

MOCK TEST PAPER - 1

INTERMEDIATE (IPC): GROUP – II

PAPER – 7: ENTERPRISE INFORMATION SYSTEMS AND STRATEGIC MANAGEMENT

SECTION – A: Enterprise Information Systems

Time Allowed – 1½ Hours

Maximum Marks: 50 Marks

Part I : Multiple Choice Questions

Total Marks: 15 Marks

Question Nos. 1 to 5 carries 2 marks each.

M/s TAS & Sons is an automobile manufacturer of spare parts of four wheelers in India. The company has four manufacturing units in various locations across the country. It also has two branch offices located in Pune and Hyderabad to handle activities like orders, delivery, complaints and stock operations. The company maintains its account with ABC Bank from where it also has taken various loans and advances.

Sometime ago, the company's business processes like accounting, purchase, sales and inventory were maintained in manual mode. The management of the company observed that the manual processing of these activities hinder the overall working of the business related daily operations. This resulted in huge gap in the flow of information, pending orders, delayed deliveries, and delayed decision making due to lack of business reports and therefore overall non-performance. Thus, the management committee decides to adopt the process of automation for its various business operations so that information flow would be timely and consolidated within its branches and manufacturing units. To attain this objective, the service models of Cloud Computing are proposed to be adopted so that the branches and manufacturing units are interconnected with centralized mechanism of data sharing and storage. The proposed system with well-implemented access controls will provide robust data security among its systems of branches and manufacturing units. Not only the record keeping, but also data maintenance and reports generation would become simpler after the implementation of proposed system. The management is also looking for better prospects of adhering to the legal compliances of the country and also to initiate its business operations through online mode.

Subsequently, the company hires a consultant Mr. Sumit to carry out the feasibility study of its proposed system who prepares a feasibility report and submits to the management. Based on the go ahead report of Mr. Sumit's report, a project team is scheduled to be constituted who will work under him to execute the project and ensure its delivery on time.

1. The Management committee of M/s TAS & Sons decides to automate its entire business processes anticipating reaping better benefits for the company. Which of the following does not come under the category of benefits of Automation?
 - (a) Consistency of automated processes
 - (b) Automating Redundant processes
 - (c) Reduction of turnaround time
 - (d) Better utilization of employees' time

2. In purview of above case scenario, the management of M/s TAS & Sons decides to adopt the process of automation for its various business processes so that information flow within its units and branches would be timely and consolidated. The data is centralized and in case of loss of any set of data from this location, whole business may come to stand still. Identify from the following controls that may be useful to overcome the aforementioned risk.
 - (a) It can be controlled by removing redundant data.
 - (b) Back up arrangement needs to be strong.
 - (c) To allocate some funds in case of contingencies.
 - (d) Overhauling of organizational structure is required.
3. If the company hires XYZ Ltd. as its Cloud Computing service provider, which of the following model of Cloud Computing would be useful for M/s TAS & Sons if XYZ Ltd. proposes to host company's application at its data center over the internet to make it accessible to the customers of M/s TAS & Sons?
 - (a) Infrastructure as a Service
 - (b) Platform as a Service
 - (c) Software as a Service
 - (d) Database as a Service
4. In purview of the above case scenario, the company decides to install various internetwork processors like routers and firewalls etc. for its business application through online mode in order to make its whole network secure. Which type of control the company is planning to work on?
 - (a) Corrective Control
 - (b) Preventive Control
 - (c) Network Control
 - (d) Detective Control
5. M/s TAS & Sons maintains its account in ABC Bank which faces the application risk of incorrect classification and provisioning of Non Performing Asset (NPA) resulting in financial mismanagement, of company's account. Which control would be best suggested to take care of this?
 - (a) Access for changes made to the configuration, parameter settings should be restricted to authorized user.
 - (b) Unique Id should be created for each asset.
 - (c) The system parameters need to be set up as per business process rules of the bank.
 - (d) To ensure existence of configuration/customization in the application to perform NPA classification as per relevant RBI guidelines.

Question No(s) 6 to 10 carries 1 mark each.

6. Except one, following are the means through which protection can be achieved in case an internet connection exposes an organization to the harmful elements of the outside world. Identify it.
 - (a) Security of network services
 - (b) Call back devices

- (c) Access Token
 - (d) Segregation of Networks
7. A company on the occasion of Diwali offers to provide an additional discount of 15% to its customers on online bulk purchase of products worth Rs. 5,000 through its website. Which of the following business model of e-commerce is being followed in this?
- (a) Consumer to Business e-Commerce
 - (b) Business to Consumer e-Commerce
 - (c) Business to Business e-Commerce
 - (d) Consumer to Consumer e-Commerce
8. Money Laundering is commonly used by criminals to make dirty money appear legitimate. In this context, which stage of Money Laundering involves the bank transfers between different accounts in different names in different countries making deposit and withdrawals?
- (a) Placement
 - (b) Layering
 - (c) Integration
 - (d) Financing
9. Which of the following statement is not correct for eXtensible Business Reporting Language (XBRL)?
- (a) XBRL runs on XML technologies such as XML schema, and ensures that financial and non-financial data is tagged to form a comparable reporting format.
 - (b) XBRL has the capability to allow the tagging of transactions that can themselves be aggregated into XBRL reports.
 - (c) To publish performance information and allow straight through information processing are key features of XBRL.
 - (d) XBRL is an open standard reporting language which is governed by XBRL, a non-profit organization.
10. In the office of HNK Ltd., a master swipe access card is maintained at the front desk to enter into executive's cabin, in case of any emergency. In this case, the possibility of same may be misused by an unauthorized employee to gain unauthorized access of the executive's cabin would be categorized as:
- (a) Asset
 - (b) Vulnerability
 - (c) Accepted residual risk of exposure to potential risk of data theft
 - (d) Likelihood of compromise on CIA (Confidentiality, Integrity and Availability)

Part II: Descriptive Questions

Total Marks: 35 Marks

Question No. 1 is Compulsory.

Attempt any three questions out of remaining four questions.

1. (a) Banking has played a vital and significant role in development of economy. In the light of this statement, explain the key features of banking business. **(3 Marks)**

- (b) Identify the disadvantages of Database Management System. **(2 Marks)**
2. (a) ERP system integrates all business components and updates the data between related business functions. However, its implementation is a huge task that may require lot of time, money and energy and its success majorly depend upon issues related to factors like people, process, and technology. Briefly explain other implementation risks, if any, apart from the issues related to the factors mentioned above. **(6 Marks)**
- (b) With promotion of cashless economy, most of the businesses are using e-commerce and m-commerce transactions. Enlist the commercial laws that are applicable to these transactions. **(4 Marks)**
3. (a) ABC Ltd., a Delhi based financial consultant company has huge clientele having crucial data about its clients. Therefore, the company has robust implementation of Logical Access Controls to ensure that access to its systems, data and programs is restricted to authorized users to safeguard information against unauthorized use. Describe all the technical exposures against which these Logical Access Controls provide security to the data and software of the company. **(6 Marks)**
- (b) XYZ Ltd. is the manufacturer of herbal medicines which is under the process of implementing Enterprise Resource Planning (ERP) in its head office and various manufacturing units located across the country. Explain the technological risks related to the implementation of ERP. **(4 Marks)**
4. (a) During the pandemic Covid 19, the Government of India emphasized on the usage of various digital mode of payments by the public at large. In light of this statement, explain various types of cards that are provided to the account holders by the banks or companies to be used as digital payment mode. **(6 Marks)**
- (b) Though Business Process Automation (BPA) provides many benefits to companies which tend to automate their business processes, however automation of the business processes is susceptible to many challenges. Discuss these challenges. **(4 Marks)**
5. (a) Mr. Amar is the chief IT manager of a company who designed a new advisory for all employees mentioning the various cyber-crimes which may attract prosecution as per penalties and offences prescribed in Information Technology Act, 2000. Describe the various cybercrimes that Mr. Amar could have incorporated in his advisory. **(6 Marks)**
- (b) DFK corporative bank of Uttar Pradesh decided to implement Core Banking System (CBS) to facilitate integration of its entire business applications. Briefly explain how the deployment and implementation of CBS can be controlled at various stages to ensure that objectives of DFK corporative bank are achieved. **(4 Marks)**

SECTION – B: STRATEGIC MANAGEMENT

Time Allowed – 1½ Hours

Maximum Marks – 50

Question 1 and 2 are compulsory.

Attempt any **three** questions out of remaining **four** questions.

1. (A) Rohansh Bakshi a 22-year-old from Maharashtra, started a gaming equipment company called TEEMOX, which specialises in gaming chairs, gaming consoles, controllers, wireless keyboard, and touchscreen mouse pads. Rohan has been an innovator and loves building products. Hence, to prioritise his time more on development, he insisted Mr. N. Muniyappa, his mentor, to be the CEO of the company and spearhead business from the front.

Rohansh has always believed in bringing something new to the consumer and that is clearly projected in the products offered by TEEMOX. His designs reflect youth with exciting colors and comfort, and they match the quality of global big brands. However, to make his products worth the money that his customers are paying, the procurement is done from Indonesia and Vietnam, where the materials are easily available at low costs.

Interestingly, Rohansh's AI based gaming chairs have been a huge hit for the company, bringing in the maximum revenue and margins. The business has gone from 200 units sold to over 5000 units sold in just six months. To add to it, a famous FMCG Brand approached TEEMOX to collaborate for a sports drink focused on gamers. The team is excited about this collaboration as the deal shall bring in more awareness and open newer markets for them. But Mr. Muniyappa insists that this might as well displease the existing consumers who relate to TEEMOX as a customer-oriented brand rather than yet another money minting business.

Nonetheless, the plans seem to be working in the company's favour for now and the future seems bright. To put in context, the gaming industry is booming with a Compound Annual Growth Rate (CAGR) of 190%, adding over 20 million new customers every quarter. Clearly, opportunities are enormous, and the brand is on track. A well-established vision and mission for the company could be a strong strategic advantage for challenging times to come.

Based on the above Case Scenario, answer the Multiple-Choice Questions which are as follows:

1. Based on the above case which of the following seems true above the Strategy of TEEMOX?
 - (a) Strategy was unified and comprehensive.
 - (b) Strategy was comprehensive and integrated.
 - (c) Strategy was integrated and unified.
 - (d) Strategy was integrated, unified and comprehensive. **(1 Mark)**

2. Gaming chair business of TEEMOX is a cash cow. Which of the following strategies helped it become such an influential business?
 - (a) Organisation differentiation
 - (b) Product differentiation
 - (c) Focused differentiation
 - (d) Low-cost product provider **(1 Mark)**

3. By routing its products from Indonesian and Vietnam, TEEMOX was able to achieve which of the following strategies on the holistic level of business?
- (a) Product differentiation
 - (b) Horizontal integration of business
 - (c) Best cost provider in the industry
 - (d) Globalisation of business **(1 Mark)**
4. With the appointment of Mr. N. Muniyappa, Rohansh can be designated as which of the following?
- (a) Vice President
 - (b) CEO Emeritus
 - (c) Chairman
 - (d) Functional Head **(1 Mark)**
5. Which Ps of marketing have been the winning Ps for TEEMOX?
- (a) Product and Place
 - (b) Promotion and Price
 - (c) Price and Product
 - (d) Promotion and Place **(1 Mark)**
- (B) The Specialist Clothing Company (SCC) is a manufacturer of a wide range of clothing. Fashion is one of the five divisions of SCC. Fashion is operating in a market with high growth and is a market leader. By the next year, it is predicted to have 10% of the market share in a growing market. Fashion should be classified as which of the following according to the BCG matrix.
- (a) Star
 - (b) Dog
 - (c) Cash cow
 - (d) Question mark **(2 Marks)**
- (C) Beta Company, a car manufacturer is buying up a supplier so that it gets a dedicated supplier with both guaranteed quality and price. The material could be manufactured when required by Beta Company leading to lower inventory levels. Which strategy has Beta Company adopted?
- (a) Backward integration
 - (b) Forward integration
 - (c) Conglomerate diversification
 - (d) Horizontal integrated diversification **(2 Marks)**
- (D) Developing vision and mission, identifying an organisation's external opportunities and threats, and determining internal strengths and weaknesses are:
- (a) SBU planning
 - (b) Strategy formulation

- (c) Strategy implementation
- (d) Business process reengineering **(2 Marks)**
- (E) As the head of an MNC, you have been asked to bring in radical changes in your organisation through BPR. Which of these is the thrust area you would focus on reducing:
- (a) Total cycle time
- (b) Total order time
- (c) Total inventory time
- (d) None **(2 Marks)**
- (F) Which of the following is correct?
- (a) Strategy is always pragmatic and not flexible
- (b) Strategy is not always perfect, flawless and optimal
- (c) Strategy is always perfect, flawless and optimal
- (d) Strategy is always flexible but not pragmatic **(1 Mark)**
- (G) A corporation organized in network structure is often called
- (a) Virtual organization
- (b) Hierarchical organization
- (c) Structured organization
- (d) Simple organization **(1 Mark)**
2. X-Olympus is a gaming software company specializing in developing games for ZBox and GameStation-4. The company is facing stiff competition due to saturation of market and price wars, which has excessively favor and highlight their dependence on gaming console manufacturers. Thereby, the company desires to establish a competitive advantage over industry rivals by enhancing the gaming experience by expanding into Edge-Cloud Gaming Service on a monthly subscription basis. This service offering does not require dedicated gaming consoles yet provide customers game streaming in 4K resolution with an ample range of games to select from. This move is expected to insulate X-Olympus from price wars and provide a competitive advantage. Identify and explain the generic strategies adopted by X-Olympus? **(5 Marks)**
3. (a) "Strategy is partly proactive and partly reactive." Elaborate. **(5 Marks)**
- (b) Examine the significance of KSFs (Key Success Factors) for competitive success. **(5 Marks)**
4. (a) Shri Alok Kumar is having his own medium size factory in Aligarh manufacturing hardware consisting handles, hinges, tower bolts and so on. He has a staff of more than 220 in his organisation. One of the leading brand of Hardware seller in India is rebranding and selling the material from his factory. Shri Alok Kumar, believes in close supervision and takes all major and minor decisions in the organisation.
- Do you think Shri Alok should take all decisions himself? What should be the nature of decisions that should be taken by him. **(5 Marks)**
- (b) How can management communicate that it is committed to creating a new culture assuming that the old culture was problematic and not aligned with the company strategy? **(5 Marks)**

5. (a) Justify the statement "Stability strategy is opposite of Expansion strategy". **(5 Marks)**
(b) Explain the three major R & D approaches to implement strategic decisions. **(5 Marks)**
6. Distinguish between the following:
- (a) Market Development and Product Development under Ansoff's Product Market Growth Matrix. **(5 Marks)**
- (b) Distinguish between Strategy Formulation and Strategy Implementation. **(5 Marks)**

MOCK TEST PAPER-I
INTERMEDIATE (IIPC): GROUP – II
PAPER – 7: ENTERPRISE INFORMATION SYSTEMS AND STRATEGIC MANAGEMENT
SECTION – A: ENTERPRISE INFORMATION SYSTEMS

ANSWERS

Part I: MULTIPLE CHOICE QUESTIONS (Answer 1-5 are based on case scenario)

1. (b) Automating Redundant processes
2. (b) Back up arrangement needs to be strong.
3. (c) Software as a Service
4. (b) Preventive control
5. (d) Existence of Configuration/customization in the application to perform NPA classification as per relevant RBI guidelines.
6. (c) Access Token
7. (b) Business to Consumer e-Commerce
8. (b) Layering
9. (a) XBRL runs on XML technologies such as XML schema, and ensures that financial and non-financial data is tagged to form a comparable reporting format.
10. (b) Vulnerability

Part II: Descriptive Answers

1. (a) The key features of a banking business are as follows:
 - The custody of large volumes of monetary items, including cash and negotiable instruments, whose physical security should be ensured.
 - Dealing in large volume (in number, value and variety) of transactions.
 - Operating through a wide network of branches and departments, which are geographically dispersed.
 - Increased possibility of frauds as banks directly deal with money making it mandatory for banks to provide multi-point authentication checks and the highest level of information security.
- (b) The disadvantages of Database Management System are as follows:
 - ◆ **Cost:** Implementing a DBMS in terms of both system and user-training can be expensive and time-consuming, especially in large enterprises. Training requirements alone can be quite costly.
 - ◆ **Security:** Even with safeguards in place, it may be possible for some unauthorized users to access the database. If one gets access to database, then it could be an all or nothing proposition.
2. (a) The success of implementation of Enterprise Resource Planning (ERP) system majorly depends upon issues related people, process and technology, however the risk related to other implementation issues of ERP are as follows:

- **Lengthy implementation time:** ERP projects are lengthy that takes anywhere between 1 to 4 years depending upon the size of the organization. Due to technological developments happening every day, the business and technological environment during the start and completion of the project will never be the same. Employee turnover is another problem.
 - **Insufficient Funding:** The budget for ERP implementation is generally allocated without consulting experts and then implementation is stopped along the way, due to lack of funds.
 - **Data Safety:** As there is only one set of data, if this data is lost, whole business may come to stand still.
 - **Speed of Operation:** As data is maintained centrally, gradually the data size becomes more and more and it may reduce the speed of operation.
 - **System Failure:** As everybody is connected to a single system and central database, in case of failure of system, the whole business may come to stand still may get affected badly.
 - **Data Access:** Data is stored centrally and all the departments access the central data. This creates a possibility of access to non-relevant data.
- (b) The commercial laws applicable to e-commerce and m-commerce transactions are as follows:
- Income Tax Act, 1961
 - Companies Act, 2013
 - Foreign Trade (Development and Regulation) Act, 1992
 - The Factories Act, 1948
 - The Customs Act, 1962
 - The Goods and Services Tax (GST) Act, 2017
 - Indian Contract Act, 1872
 - The Competition Act, 2002
 - Foreign Exchange Management Act (FEMA 1999)
 - Consumer Protection Act, 1986
3. (a) The technical exposures that are used to protect unauthorized implementation of data and software are as follows:
- ◆ **Data Diddling:** This involves the change of data before or after they entered the system. A limited technical knowledge is required to data diddle and the worst part with this is that it occurs before computer security can protect the data.
 - ◆ **Bomb:** Bomb is a piece of bad code deliberately planted by an insider or supplier of a program. An event, which is logical, triggers a bomb or time based. The bombs explode when the conditions of explosion get fulfilled causing the damage immediately. However, these programs cannot infect other programs. Since these programs do not circulate by infecting other programs; chances of a widespread epidemic are relatively low.
 - ◆ **Christmas Card:** It is a well-known example of Trojan and was detected on internal E-mail of IBM system. On typing the word 'Christmas', it will draw the Christmas tree as

expected, but in addition, it will send copies of similar output to all other users connected to the network. Because of this message on other terminals, other users cannot save their half-finished work.

- ◆ **Worm:** A worm does not require a host program like a Trojan to relocate itself. Thus, a Worm program copies itself to another machine on the network. Since, worms are stand-alone programs, and they can be detected easily in comparison to Trojans and computer viruses. Examples of worms are Existential Worm, Alarm clock Worm etc. The Alarm Clock worm places wake-up calls on a list of users. It passes through the network to an outgoing terminal while the sole purpose of existential worm is to remain alive. Existential worm does not cause damage to the system, but only copies itself to several places in a computer network.
- ◆ **Rounding Down:** This refers to rounding of small fractions of a denomination and transferring these small fractions into an authorized account. As the amount is small, it gets rarely noticed.
- ◆ **Salami Techniques:** This involves slicing of small amounts of money from a computerized transaction or account. A Salami technique is slightly different from a rounding technique in the sense a fix amount is deducted. For example, in the rounding off technique, Rs. 21,23,456.39 becomes Rs. 21,23,456.40, while in the Salami technique the transaction amount Rs. 21,23,456.39 is truncated to either Rs. 21,23,456.30 or Rs. 21,23,456.00, depending on the logic.
- ◆ **Trap Doors:** Trap doors allow insertion of specific logic such as program interrupts that permit a review of data. They also permit insertion of unauthorized logic.
- ◆ **Spoofing:** A spoofing attack involves forging one's source address. One machine is used to impersonate the other in spoofing technique. Spoofing occurs only after a particular machine has been identified as vulnerable. A penetrator makes the user think that s/he is interacting with the operating system. For example, a penetrator duplicates the login procedure, captures the user's password, attempts for a system crash and makes user login again.

(b) The technological risks related to Enterprise Resource Planning are as follows:

- **Software Functionality:** ERP systems offer a myriad of features and functions, however, not all organizations require those many features. Implementing all the functionality and features just for the sake of it can be disastrous for an organization.
- **Technological Obsolescence:** With the advent of more efficient technologies every day, the ERP system also becomes obsolete as time goes on.
- **Enhancement and Upgrades:** ERP Systems are not upgraded and kept up-to-date. Patches and upgrades are not installed and the tools are underutilised.
- **Application Portfolio Management:** These processes focus on the selection of new business applications and the projects required delivering them.

4. (a) Various types of cards used as digital payment mode are as follows:

- **Credit Cards:** A small plastic card issued by a bank, or issuer etc., allowing the holder to purchase goods or services on credit. It contains a unique number linked with an account. It has also a magnetic strip embedded in it which is used to read credit card via card readers. In this mode of payment, the buyer's cash flow is not immediately

impacted. User of the card makes payment to card issuer at end of billing cycle. Credit Card issuer charge customers per transactions / fixed amount as transaction fees.

- o **Debits Cards:** Debit card, is also a small plastic card with a unique number linked with bank account number. It is required to have a bank account before getting debit card from bank. It enables cardholder to pay for his/her purchases directly through his/her account. The major difference between debit card and credit card is that in case of payment through debit card, amount gets deducted from card's bank account immediately and there should be sufficient balance in bank account for the transaction to get completed; whereas in case of credit card there is no such compulsion.
 - o **Smart Card:** Smart card is a prepaid card similar to credit card and debit card in appearance, but it has a small microprocessor chip embedded in it. It has capacity to store customer's personal information such as financial facts, private encryption keys, credit card information, account information, and so on. Smart cards combine the advantages of both debit card and credit card and are available to anyone, regardless of credit ratings or income of applicant of smart card. Moreover, these are not linked to any bank account. For this reason, smart card holder is not mandated to have a bank account. It is also used to store money which is reduced as per usage. Mondex and Visa Cash cards are examples of smart cards. The smart card holder has to load money onto the card by paying cash or through transfer from his/her bank account. After loading the money onto the card, the cardholder can use the card to spend money up to the limit of loaded amount in the same way as using a credit or debit card. Once the loaded amount is spent, the cardholder may reload money onto the card.
- (b) The automation of the business processes is susceptible to challenges, which are as follows:
- ◆ **Automating Redundant Processes:** Sometimes organizations start off an automation project by automating the processes they find suitable for automation without considering whether such processes are necessary and create value. In other cases, some business processes and tasks require high amount of tacit knowledge (that cannot be documented and transferred from one person to another) and therefore seek employees to use their personal judgment. These processes are generally not good candidates for automation as these processes are hard to encode and automate.
 - ◆ **Defining Complex Processes:** BPA requires reengineering of some business processes that requires significant amount of time to be allocated and spent at this stage. This requires a detailed understanding of the underlying business processes to develop an automated process.
 - ◆ **Staff Resistance:** In most cases, human factor issues are the main obstacle to the acceptance of automated processes. Staff may see process automation as a way of reducing their decision-making power. This is due to the reason that with automated processes, the management has a greater visibility of the process and can make decisions that used to be made by the staff earlier. Moreover, the staff may perceive automated processes as threat to their jobs.
 - ◆ **Implementation Cost:** The implementation of automated processes may be an expensive proposition in terms of acquisition/development cost of automated systems and special skills required to operate and maintain these systems.
5. (a) The various cyber-crime scenarios which can attract prosecution as per the penalties and offences prescribed in Information Technology Act, 2000 that Mr Amar could have incorporated in

his advisory are as follows.

- ◆ **Harassment via fake public profile on social networking site:** A fake profile of a person is created on a social networking site with the correct address, residential information or contact details but he/she is labelled as 'prostitute' or a person of 'loose character'. This leads to harassment of the victim. Section 67 of the IT Act, 2000 is applicable here.
 - ◆ **Email Account Hacking:** If victim's email account is hacked and obscene emails are sent to people in victim's address book. Sections 43, 66, 66A, 66C, 67, 67A and 67B of IT Act, 2000 are applicable in this case.
 - ◆ **Credit Card Fraud:** Unsuspecting victims would use infected computers to make online transactions. Sections 43, 66, 66C, 66D of IT Act, 2000 are applicable in this case.
 - ◆ **Web Defacement:** The homepage of a website is replaced with a pornographic or defamatory page. Government sites generally face the wrath of hackers on symbolic days. Sections 43 and 66 of IT Act and Sections 66F and 67 of IT Act, 2000 also apply in some cases.
 - ◆ **Introducing Viruses, Worms, Backdoors, Rootkits, Trojans, and Bugs:** All these are some sort of malicious programs which are used to destroy or gain access to some electronic information. Sections 43 and 66 of IT Act, 2000 are applicable in this case.
 - ◆ **Cyber Terrorism:** Cyber terrorism is the terrorism conducted in cyberspace, where the criminals attempt to damage or disrupt computer systems or telecommunication services. Examples are hacking into computer systems, introducing viruses to vulnerable networks, web site defacing, denial-of-service attacks, or terroristic threats made via electronic communication. Many terrorists use virtual (Drive, FTP sites) and physical storage media (USB's, hard drives) for hiding information and records of their illicit business. Sections 43, 66, 66A of IT Act, 2000 are applicable in this case.
 - ◆ **Online sale of illegal Articles:** Where sale of narcotics, drugs, weapons and wildlife is facilitated by the Internet.
 - ◆ **Cyber Pornography:** Among the largest businesses on Internet, pornography may not be illegal in many countries, but child pornography is. Sections 67, 67A and 67B of the IT Act, 2000 are applicable in this case.
 - ◆ **Phishing and Email Scams:** Phishing involves fraudulently acquiring sensitive information through masquerading oneself as a trusted entity (e.g. usernames, Passwords, credit card information). Sections 66, 66C and 66D of IT Act, 2000 are applicable in this case.
 - ◆ **Theft of Confidential Information:** Many business organizations store their confidential information in computer systems. This information is targeted by rivals, criminals and disgruntled employees. Sections 43, 66 and 66B of IT Act, 2000 are applicable in this case.
 - ◆ **Source Code Theft:** A Source code generally is the most coveted and important "crown jewel" asset of a company. Sections 43, 65, 66 and 66B of IT Act, 2000 are applicable in this case.
- (b) The deployment and implementation of Core Banking System (CBS) should be controlled at various stages to ensure that objective of DFK corporate bank are achieved. The detail is as follows:
- **Planning:** Planning for implementing the CBS should be done as per strategic and business objectives of bank.

- **Approval:** The decision to implement CBS requires high investment and recurring costs and will impact how banking services are provided by the bank. Hence, the decision must be approved by the board of directors.
- **Selection:** Although there are multiple vendors of CBS, each solution has key differentiators. Hence, bank should select the right solution which is scalable and where different interfaces are readily available considering various parameters as defined by the bank to meet their specific requirements and business objectives.
- **Design and develop or procured:** CBS solutions used to be earlier developed in-house by the bank. Currently, most of the CBS deployments are procured. There should be appropriate controls covering the design or development or procurement of CBS for the bank.
- **Testing:** Extensive testing must be done before the CBS is live. The testing is to be done at different phases at procurement stage to test suitability to data migration to ensure all existing data is correctly migrated and testing to confirm processing of various types of transactions of all modules produces the correct results.
- **Implementation:** CBS must be implemented as per pre-defined and agreed plan with specific project milestones to ensure successful implementation.
- **Maintenance:** CBS must be maintained as required. E.g. program bugs fixed, version changes implemented, etc.
- **Support:** CBS must be supported to ensure that it is working effectively.
- **Updation:** CBS modules must be updated based on requirements of business processes, technology updates and regulatory requirements;
- **Audit:** Audit of CBS must be done internally and externally as required to ensure that controls are working as envisaged.

SECTION – B: STRATEGIC MANAGEMENT

SUGGESTED ANSWERS/HINTS

1. (A)

(1)	(2)	(3)	(4)	(5)
(d)	(b)	(c)	(d)	(c)

(B) (a)

(C) (a)

(D) (b)

(E) (a)

(F) (b)

(G) (a)

2. According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter called these base generic strategies.

X-Olympus is facing cutthroat competition due to saturation of market and price wars as there is no clear leader out of the numerous competitors. For this, the strategy adopted by X-Olympus is **Product Differentiation** by introducing a unique product to cater the customer needs at a lesser cost which would insulate it from the fierce competition and never-ending price wars.

3. (a) Yes, strategy is partly proactive and partly reactive. In proactive strategy, organisations will analyse possible environmental scenarios and create strategic framework after proper planning and set procedures and work on these strategies in a pre-determined manner. However, in reality no company can forecast both internal and external environment exactly. Everything cannot be planned in advance. It is not possible to anticipate moves of rival firms, consumer behaviour, evolving technologies and so on.

There can be significant deviations between what was visualised and what actually happens. There can be significant or major strategic changes when the environment demands. Reactive strategy is triggered by the changes in the environment and provides ways and means to cope with the negative factors or take advantage of emerging opportunities.

(b) As industry's Key Success Factors (KSFs) are those things that most affect industry members' ability to prosper in the market place – the particular strategy elements, product attributes, resources, competencies, competitive capabilities and business outcomes that spell the difference between profit & loss and ultimately, between competitive success or failure. KSFs by their very nature are so important that all firms in the industry must pay close attention to them. They are the prerequisites for industry success, or, to put it in another way, KSFs are the rules that shape whether a company will be financially and competitively successful.

4. (a) Decision making is a managerial process of selecting the best course of action out of several alternative courses for the purpose of accomplishment of the organisational goals. Decisions may be operational, i.e., which relate to general day-to-day operations. They may also be strategic in nature.

As owner manager at the top level in the company, Shri Alok Kumar should concentrate on strategic decisions. These are higher level decisions having organisation wide implications. The major dimensions of strategic decisions are as follows:

- ◆ Strategic decisions require top-management involvement as they involve thinking in totality of the organisation.
 - ◆ Strategic decisions involve significant commitment of organisational resources.
 - ◆ Strategic decisions necessitate consideration of factors in the firm's external environment.
 - ◆ Strategic decisions are likely to have a significant impact on the long-term prosperity of the firm.
 - ◆ Strategic decisions are future oriented.
 - ◆ Strategic decisions usually have major multifunctional or multi-business consequences.
- (b) Corporate culture refers to company's values, beliefs, business principles, traditions, ways of operating and internal work environment. Changing problem cultures is very difficult because of deeply held values and habits. It takes concerted management action over a period of time to replace an unhealthy culture with a healthy culture or to root out certain unwanted cultural obstacles and instil ones that are more strategy-supportive.
- ◆ The first step is to diagnose which facets of the present culture are strategy supportive and which are not.
 - ◆ Then, managers have to talk openly and forthrightly to all concerned about those aspects of the culture that have to be changed.
 - ◆ The talk has to be followed swiftly by visible, aggressive actions to modify the culture-actions that everyone will understand are intended to establish a new culture more in tune with the strategy.

Management through communication has to create a shared vision to manage changes. The menu of culture-changing actions includes revising policies and procedures, altering incentive compensation, shifting budgetary allocations for substantial resources to new strategy projects, recruiting and hiring new managers and employees, replacing key executives, communication on need and benefit to employees and so on.

5. (a) Stability strategies, as name suggests, are intended to safeguard the existing interests and strengths of business. It involves organisations to pursue established and tested objectives, continue on the chosen path, maintain operational efficiency and so on. A stability strategy is pursued when a firm continues to serve in the same or similar markets and deals in same products and services. In stability strategy, few functional changes are made in the products or markets, however, it is not a 'do nothing' strategy. This strategy is typical for mature business organizations. Some small organizations also frequently use stability as a strategic focus to maintain comfortable market or profit position.

On the other hand, expansion strategy is aggressive strategy as it involves redefining the business by adding the scope of business substantially, increasing efforts of the current business. In this sense, it becomes opposite to stability strategy. Expansion is a promising and popular strategy that tends to be equated with dynamism, vigor, promise and success. Expansion also includes diversifying, acquiring and merging businesses. This strategy may take the enterprise along relatively unknown and risky paths, full of promises and pitfalls.

- (b) There are at least three major R&D approaches for implementing strategies.
- i. **Be the leader:** The first strategy is to be the first firm to market new technological products. This is a glamorous and exciting strategy but also a dangerous one. Firms such as 3M and General Electric have been successful with this approach, but many other pioneering firms have fallen, with rival firms seizing the initiative.

- ii. **Be an innovative imitator:** A second R&D approach is to be an innovative imitator of successful products, thus minimizing the risks and costs of startup. This approach entails allowing a pioneer firm to develop the first version of the new product and to demonstrate that a market exists. Then, laggard firms develop a similar product. This strategy requires excellent R&D personnel and an excellent marketing department.
- iii. **Be a low cost producer:** A third R&D strategy is to be a low-cost producer by mass-producing products similar to but less expensive than products recently introduced. As a new product accepted by customers, price becomes increasingly important in the buying decision. Also, mass marketing replaces personal selling as the dominant selling strategy. This R&D strategy requires substantial investment in plant and equipment, but fewer expenditures in R&D than the two approaches described earlier.

6. (a) Following are the differences between the market development and product development:

Market Development	Product Development
<ul style="list-style-type: none"> • Meaning It refers to a growth strategy where the business seeks to sell its existing products into new markets. It is a strategy for company growth by identifying and developing new markets for current company products. • Strategy Application It may be achieved through new geographical markets, new product dimensions or packaging, new distribution channels or different pricing policies to attract different customers or create new market segments. 	<ul style="list-style-type: none"> • Meaning It refers to a growth strategy where business aims to introduce new products into existing markets. It is a strategy for company growth by offering modified or new products to current markets. • Strategy Application It is for company's growth and requires the development of new competencies and the business to develop modified products which can appeal to existing markets.

(b) Although inextricably linked, strategy implementation is fundamentally different from strategy formulation in the following ways:

Strategy Formulation	Strategy Implementation
<ul style="list-style-type: none"> ◆ Strategy formulation focuses on effectiveness. ◆ Strategy formulation is primarily an intellectual process. ◆ Strategy formulation requires conceptual intuitive and analytical skills. ◆ Strategy formulation requires coordination among the executives at the top level. 	<ul style="list-style-type: none"> ◆ Strategy implementation focuses on efficiency. ◆ Strategy implementation is primarily an operational process. ◆ Strategy implementation requires motivation and leadership skills. ◆ Strategy implementation requires coordination among the executives at the middle and lower levels.