

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)

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. Strategic analysis is concerned with stating, the position of the organisation in terms of:
 - A. Mission, choice of market segments, product selection, financial targets, external appraisal.
 - B. Mission, goals, corporate appraisal, position audit and gap analysis.
 - C. Mission goals, identification of key competitors, SWOT and environmental appraisal.
 - D. Mission, targeted ROI, manpower planning, position audit.
 - ii. The role of leadership can be best evaluated by looking at
 - A. Mission
 - B. Strategy
 - C. Communication
 - D. All of the above
 - iii. Pepsi's 'Nothing Official About it' would be an example of
 - A. Mission
 - B. Vision
 - C. Strategic intent
 - D. Policy
 - iv. Mckinsey's 7-S framework consists of:
 - A. Structure, strategy, software, skills, styles, staff and supervision.
 - B. Structure, strategy, systems, skills, styles, syndication and shared values.
 - C. Structure, strategy, systems, skills, steering power, styles and shared values.
 - D. None of the above.
 - v. For an Entrepreneur
 - A. Vision is before the mission
 - B. Mission is before the vision
 - C. Both are developed simultaneously
 - D. Profitability is most crucial
 - vi. Identifying and evaluating key social, economic, technological and competitive trends/ events comprise of:
 - A. Developing a mission statement

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- B. An implementing strategy
 - C. Performing an external audit
 - D. Identifying market trends
- vii. Successful differentiation strategy allows the company to:
- A. Gain buyer loyalty to its brands
 - B. Charge too high a price premium
 - C. Depend only on intrinsic product attributes
 - D. Have product quality that exceeds buyers' needs
- viii. 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, profit and product portfolio
- ix. Judy Strauss and Raymond Frost's e-marketing model defines e-business as
- A. $EB = EC + SCM + ERP$
 - B. $EB = EC + BI + CRM + SCM + ERP$
 - C. $EB = EC + BI + CRM$
 - D. $EB = CRM + SCM + ERP$
- x. The BCG growth matrix is based on the two dimensions:
- A. Market Size and Market Share
 - B. Market Size and Profit Margins
 - C. Market Size and Competitive Intensity
 - D. None of the above

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

[1x5=5]

- (i)** Product line gap
- (ii)** Barriers to entry
- (iii)** Non-price competition
- (iv)** Societal Marketing
- (v)** Going-rate pricing method

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

[1x5=5]

- (i)** 'Loss leader' is the leader, who is unable to conceptualize and analyse strategic problems.
- (ii)** 'Niche' means concentrating around a product and market.
- (iii)** 'Merger' is the purchase of controlling interest of another company.
- (iv)** 'Repositioning' involves moving the product or brand into a different market segment.
- (v)** 'Strategic planning' focuses on forecasting the future by using economic and technical tools.

2. (a) How a firm can use foreign collaboration as a strategy of growth?

[7]

(b) Identify the most important pitfalls that ought to be avoided in starting and doing

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- strategic planning. [7]
- (c) Discuss the difference between "company demand" and "company's sales forecast"? [2+2=4]
- (d) In which sector of products market-skimming pricing practice is used? [2]
3. (a) If the first commandment in marketing is 'know the customer', second is 'know the product'. Explain. [8]
- (b) Discuss "Crisis Turnarounds". [6]
- (c) Explain the factors that should be considered when setting the advertising budget. [6]
4. (a) A leading steel manufacturing company in Western Maharashtra has one soaking pit at Blooming Mill to roll 4/5 metric tons of ingots. At present they are rolling 750 metric tons of ingots per month. The productivity was low and the fuel consumption was high in the soaking pit during the initial stages of production. Series of actions were taken to increase productivity and reduce the fuel consumption by introducing facilities to charge ingots in hot conditions (i.e. 750^o-800^o Celsius). With these facilities in place the fuel cost is reduced and the production has increased by 50%. For reducing fuel costs, the technique of standard costing was followed and per week reporting of actual consumption as against the standard was introduced. This shows impressive results. In view of the growing demand for rolled products, the company has also decided to install additional equipments in the form of soaking pit with eight cells and all auxiliary equipments, which will cost the company ₹33 million. However, the cost reduction per month would be to the tune of ₹ 1.10 million and the payback period will be 3 years 9 months.
State the five stages strategic management framework with reference to the above case. [5]
- (b) What challenges in long term commitment the companies faces while entering into rural emerging markets in designing a marketing channel strategy that meets the needs of rural customers? [5]
- (c) What do you understand by the term 'Product Line'? Give an example. [2]
- (d) Why sometimes new products fail? Give five basic reasons. [6]
- (e) What techniques you will follow to fill the 'New Product Planning Gap'. [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.)**

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 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) Financial Risk do not include
- A. Trade Cycles
 - B. Interest Rate Risk
 - C. Inflation Rate Risk
 - D. Exchange Risk
- (iii) 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
- (iv) 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) Unsystematic risk relates to
- A. Market risk
 - B. Beta(β)
 - C. Inherent risk
 - D. Inflation risk

(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=5]

- (i) 'Purchasing Power Risk' is the uncertainty of the purchasing power of the monies to be received, in the future.
- (ii) Future contracts have built-in safeguard against default risk, in the form of stock brokers or a clearing house guarantee.
- (iii) MTS stands for "Make to assembly".
- (iv) Risk cannot be avoided through insurance but may be considered as a means to transfer the risk.
- (v) Physical hazard is a condition stemming from material characteristics of an object.

6. (a) Discuss the features of pure risk. [6]

(b) How is 'Project-Risk Management' done in practice? [6]

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- (c) State the Preloss objectives of Risk Management. **[3]**
7. (a) What is Insurance? Discuss the requirements & characteristics of an insurance contract? **[2+3+4=9]**
- (b) What is meant by the term 'Profit Loading'? **[6]**
8. **Answer any three from the following:** **[5×3=15]**
- (a) "Higher the return, higher will be the risk". In this context discuss the various risks associated with portfolio planning.
- (b) Write a note in brief on 'Knock-for-Knock Agreement'.
- (c) 'Risk Avoidance can be said to decrease one's chance of loss to zero', discuss.
- (d) What do you understand by 'self insurance'?