

**MOCK TEST PAPER-I**  
**INTERMEDIATE 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 No(s). 1 to 5 carries 2 marks each.**

The ABC Ltd. is a pharmaceutical company that conducts the studies on diseases, research, invent and manufacture new drugs/medicines. The company requires medical data and reports of patients for researching and discovering new drugs.

Under Pharmaceutical manufacturing, the process of drug manufacturing comprises of a series of unit operations such as milling, granulation, coating, tablet pressing, and others. For better coordination between these multiple operations, the management decided to implement customized ERP systems so as to prepare a unified system that could control, connect, and integrate all the departments, and internal processes, and automate all the key functions such as planning, procurement, inventory, and manufacturing. The ERP system shall enable ABC Ltd. in remotely assessing the demand, operations management, manufacturing related work-in-progress and tracking the final delivery of the product and at the same time ensuring the standard quality check mode.

Furthermore, to speed up the drug discovery and research processes, the Cloud Computing combined with the power of emerging technologies like Artificial Intelligence (AI) and Machine Learning (ML) has opened a plethora of opportunities for ABC Ltd. to speed up its commercial results and save costs.

The ABC Ltd. speculates that the implementation of robust ERP system shall evolve a strategy for them in revamping its supply chain strategies to avert any unfavorable situation in near future. Also, the company acknowledges the fact that in today's dynamic environment, there will always be certain risks that would evolve with ERP implementation and therefore it needs to adopt different strategies to manage various risks based on their nature and criticality.

As the audit is an annual compliance requirement under the Act and Company Law Rules, ABC Ltd. hired CA. Suraj to audit its ERP system to determine how adequately individual ERP modules are solving problems and streamlining workflows, with a view to make improvements and sure-up the system.

**Attempt the Q. No(s) 1 to 4 based on the above case scenario. Question no. 5 is independent.**

1. The ABC Ltd. has contracts with some other pharmaceutical manufacturers who in case of high demand, shall help the ABC Ltd. in scaling up their manufacturing to meet the higher demands. Choose the risk management strategy adopted by ABC Ltd. in this case.
  - (a) Transfer the risk
  - (b) Terminate the risk
  - (c) Tolerate the risk
  - (d) Treat the risk

2. Due to the implementation of Quality Management Module of ERP system, the ABC Ltd. can ensure the standard quality check mode of its entire range of products. The implementation of the Quality Management module requires following steps:

- (i) Set quality targets to be met.
- (ii) Take the actions needed to measure quality.
- (iii) In case any change is needed in the product, change requests are sent.
- (iv) Report on the overall level of quality is achieved.
- (v) Master data and standards are set for quality management.
- (vi) Quality management plan is prepared.
- (vii) Identify quality issues and improvements and changes to be made.
- (viii) Quality is checked at multiple points.
- (ix) Define how those quality targets will be measured.

Choose the correct sequence of the implementation.

- (a) (ii) – (i) – (iv) – (v) – (ix) – (viii) – (iii) – (vi) – (vii)
- (b) (v) – (i) – (vi) – (ix) – (ii) – (vii) – (iii) – (iv) – (viii)
- (c) (v) – (i) – (iv) – (ix) – (vii) – (viii) – (iii) – (vi) – (ii)
- (d) (v) – (i) – (vi) – (ix) – (iv) – (viii) – (iii) – (vii) – (ii)

3. To audit the implementation of Security Management Controls in ERP environment of the ABC Ltd., CA. Suraj shall investigate the following aspects except one. Pick the odd one option.

- (a) He must evaluate whether security administrators in the ABC Ltd. are conducting ongoing, high quality security reviews or not.
- (b) He shall check whether the ABC Ltd. has appropriate, high quality disaster recovery plan in place or not.
- (c) He might employ test data to evaluate whether access controls and update controls in ABC Ltd. are working or not.
- (d) He shall check whether ABC Ltd. has opted for an appropriate insurance plan or not.

4. The statement related to Cloud Computing environment of the ABC Ltd. are described below:

- (i) To store data on storage services provided by service provider on pay-as-per need basis.
- (ii) The failure of server is completely isolated.
- (iii) A single physical server partitioned into multiple logical servers.
- (iv) The ability to expand and reduce resources according to the specific service requirement.

The one word referring to each of these statements is as follows:

- (A) Resiliency
- (B) Virtualization
- (C) Infrastructure as a Service
- (D) Elasticity and Scalability

Choose the correct match of the word defining the statements:

- (a) (i) – (C), (ii) – (A), (iii) – (B), (iv) – (D)
  - (b) (i) – (A), (ii) – (B), (iii) – (C), (iv) – (D)
  - (c) (i) – (D), (ii) – (A), (iii) – (B), (iv) – (C)
  - (d) (i) – (A), (ii) – (C), (iii) – (D), (iv) – (B)
5. OPQ Ltd. has a reputation in the construction industry majorly focusing on the ideation, creation, and maintenance of residential, commercial, and industrial buildings. The company prepared a USB Pen Drive to store highly confidential data related to the new tender of XYZ group of housing society. Mr. Smith stole the USB with the purpose to access that confidential information and shared the same with the rival company. Under which section of Information Technology Act, 2000; will Mr. Smith be held punishable?
- (a) Section 66C
  - (b) Section 66B
  - (c) Section 66D
  - (d) Section 43

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

6. To avoid any discrepancy in the calculation of the salary based on number of working days of each employee, a company has implemented Biometric Attendance System for employees in its working environment. Which of the following control is applied by company in this case?
- (a) Preventive Control
  - (b) Detective Control
  - (c) Corrective Control
  - (d) Manual Control
7. From the following information pertaining to an individual, which does not fall under the category of 'Sensitive Personal information'?
- (a) Educational Qualification
  - (b) Financial information
  - (c) Medical history
  - (d) Email Password
8. Which of the following voucher is used to record the adjustments without involving the cash or bank accounts?
- (a) Payment
  - (b) Contra
  - (c) Journal
  - (d) Receipt

9. ABX is a new startup that provides financial advising, services, and consultation to its clients. Being a startup, the ABX does not wish to invest in procuring its own systems and therefore approached FGH, a Cloud Computing Service Provider seeking access to few virtual machines for its seamless operations. Which service model of Cloud Computing is being used by ABX startup in this case?
- (a) Infrastructure as a Service (IaaS)
  - (b) Platform as a Service (PaaS)
  - (c) Network as a Service (NaaS)
  - (d) Software as a Service (SaaS)
10. Mr. Amit applied for a loan of ₹ 50 lakhs from ABC corporate Bank for the construction of his house by mortgaging his land near National Highway 24. After two months, he again applied to the bank for additional amount of ₹ 5 Lakh. Under which category of Mortgage Loan, will his loan application fall?
- (a) Home Loan
  - (b) Loan for under Construction Property
  - (c) Top up Loan
  - (d) Personal Loan

### Part II: DESCRIPTIVE QUESTIONS

**Question No. 1 is compulsory. Attempt any three out of remaining four questions.**

1. (a) Describe any three advantages of Database Management System (DBMS). **(3 Marks)**  
(b) Write the factors that affect the success of Business Process Automation. **(2 Marks)**
2. (a) APC Ltd. is a garment manufacturing company established in the year 2000. For so long, the company has been successfully running its business. With sustainability at the forefront, APC Ltd. is now focusing more on meeting increasing customer demands with recycled, biodegradable, and bio-based materials. The company speculates that with this new initiative, the company may face business risks that may lead to serious loss of profits. Explain various business risks that company may face. **(6 Marks)**  
(b) Nowadays, Core Banking System (CBS) has become a mandatory requirement to provide a range of services demanded by customers and the competitive banking environment. All the Front-end and Back-end applications of CBS relate to the Central server. Briefly discuss various Back-End applications of CBS whose related transactions are interfaced with central server. **(4 Marks)**
3. (a) In an ERP system, there exists a module that does not exchange transactions with any other module. Identify the module and explain the key benefits of that module. **(6 Marks)**  
(b) Undoubtedly, the Digital payments have gained momentum in today's e-Commerce world. However, there exists certain drawbacks of Digital payment due to which some set of people have their inhibitions in using this mode of payment. Discuss them. **(4 Marks)**
4. (a) A seminar has been conducted by JKG Ltd., an e-Commerce Hosting Provider for small and medium-sized business owners/sellers. Mr. Anil, the manager of JKG Ltd. has prepared a detailed presentation to make the participants understand about various benefits of using e-business. What do you think shall form part of Mr. Anil's presentation? **(6 Marks)**

- (b) Mr. Rajesh has a saving bank account in DEF co-operative bank since December 2017. He wants to setup his new business venture and therefore he applied for the loan of ₹ 5 lakhs in his bank. Discuss various risks that should have been controlled by Core Banking System (CBS) of DEF co-operative bank before disbursing the loan and advances to Mr. Rajesh. **(4 Marks)**
5. (a) Ms. Puja has been appointed as an IS auditor by DSS Ltd. To ensure that the management of the company is managing well, and operation and maintenance of information system is in controlled and planned manner in DSS Ltd., she needs to examine the performance of various controls implemented on the information system. While auditing the information systems, explain the concerns specific to auditing Programming Management Controls that she should address. **(6 Marks)**
- (b) Data Analytics initiatives can help the businesses to increase revenues, boost business performances, improve operational efficiency, and gain a competitive edge in the market. Discuss various application areas where Data Analytics can play an instrumental role in achieving the mentioned benefits. **(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) ABC Ltd. and CHEETA Ltd. are two companies that are in the business of manufacturing electric scooters. Sales of ABC Ltd. are rising while sales of CHEETA Ltd. have been falling. During the last five years, the market share of CHEETA Ltd. reduced from second to fifth position. Mr. Ramesh was appointed as the CEO of CHEETA Ltd., last year, when the company was unable to make a mark for itself in the industry. As an immediate corrective measure Mr. Ramesh decided to emulate the successful standards of ABC Ltd. and set them as their own yardsticks. With the help of standards, he intended to compare, measure and judge the performance. Further, he introduced a company-wide competition for the best innovation. He has been influential in bringing about a culture of oneness and inspiration amongst the employees. Under his direction one of the employees came up with the idea of inbuilt GPS system in the electric scooter. Another employee gave the idea of mobile charging point in the scooter with a pocket to hold the mobile handset. CHEETA Ltd., adopted the innovations suggested by its employees in their new model. The new modified model 'RAFTAR' loaded with new features was launched with a slogan "*Reach right place in right time and stay connected*". Mr Ramesh's leadership turned around the company to be a leader in innovation. CHEETA Ltd., envisaged to innovate mobility solutions with passion to enhance quality of life. The shape of scooter was made attractive. It was available in many colours. The price of new model was higher than the other electric scooters in the market. 'RAFTAR' was widely accepted by the young population.

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

1. What is the strategic tool adopted by CHEETA Ltd., as an immediate corrective measure?
  - (a) Business Process Reengineering
  - (b) Strategic Audit
  - (c) Strategic Control
  - (d) Benchmarking

**(1 Mark)**
2. Which leadership style has been adopted by Mr. Ramesh and this style is appropriate in:
  - (a) Transformational Leadership, Turbulent Environment
  - (b) Transactional Leadership, Static Environment
  - (c) Transactional Leadership, Settled Environment
  - (d) Transformational Leadership, Mature Industries

**(2 Marks)**
3. Which of the following Michael Porters' Generic strategics has been followed in launching 'RAFTAR'?
  - (a) Cost Leadership
  - (b) Differentiation
  - (c) Focused Cost Leadership
  - (d) Focused Differentiation

**(1 Mark)**

4. CHEETA Ltd., envisages to innovate mobility solutions with passion to enhance quality of life. This is \_\_\_\_\_ of the company.
- (a) Vision
  - (b) Strategy
  - (c) Mission
  - (d) Objective
- (1 Mark)**
- (B) Tomtom a sneaker brand wanted to understand their competitive landscape and thus were looking for the weakest competitors to buy them and thereby decrease competition. Which of the following will be most helpful for them to begin with their plans?
- (a) Mergers and Acquisition Planning
  - (b) BCG Growth Matrix
  - (c) Strategic Group Mapping
  - (d) GE Stop Light Matrix
- (2 Marks)**
- (C) After an earnest attempt to bring in a strategic change in your organization, you the operational head of XYZ Ltd, succeeded but still your organization couldn't achieve the desired competitive position in the market. Out of the following what could be the reason?
- (a) Strategy Formulation
  - (b) Strategy Model
  - (c) Strategy Implementation
  - (d) Strategy Decision
- (2 Marks)**
- (D) Best Cost provider strategies:
- (a) Seek to attract buyers on the basis of charging low price for low quality
  - (b) Aim at giving customers less value for more money
  - (c) Seek to attract buyers on the basis of charging high price for high quality
  - (d) Aim to giving customers low cost and better quality
- (2 Marks)**
- (E) Walmart a global giant sells fast moving consumer goods at even less than wholesale prices to retail customers, this is a strategy of?
- (a) Market Penetration
  - (b) Cost Differentiation
  - (c) Cost Leadership
  - (d) Market Development
- (1 Mark)**
- (F) Technique to cope up with sudden change in Government, natural calamities, terrorist attacks, industrial disasters etc. is called
- (a) Special Alert Control
  - (b) Strategic Surveillance
  - (c) Premise Control
  - (d) Implementation Control
- (1 Mark)**

- (G) Merger of two organisations that are operating in the same industry but at different stages of production and distribution system is called: -
- Horizontal Merger
  - Vertical Merger
  - Co-generic Merger
  - Conglomerate Merger **(1 Mark)**
- (H) Functional level managers are concerned with-
- Strategies that are responsible for the operations of specific business
  - Strategies that span multiple businesses
  - Strategies that are specific to particular country
  - Strategies that encourage a favourable attitude toward change **(1 Mark)**
2. *Jeff Inc.*, a leading USA based Mobile company decides to make India a hub for the company's Android Mobile having largest storage memory to be manufactured in collaboration with the *Desi Group*, a leading Indian mobile manufacturer. The production is to be exported to the company's home market as well as to other European countries.
- What is this growth strategy called? Point out the most important advantages both the companies expect from such strategy/collaboration. **(5 Marks)**
3. (a) Shridhar who is running a medium size cloth manufacturing business in Panipat wishes to understand the driving forces that trigger change. He has sought advice from you and wishes to know common driving forces. **(5 Marks)**
- (b) Explain the difference between three levels of strategy formulation. **(5 Marks)**
4. (a) "Strategic decisions are different in nature than all other decisions." In the light of this statement explain major dimensions of strategic decisions. **(5 Marks)**
- (b) Mr. Vicky Verma, a Gwalior based entrepreneur, has entered into an exclusive-retail deal with an Italian company selling 'Fantasy-3D', a Hologram LED Fan, which is being used for advertising at public places. Mr. Verma procured a total of 500 units of the product and paid upfront as per the seller's policy. This resulted in blocking of his working capital significantly and the shipment is expected in a month. Meanwhile his continued efforts of establishing relations with the marketing heads of corporates resulted in a series of meetings, where he demonstrated his specialist product knowledge by changing the hologram images to personalise basis specifications of the customer. The management of a big automotive company was impressed with the quality and adaptability of the product and awarded a contract of 125 units to be displayed in the auto-maker's showrooms. Identify and explain the product promotion strategy adopted by Mr. Verma. **(5 Marks)**
5. (a) Distinguish between Strategy Formulation and Strategy Implementation. **(5 Marks)**
- (b) Elucidate Expanded Marketing Mix. **(5 Marks)**
6. (a) *Bunch Pvt Ltd.* is dealing in multiproduct like electronics and FMCG and are having outlets in different cities and markets across India. Due to scale of operation, it is having technical difficulty in dealing with distinct product line and markets especially in coordination and control related problems. Identify and suggest an ideal organizational structure for *Bunch Pvt Ltd* in resolving the problem? **(5 Marks)**
- (b) Explain in brief the various basis of differentiation strategy. **(5 Marks)**

MOCK TEST PAPER - I

INTERMEDIATE GROUP – II

PAPER – 7: ENTERPRISE INFORMATION SYSTEMS AND STRATEGIC MANAGEMENT

SECTION – A: Enterprise Information Systems

Time Allowed – 1½ Hours

Maximum Marks: 50 Marks

ANSWERS

PART I: MULTIPLE CHOICE QUESTIONS

1. (d) Treat the risk
2. (b) (v) – (i) – (vi) – (ix) – (ii) – (vii) – (iii) – (iv) – (viii)
3. (c) He might employ test data to evaluate whether access controls and update controls in ABC Ltd. are working or not.
4. (a) (i) – (C), (ii) – (A), (iii) – (B), (iv) – (D)
5. (b) Section 66B
6. (a) Preventive Control
7. (a) Educational Qualification
8. (c) Journal
9. (a) Infrastructure as a Service (IaaS)
10. (c) Top up Loan

PART II: DESCRIPTIVE QUESTIONS

1. (a) Various advantages of Database Management System (DBMS) are as follows:
  - **Permitting Data Sharing:** One of the major advantages of a DBMS is that the same information can be made available to different users.
  - **Minimizing Data Redundancy:** In a DBMS, duplication of information or redundancy is, if not eliminated, carefully controlled or reduced i.e. there is no need to repeat the same data repeatedly. Minimizing redundancy significantly reduce the cost of storing information on storage devices.
  - **Integrity can be maintained:** Data integrity is maintained by having accurate, consistent, and up-to-date data. Updates and changes to the data only must be made in one place in DBMS ensuring Integrity.
  - **Program and File consistency:** Using a DBMS, file formats and programs are standardized. The level of consistency across files and programs makes it easier to manage data when multiple programmers are involved as the same rules and guidelines apply across all types of data.
  - **User-friendly:** DBMS makes the data access and manipulation easier for the user. DBMS also reduces the reliance of users on computer experts to meet their data needs.

- **Improved security:** DBMS allows multiple users to access the same data resources in a controlled manner by defining the security constraints. Some sources of information should be protected or secured and only viewed by select individuals. Using passwords, DBMS can be used to restrict data access to only those who should see it. Security will only be improved in a database when appropriate access privileges are allotted to prohibit unauthorized modification of data.
  - **Achieving program/data independence:** In a DBMS, data does not reside in applications, but data bases program and data are independent of each other.
  - **Faster Application Development:** In the case of deployment of DBMS, application development becomes fast. The data is already therein databases, application developer must think of only the logic required to retrieve the data in the way a user needs.
- (b) The factors that affect the success of Business Process Automation are as follows:
- Confidentiality
  - Integrity
  - Availability
  - Timeliness
2. (a) Various Business Risks that APC Ltd. may face are as follows:
- **Strategic Risks:** These are the risks that would prevent an organization from accomplishing its objectives (meeting its goals). Examples include risks related to strategy, political, economic relationship issues with suppliers and global market conditions; also, could include reputation risk, leadership risk, brand risk, and changing customer needs.
  - **Financial Risks:** Financial risks are those risks that could result in a negative financial impact to the organization (waste or loss of assets). Examples include risks from volatility in foreign currencies, interest rates, and commodities, credit risk, liquidity risk, and market risk.
  - **Regulatory (Compliance) Risks:** This includes risks that could expose the organization to fines and penalties from a regulatory agency due to non-compliance with laws and regulations. Examples include Violation of laws or regulations governing areas such as environmental, employee health and safety, lack of due diligence, protection of personal data in accordance with global data protection requirements and local tax or statutory laws.
  - **Operational Risks:** Operational risks include those risks that could prevent an organization from operating in the most effective and efficient manner or be disruptive to other operations due to inefficiencies or breakdown in internal processes, people and systems. Examples include risk of loss resulting from inadequate or failed internal processes, fraud or any criminal activity by an employee, business continuity, channel effectiveness, customer satisfaction and product/service failure, efficiency, capacity, and change integration.
  - **Hazard Risks:** Hazard risks include risks that are insurable, such as natural disasters; various insurable liabilities; impairment of physical assets; terrorism etc.
  - **Residual Risks:** This includes any risk remaining even after the counter measures are analyzed and implemented. Even when safeguards are applied, there is probably going to be some residual risk.
- (b) Various Back- End applications of Core Banking System (CBS) whose related transactions are interfaced with central server are as follows:

- **Back Office:** The Back Office is the portion of a company made up of administration and support personnel, who are not client-facing. Back-office functions include settlements, clearances, record maintenance, regulatory compliance, accounting and IT services. Back Office professionals may also work in areas like monitoring employees' conversations and making sure they are not trading forbidden securities on their own accounts.
  - **Data Warehouse:** Banking professionals use data warehouses to simplify and standardize the way they gather data - and finally get to one clear version of the truth. Data warehouses take care of the difficult data management - digesting large quantities of data and ensuring accuracy - and make it easier for professionals to analyze data.
  - **Credit-Card System:** Credit card system provides customer management, credit card management, account management, customer information management and general ledger functions; provides the online transaction authorization and service of the bank card in each transaction channel of the issuing bank; support in the payment application; and at the same time, the system has a flexible parameter system, complex organization support mechanism and product factory based design concept to speed up product time to market.
  - **Automated Teller Machines (ATM):** An Automated Teller Machine (ATM) is an electronic banking outlet that allows customers to complete basic transactions without the aid of a branch representative or teller. Anyone with a credit card or debit card can access most ATMs. ATMs are convenient, allowing consumers to perform quick, self-serve transactions from everyday banking like deposits and withdrawals to more complex transactions like bill payments and transfers.
3. (a) The module of ERP discussed in this case is **Customer Relationship Management (CRM)**. The key benefits of a CRM Module are as follows:
- ◆ **Improved customer relations:** One of the prime benefits of using a CRM is obtaining better customer satisfaction. By using this strategy, all dealings involving servicing, marketing, and selling out products to the customers can be carried out in an organized and systematic way. Better services can be provided to customers through improved understanding of their issues and this in turn helps in increasing customer loyalty and decreasing customer agitation. In this way, continuous feedback from the customers regarding the products and services can be received. It is also possible that the customers may recommend the product to their acquaintances when efficient and satisfactory services are provided.
  - ◆ **Increase customer revenues:** By using a CRM strategy for any business, the revenue of the company can be increased. Using the data collected, marketing campaigns can be popularized in a more effective way. With the help of CRM software, it can be ensured that the product promotions reach a different and brand-new set of customers, and not the ones who had already purchased the product, and thus effectively increase the customer revenue.
  - ◆ **Maximize up-selling and cross-selling:** A CRM system allows up-selling which is the practice of giving customers premium products that fall in the same category of their purchase. The strategy also facilitates cross selling which is the practice of offering complementary products to customers, based on their previous purchases. This is done by interacting with the customers and getting an idea about their wants, needs, and patterns of purchase. The details thus obtained will be stored in a central database, which is accessible to all company executives. So, when an opportunity is spotted, the executives can promote their products to the customers, thus maximizing up-selling and cross selling.
  - ◆ **Better internal communication:** Following a CRM strategy helps in building up better communication within the company. The sharing of customer data between different

departments will enable them to work as a team. This is better than functioning as an isolated entity, as it will help in increasing the company's profitability and enabling better service to customers.

- ◆ **Optimize marketing:** CRM enables to understand the customer needs and behavior in a better way, thereby allowing any enterprise to identify the correct time to market its product to the customers. CRM will also give an idea about the most profitable customer groups, and by using this information, similar prospective groups, at the right time will be targeted. In this way, marketing resources can be optimized efficiently, and time is not wasted on less profitable customer groups.

(b) The drawbacks of digital payments are as follows:

- (i) **Difficult for a non-technical person:** As most of the digital payment modes are based on mobile phone, the internet and cards; these modes are somewhat difficult for non-technical persons such as farmers, workers etc.
- (ii) **Risk of data theft:** There is a big risk of data theft associated with the digital payment. Hackers can hack the servers of the bank or the E-Wallet a customer is using and easily get his/her personal information. They can use this information to steal money from the customer's account.
- (iii) **Overspending:** One keeps limited cash in his/her physical wallet and hence thinks twice before buying anything. But if digital payment modes are used, one has access to all his/her money that can result in overspending.
- (iv) **Disputed transactions:** In case the electronic money such as credit card is misused by someone else, it is very difficult to receive a refund.
- (v) **Increased business costs:** Digital payment systems come with an increased need to protect sensitive financial information stored in a business's computer systems from unauthorized access. Businesses have to incur additional costs in procuring, installing and maintaining sophisticated payment-security technologies.
- (vi) **The necessity of internet access:** Digital payment cannot be performed if Internet connection fails.

4. (a) Mr. Anil's presentation shall be based on various benefits of using e- business from the perspective of seller.

- **Increased Customer Base:** Since the number of people getting online is increasing which are creating not only new customers but also retaining the old ones. E-commerce enables a business to offer its products and services to almost everyone in the world who has an internet-enabled device. It facilitates to reach narrow market segments that are widely scattered geographically.
- **Recurring payments made easy:** Each business has number of operations that are homogeneous in nature. This brings in uniformity of scaled operations.
- **Instant Transaction:** The interaction with the system takes place on real time and therefore, allows the customers to respond quickly. This has made possible to crack number of deals.
- **Provides a dynamic market:** Since there are several players, a dynamic market is provided which enhances quality and business.
- **Reduction in:**
  - costs to buyers from increased competition in procurement as more suppliers can compete in an electronically open marketplace.

- costs to suppliers by electronically accessing on-line databases of bid opportunities, on-line abilities to submit bids, and on-line review of rewards.
  - overhead costs through uniformity, automation, and large-scale integration of management processes.
  - advertising costs.
  - **Efficiency improvement due to:**
    - reduction in time to complete business transactions, particularly from delivery to payment.
    - reduction in errors, time, for information processing by eliminating requirements for re-entering data.
    - reduction in inventories and reduction of risk of obsolete inventories as the demand for goods and services is electronically linked through just-in-time inventory and integrated manufacturing techniques.
  - **Creation of new markets:** This is done through the ability to reach potential customers easily and with low cost.
  - **Easier entry into new markets:** This is especially into geographically remote markets for enterprises regardless of size and location.
  - **Low barriers to entry:** Home page gives equal footing to small organizations with large international firms. Small and large organizations have like opportunity to be on WWW and conduct business on the internet.
  - **Better quality of goods:** Standardized specifications and competition have increased and improved variety of goods through expanded markets and the ability to produce customized goods.
  - **Elimination of Time Delays:** Faster time to market as business processes are linked, thus enabling seamless processing and eliminating time delays.
- (b) Various risks that should have been controlled by Core Banking System (CBS) of DEF Co-operative bank before disbursing the loan and advances to Mr. Rajesh are as follows:
- Credit Line setup is unauthorized and not in line with the bank's policy.
  - Credit Line setup is unauthorized and not in line with the bank's policy.
  - Masters defined for the customer are not in accordance with the re- Disbursement Certificate.
  - Credit Line setup can be breached in Loan disbursement system/CBS.
  - Lower rate of interest/ Commission may be charged to customer.
  - Facilities/Loan's granted may be unauthorized/in- appropriate.
  - Inaccurate interest / charge being calculated in the Loan disbursal system.
5. (a) Some of the major concerns that Ms. Puja should address under different activities involved in Programming Management Control Phase are as follows:
- **Planning:** Auditors should evaluate whether nature of and extent of planning are appropriate to different types of software that are developed or acquired. Auditors must evaluate how well the planning work is being undertaken.

- **Control:** Auditors must evaluate whether the nature of an extent of control activities undertaken are appropriate for the different types of software that are developed or acquired. Auditors must gather evidence on whether the control procedures are operating reliably. For example - they might first choose a sample if past and current software development and acquisition projects carried out at different locations in the organization, they are auditing.
- **Design:** Auditors should find out whether programmers use some type of systematic approach to design. Auditors can obtain evidence of the design practices used by undertaking interviews, observations, and reviews of documentation.
- **Coding:** Auditors should seek evidence –
  - On the level of care exercised by programming management in choosing a module implementation and integration strategy.
  - To determine whether programming management ensures that programmers follow structured programming conventions.
  - To check whether programmers employ automated facilities to assist them with their coding work.
- **Testing:** Auditors can use interviews, observations, and examination of documentation to evaluate how well unit testing is conducted. Auditors are most likely concerned primarily with the quality of integration testing work carried out by information systems professionals rather than end users. Auditors primary concern is to see that whole-of-program tests have been undertaken for all material programs and that these tests have been well-designed and executed.
- **Operation and Maintenance:** Auditors need to ensure effective and timely reporting of maintenance needs that occur so that maintenance is carried out in a well-controlled manner. Auditors should ensure that management has implemented a review system and assigned responsibility for monitoring the status of operational programs.

(b) Various application areas of Data Analytics are as follows:

- Data Analytics initiatives support a wide variety of business uses. For example, banks and credit card companies analyse withdrawal and spending patterns to prevent fraud and identity theft.
- E-commerce companies and marketing services providers do click stream analysis to identify website visitors who are more likely to buy a product or service based on navigation and page-viewing patterns.
- Mobile network operators examine customer data to forecast so that they can take steps to prevent defections to business rivals; to boost customer relationship management efforts. Other companies also engage in CRM analytics to segment customers for marketing campaigns and equip call centre workers with up-to-date information about callers.
- Healthcare organizations mine patient data to evaluate the effectiveness of treatments for cancer and other diseases.

## SECTION – B: STRATEGIC MANAGEMENT

### SUGGESTED ANSWERS/HINTS

1. (A)

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

(B) (c)

(C) (c)

(D) (d)

(E) (c)

(F) (a)

(G) (b)

(H) (a)

2. **Jeff Inc. of USA and Desi group of India opted for strategic alliance as their growth strategy.** A strategic alliance is a relationship between two or more businesses that enables each to achieve certain strategic objectives which neither would be able to achieve on its own. Strategic alliances are often formed in the global marketplace between businesses that are based in different regions of the world.

#### Advantages of Strategic Alliance

Strategic alliance usually is only formed if they provide an advantage to all the parties in the alliance. These advantages can be broadly categorised as follows:

1. **Organizational:** Strategic alliance helps to learn necessary skills and obtain certain capabilities from strategic partners. Strategic partners may also help to enhance productive capacity, provide a distribution system, or extend supply chain. Having a strategic partner who is well-known and respected also helps add legitimacy and credibility to a new venture.
  2. **Economic:** There can be reduction in costs and risks by distributing them across the members of the alliance. Greater economies of scale can be obtained in an alliance, as production volume can increase, causing the cost per unit to decline. Finally, partners can take advantage of co-specialization, creating additional value, such as when a leading computer manufacturer bundles its desktop with a leading monitor manufacturer's monitor.
  3. **Strategic:** Rivals can join together to cooperate instead of competing with each other. Vertical integration can be created where partners are part of supply chain. Strategic alliances may also be useful to create a competitive advantage by the pooling of resources and skills. This may also help with future business opportunities and the development of new products and technologies. Strategic alliances may also be used to get access to new technologies or to pursue joint research and development.
  4. **Political:** Sometimes strategic alliances are formed with a local foreign business to gain entry into a foreign market either because of local prejudices or legal barriers to entry. Forming strategic alliances with politically influential partners may also help improve your own influence and position.
3. (a) Industry and competitive conditions of organisation change as environmental forces are in motion. The most dominant forces are called driving forces because they have the biggest influence on what kinds of changes will take place in the industry's structure and competitive environment.

Analyzing driving forces has two steps: identifying what the driving forces are and assessing the impact they will have on the industry.

Many events can affect an industry powerfully enough to qualify as driving forces. Some are unique and specific to a particular industry situation, but many drivers of change fall into general category affecting different industries simultaneously. Some of the categories/examples of drivers are:

- The internet and the new e-commerce opportunities and threats it breeds in the industry.
  - Increasing globalization.
  - Changes in the long-term industry growth rate.
  - Product innovation.
  - Marketing innovation.
  - Entry or exit of major forms.
  - Diffusion of technical know-how across more companies and more countries.
  - Changes in cost and efficiency.
- (b) A typical large organization is a multidivisional organisation that competes in several different businesses. It has separate self-contained divisions to manage each of these. There are three levels of strategy in management of business - corporate, business, and functional.

The corporate level of management consists of the chief executive officer and other top level executives. These individuals occupy the apex of decision making within the organization. The role of corporate-level managers is to oversee the development of strategies for the whole organization. This role includes defining the mission and goals of the organization, determining what businesses it should be in, allocating resources among the different businesses and so on rests at the Corporate Level.

The development of strategies for individual business areas is the responsibility of the general managers in these different businesses or business level managers. A business unit is a self-contained division with its own functions - for example, finance, production, and marketing. The strategic role of business-level manager, head of the division, is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses.

Functional-level managers are responsible for the specific business functions or operations such as human resources, purchasing, product development, customer service, and so on. Thus, a functional manager's sphere of responsibility is generally confined to one organizational activity, whereas general managers oversee the operation of a whole company or division.

4. (a) Strategic decisions are different in nature than all other operational decisions. The dimensions of strategic decisions are not similar to that of other decisions which are taken at various levels of the organization during day-to-day working.

The following major dimensions of strategic decisions make them different than operational decisions:

1. Strategic decisions **require top-management decisions**. Strategic decisions involve thinking in totality of the organizations and there is also a lot of risk involved in that.
2. Strategic decisions involve the **allocation of large amounts of company resources** - financial, technical, human etc.
3. Strategic decisions are likely to have a **significant impact on the long-term prosperity** of the firm.

4. Strategic decisions are **future oriented**.
5. Strategic decisions usually have major multifunctional or multi-business consequences.
6. Strategic decisions necessitate consideration of factors in the firm's external environment.

(b) Mr. Vicky Verma established personal contacts with potential buyers of the product and persuaded the marketing department over several physical meetings and was finally able to make sales. The personal relation establishment and physical demonstration, indicates that Mr. Verma used the Personal Selling method of Promotion. Modern marketing is highly promotional oriented and include personal selling, advertising, publicity and sales promotion. Personal selling involves face to face interaction of salespersons with the prospective customers and provides a high degree of personal attention. It involves working with one customer at a time and hence not cost effective. The intention of oral communication is sale.

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

<b>Strategy Formulation</b>	<b>Strategy Implementation</b>
◆ Strategy formulation focuses on effectiveness.	◆ Strategy implementation focuses on efficiency.
◆ Strategy formulation is primarily an intellectual process.	◆ Strategy implementation is primarily an operational process.
◆ Strategy formulation requires conceptual intuitive and analytical skills.	◆ Strategy implementation requires motivation and leadership skills.
◆ Strategy formulation requires coordination among the executives at the top level.	◆ Strategy implementation requires coordination among the executives at the middle and lower levels.

(b) **Expanded Marketing Mix:**

Typically, all organizations use a combination of 4 Ps in some form or the other that is product, price, place, and promotion. However, the above elements of marketing mix are not exhaustive. There are a few more elements that may form part of an organizational marketing mix strategy as follows:

1. **People:** all human actors who play a part in delivery of the market offering and thus influence the buyer's perception, namely the firm's personnel and the customer.
2. **Physical evidence:** the environment in which the market offering is delivered and where the firm and customer interact.
3. **Process:** the actual procedures, mechanisms and flow of activities by which the product/ service is delivered.

6. (a) To deal with the problems facing by the *Bunch Pvt Ltd.*, we suggest *Multi divisional structure* for the organisation. Multidivisional (M-form) structure is composed of operating divisions where each division represents a separate business to which the top corporate officer delegates responsibility for day-to-day operations and business unit strategy to division managers. By such delegation, the corporate office is responsible for formulating and implementing overall corporate strategy and manages divisions through strategic and financial controls.

Multidivisional or M-form structure was developed in the 1920s, in response to coordination- and control-related problems in large firms. Functional departments often had difficulty dealing with distinct product lines and markets, especially in coordinating conflicting priorities among the products. Costs were not allocated to individual products, so it was not possible to assess an individual product's profit contribution. Loss of control meant that optimal allocation of firm

resources between products was difficult (if not impossible). Top managers became over-involved in solving short-run problems (such as coordination, communications, conflict resolution) and neglected long-term strategic issues.

(b) There are several basis of differentiation, major being: Product, Pricing and Organization.

**Product:** Innovative products that meet customer needs can be an area where a company has an advantage over competitors. However, the pursuit of a new product offering can be costly – research and development, as well as production and marketing costs can all add to the cost of production and distribution. The payoff, however, can be great as customer's flock to be among the first to have the new product.

**Pricing:** It fluctuates based on its supply and demand and may also be influenced by the customer's ideal value for a product. Companies that differentiate based on product price can either determine to offer the lowest price or can attempt to establish superiority through higher prices.

**Organisation:** Organisational differentiation is yet another form of differentiation. Maximizing the power of a brand or using the specific advantages that an organization possesses can be instrumental to a company's success. Location advantage, name recognition and customer loyalty can all provide additional ways for a company differentiate itself from the competition.