

**MOCK TEST PAPER 1**  
**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.**

A Mumbai-based Company called Unique Glass Global India Limited is India's leading integrated glass company engaged in production and delivery of next-generation glass products and solution to retail and institutional customers. It provides a huge variety of glass products to its customers as per their demand and customization which makes the company, a dominant player in the Automotive and Architectural glass segments. The company provides end-to-end solution across the entire value chain in both segments from manufacturing of float glass to glass processing, fabrication, and installation.

The company recently setup a Research & Development department to capture data about the buying habits and transactions patterns of the customers to build a trend pattern thereby leading to building of a big data driven marketing strategy.

The top management of company has further received a major supply contract in collaboration with a similar dealing business enterprise TruLiv Glass Ltd. The company may utilize the services of TruLiv Glass Ltd. as per need basis in case high demand occurs from its clients.

To make optimal use and quick sharing of data with its supply contract and employees, the company approached a cloud service provider for storage of its data so that it's not affected anytime with server failures. Now, the marketing personnel and salespersons of the company have the access to readily available data anytime anywhere and the company pays for the requisite services and is satisfied with the cloud services.

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

1. The Unique Glass Global India Limited has tied up with TruLiv Glass Ltd. to consume its services as per need basis. What kind of risk management strategy is this?
  - (a) Tolerate the risk
  - (b) Terminate the risk
  - (c) Transfer the risk
  - (d) Treat the risk
2. Which technique has been adopted by the Research and Development Department of Unique Glass Global India Ltd.?
  - (a) Data Mining
  - (b) Predictive Analysis
  - (c) Machine Learning
  - (d) Artificial Intelligence

3. In case TruLiv Glass Ltd. fails to protect data of Unique Glass Global India Limited, which of the following Section of Information Technology Act, 2000 deals with its compensation?
  - (a) Section 41
  - (b) Section 43A
  - (c) Section 65
  - (d) Section 66
4. The Google Cloud frees the Unique Glass Global India Limited from the issues pertaining to failure of server and storage resources. Which of the following characteristics of Cloud computing does it represent?
  - (a) Virtualization
  - (b) Reliability
  - (c) Resiliency
  - (d) Scalability
5. During audit of ABC Ltd., an IS Auditor Mr. Amit sought the permission from the management to embed an audit software module with host application of the company so that he could continuously monitor the systems' transactions. Which audit tool does this refer to?
  - (a) Audit hooks
  - (b) System Control Audit Review File (SCARF)
  - (c) Integrated Test Facility (ITF)
  - (d) Continuous and Intermittent Simulation (CIS)

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

6. A manufacturing company is facing an issue of not being able to provide timely supply of its products to the customers. Mr. Anil, an IS Auditor of this company identified that the delay is due to the manual processing of certain processes involved in the company. He suggested that the company should adopt \_\_\_\_\_ to overcome this problem.
  - (a) Core Banking Systems
  - (b) Strategic Level Systems
  - (c) Business Process Automation
  - (d) Expert Systems
7. Mr. Sunil is a clerk in accounts department of LMS Global School. As a part of its expansion plan, the management of the school buys another piece of land and computer equipment on credit. From the following, identify the relevant voucher which shall be used by Mr. Sunil to record such transaction.
  - (a) Contra
  - (b) Receipt
  - (c) Journal
  - (d) Payment

8. Jayine Developers bagged the tender to develop the software for central library of SSN University. An auditor, Mr. Sushil who is a member of the software development team of Jayine Developers, is responsible to ensure that relevant controls are built into the new system. What kind of audit is involved in the afore-stated activity?
  - (a) Post implementation Audit
  - (b) Concurrent Audit
  - (c) General Audit
  - (d) Quality Audit
  
9. Mr. Mohan started its own Financial consultancy firm. As a new startup, he could not invest much, hence he decides to use Amazon Web Services (AWS) on pay per use basis so that it gets free with the back-end responsibilities of data storage, backup, security, and upgrades. Identify the instance of Cloud computing being used in this case.
  - (a) Database as a Service
  - (b) Desktop as a Service
  - (c) Network as a Service
  - (d) Storage as a Service
  
10. A cooperative bank established in year 2011 has the huge corpus. The bank decides to buy the shares of a US based housing group. Which type of the risk is involved in case the company buys the shares at the time the foreign exchange rates are varying frequently?
  - (a) Operational Risk
  - (b) Credit Risk
  - (c) Market Risk
  - (d) Strategic Risk

### Part II: DESCRIPTIVE QUESTIONS

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

1. (a) Define "Application Controls" in an information system. Give its two examples. **(3 Marks)**  
 (b) Write a short note on "Cache Memory" of a computer system. **(2 Marks)**
  
2. (a) Data is a unique resource for any organization and is very often susceptible to disruption, damage, and theft. One such possibility of attack that could occur is during the transmission of data across telecommunication lines. Identify such attack and discuss its types. **(6 marks)**  
 (b) Discuss various risks associated with the CASA (Current Account and Savings Account) process of a Core Banking System. **(4 Marks)**
  
3. (a) Every company involves several business processes which either directly or indirectly influence its financial status. Identify and discuss the specific business process that is involved in the recording and processing of the accounting events of the company. **(6 Marks)**  
 (b) Differentiate between Hardware Virtualization and Storage Virtualization. **(4 Marks)**

4. (a) Data Mining tools like MS Excel, R-Language etc. are the frameworks that aim to find patterns, trends, and groupings among large sets of data. However, each of these tools follow certain underlying steps to achieve the aforesaid objective. Explain these steps that are involved in the process of Data Mining. **(6 Marks)**
- (b) Explain the term “Operational Risk” associated with Core Banking Systems (CBS) and its types. **(4 Marks)**
5. (a) e-businesses help companies explore new channels and new markets to beat competition as well as cut down the costs. These businesses sell their products and provide customer services to beat the market competition successfully and take the lead in their domain area. However, there are reasonable levels of risks that could occur in an e-business environment. Discuss them briefly. **(6 Marks)**
- (b) Elaborate the aspects that an auditor shall consider while auditing the processes of an Enterprise Resource Planning (ERP) system. **(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) One Earth Limited (OEL) operates as a diversified conglomerate with involvement in various sectors including FMCG, stationery, apparel, heavy engineering, and cement industries. Benefitting from a substantial free reserve of Rs. 75,000 crores, OEL has established a robust brand reputation, largely attributed to its dominant market positions in multiple sectors.

In the cement industry, OEL has maintained its industry leadership for the past two decades. The cement division's recent performance has been notably strong. A significant development in the industry landscape took place when two competitors, Raksha Products Limited and Strongman Cement Limited – initially ranked third and fourth in market share respectively – merged to form a new entity, Unnati Cement Ltd (UCL). As a result, UCL now secures the second position in terms of market share.

Amidst this backdrop, the Chairman of OEL convened a comprehensive meeting involving the Board, divisional heads, marketing leadership, and the Group CFO. The meeting's objectives encompassed devising concrete strategies for the cement division, exploring avenues for broader corporate expansion, and determining an interim dividend strategy in celebration of OEL's golden jubilee anniversary.

Mr. Hrishikesh Raj, the CEO of the cement division, articulated the industry's lag in modernization when compared to global standards. He highlighted the immense potential within emerging product categories such as high-strength Portland Pozzolana Cement (PPC), ready-mix products, and cement blocks. Anticipating a swift consumer attraction to these innovations, he proposed a modernization initiative demanding an investment of approximately Rs. 5,000 crores. This transformation is predicted to yield a 22% reduction in overhead costs post-modernization, along with a 10% reduction in wastage.

Analyzing the financial landscape of competitors, the CFO presented insights indicating that other players are unlikely to undertake expansion or upgrades for the next 7-8 years. In response, the Board greenlit the proposed modernization effort and earmarked an additional Rs. 1,000 crores to fortify the distribution channels.

Another proposal discussed during the meeting centered on OEL's diversification into the home appliances sector. The Board granted approval for this strategic expansion, allocating Rs. 6,500 crores to facilitate entry into this new market. Additionally, the Board endorsed the distribution of an interim dividend amounting to Rs. 50 per share as part of the celebrations marking OEL's golden jubilee year.

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

1. What strategic level are the decisions to foray into the home appliances business and approve the interim dividend made on?
- (a) Business Level
  - (b) Corporate Level
  - (c) Functional Level
  - (d) Operational Level

**(1 Mark)**

2. In the context of Michael Porter's Five Forces framework, the merger between Raksha Products Limited and Strongman Cement Limited leading to Unnati Cement Ltd (UCL) moving

to the second position in market share demonstrates:

- (a) Bargaining power of suppliers
- (b) Threat of new entrants
- (c) Intensity of industry rivalry
- (d) Bargaining power of buyers

**(2 Marks)**

3. What type of diversification strategy is OEL pursuing by entering the home appliances segment?

- (a) Horizontal diversification
- (b) Vertical integration
- (c) Concentric diversification
- (d) Conglomerate diversification

**(1 Mark)**

4. Which strategic management concept does Mr. Hrishikesh Raj emphasize when discussing the industry's lag in modernization?

- (a) Benchmarking
- (b) Business Process Reengineering (BPR)
- (c) Competitive positioning
- (d) Market segmentation

**(1 Mark)**

5. Which of the following best describes OEL's overall corporate strategy in light of the above case scenario?

- (a) Cost leadership
- (b) Product differentiation
- (c) Market expansion and diversification
- (d) Focused niche strategy

**(1 Mark)**

(B) Imagine you are tasked with analyzing the competitive landscape for a new product launch. In this context, which of the following factors is not relevant to understanding the competitive landscape?

- (a) Identifying the competitor
- (b) Understanding the customer
- (c) Determining the strength of the competitors
- (d) Determining the weakness of the competitors

**(2 Marks)**

(C) Imagine you are part of a strategic planning team for a company. As you work on defining the company's identity and its current business scope, which of the following elements primarily concentrates on answering the question, "Who we are and what we do?"

- (a) Mission statement
- (b) Vision statement
- (c) Goals and Objectives
- (d) Purpose

**(2 Marks)**

(D) You have been appointed as a strategic manager at ABC Company, which is currently facing a situation where one of its products has entered the maturity stage of its Product Life Cycle (PLC). The company has made a deliberate decision to maintain its existing business operations and is

content with achieving incremental growth for this product aligns with which of the following strategies?

- (a) Expansion strategy
- (b) Stability strategy
- (c) Retrenchment strategy
- (d) Combination strategy

**(2 Marks)**

(E) A renowned coffee chain offers a loyalty program where customers earn points for every purchase, which can be redeemed for free drinks or snacks. This marketing technique is known as:

- (a) Augmented Marketing
- (b) Synchro Marketing
- (c) Social Marketing
- (d) Relationship Marketing

**(1 Mark)**

(F) Which is true for Hourglass Organization Structure?

- (a) Wide at the bottom and widest at the top.
- (b) Middle level managers are generalist and perform wide variety of tasks
- (c) Decision making is slow
- (d) Difficult to keep motivation level high among lower-level staff

**(1 Mark)**

(G) Which one is not a criterion for strategy audit as per Richard Rumelet?

- (a) Consistency
- (b) Complexity
- (c) Feasibility
- (d) Advantage

**(1 Mark)**

2. Sandeep group of companies is having a strong footprint in the areas of Aviation, Healthcare, Fast moving consumer goods, home appliances and electronic goods. Processes, Technology and Marketing capabilities are different for each business. However, each business operates among a group of rivals that produce competing products. In order to get ahead of competition and to contribute for sustained competitive advantages, company intends to improve customer services and in turn increase its market share. To achieve this, company is desirous to analyze its products, processes and service levels for each of its segments.

Company is studying various trade publications, understanding the taste and preferences of customers, meeting with suppliers and also using other relevant information available in public domain for each of its business operations. After studying as above, company wants to compare diverse range of practices and processes being followed by acknowledged leaders in the industry, measures its own productivity and identify the gaps. Instead of following bricks-and-mortar practices, company will be setting goals to be achieved for improvement in its product, processes and services, based on best practices being followed by the companies on a regular basis.

Identify the strategic tool to be used by Sandeep group of companies. Also explain in brief the common elements involved in using this tool. **(1 + 4 = 5 Marks)**

- 3 (a) Redefinition of business is involved in both "Expansion" and "Retrenchment" strategy, however, method involved in their execution is completely different. Explain. **(5 Marks)**
- (b) Write short note on SWOT analysis. **(5 Marks)**

- 4 (a) ABC Limited is in a wide range of businesses which include apparels, lifestyle products, furniture, real estate and electrical products. The company is looking to hire a suitable Chief Executive Officer. Consider yourself as the HR consultant for ABC limited. You have been assigned the task to enlist the activities involved with the role of the Chief Executive Officer. Name the strategic level that this role belongs to and enlist the activities associated with it. **(5 Marks)**
- (b) What is strategic decision making? What tasks are performed by a strategic manager? **(5 Marks)**
- 5 (a) BudgetSmart Retailers, a renowned supermarket chain, faced fierce competition in the grocery retail sector due to escalating operational expenses. Rising costs from rent, labor, and inventory management challenged their profitability amidst the emergence of discount stores and online competitors. To counter this, BudgetSmart Retailers optimized their supply chain through bulk procurement, revamped store layouts for cost efficiency and customer experience, embraced lean operational practices to minimize waste, and conducted comprehensive staff training to boost productivity and customer service efficiency.
- Identify and explain the strategy adopted by BudgetSmart Retailers to enhance the profitability. **(5 Marks)**
- (b) Modern marketing is highly promotion oriented. Discuss citing major direct promotional methods for products. **(5 Marks)**
- 6 (a) Distinguish between Operational Control and Management Control. **(5 Marks)**
- (b) Suraj Prakash and Chander Prakash are two brothers engaged in the business of spices. Both have different approaches to management. Suraj Prakash prefers the conventional and formal approach in which authority is used for explicit rewards and punishment. While, on the other hand, Chander Prakash believes in democratic participative management approach, involving employees to give their best.
- Analyse the leadership style followed by Suraj Prakash and Chander Prakash. **(5 Marks)**

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**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. (a) Data Mining
3. (b) Section 43A
4. (c) Resiliency
5. (b) System Control Audit Review File (SCARF)
6. (c) Business Process Automation
7. (c) Journal
8. (b) Concurrent Audit
9. (b) Desktop as a Service
10. (c) Market Risk

**PART II: DESCRIPTIVE QUESTIONS**

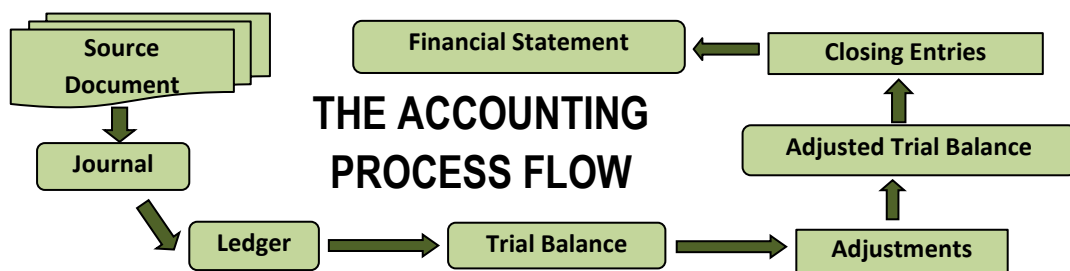
1. (a) **Application Controls** are controls which are implemented in an application to prevent or detect and correct errors. These controls are in-built in the application software to ensure accurate and reliable processing. These are designed to ensure completeness, accuracy, authorization and validity of data capture and transaction processing. For example: In banking, application software ensures that only transactions of the day are accepted by the system. Withdrawals are not allowed beyond limits, etc.

Some examples of Application controls are as follows-

- Data edits (editing of data is allowed only for permissible fields).
- Separation of business functions (e.g., transaction initiation versus authorization).
- Balancing of processing totals (debit and credit of all transactions are tallied).
- Transaction logging (all transactions are identified with unique id and logged).
- Error reporting (errors in processing are reported).
- Exception Reporting (all exceptions are reported).

- (b) **Cache memory** is a smaller, extremely fast memory type built into a computer's Central Processing Unit (CPU) and that acts as a buffer between RAM and the CPU. Cache Memory stores copies of the data from the most frequently used main memory locations so that CPU can access it more rapidly than main memory.

2. (a) Data is generally moved synchronously across telecommunication lines, however such data that is waiting to be transmitted are liable to unauthorized access called **Asynchronous Attacks**. These kinds of attacks make use of the timing difference between the time when the data is inputted to the system and the time when it gets processed by the system. These attacks are hard to detect because they are usually very small pin like insertions and are of following types :
- **Data Leakage:** This involves leaking information out of the computer by means of dumping files to paper or stealing computer reports and tape.
  - **Subversive Attacks:** These can provide intruders with important information about messages being transmitted and the intruder may attempt to violate the integrity of some components in the sub-system.
  - **Wire-Tapping:** This involves spying on information being transmitted over communication network.
  - **Piggybacking:** This is the act of following an authorized person through a secured door or electronically attaching to an authorized telecommunication link that intercepts and alters transmissions. This involves intercepting communication between the operating system and the user and modifying them or substituting new messages.
- (b) Various risks that are associated with the Current Account and Savings Account (CASA) process of Core Banking Systems (CBS) are as follows:
- Credit Line setup is unauthorized and not in line with the bank's policy.
  - Credit Line setup in CBS is unauthorized and not in line with the bank's policy.
  - Customer Master defined in CBS is not in accordance with the Pre-Disbursement Certificate.
  - Inaccurate interest/charge being calculated in CBS.
  - Unauthorized personnel approving the CASA transaction in CBS.
  - Inaccurate accounting entries generated in CBS.
3. (a) **Accounting or Book-keeping** cycle covers the business processes involved in recording and processing accounting events of a company. It begins when a transaction or financial event occurs and ends with its inclusion in the financial statements. A typical life cycle of an accounting transaction may include the following transactions:



- **Source Document:** A document that captures data from transactions and events.
- **Journal:** Transactions are recorded into journals from the source document.
- **Ledger:** Entries are posted to the ledger from the journal.
- **Trial Balance:** Unadjusted trial balance containing totals from all account heads is prepared.

- **Adjustments:** Appropriate adjustment entries are passed.
  - **Adjusted Trial balance:** The trial balance is finalized post adjustments.
  - **Closing Entries:** Appropriate entries are passed to transfer accounts to financial statements.
  - **Financial statement:** The accounts are organized into the financial statements.
- (b) **Hardware Virtualization:** Hardware Virtualization refers to the creation of a virtual machine that acts like a real computer with an operating system. Software executed on these virtual machines is separated from the underlying hardware resources. This enables the users to run different operating systems on the same machine simultaneously. For example, a computer that is running Microsoft Windows may host a virtual machine that looks like a computer with the Linux operating system-based software that can be run on the virtual machine.

The basic idea of hardware virtualization is to consolidate many small physical servers into one large physical server so that the processor can be used more effectively. The software that creates a virtual machine on the host hardware is called a Hypervisor that controls the processor, memory, and other components by allowing several different operating systems to run on the same machine without the need for a source code. The operating system running on the machine will appear to have its own processor, memory and other components.

**Storage Virtualization:** Storage Virtualization is an apparent pooling of data from multiple storage devices, even different types of storage devices into what appears to be a single device that is managed from a central console. Storage virtualization helps the storage administrator perform the tasks of backup, archiving, and recovery more easily and in less time by disguising the actual complexity of a Storage Area Network (SAN). Administrators can implement virtualization with software applications or by using hardware and software hybrid appliances. The servers connected to the storage system are not aware of where the data really is. Storage virtualization is sometimes described as “abstracting the logical storage from the physical storage”.

4. (a) The steps involved in the process of Data Mining are as follows:
- **Data Integration:** Firstly, the data are collected and integrated from all the different sources which could be flat files, relational database, data warehouse or web etc.
  - **Data Selection:** It may be possible that all the data collected may not be required in the first step. So, in this step we select only those data which we think is useful for data mining.
  - **Data Cleaning:** The data that is collected are not clean and may contain errors, missing values, noisy or inconsistent data. Thus, we need to apply different techniques to get rid of such anomalies.
  - **Data Transformation:** The data even after cleaning are not ready for mining as it needs to be transformed into an appropriate form for mining using different techniques like - smoothing, aggregation, normalization etc.
  - **Data Mining:** In this, various data mining techniques are applied on the data to discover the interesting patterns. Techniques like clustering and association analysis are among the many different techniques used for data mining.
  - **Pattern Evaluation and Knowledge Presentation:** This step involves visualization, transformation, removing redundant patterns etc. from the patterns we generated.
  - **Decisions / Use of Discovered Knowledge:** This step helps user to make use of the knowledge acquired to take better informed decisions.

(b) In Core Banking Systems, **Operational Risk** is defined as a risk arising from direct or in direct loss to the bank which could be associated with inadequate or failed internal process, people, and systems. For example- Inadequate audits, improper management, ineffective internal control procedures etc. Various types of Operational Risk are as follows:

- **Transaction Processing Risk** arises because faulty reporting of important market developments to the bank management may occur due to errors in entry of data for subsequent bank computations.
- **Information Security Risk** comprises the impact to an organization and its stakeholders that could occur due to the threats and vulnerabilities associated with the operation and use of information systems and the environments in which those systems operate. Data breaches can cost a bank its reputation, customers can lose time and money and above all their confidential information.
- **Legal Risk** arises because of the treatment of clients, the sale of products, or business practices of a bank. There are countless examples of banks being taken to court by disgruntled corporate customers, who claim they were misled by advice given to them or business products sold. Contracts with customers may be disputed.
- **Compliance Risk** is exposure to legal penalties, financial penalty, and material loss an organization faces; when it fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices.
- **People Risk** arises from lack of trained key personnel, tampering of records, unauthorized access to dealing rooms and nexus between front and back-end offices.

5. (a) The risks that are involved in an e-Business environment are as follows:

- (i) **Privacy and Security:** When an organization uses internet to engage in e-commerce, it exposes itself to additional security threats and privacy issues. There are often issues of security and privacy due to lack of personalized digital access and knowledge. The nature of e-commerce operations is an important factor determining the security risks perceptions of any e-commerce installation. For example, if the type of industry is banking and finance, it would require more stringent deployment of security solutions than would be for manufacturing industry.
- (ii) **Quality issues:** There are quality issues raised by customers as the original product differs from the one that was ordered.
- (iii) **Delay in goods and Hidden Costs:** When goods are ordered from another country, the shipment may be delayed due to factors such as port congestion, bad weather, custom clearances, etc. Moreover, e-commerce companies may have these hidden costs.
- (iv) **Needs access to internet and lack of personal touch:** The e-commerce requires an internet connection which is an extra expense and lacks personal touch.
- (v) **Security and Credit card issues:** The credit card and debit card information may be stolen and misused which poses a security threat. There is also possibility of cloning of credit cards and debit cards.
- (vi) **Infrastructure:** There is a greater need of not only digital infrastructure but also network expansion of roads and railways which remains a substantial challenge in developing countries.

- (vii) **Problem of anonymity:** There is a need to identify and authenticate users in the virtual global market where anyone can sell to or buy from anyone, anything from anywhere.
  - (viii) **Repudiation of contract:** There is possibility that the electronic transaction in the form of contract, sale order or purchase by the trading partner or customer may be denied.
  - (ix) **Lack of authenticity of transactions:** The electronic documents that are produced during an e-commerce transaction may not be authentic and reliable.
  - (x) **Data Loss or theft or duplication:** The data transmitted over the Internet may be lost, duplicated, tampered with, or replayed.
  - (xi) **Attack from hackers:** Web servers used for e-commerce may be vulnerable to hackers. A hacker is an unauthorized user who attempts to or gains access to the system with/without the intention to steal or modify data or to insert viruses or worms to cause damage to the system.
  - (xii) **Denial of Service:** Service to customers may be denied due to non-availability of system as it may be affected by viruses, e-mail bombs and by transmitting so many data packets to a server that it cannot process them all. The denial of service may cause a network to shut down, making it impossible for users to access the site. For busy e-commerce sites such as Flipkart, these attacks are costly; while the site is shut down, customers cannot make purchases. Moreover, the longer a site is shut down, the more damage is done to a site's reputation.
  - (xiii) **Non-recognition of electronic transactions:** e-Commerce transactions, as electronic records and digital signatures may not be recognized as evidence in courts of law in some countries.
  - (xiv) **Lack of audit trails:** Audit trails in e-Commerce system may be lacking and the logs may be incomplete, too voluminous, or easily tampered with.
  - (xv) **Problem of piracy:** Intellectual property such as copyright may not be adequately protected when such property is transacted through e-Commerce.
- (b) Various aspects that an auditor shall consider while auditing the processes of an Enterprise Resource Planning (ERP) are as follows:
- **Functional Audit** – This includes testing of different functions / features in the system and testing of the overall process or part of process in the system and its comparison with actual process. For example - Purchase Process, Sales Process, Salary Calculation Process, Recruitment Process, etc. Auditor may check this process in the system and compare it with actual process. It is quite possible that all the aspect present in the actual process may not be integrated in the ERP system. There may be some manual intervention.
  - **Input Validation** – This stand for checking of rules for input of data into the system. For example - a transaction of cash sales on sales counter must not be recorded in a date other than today (not a future date or a back date), amount field must not be zero, stock item field shall not be empty, etc. Input validations shall change according to each data input form.

## SECTION – B: STRATEGIC MANAGEMENT

### SUGGESTED ANSWERS/HINTS

1. (A)

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

(B) (b)

(C) (a)

(D) (b)

(E) (d)

(F) (b)

(G) (b)

2. Sandeep group of companies have used **Benchmarking** as a strategic tool. Benchmarking is an approach of setting goals and measuring productivity of firms based on best industry practices or against the products, services and practices of its competitors or other acknowledged leaders in the industry. Thus, benchmarking is a process of continuous improvement in search for competitive advantage. Firms can use benchmarking practices to achieve improvements in a diverse range of management functions like product development, customer services, human resources management, etc.

Some of the common elements of benchmarking process are as under:

- **Identifying the need for benchmarking:** This step will define the objectives of the benchmarking exercise. It will also involve selecting the type of benchmarking. Organizations identify realistic opportunities for improvements.
- **Clearly understanding existing decisions processes:** The step will involve compiling information and data on performance. This will include mapping processes.
- **Identify best processes:** Within the selected framework best processes are identified. These may be within the same organization or external to it.
- **Comparison of own process and performance with that of others:** Benchmarking process also involves comparison of performance of the organization with performance of other organization. Any deviation between the two is analysed to make further improvements.
- **Prepare a report and implement the steps necessary to close the performance gap:** A report on benchmarking initiatives containing recommendations is prepared. Such a report also contains the action plans for implementation.
- **Evaluation:** Business organizations evaluate the results of the benchmarking process in terms of improvements vis-à-vis objectives and other criteria set for the purpose. It also periodically evaluates and resets the benchmarks in the light of changes in the conditions that impact the performance.

3. (a) Expansion strategy is implemented by redefining the business by adding to the scope of business substantially increasing the efforts of the current business. On the other hand, Retrenchment strategy involves redefinition of business by divesting a major product line or market.

Expansion is a promising and popular strategy that tends to be equated with dynamism, vigour, promise and success. Retrenchment or retreat becomes necessary or expedient for coping with particularly hostile and adverse situations in the environment and when any other strategy is likely to be suicidal.

Expansion may take the enterprise along relatively unknown and risky paths, full of promises and pitfalls. Retrenchment involves regrouping and recouping of the resources.

- (b) SWOT analysis is a tool used by organizations for evolving strategic options for the future. The term SWOT refers to the analysis of strengths, weaknesses, opportunities and threats facing a company. Strengths and weaknesses are identified in the internal environment, whereas opportunities and threats are located in the external environment.
- (a) **Strength:** Strength is an inherent capability of the organization which it can use to gain strategic advantage over its competitor.
  - (b) **Weakness:** A weakness is an inherent limitation or constraint of the organisation which creates strategic disadvantage to it.
  - (c) **Opportunity:** An opportunity is a favourable condition in the external environment which enables it to strengthen its position.
  - (d) **Threat:** An unfavourable condition in the external environment which causes a risk for, or damage to the organisation's position.

The major purpose of SWOT analysis is to enable the management to create a firm-specific business model that will best align, fit or match an organisational resources and capabilities to the demands of the environment in which it operates.

4. (a) **The role of Chief Executive Officer pertains to corporate level.**

The corporate level of management consists of the Chief Executive Officer (CEO) and other top-level executives. These individuals occupy the apex of decision making within the organization.

The role of Chief Executive Officer is to:

1. oversee the development of strategies for the whole organization;
  2. defining the mission and goals of the organization;
  3. determining what businesses, it should be in;
  4. allocating resources among the different businesses;
  5. formulating, and implementing strategies that span individual businesses;
  6. providing leadership for the organization;
  7. ensuring that the corporate and business level strategies which company pursues are consistent with maximizing shareholders wealth; and
  8. managing the divestment and acquisition process.
- (b) 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 organizational goals. Decisions may be operational i.e., which relate to general day-to-day operations. They may also be strategic in nature. According to Jauch and Glueck **“Strategic decisions encompass the definition of the business, products to be handled, markets to be served, functions to be performed and major policies needed for the organisation to execute these decisions to achieve the strategic objectives.”**

The primary task of the strategic manager is conceptualizing, designing and executing company strategies. For this purpose, his tasks include:

- ◆ Defining the mission and goals of the organization.
- ◆ Determining what businesses, it should be in.
- ◆ Allocating resources among the different businesses.
- ◆ Formulating and implementing strategies that span individual businesses.

- ◆ Providing leadership for the organization.
5. (a) Budget Smart Retailers adopted a **cost leadership strategy** to enhance profitability in the fiercely competitive grocery retail sector. It is a low-cost competitive strategy that aims at broad mass market. It requires vigorous pursuit of cost reduction in the areas of procurement, production, storage and distribution of product or service and also economies in overhead costs. Because of its lower costs, the cost leader is able to charge a lower price for its products than most of its competitors and still earn satisfactory profits.

By negotiating bulk procurement deals with suppliers, BudgetSmart Retailers lowered their cost of goods, allowing them to offer competitive prices to customers. The revamping of store layouts aimed to maximize space utilization and product placement, reducing operational costs and improving the overall shopping experience. Embracing lean principles minimized waste in the supply chain, reducing unnecessary expenses and improving efficiency. Comprehensive staff training boosted employee productivity and customer service efficiency, contributing to cost reduction and enhanced customer satisfaction.

- (b) Modern marketing is highly promotional oriented and includes personal selling, advertising, publicity and sales promotion.

**Personal selling** – involves face to face interaction of salespersons with prospective customers and provides a high degree of personal attention. It involves working with one customer at a time and hence is not cost effective. The intention of oral communication is sale.

**Advertising** – is a non-personal, flexible and dynamic promotion method. The media for advertising are several and choice of an appropriate one is important for effectiveness of message. The sales of the product and the amount of expenditure cannot be directly measured.

**Publicity** – is also non-personal but no payments are made to the media. Publicity is communication of a product, brand or business by placing information about it in the media without paying for the time or media space directly. It could be through press releases, press conferences, reports, etc.

**Sales promotion** – includes all activities that are undertaken to promote the business but are not specifically included under personal selling, advertising or publicity. Activities like discounts, contests, money refunds, exhibitions etc. are included.

6. (a) **Differences between Operational Control and Management Control are as under:**

- (i) The thrust of operational control is on individual tasks or transactions as against total or more aggregative management functions. When compared with operational, management control is more inclusive and more aggregative, in the sense of embracing the integrated activities of a complete department, division or even entire organization, instead of mere narrowly circumscribed activities of sub-units. For example, procuring specific items for inventory is a matter of operational control, in contrast to inventory management as a whole.
- (ii) Many of the control systems in organizations are operational and mechanistic in nature. A set of standards, plans and instructions are formulated. On the other hand, the basic purpose of management control is the achievement of enterprise goals – short range and long range – in an effective and efficient manner.

- (b) Suraj Prakesh is a follower of **transactional leadership style** that focuses on designing systems and controlling the organization's activities. Such a leader believes in using the authority of his office to exchange rewards, such as pay and status. They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement. Transactional leaders try to build on the existing culture and enhance current practices. The style is better suited in persuading people to work efficiently and run operations smoothly.

On the other hand, Chander Prakash is a follower of **transformational leadership style**. The style uses charisma and enthusiasm to inspire people to exert them for the good of the organization. Transformational leaders offer excitement, vision, intellectual stimulation and personal satisfaction. They inspire involvement in a mission, giving followers a 'dream' or 'vision' of a higher calling so as to elicit more dramatic changes in organizational performance. Such a leadership motivates followers to do more than originally affected to do by stretching their abilities and increasing their self-confidence, and also promote innovation throughout the organization.