



GRAPH PAPER IS ON THE PENULTIMATE PAGE
Book No. 1 (containing 20 pages)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

..... INTERMEDIATE Examination

Paper No. 7 Section No: **B**

Subject: STRATEGIC MANAGEMENT

Number of Answer Books used : Main + additional sheets

For use by ICAI only

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Q.No.	To be ticked (✓) by the candidate against the Questions answered	Marks Awarded (To be filled by Examiner)					Total
		a	b	c	d	e	
1							
2							
3							
4							
5							
6							
7	✓	2	2	1	1/2	0	6 1/2
8	✓	1/2	1	1/2	0	1/2	5 1/2
9							
10	✓	3	3 1/2				6 1/2
11	✓	3	3 1/2				6 1/2
12	✓	3 1/2	1 1/2				5
13							
14							
Total							30

B

Use only Blue / Black Ball Point Pen to write and shade the circles.
AVOID RED PEN.
Write the marks in the boxes before shading the respective circles.

Total Marks awarded

3	0	
0	●	1
1	●	2
2	●	3
3	●	4
4	●	5
5	●	6
6	●	7
7	●	8
8	●	9
9	●	

Total Marks awr

Thirty

Examiner's

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INSTRUCTIONS TO THE CANDIDATE

Answers are not to be written on this page

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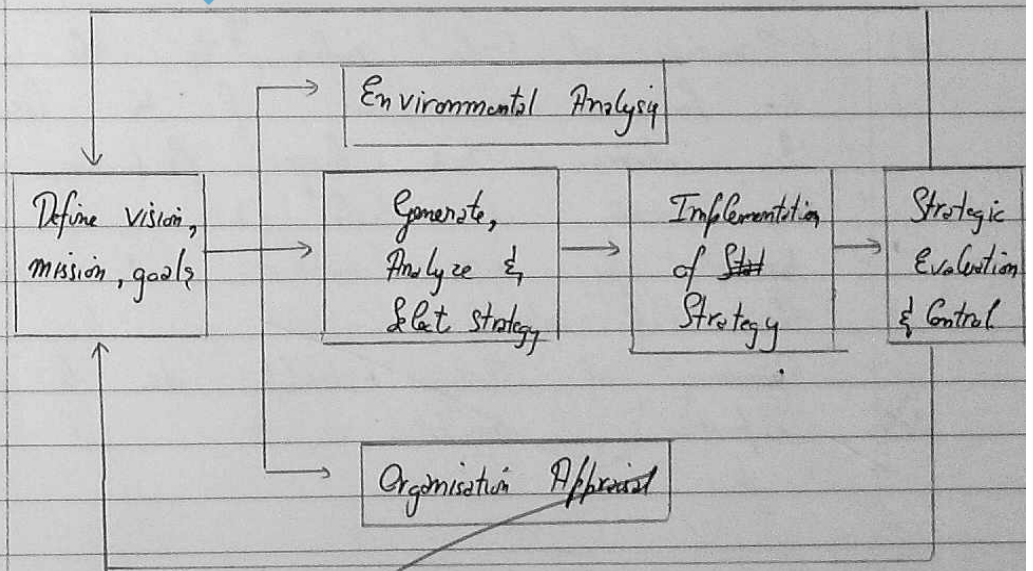


7

- (a) The different strategic levels in an organisation includes the following:
- Corporate level - Includes top management and concerned with overall strategies.
 - Business/Division level - Includes middle level managers such as General Managers and concerned with business level strategies.
 - Functional level - Includes functional managers concerned with functional strategies.

2

(b) DIAGRAMMATIC REPRESENTATION OF SMM



2

STRATEGIC MANAGEMENT MODEL



(c) The advantages of Strategic Alliances include:

(i) Economical - Due to co-specialisation, firms/strategic partners are able to reduce their costs, achieve economy of scale and able to produce goods cheaply. Alliance also remove duplication of activities.

(ii) Political - Strategic Alliance with local firms help foreign firms to prevent local prejudice and legal barriers and enter into foreign market.

(d) 'Economies of Scale' refers to the reduction in per unit cost of the firm due to voluminous and huge production.

En Economies of scale act as a great barrier for a new entrant and reduce threat of entry.

EC Economies of scale develop due to specialisation, expertise, innovation, etc.

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(2) Augmented Marketing aims at provision of services build around core product and service. Such marketing has raised the level of customer satisfaction to unprecedented level.

Example - (i) Selling of films and software over the internet.

(ii) Provision of After Sale Service.

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8

(a) Correct

Vision is one of the five key elements of Strategic Intent other being mission, business definition, business model and goals and objectives.

Vision is the blue-print of company's future representing where the company wants to land in future.

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(b) Incorrect

Structure has significant impact on the strategy since it dictates how company will achieve its business objectives and how resources are distributed among organisation.

Change in strategy has impact on structure and vice-versa.

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(c) Incorrect
 Benchmarking refers to setting goals and measuring the entity's productivity with best in the industry.
 Whereas, Business Process Reengineering refers to the analysis and redesign of process within and around the organisation.

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(d) Correct
 Acquiring the activities/business that uses the product of entity and/or acquiring the distributional channel is known as forward integration.
 Acquiring the ambulance service is one such activity.

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(e) Incorrect
 When firm moves backward in product-process chain and acquire the business whose product is used by firm or simply acquiring suppliers' / input providers' business is known as backward integration.

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10

(a) Corporate Culture refers to values, beliefs, business principles, traditions, ways of operating, work environment, etc.

Corporate Culture has significant impact on company's operations, level of employees' motivation and general environment.

Corporate Culture can ~~origin~~ originate from anywhere such as division, department, senior management, bottom of the organisation or simply from story being told to new employees of company's operations.

Corporate Culture can be ally or an enemy. It could be strength or a weakness. As:

(i) Corporate Culture as a strength - When corporate culture helps in achievement of business objective, exert positive impact on business, it is said to be strength. A corporate culture is strength if it helps in strong fit to strategy.



To make ~~the~~ culture strength, managers should clearly ~~comp~~ communicate the values and beliefs to employees.

(ii) Corporate Culture as a weakness - When corporate culture impedes firm from achieving its objective or it becomes constraint to strategy execution, it is said to be weakness. Corporate Culture becomes weakness when many sub-culture develops in organisation leading to negative beliefs and lowering of morale.

12
13



(b) Marketing Mix refers to the set of marketing variables that company's management blends in order to serve the target market. It includes 4 Ps - Product, Price, Place and Promotion.

(i) Product - It refers to goods and service that company offers to target market. Strategy needs to be made regarding product along with packaging, labelling and other services.

(ii) Price - It refers to amount that the customer has to pay for goods or service. Strategies are needed for customer location, transportation, etc.

(iii) Place - It refers to the process through which goods / services are offered to customers. Strategies are needed for marketing channel.

(iv) Promotion - It refers to the process of informing the customers about merit of products and induce them to buy the product.



The modern marketing has further included following 3 Ps:

(v) People - It refers to person who initiates the provision of product and who influence the buyer's perception namely sales ~~personnel~~ and customers.

(vi) Physical Evidence - It refers to environment in which sale is initiated and firm and customers interact.

(vii) Process - It refers to procedure through which goods are offered to customers.

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11

- (a) Supply Chain Management refers to planning, implementation and ~~the~~ controlling the supply chain operation. It involves the following:
- (i) Product Development - The process starts ~~not~~ with development of product which involves inducing innovation in the way product is produced and sold.
 - (ii) Procurement - This step involves interaction with suppliers. It is said that supplying should be involved in production process.
 - (iii) Manufacturing - Manufacturing should be done on JIT - Just in Time Basis to lower the inventory level.
 - (iv) Physical Distribution - This is usually last step of product movement and in value delivery of goods to customers.
 - (v) Outsourcing business - It is rightly said that should only focus on its competency.

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and (outsource the rest.

(vi) Customer Service - Supply Chain Management
shall focus on building relationship with
customers by providing them after sales
services.

(vii) Performance Measurement - Measurement should not
just include organisation's performance but
evaluating efficiency, effectiveness of suppliers
and relationship with customers too.

3



(b) Strategy cannot be predicted completely in advance. It is the combination of both pro-active and re-active actions.

Proactive action refers to pre-determined action of management whereas reactive action refers to adaptive responses to circumstances.

Most of the company strategy part flows from previous actions and strategies from prior periods and new initiatives that the manager takes to strengthen the company position. It involves studying the environment and preparing strategy to be competitive leader and have edge over other industries.

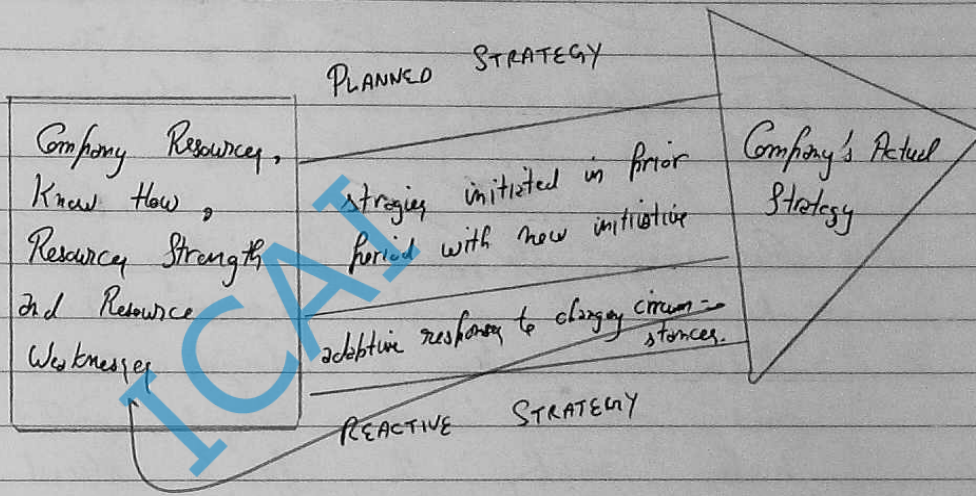
However, organisation's environment is dynamic and could change unexpectedly. This requires immediate response from managers to make necessary adjustment to strategy to make it environment responsive. Such actions and adjustment include adaptive changes to changing circumstances.



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Hence it is rightly said that strategy is partly proactive and partly reactive.

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12

(a) Strategic Change refers to the complex procedure that involves corporate strategy aiming at new goods, product, service, and new way of doing business.

The process of strategic change involves the following -

(i) Recognizing the need for change - It involves diagnosing the facets of current culture that need to be changed and that need not to be changed. It further involves matching the firm's internal resources, capabilities and strengths to external environment to ensure it is taking opportunities and avoiding threats. If not then strategy needs to be changed.

(ii) Developing shared vision to manage the change - The second step involves developing the shared vision that the organizational goals and individual goals are in line. If not, it could cause the conflict in initiating change and strategic change could



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fail. Hence, strategist should aim that developing shared vision by aligning the objectives of organisation with that of individuals, to form basis for change.

(iii) Institutionalise the change - It refers to implementing the change. It is most difficult process / step. At this process there is a shift from strategist to the operational and functional manager who actually implement the change. Hence, proper motivation, clear communication and effective management is needed to successfully implement the change and make it long lasting.

To make change long lasting, Kurt Lewin Lewin has proposed the following

procedure:

- (i) Unfreezing
 (ii) Changing to new situation - This process is implemented by following H.C. Kellman's pattern of change behaviour:

- Identification
- Compliance
- Conversion Conversion

(iii) Refreezing

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(b) Three aspects of Impact of IT system on Business Process Reengineering are :

- (i) Time Compression
- (ii) Reducing the Geographical Dispersion
- (iii) Restructuring Relationships.

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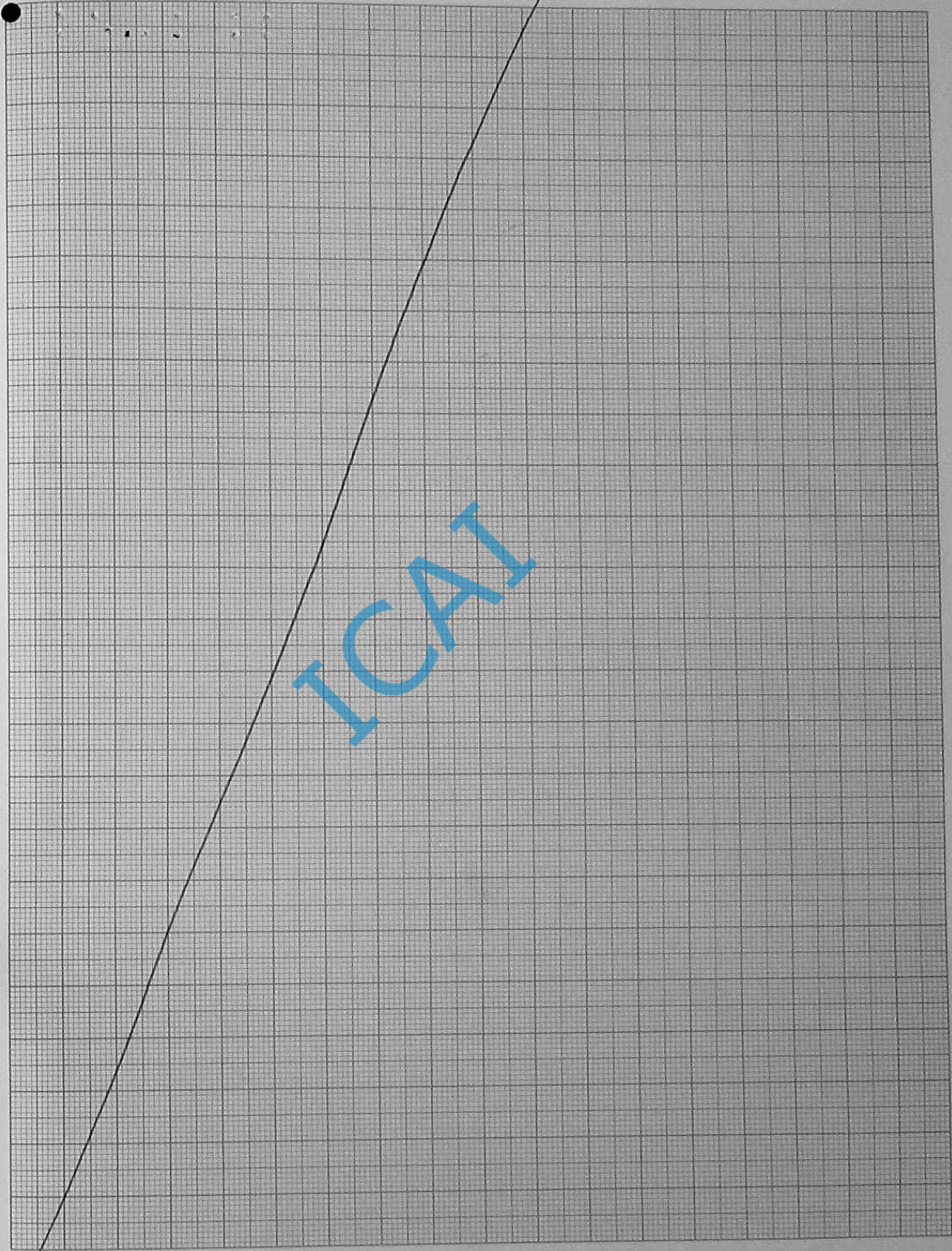


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Subject : ENTERPRISE INFORMATION SYSTEM

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16 NOV

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5							
6	✓	3 1/2	2				5 1/2
7							
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14							
Total							37

A

Use only Blue / Black Ball Point Pen to write and shade the circles. AVOID RED PEN. Write the marks in the boxes before shading the respective circles.

Total Marks awarded

37



Total Marks awarded (in words) THIRTY SEVEN ONLY

Examiner's Signature



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1

(a) Data flow diagram is a diagram in which page is divided into different 'swim lanes' and each lane represents different function or department of organisation. Hence, shapes and steps lying in each lane represents activities to be performed by concerned department.

Data flow diagram has an edge over traditional diagram as activities can be tracked to specific department under the former and helps in effective management.

(b) Data Analytics refers to the analysis of data and to obtain or draw out meaningful information from such data. This process involves using various tools and techniques to deep analysis of trend, patterns and relationship in data and provide results for decision making to stakeholders.

Different Data Analytics techniques involves EDA (Exploratory Data Analytics), Data Mining, etc.



(c) Cryptography is one of the technique or control of exercising 'Boundary Control' in organisation. Cryptography refers to the process of conversion of business data into cypher text which could only be decrypted by data application system.

It is an effective tool of protecting the data from unauthorized access and intrusion.

Different ways of cryptography are - ~~sub~~ substitute, transposition and product cypher.

(d) Digital library is one of the component of 'Technology Infrastructure' of components of E-Commerce.

Digital library refers to the collection of audio, video, images, multi media files that are required by E-Commerce technology in infrastructure. It also includes magnetic tape, cartridge, storage media and other such media used by E-Commerce.



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Q1(e) (d)

Proxy Server is one of the server of Bank's IT Environment.

Proxy Server refers to the computer that provides computer network services to the users. Such that user first makes connection with proxy server and then make indirect communication to other networks.

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Thus, instead of making direct connection with other networks, users are able to make indirect connection with other computing network, resources, page, etc.

Proxy Server can also utilize user's network and network which is requested for other purposes.

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2

- (a) Enterprise Risk Management is an effective tool that enables businesses to achieve their objectives in risk-filled environment. The various benefits of ERM process are:
- (i) Minimize operating surprises and losses - ERM prepares organisation for various risk that can affect business hence risk doesn't come as surprise to organisation.
 - (ii) Enhance Risk Responsive Decision - Rather than being mere spectators to risk, enterprise is able to take responsive decisions and strategy against risk.
 - (iii) Rationalize Capital - ERM process helps business to use its capital in more optimum way by utilizing opportunities subject to risk.
 - (iv) Align Risk Appetite and Goals Strategy - Risk appetite refers to the degree of risk company is ready to take. ERM process enables business to make strategy accordingly.



(v) Link risk, return and growth - With ERM process, business can link its growth objective with risk and returns. Hence, enables the business to achieve its goal effectively.

(vi) Provide integrated responses to multiple risks - ERM process enables the enterprise to tackle different risks with unified and integrated risk strategy.

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(b) A business organisation can choose either an integrated software for accounting as well as tax compliance or separate software for both. In either the condition, there are several ~~or~~ pros and cons. If company is choosing an integrated software for accounting and tax compliance, it is subject to following pros and cons:

(i) Features and Facility - Features and facility will be lower in integrated facility rather than separate because software performs multiple functions and will restrict the features. While separate software is dedicated one hence more features.

(ii) Efforts and Time Required - Effort and time required will be lower in integrated facility because data will automatically posted from one module to other in zero time.

(iii) Accuracy - Accuracy will be more as data will automatically transfer from one ~~data~~ module to other, hence no room for human error.



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(iv) Cost - Cost will be less than having separate software for both purpose because few features will be limited and not as detailed as in case of separate software for tax and accounting compliance.

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3

- (a) Web Application is one of the two ways of using software, other being 'Installed Application'. Web Application when compared to installed application is subject to some advantages and disadvantages given below:
- (i) Convenience and Maintenance - Web Application could be accessed from anywhere and anytime but installed software requires installing on every device before use. Web Application doesn't require installing as it is present on web server and can be maintained easily by making change at single server.
 - (ii) Accessibility - Since web Applications are installed on web server, they can be accessed from anywhere, 24x7 whereas installed application could only be used by coming to hardware where it is installed.
 - (iii) Mobile Computing - Web Applications could be accessed on mobile devices like cellular phones, PDA since they are installed on web server.



(iv) Data Access - In case of web application, data is stored on cloud storage where entity doesn't exercise complete control over such data. In case of installed application, entity has complete control.

(v) Data Security - Since entity doesn't exercise complete control on data, data is subject to various risk on internet.

(vi) Performance - A well installed application which is ~~not~~ coded properly has certainly better performance than web application due to bandwidth issue.

$$\frac{2\frac{1}{2} + 2\frac{1}{2}}{2}$$



(b) Such errors / attacks occur when data is being transmitted asynchronously over transmission lines. Data is waiting to be transmitted and liable to unauthorized access in such environment called Asynchronous Attacks. Such attacks are of four types:

(i) Data leakage - Such attacks leak the information out of system either by printing on paper or stolen CD or media.

8/2
(ii) Subversive Attack - An unauthorized attack or access that give power to intruder to make unauthorized changes to data waiting to get transmitted.

(iii) Wire Tapping - It is a form of spying on entity's data and stealing confidential information.

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(iv) Piggybacking - It refers to access to unauthorized area by following the authorized official. It involves making substitution or adding new information to data by ~~see~~ accessing the data simultaneously when official is assessing such data.



4

(a) The various new methods of Digital Payments include the following:

(i) Unified Payment Interface (UPI) - It refers to payment mode that allows bank to bank transfer using mobile applications. Currently this mode is only available for Andh. Android users. Example - BHIM, PhonePe.

(ii) Immediate Payment Service (IMPS) - It is real time bank to bank transfer using mobile phone. This service is increasingly being used in Net Banking and ATMs.

(iii) Mobile Apps - BHIM - Bharat Interface for Money is UPI based app developed by National ~~Em~~ Corp Payment Corporation of India (NPCI) which allow bank to bank transfer for users whose bank has registered for such service.

(iv) Mobile Wallet - These are the digital version of wallet wallet that user can link to his bank account and use for



making payments to vendors accepting such wallet. Example - Paytm, Free charge, etc.

(v) Aadhar Enabled Payment Service (AEPS) - Such service could be used to make payment by just using Aadhar number as details. It is currently in planning and hope to be soon launched in near future.

(vi) Unstructured Supplementary Service Data (USSD) - It is a revolutionary idea which could be used for checking balance, making payments, knowing MMID code without needing internet and smart phones. It can be simply utilized on featured phones by dialing *99#.

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(b) The key aspects in-built into architecture of a Core Banking System are:

(i) Information Flow - In CBS system, information flows from branches to centralized database kept at Data Centre hence, provide a consolidated view on Banking operations.

(ii) Customer Centric - The main view of CBS system is to provide right service to user at right time and providing right value. CBS aims at minimizing errors and mistakes.

(iii) Regulatory Compliance - The regulatory compliance of banks are difficult, numerous and complex. CBS system helps in compliance of such regulatory requirement effectively.

(iv) Resource Optimisation - CBS system directs the resources and channelizes them in most productive use hence contribute to optimum utilization of resources.

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~~5~~ 6

(a) Operating System refers to set of computer programs that manage hardware and provide interface for computer applications. To protect operating system various controls are required such as:

(i) Access Token - When every user login to operating system, OS should create access token which should include details of login along with list of access user have been allotted with in that particular session.

(ii) Access Control List - It is a list containing all the access provided to all the users. Whenever user login into facility, his access are checked from such list and provided to him accordingly.

(iii) Discretionary Access Control List - The owner may at his discretion change the privilege of users to system. In such a scenario, whenever user login, his access should be checked against this list too and if his access are increased/reduced in such



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list, the same will be initiated by system.
For Example - restricting the employees to the access of ledger accounts.

(iv) User Password Management - Password is very critical to the security of operating system access. Users should use a strong, well-created password so that their access is not subject to unauthorized changes.

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(v) Operating System Authentication and Management - A proper check should be made on access of operating system. Not everyone should have access to operating system. Access should be restricted accordingly by using the proper authentication system.

(vi) Event Logging - Whenever a user accesses an operating system, OS is subject to various risks and intrusion by the user. A proper system of log that records all movement of user right from logging in to logging out is necessary.

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(b) Risk and Control Objective for Human Resource Process at Configuration level are :

Risks	Controls
1. The former employees continue to have access to the system.	The access of employees shall be terminated immediately after they left the organisation.
2. Employees have access in excess of their requirements.	Employees shall have access on only 'need-to-know' basis to prevent undue use.

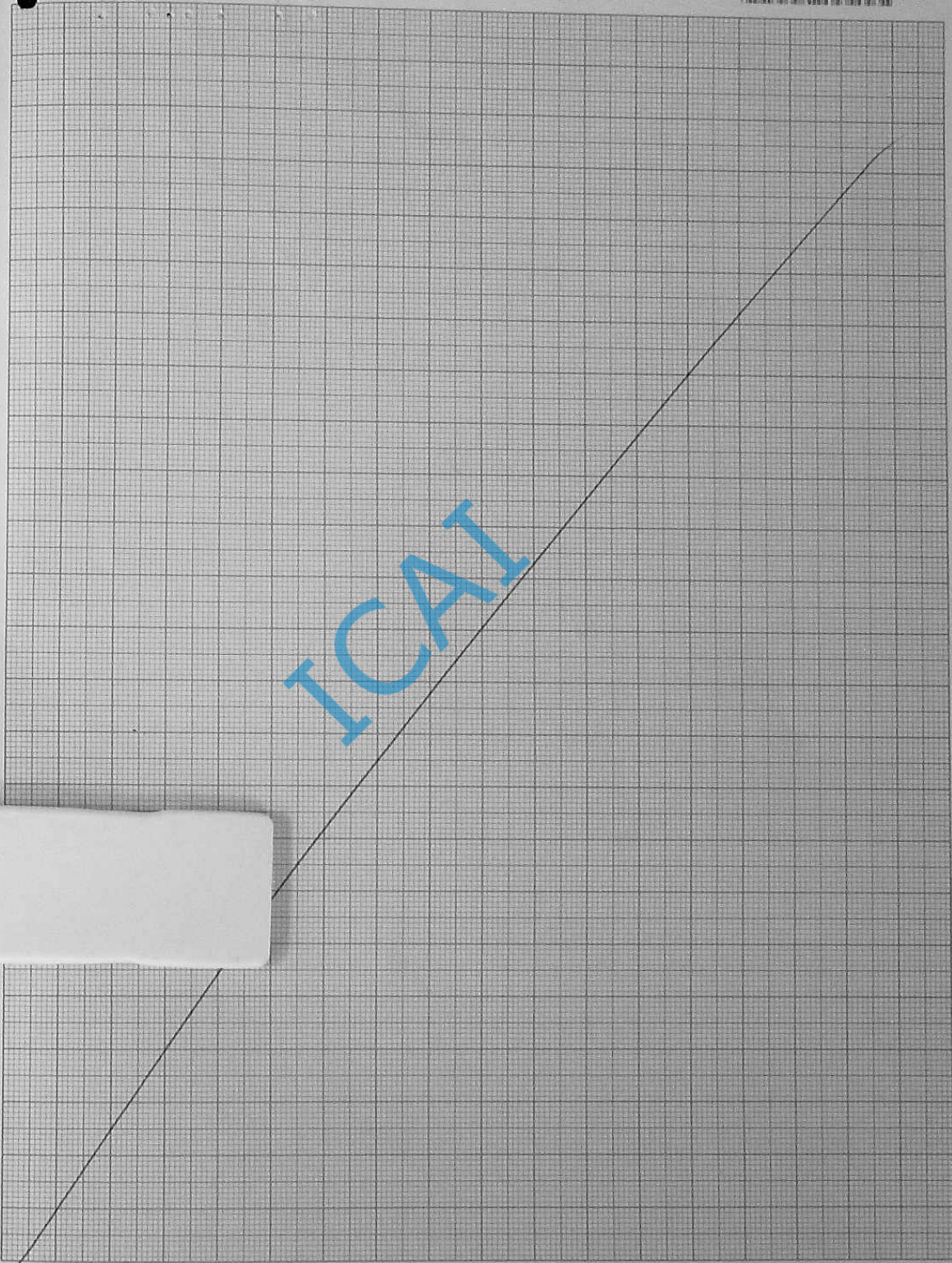
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