**
- (c)** How is 'Project-Risk Management' done in practice? **[5]**
- (d)** Define Enterprise Risk Management. **[2]**

Question 7.

- (a)** Describe the types of risks which a firm may face while developing a new product/market? **[6]**
- (b)** Explain the strategies which are generally adopted to manage the corporate risks. **[5]**

- (c) Suggest how exchange rate risk is managed through asset-liability management for Indian IT firms becoming global? **[4]**

Question 8.

Write short notes on the following:

[5×3]

- (a) Arbitrage Pricing Theory (APT)
- (b) Risk mapping or profiling
- (c) Project risk.