

FINAL EXAMINATION

June 2015

F-P13(MSM)
Syllabus 2008

Management Accounting-Strategic Management

Time Allowed: 3 Hours

Full Marks: 100

This figures in the margin on the right side indicate full marks.

(Please answer all parts of a question at one place)

SECTION I (60 marks)

(Strategic Management)

Answer question No. 1 and any two more from the rest in this section.

1. (a) In each of the cases/statements given below, one of the four alternatives given is most appropriate. Choose the correct answer. (*Answer any ten*) 1×10=10
- (i) The following market structure is commonly identified with FMCG products:
- (a) Perfect Competition
 - (b) Monopoly
 - (c) Monopolistic Competition
 - (d) Oligopoly
- (ii) Sensitivity analysis is a modelling procedure
- (a) used in planning where changes are made to the estimates of the variables to see the effect of the outcome.
 - (b) where assumptions made about the variables are insensitive to changes in the environmental factors.
 - (c) that assumes no relationship exists between the input variables and the result produced.
 - (d) that is exclusively used in the implementation stage and not in the planning process.
- (iii) Societal marketing is not the following:
- (a) a concept that calls for customer orientation
 - (b) backed by integrated marketing
 - (c) aimed at generating customer satisfaction
 - (d) the key to profitable volume in the short-run
- (iv) The following is not a requisite of an effective strategy:
- (a) Flexibility and cost effectiveness
 - (b) Creation of a huge organization structure
 - (c) Responsiveness to global customers
 - (d) Environment-friendliness

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- (v) Strategies formed for employee retention by the Human Resources Manager of a production company is
 - (a) a functional level strategy.
 - (b) a business level strategy.
 - (c) a corporate level strategy.
 - (d) a grand strategy.
- (vi) The following is not an example of distinctive competency:
 - (a) superior product quality on a particular attribute
 - (b) highly specialized product created for a particular marketing segment
 - (c) superior R & D feature not provided by competitors
 - (d) creating an exact copy of the existing growth-stage product
- (vii) Switching from one supplier's product to another's is not associated with
 - (a) having to buy ancillary equipment compatible with the new product.
 - (b) the loss of the existing supplier's after-sales service.
 - (c) the risk of lesser reliability of the new supplier.
 - (d) the seamless migration from one product to another.
- (viii) Identify the wrong statement from the following:
 - (a) Dogs are products in low growth, low market share
 - (b) Question marks are products in a high-growth, high market share
 - (c) Stars are products in high growth and high market share
 - (d) Cash cows are products in low growth, high market share
- (ix) The following is not a quantitative tool for demand forecasting:
 - (a) Delphi Technique
 - (b) Exponential Smoothing
 - (c) Correlation
 - (d) Econometric Models
- (x) Conglomerate growth
 - (a) refers to diversification in related technologically similar field.
 - (b) relates to forward vertical integration.
 - (c) refers to unrelated diversification.
 - (d) refers to backward vertical integration.

- (xi) The following is not true:
- (a) Objectives are timeless, whereas goals are time-phased.
 - (b) Objectives are in broad, general terms, while goals are specific.
 - (c) Objectives are more internal to the organization, while goals are stated in relevant environment external to the organization.
 - (d) Both objectives and goals can be stated in terms which are quantitatively measured but the character of measurement is different.
- (b) State whether the following statements are "True" or "False" with justification for your answer. No credit will be given for an answer without a justification. 1×5=5
- (i) A "vision statement" is a statement of intentions of what a company wants to create and through which lines of business.
 - (ii) International Trade is concerned with exchange of goods and services in non-convertible foreign currencies.
 - (iii) Market Segmentation is the division of a market with fairly heterogenous subsets chosen, reached and served by its own tailored marketing mix.
 - (iv) "Loss Leader" is the leader who is unable to conceptualise and analyse strategic problems.
 - (v) Supply Chain is the series of internal processes or activities a company performs to produce, design, deliver and support its product.
- (c) Define the following (in not more than two sentences) : 1×5=5
- (i) Penetration Pricing
 - (ii) Strategic Business Unit (SBU)
 - (iii) Delphi Technique
 - (iv) Product Life Cycle
 - (v) Total Quality Management
2. (a) What is the purpose of a mission statement of a corporate entity? What are the characteristics of a mission statement? 3+4=7
- (b) Write a short note on "product gap". 5
- (c) Explain the concept of "Public Private Partnership" (PPP) in the context of infrastructural development in India. What are the major obstacles faced in the implementation of a PPP project? Suggest ways to overcome these obstacles. 2+3+3=8
3. (a) Describe the impact of globalization on competition. 7
- (b) Explain the Ansoff Matrix using the example of a car manufacturing company. 8
- (c) Why do new products fail? 5
4. (a) Write short notes on *any two*: 5+5=10
- (i) Importance of market orientation to strategic planning
 - (ii) Backflush Costing
 - (iii) Cost of Quality

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- (b) Discuss how the concepts of product positioning, product differentiation and market segmentation relate to each other. 6
- (c) What is sensitivity analysis? How is it used? 4

SECTION II (40 marks)

(Risk Management)

Question 5 is compulsory. Answer any two questions from the remaining three questions.

(Please answer all parts to a question at one place)

5. (a) Choose the most appropriate alternative from the given alternatives (*Answer any five*) 1×5=5
- (i) Instruments of hedge against risk do not include
- (a) Letter of Credit
 - (b) Guarantee
 - (c) Underwriting
 - (d) Rights Issue
- (ii) Indemnity clause is not applicable in the case of
- (a) Vehicle Insurance
 - (b) Loss of Profit Insurance
 - (c) Fire Insurance
 - (d) Life Insurance
- (iii) The following is not an example of pure risk
- (a) damage to property by fire
 - (b) damage to property by flood
 - (c) an event that could produce either a profit or loss
 - (d) premature death caused by accident
- (iv) Risk management technique does not include
- (a) Risk avoidance
 - (b) Risk premium
 - (c) Risk Retention
 - (d) Risk Transfer
- (v) The following is not true:
- (a) Futures contract has liquidity.
 - (b) A forward contract is not settled by delivery of the asset on a specified date.
 - (c) Futures provide an arbitrage opportunity to speculators.
 - (d) Futures are a special form of forward contracts.

- (vi) The Risk Management Group (RMG) of an organization should report to the following, as per best practice
- The individual Divisional Heads of the organization
 - The Insurance Dept. or the Finance Dept. which takes care of insurance in the organization
 - The Board, through the Audit Committee
 - The CEO of the organization
- (b) State whether the following statements are "True" or "False", justifying your answer. No marks will be given for an answer without a justification. 1×5=5
- The values exchanged by the contracting parties in an insurance contract are equal.
 - The most commonly used techniques for measuring liquidity risks is the gap analysis of current assets to the maturing liabilities.
 - Professional indemnity insurance covers the insured against legal liability towards claims to third parties in respect of accidental death/bodily injury and/or property damage arising out of the specified business of the insured and the legal cost/expenses incurred in connection with the claim.
 - Portfolio Management reduces systematic risk.
 - Financial risk includes trade cycle.
6. (a) What are the characteristics of insurance exposures? 6
- (b) Explain the concept of hedging with the example of an airlines operator. 4
- (c) How is the pricing of an insurance product done? 5
7. Write short notes on *any three* of the following: 5×3=15
- Risk Pooling
 - Liquidity Risk Management
 - Strategies of Risk Management
 - Solvency related measures for risk management
8. (a) Explain the Utility Theory in Risk Management. 6
- (b) Explain the following concepts:
- Risk Avoidance 3
 - Self Insurance 3
 - Hold – Harmless Agreements 3