



# Test Paper 1

Topic Covered - Chapter 4

Imp Note: Every Question is Compulsory try to solve all paper

Marks: 23

Time: 45 mins.

## **PART I - INDEPENDENT MCQ QUESTIONS (3 MARKS)**

1) A women's clothing brand recognized new opportunities and researched emerging trends and consumer preferences. They introduced a new clothing line, received positive feedback from initial trials, and grew through strategic partnerships and targeted advertising. What strategic choice best describes this approach? [1 Mark]

- a) Product Development
- b) Market Development
- c) Market Penetration
- d) Diversification

2) Which strategy is implemented after the failure of turnaround strategy?

[1 Mark]

- a) Expansion strategy
- b) Diversification strategy
- c) Divestment strategy
- d) Growth strategy

3) If suppliers are unreliable or too costly, which of these strategies may be appropriate?

[1 Mark]

- a) Horizontal integration
- b) Backward integration
- c) Market penetration
- d) Forward integration



## **PART II - DESCRIPTIVE QUESTIONS (20 MARKS)**

- 1) Explain the concept of vertically integrated diversification. How is forward integration different from backward integration? [4 Marks]
  
- 2) Start-ups rarely aim for stability strategy. While agreeing with the statement or otherwise, support your point of view by briefly stating as to when the stability strategy is meaningful. State the major reasons for considering stability strategy as one of the corporate strategies by a company. [4 Marks]
  
- 3) Organic Beverages has been manufacturing various soft drinks for over a decade. It has developed a sugar free beverage to cater to the needs of specific customers by spending heavily on research and development for this product. In addition, a lot of money was spent on marketing (branded as 'Say no to Sugar') and in obtaining licence for it. In a span of five months, company has gained a major share in the market for this new product and it is growing rapidly. Profitability of this product is also better. In order to take the advantage of best opportunity for expansion, it has to make heavy investment to maintain their position in current and new market. Classify 'Say no to Sugar' product in the most related category in the two dimensional growth share matrix as per Boston Consulting Group. Explain the strategies which can be pursued post identification and classification of products in such matrix. Also state the limitations of this technique as one of the strategic options. [4 Marks]
  
- 4) Explain the 'product market growth matrix' as propagated by Igor Ansoff as a device for identifying growth opportunities for the future. [4 Marks]
  
- 5) You are the CFO of a multinational corporation that has been facing declining profitability in one of its business units for the past three years. It has been struggling with negative cash flows and intense competition. Significant investment would be needed for technological upgrades. You are not interested in investing in restructuring and revitalizing. A more promising investment opportunity is available elsewhere. As CFO, what step would you take in response to this situation? How would you justify your decision? [4 Marks]