

FINAL EXAMINATION

December 2012

F-P13(MSM)
Syllabus 2008

Management Accounting—Strategic Management

Time Allowed: 3 Hours

Full Marks: 100

SECTION I (60 Marks)
(Strategic Management)

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

1. (a) In each of the cases/statements given below, one of four alternatives is correct. Indicate the correct answer: 1×10
- (i) Most Indian companies did not have a mission statements till recently because
 - (A) It was not a statutory requirement
 - (B) Companies were not professionally managed
 - (C) Growth options were controlled by the Government
 - (D) All of the above
 - (ii) Delphi Technique is used in
 - (A) Budgeting
 - (B) Projecting business
 - (C) Market Research Technique
 - (D) Technology Forecasting
 - (iii) 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
 - (iv) Which model among the following is not example of mathematical programming models (optimization models)?
 - (A) Linear programming model
 - (B) EOQ model
 - (C) CPA or PERT model
 - (D) Game theory model
 - (v) 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
 - ~~(vi)~~ 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

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- (vii) Bata Shoe Company's pricing of products like Rs. 79.95, Rs. 289.95 etc. is called
- (A) Leader Pricing
 - (B) Unit Pricing
 - (C) Price lining
 - (D) Psychological Pricing—Odd Pricing
- (viii) In the following is not a limitation of environmental analysis
- (A) It is not a sufficient guarantee of organisational effectiveness
 - (B) It does not keep the firm static
 - (C) It does not foretell the future, nor does it eliminate uncertainty for any organisation
 - (D) Managers place uncritical faith in the data without thinking of its verifiability or accuracy
- (ix) Sony's distinctive capacity is
- (A) Distribution
 - (B) Innovation
 - (C) Service
 - (D) Sales and marketing
- (x) 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
- (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) "Repositioning" involves moving the product or brand into a different market segment.
 - (ii) The joint venture strategy suitable for firms that prefer independence but are financially unable to go alone is 'spider-web' strategy.
 - (iii) 'Concentric Diversification' consists of making entirely new products for new classes of customers.
 - (iv) ABC costing is the process of identifying and learning from the best practices anywhere in the world.
 - (v) 'Glaxo India' is an example of a company whose portfolio strategy is influenced by the 'portfolio strategy of the parent'.
- (c) Define/meaning the following terms (in not more than two sentences): 1×5
- (i) Product line gap
 - (ii) Branding
 - (iii) Kanban card
 - (iv) Zero-level marketing channel
 - (v) Strategic intent
2. (a) What is the value to the firm of having a specified vision and mission?
- (b) Explain why it is important for organisations to analyze and understand the external environment.
- (c) What is the difference between "company demand" and "company's sales forecast"?
- (d) From its origins as an animated film producer, Walt Disney Company has moved into licensing characters for merchandised goods and developed theme parks and vacation and resort properties. What should be the best strategy for growth of Walt Disney Company?
- (e) What is the relationship between 'strategic competitiveness' and 'returns on investment'? 4+4+(2+2)+4+(2+2)

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3. (a) Manufacturers use a number of trade promotion tools. Give four reasons why manufacturers use money to the trader as one of the promotion tools?
- (b) In which sector of products market-skimming pricing practice is used?
- (c) 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.
- (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.
- (e) Write a brief note on 'Sensitivity Analysis'. 4+2+4+(1×5)+5

4. (a) ABC Ltd. implemented a quality improvement programme and had the following results:

<u>Items</u>	<u>Year 2010</u>	<u>Year 2011</u>
	(Figures in Rs. '000)	
Sales	6,000	6,000
Scrap	600	300
Rework	500	400
Production Inspection	200	240
Product Warranty	300	150
Quality Training	75	150
Materials Inspection	80	60

You are required to:

- (i) Classify the quality costs as prevention, appraisal, internal failure and external failure and express each classes a percentage of sales.
- (ii) Compute the amount of increase in profits due to quality improvement.
- (b) Explain in brief the concept of 'Capacity Planning'.
- (c) "Differentiation Strategy is not possible without pitfalls."—Identify five common pitfalls. (2×4+2)+5+(1×5)

SECTION II (40 Marks)

(Risk Management)

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

5. (a) In each of the cases/statements given below, one of four alternatives is correct. Indicate the correct answer: 1×5
- (i) The most commonly used technique 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) Pre-loss objectives in risk management are
- (A) Understanding environment, fulfilment of external obligations, statutory requirements
- (B) Reduction in anxiety through preventive measures
- (C) Social obligations to make people aware of the risks
- (D) All of the above

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- (ii) Future have four specific characteristics as against the forwards, which among them is not a character?
- (A) Liquidity
 - (B) Standard volume
 - (C) Third party warranty
 - (D) Intermediate cash flows
- (iii) Increase in rate of interest
- (A) Increase call-option value and decrease put-option value
 - (B) Decrease call-option value and increase put-option value
 - (C) Increase call-option value and increase put-option value
 - (D) Decrease call-option value and decrease put-option value
- (v) Which is not a step in management process?
- (A) Identify loss exposures
 - (B) Collect the appropriate technique for treating the loss exposures
 - (C) Chances of loss
 - (D) Implementation and monitor the risk management programme
- (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) Probable Maximum Loss (PML) is a risk measurement and evaluation technique.
 - (ii) 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 independent source".
 - (iii) Net Single Premium (NSP) is the future value of the future death benefit.
 - (iv) The individual insurers or professional rate making organisation 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.
6. (a) How 'hedging' helps airlines operators to protect themselves against jet fuel price hike?
- (b) Why 'Risk-Adjusted Return on Capital' (RAROC) is mainly used by banks and insurance companies?
- (c) State briefly your understanding about 'Hold-Harmless Agreements'.
- (d) What are the types of insurance covers for each class of motor vehicles? 5+4+3+(1×3)
7. (a) How is 'Project-Risk Management' done in practice?
- (b) "To be effective, any Enterprise Risk Management (ERM) implementations should be integrated with Strategy-Setting."—Do you agree? Give reason for justification.
- (c) What are the broad categories of risks that can be identified for an organisation?
- (d) Explain in brief the 'minimax regret criterion'. 5+(1+4)+(1×3)+2
8. The Indian Umbrella market can be classified as, single umbrellas, single to triple fold umbrellas, spring action 'Piano' type umbrella, fancy umbrellas and specialised 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.

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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 liberalisation 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)

Best of the luck
from

CACRACKER TEAM

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