

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)** For Cash Cow BCG Matrix analysis following is correct
 - (A) High market growth and high market share
 - (B) Low market growth and high market share
 - (C) High market growth and low market share
 - (D) Low market growth and low market share

- (ii)** Delphi Technique is used in
 - (A) Budgeting
 - (B) Projecting business
 - (C) Market Research Technique
 - (D) Technology Forecasting

- (iii)** World retailer Wal-Mart's entry into Indian market through Bharti Enterprises is an example of
 - (A) Merger
 - (B) Acquisition
 - (C) Joint venture
 - (D) Amalgamation

- (iv)** "Marketing mix" is a general phrase used to describe the different kinds of choices organizations have to make in the whole process of bringing a product or service to market. The 4Ps is one way—probably the best-known way—of defining the marketing mix, and was first expressed in 1960 by
 - (A) Boom and Bitner
 - (B) Lauterborn
 - (C) Borden
 - (D) McCarthy

- (v)** If suppliers are unreliable or too costly, which of the following strategies may be appropriate?
 - (A) Horizontal integration
 - (B) Backward integration
 - (C) Market penetration
 - (D) Forward integration.

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- (vi) BSNLs plan behind introduction of "Internet Plan 99", ISDN Virtual Private Network etc would be an example of:
- (A) Utilization of newer technologies
 - (B) Portfolio generation
 - (C) Diversification of business
 - (D) Product development
- (vii) SAIL's famous advertising campaign of "there is a bit of steel in everyone's life was meant to:
- (A) Gain buyers awareness about its versatile product range
 - (B) Create an image of superior performance
 - (C) Inform new buyers about its special products
 - (D) Enhance product quality perception
- (viii) Which one of the following is not a measure related to BSC?
- (A) Financial
 - (B) Customer Satisfaction
 - (C) Innovation
 - (D) Gap Analysis
- (ix) You engage a call taxi by dial-a taxi facility. This is an example of
- (A) One Level marketing channel
 - (B) Zero Level marketing channel
 - (C) No marketing channel
 - (D) Two Level marketing channel
- (x) The sale of tea through one-cup tea bag is an example of the following distinctive capability:
- (A) Distribution
 - (B) Innovation
 - (C) Sales and marketing
 - (D) New services

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

[1x5]

- (i) Transfer Price
- (ii) EFT
- (iii) Loss Leader
- (iv) Value Engineering
- (v) Conglomerate diversification

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

[1x5]

- (i) "Management buy-out" refers to the purchase of all or any part of a business firm from its owners by new managers from outside the business firm.
- (ii) 'CVP model' is a simple break-even model.
- (iii) 'Acquisition' is nothing but the joining of two separate firms to form a single firm.
- (iv) 'Stars' are the products in a high-growth market but where they have a low-market share.

- (v) Time value' refers to the difference between the market value of an option and its intrinsic value.

Question 2.

- (a) Define a PPP in the context of developmental efforts in infrastructure in India.
(b) Explain the linkage between environmental analysis and strategic management. Accountant should associate himself in the implementation of Strategic TCM in an organization.
(c) What are the strategies adopted to combat hostile takeover?

[3+5+12]

Question 3.

A mobile phone company which was already in the business of laptops and portable computing devices to capture a wide range of customers. It took the following steps:

(i) It adopted a technology where mobile phones could be simply used as phones or connected to the laptop using a hardware device or use wireless connection to the internet. Printing could also be done directly from the mobile through a printing device. The technology allowed transfer of selected contents of SIM/ mobile phone memory into memory cards which were also sold by the company as accessories in small quantities of 5 cards per packet.

(ii) It introduced a wide range of products – from the basic key punch to a touch pad and even voice recognition system. It also introduced landline models which were bigger devices and could be used in a fixed location by multiple users (as in households or offices) using the same mobile numbers, by using a wireless connector between the portable model and landline model.

(iii) It entered into tie-up arrangements with financial institutions having numerous service outlets in metros, similar towns and rural areas and provided a scheme where buyers could play in easy installments, while making an interest- fetching fixed deposit with the respective outlets. This scheme would psychologically aid the buyers while safe guarding the seller against potential bad – debts in case the product becomes obsolete.

- (a) Classify the above measures into the marketing mix strategy as defined Mc. Carthy.
(b) What are the market segments that the company is trying to reach out to?
(c) It is criticized that while (iii) above provides access to a large number of customers, the scheme entails customers" outlay of the cost of the phone as fixed deposit as well as the first installment. Could you suggest other schemes to aid customers in buying higher models even if they do not have enough cash, while keeping in mind the possibility of obsolescence, bad – debts and recovery costs?
(d) What are the parameters in which you could effectively use the analysis for the information given in (i) to (iii) above?

[4+6+5+5]

Question 4.

- (a) Explain strategic implications of BCG matrix model.
(b) Write a short note on
(i) Role of brands in the construction of barriers to entry
(ii) J. Strauss and R. Frost's E-marketing model
(iii) Kaizen Costing

[8+(4+4+4)]

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)** Portfolio Managements reduces
 - (A) Systematic risk
 - (B) Unsystematic risk
 - (C) Inflation risk
 - (D) Interest rate risk

- (ii)** Subrogation means
 - (A) Utmost good faith
 - (B) The active efficient case that sets in motion a chain of events which brings about a result
 - (C) The transfer of all rights and remedies available to the insured after indemnity has been effected
 - (D) Mitigation of loss

- (iii)** EPD in risk management means
 - (A) Economic policy holder deficit
 - (B) Expected probability of holder deficit
 - (C) Expected policy holder deficit
 - (D) Expected policy holder default

- (iv)** Instruments that hedge against risk do not include
 - (A) Letter of credit
 - (B) Underwriting
 - (C) Factoring
 - (D) Rights issues

- (v)** Value migration suggests the needs to monitor on continuous basis to detect and measure the changes happening in value flows
 - (A) Between the industries
 - (B) Between the companies
 - (C) Between the divisions of a company
 - (D) All of the above

(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)** "Loss Control" is a method of risk financing for managing pure risk.
- (ii)** There is no distinction between risk and uncertainty in the business filed.
- (iii)** "Knock- for-Knock" agreement in a motor insurance provides that in the event of damage caused by collision, each owner will bear his own loss irrespective of legal liability.

- (iv) The individual insurers or professional rate making organization may determine insurance rates are called profit loaders.
- (v) Risk management is the process used to systematically manage exposures to both pure risks and speculative risks.

Question 6.

- (a) What are the basic parts of an Insurance contract?
- (b) How do you embrace project risk management and what are the strategies to be adopted?
- (c) A businessman wants to decide whether to stock commodity A or commodity B. He can stock either but not both. If he stocks A, if it is a success, he feels that he can make ₹200 but if it is failure, he will lose ₹500. If he chooses A, there is an 80% chance of making ₹200. If he stocks B and if it is success, he feels that he can make ₹400 but if it is a failure, he would lose ₹300. If he chooses B, there is 60% chance of making ₹400 but if it is a failure, he would lose ₹300. If he chooses B, there is 60% chance of making ₹400. The question is: which commodity A or B should the businessman stock? **[4+3+8]**

Question 7.

The Indian Umbrella market can be classified as, single umbrellas, single to triple fold umbrellas, spring action 'Piano' type umbrella, fancy umbrellas and specialized large golf and garden umbrellas. The sales of golf and garden umbrellas are limited and are sold through exclusive retail shops. Also there is a large institutional sale and cut-throat promotional and gift offers in the market in this category. Modern umbrellas are as old as 125 years in India. Mohendra Lal Dutta (MD) and K.C. Paul are the pioneers of this industry.

Companies and Police departments provide their outdoor staff with umbrellas on their own cost. Mohendra Lal Dutta and K.C Paul are well-known names in East-India's brand like SUN, STAG, EBRAHIM CURRIM is popular in the West. North has brands like CHANDNI, CAMPUS, while St. GEORGE, POPY are famous in South-India especially in the more rain affected Kerala. Till the fifties, there were two kinds of umbrellas in the country, the Bengali ones, popular in the East and the COLOMBO umbrella assembled in Konkan and Malabar also popular in the South-India and West-India. Cane and bamboo staves are used in all these umbrellas.

During the sixties, the steel tube umbrella was introduced and instantly became popular because it was lighter and less bulky, Mohendra Lal Dutta working on a brand strategy, has created and floated his own brand called "MD" and hoped to take foreign brands when they would get the benefit of the Indian liberalization policy for export.

Questions:

- (i) Is there any scope for a national brand for umbrellas? As a product manager of such a company, how would you prepare a product policy?
- (ii) Will "MD" brands umbrellas succeed? What brand strategy the company will have to adopt? **(1+6)+(3+5)**

Question 8.

Write short notes on the following:

[5×3]

- (a) CAPM
- (b) Corporate Risk Governance
- (c) Re – Insurance