

FINAL EXAMINATION

June 2013

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 other two more from the rest in this section.**(Please answer all parts of the 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) The role of leadership can be best evaluated by looking at
 - (A) Vision
 - (B) Strategy
 - (C) Succession Planning
 - (D) All of the above
 - (ii) Successful differentiation strategy allows the company to
 - (A) Gain buyer loyalty to its brand
 - (B) Charge to high a price premium
 - (C) Depend only on intrinsic product attributes
 - (D) Segment a market into distinct group of buyers
 - (iii) '3C' model in business management (value based) consists of
 - (A) Customers, costs and competition
 - (B) Customers, context and channels
 - (C) Cost, capital and capability
 - (D) Competitors, channels and context
 - (iv) BSNL's plan behind introduction of 'Internet Plan 99', ISDN Virtual Private Network etc. would be an example
 - (A) Utilisation of newer technology
 - (B) Portfolio generation
 - (C) Diversification of business
 - (D) Product development
 - (v) The corporate governance framework should ensure
 - (A) Rights of stakeholders are established by law
 - (B) Equitable treatment to all stakeholders
 - (C) Timely and accurate disclosure of all material matters finance, performance and ownership of the company
 - (D) All of the above and social responsibility
 - (vi) The difference between strategic alliances and joint ventures can best be explained by
 - (A) All strategic alliances are joint ventures
 - (B) All joint ventures are strategic alliances
 - (C) All strategic alliances are temporary phenomena
 - (D) All joint ventures involve equity participation

Please Turn Over

- (vii) 'Swift Desire' model of Maruti Ltd. provides interesting example to fit in the BCG matrix as
(A) Star
(B) Question Mark
(C) Cash Cow
(D) Dog
- (viii) IBM found, after analyzing computer processing time that 80% of processing time was concerned with executing 20% of software operating code. As a result, its programmes rewrote the code to make the most frequently used parts of it as streamlined as possible. This is possible because of
(A) GE Matrix
(B) Pareto Analysis
(C) Value Engineering
(D) Benchmarking
- (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) State whether the following statements, based on the quoted terms, are 'TRUE' or 'FALSE', justifying your answer. If any statement is false, you are required to give the correct terms. No credit will be given for any answer without justification: 1×5
- (i) 'Maturity' stage of PLC is characterized by decreasing rate of increase in sales volume.
(ii) At 'EOQ', the carrying cost per unit is equal to the ordering cost per unit.
(iii) 'Spider-Web' is a joint venture strategy where a firm begins a relationship which is not that strong and then develops several joint ventures which can lead to a merger.
(iv) 'Forecasts' are projections derived from a mathematical process and quantify factors for the future period.
(v) 'Goals' are stated in broad, general terms, timeless and deal with matters of image, style and self-perception.
- (c) Define the following terms (in not more than two sentences): 1×5
- (i) Grand Strategy
(ii) Market Information System
(iii) Technological Environment
(iv) Marketing Strategy Planning
(v) Marginal Pricing
2. (a) What are the factors that form the basis of analysis in each of the following models?
(i) BCG Matrix (ii) GE Matrix (iii) Hofer Matrix and (iv) ADL Matrix
- (b) Critics of Nike often complain that it's 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.
- (c) What do you understand by 'Compound Annualized Growth Rate (CAGR)'?
- (d) What is meant by 'Backward Integration'? (1+4+3+3)+(1×5)+2+2

3. A mobile phone company which was already in the business of laptops and portable computing devices decided 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 periodic 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 pay 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 by 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 Pareto analysis for the information given in (i) to (iii) above? 4+6+5+5
4. Write short notes (*any four*) on the following: 5×4
- (a) Lean Accounting
 - (b) Social Audit
 - (c) Strategic Business Unit (SBU)
 - (d) Logistic Strategies
 - (e) Porter's Generic Strategies

SECTION II (40 Marks)
(Risk Management)

Answer Question No. 5 and any other two more from the rest in this section.
(Please answer all parts of the 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) Portfolio Management reduces
 - (A) Systematic risk
 - (B) Unsystematic risk
 - (C) Inflation risk
 - (D) Interest rate risk

Please Turn Over

- (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 the rights and remedies available to the insured after indemnity has been effected
(D) Mitigation of loss
- (iii) Unsystematic risk related to
(A) Market risk
(B) Beta
(C) Inherent risk
(D) Inflation risk
- (iv) Instruments that hedge against risk do not include
(A) Letter of credit
(B) Underwriting
(C) Factoring
(D) Rights issues
(E) Guarantee
- (v) Value migration suggests the needs to monitor on a 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) Both (A) and (B) above
(E) 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. No credit will be given for any answer without justification: 1×5
- (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 field.
(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 current market price of an option is Rs. 105, strike price is Rs. 100, the call option premium is Rs. 9. The 'intrinsic value' is Rs. 109.
(v) In future trading the exchange rate at which the currencies are agreed to be exchanged under the contract is called 'call and put option'.

Or,

An exporter who expects to receive foreign exchange after 6 months enters into a 'call option' which entitles him to sell the foreign currency at maturity at a predetermined price (strike price).

6. (a) What are the basic parts of an Insurance contract?
(b) How do you shape institutions for 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 Rs. 200 but if it is failure, he will lose Rs. 500. If he chooses A, there is an 80% chance of making Rs. 200. If he stocks B and if it is success, he feels that he can make Rs. 400 but if it is a failure, he would lose Rs. 300. If he chooses B, there is 60% chance of making Rs. 400.

The question is: which commodity A or B should the businessman stock?

6+(1+2)+6

(5)

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7. (a) Developing a firm beyond its present market space exposes it to a combination of risks. What are these risks?
(b) What is meant by 'insurance policy reserve'? Mention the various types of policy reserves.
(c) "The concept of pooling risk is the process of identification of separate risks and put them together in a single basket, so that the monitoring, combining, integrating or diversifying risk can be implemented."—Elucidate the statement with suitable examples. 4+(1+5)+5
8. Write short notes (*any three*) on the following: 5×3
- (a) Project risk
 - (b) 'Causa Proxima' principle of insurance
 - (c) Pure risk and Speculative risk
 - (d) Exclusions in an insurance contract
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