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=10]**

(i) 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 .

(ii) Which of the following could be a core competence?
(A) A brand;
(B) Fixed asset;
(C) Ability to manage the integrity of the asset;
(D) Enlightened leadership.

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

(iv) Target price is:
(A) Market driven;
(B) Product driven;
(C) Cost driven;
(D) Investment driven.

(v) Sony's distinctive capacity is
(A) Distribution;
(B) Innovation;
(C) Service;
(D) Sales and marketing.

(vi) 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.

(vii) McCarthy's marketing mix refers to:
(A) Price, push, pull and product;
(B) Price, promotion, place and product;
(C) Price, profit, promotion and product;
(D) Price, promotion, profits and product.

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

(ix) The introduction of 'Nano' by Tata Motors could be viewed as a good example of:
(A) Price leadership;
(B) Cost leadership;
(C) Product leadership;
(D) Technology leadership.

(x) 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.

(b) State whether the following statements are 'True' or 'False' with justification for your answer: **[1x5=5]**

(i) 'Management buy-in' refers to the purchase of all or part of a business firm from its owners by the managers.
(ii) At "EOQ", the carrying cost per unit is equal to the ordering cost per unit.
(iii) "Maturity" stage of PLC is characterized by decreasing rate of increase in sales volume.
(iv) 'PIMS' analysis attempts to establish the profitability (i.e. return on capital) of various marketing strategies.
(v) ABC costing is the process of identifying and learning from the best practices anywhere in the world.

(c) Define the following terms (in not more than two sentences): **[1x5=5]**

(i) Brand
(ii) Kanban card
(iii) Loss-Leader
(iv) Barriers to entry
(v) Turnaround management

Question 2.

(a) Unrelated Diversification can sometimes work well. When is unrelated diversification a good strategy? Illustrate. **[6]**

(b) What are the types of simulation models? What are the advantages and disadvantages of simulation models? **[3+(2+2)=7]**

(c) Write the role of Product development as a part of an overall marketing strategy. **[4]**

(d) State the basic goals of the Environmental analysis. **[3]**

Question 3.

(a) Explain the way a cost leadership strategy can help a firm in handling the five competitive forces. **[5]**

(b) Identify the most important pitfalls that ought to be avoided in starting and doing strategic planning. **[5]**

(c) "A Dog (in respect of BCG matrix) need not be divested always. Someone can acquire a Dog." State. **[2]**

(d) Distinguish between 'Strategy' and 'Policy'. **[5]**

(e) Differentiate —Demand-pull and Cost-push inflation. **[3]**

Question 4.

(a) Benchmarking exercise is based on "best exercise" and not on "best performances". Discuss. Also state briefly the important benchmarking processes used in strategy implementation. **[3+6=9]**

(b) 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? **[3+3+3=9]**

(c) What is Crown Jewel tactics in the field of hostile takeover? **[2]**

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=5]**

(i) The most commonly used techniques 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) Variability in return on investment in the market is referred to as:
(A) Market Risk;
(B) Physical Risk;
(C) Pooling Risk;
(D) Business Risk.

(iii) The concept of the process of identification of separate risks and put them all together in a single basket, so that the monitoring, combining, integrating or diversifying risk can be implemented, is called:
(A) Physical risk;
(B) Pooling risk;
(C) Business risk;
(D) Sharing risk.

(iv) Performance related risk measures do not include:
(A) Operating earnings;
(B) Weighted Average Cost of Capital (WACC);
(C) Economic Value Added (EVA);
(D) Shortfall risk.

(v) Commercial Insurance do not include:
(A) Jewelers block policy;
(B) Bankers Indemnity policy;
(C) Endowment policy;
(D) Marine cargo policy.

(b) State whether the following statements are 'True' or 'False' with justifications for your answer. **[1x5=5]**

(i) Purchasing power risk is the uncertainty of the purchasing power of the monies to be received, in the future.
(ii) Hedging involves the transfer of pure risk.
(iii) In future trading the exchange rate at which the currencies are agreed to be exchanged under the contract is called "call and put option".
(iv) Risk management is the process used to systematically manage exposures to both pure risks and speculative risks.
(v) Risk cannot be avoided through insurance but may be considered as a means to transfer the risk.

Question 6.

(a) Explain the concept of "Risk Pooling" and "Diversification of Risk ". **[3+3=6]**

(b) Describe the role of Management Accountants in insurance risk management. **[6]**

(c) How do you shape institutions for project risk management and what are the strategies to be adopted? **[3]**

Question 7.

(a) State the Impact of Macro Economic Factors on Risk. **[4]**

(b) State the types of risks a firm may face while developing a new product / market. **[7]**

(c) List the different statutes governing Employer-Employee liability in India. **[4]**

Question 8.

Write short notes on any three: **[5×3=15]**

(a) "Causa proxima"principle of insurance
(b) Solvency related measures in the context of risk management
(c) Risk adjusted performance measurement
(d) 'Knock-for-Knock' Agreement