(GI–11, GI–12+15, GI–13+14, SI–5)

DATE: 13.02.2020   **MAXIMUM MARKS: 100**   **TIMING: 3¼ Hours**

EIS & SM

SECTION – A : ENTERPRISE INFORMATION SYSTEMS AND MANAGEMENT

Q. No. 1 & 2 is Compulsory,
Answer any three questions from the remaining four questions

Answer 1:

1. **Ans. d**
2. **Ans. d**
3. **Ans. d**
4. **Ans. d**
5. **Ans. a**
6. **Ans. b**
7. **Ans. c**
8. **Ans. b**   **{1 M Each x 15 = 15 Marks}**
9. **Ans. b**
10. **Ans. c**
11. **Ans. b**
12. **Ans. b**
13. **Ans. c**
14. **Ans. b**
15. **Ans. d**

Answer 2:

Master Data: As defined above, master data is relatively permanent data that is not expected to change again and again. It may change, but not again and again. In accounting systems, there may be following type of master data.   **{1 M}**

a.   Accounting Master Data – This includes names of ledgers, groups, cost centers, accounting voucher types, etc. E.g. Capital Ledger is created once and not expected to change frequently. Similarly, all other ledgers like, sales, purchase, expenses and income ledgers are created once and not expected to change again and again. Opening balance carried forward from previous year to next year is also a part of master data and not.   **{1 M}**

b. **Inventory Master Data –** This includes stock items, stock groups, godowns, inventory voucher types, etc. Stock item is something which bought and sold for business purpose, a trading goods. E.g. If a person is into the business of dealing in white goods, stock items shall be Television, Fridge, Air Conditioner etc. For a person running a medicine shop, all types of medicines shall be stock items for him/her. **{1 M}**

c. **Payroll Master Data –** Payroll is another area connecting with Accounting Systems. Payroll is a system for calculation of salary and recoding of transactions relating to employees. Master data in case of payroll can be names of employees, group of employees, salary structure, pay heads, etc.These data are not expected to change frequently. E.g. Employee created in the system will remain as it is for a longer period of time, his/her salary structure may change but not frequently, pay heads associated with his/ her salary structure will be relatively permanent. **{1 M}**

d. **Statutory Master Data –** This is a master data relating to statute/law. It may be different for different type of taxes. E.g. Goods and Service Tax (GST), Nature of Payments for Tax Deducted at Source (TDS), etc. This data also shall be relatively permanent. We don't have any control on this data as statutory changes are made by Government and not by us. In case of change in tax rates, forms, categories, we need to update/change our master data. **{1 M}**

Answer 3:
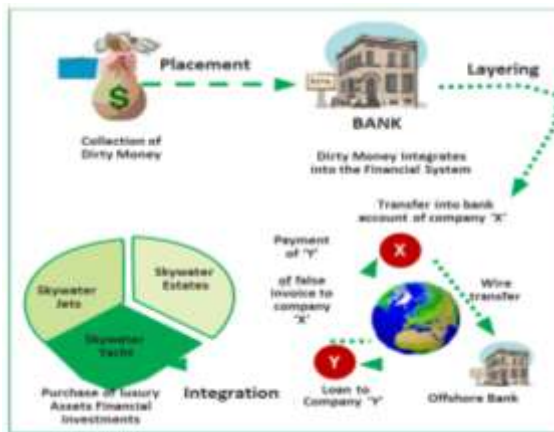**(a)   Three stages of Money Laundering**
    1.   Placement
        The first stage involves the **Placement** of proceeds derived from illegal activities.
        – the movement of proceeds, frequently currency, from the scene of the crime to a place, or into a form, less suspicious and more convenient for the criminal **{1 M}**

    2.   Layering
        Layering involves the separation of proceeds from illegal source using complex transactions designed to obscure the audit trail and hide the proceeds. The criminals frequently use shell corporations, offshore banks or countries with loose regulation and secrecy laws for this purpose. Layering involves sending the money through various financial transactions to change its form and make it difficult to follow. Layering may consist of several banks to bank transfers or wire transfers between different accounts in different names in different countries making deposit and withdrawals to continually vary the amount of money in the accounts changing the money's currency purchase high value items (boats, houses cars, diamonds) to change the form of money-making it hard to trace. **{1 M}**

3. **Integration**

   Integration involves conversion of illegal proceeds into apparently legitimate business earnings through normal financial or commercial operations. Integration creates the illusion of a legitimate source for criminally derived funds and involves techniques as numerous and creative as those used by legitimate businesses. For e.g. false invoices for goods exported, domestic loan against a foreign deposit, purchasing of property and comingling of money in bank accounts. **{1 M}**

III. **Anti-Money laundering (AML) using Technology**

   Negative publicity, damage to reputation and loss of goodwill, legal and regulatory sanctions and adverse effect on the bottom line are all possible consequences of a bank's failure to manage the risk of money laundering. Banks face the challenge of addressing the threat of money laundering on multiple fronts as banks can be used as primary means for transfer of money across geographies. The challenge is even greater for banks using CBS as all transactions are integrated. With regulators adopting stricter regulations on banks and enhancing their enforcement efforts, banks are using special fraud and risk management software to prevent and detect fraud and integrate this as part of their internal process and daily processing and reporting. **{2 M}**

IV. **Financing of Terrorism**

   Money to fund terrorist activities moves through the global financial system via wire transfers and in and out of personal and business accounts. It can sit in the accounts of illegitimate charities and be laundered through buying and selling securities and other commodities, or purchasing and cashing out insurance policies. Although terrorist financing is a form of money laundering, it doesn't work the way conventional money laundering works. The money frequently starts out clean i.e. as a 'charitable donation' before moving to terrorist accounts. It is highly time sensitive requiring quick response. **{1 M}**

Answer:

(b) From the perspective of e-commerce in India, the IT Act, 2000 and its provisions contain many positive aspects which are as follows:

- The implications for the e-businesses is that email is now a valid and legal form of communication in India that can be duly produced and approved inacour to flaw.
- Companies shall now be able to carry out electronic commerce using the legal infrastructure provided by the Act.
- Digital Signatures have been given legal validity and sanction in the Act.
- The Act throws open the doors for the entry of corporate companies in the business of being Certifying Authorities for issuing Digital Signatures Certificates.
- The Act allows Government to issue notification on the web thus heralding e-governance.
- The Act enables the companies to file any form, application or any other document with any office, authority, body or agency owned or controlled by the appropriate Government in electronic form by means of such electronic form as may be prescribed by the appropriate Government.
- The IT Act also addresses the important issues of security, which are so critical to the success of electronic transactions.
- The Act has given a legal definition to the concept of secure digital signatures that would be required to have been passed through a system of a security procedure, as stipulated by the Government at a later date.

(1 M for any 4 point)

Under the IT Act, 2000, it shall now be possible for corporates to have a statutory remedy in case if anyone breaks into their computer systems or network and causes damages or copies data. The remedy provided by the Act is in the form of monetary damages, not exceeding Rs.1 crore.

Answer 4:

(a) An **Operating System (OS)** is a set of computer programs that manages computer hardware resources and acts as an interface with computer applications programs. The operating system is a vital component of the system software in a computer system. Application programs usually require an operating system to function that provides a convenient environment to users for executing their programs. Computer hardware with operating system can thus be viewed as an extended machine, which is more powerful and easy to use. Some prominent Operating systems used nowadays are Windows 7, Windows 8, Linux, UNIX, etc. **{1 M}**

All computing devices run an operating system. For personal computers, the most popular operating systems are Microsoft's Windows, Apple's OS X, and different versions of Linux. Smart phones and tablets run operating systems as well, such as Apple's iOS, Google Android, Microsoft's Windows Phone OS, and Research in Motion's Blackberry OS.

A variety of activities are executed by Operating systems which include:

- **Performing hardware functions:** Application programs to perform tasks must obtain input from keyboards, retrieve data from disk & display output on monitors. Achieving all this is facilitated by operating system. Operating system acts as an intermediary between the application program and the hardware.

- **User Interfaces:** An important function of any operating system is to provide user interface. If we remember DOS days, it had a command based User Interface (UI) i.e. text commands were given to computer to execute any command. But today we are more used to Graphic User Interface (GUI) which uses icons & menus like in the case of Windows. So, how we interface with our system will be provided by Operating system.

- **Hardware Independence:** Every computer could have different specifications and configurations of hardware. If application developer would have to rewrite code for every configuration s/he would be in a big trouble. Fortunately, we have operating system, which provides Application Program Interfaces (API), which can be used by application developers to create application software, thus obviating the need to understand the inner workings of OS and hardware. Thus, OS gives us hardware independence. **(1 M for any 5 point)**

- **Memory Management:** Memory Management features of Operating System allow controlling how memory is accessed and maximize available memory & storage. Operating systems also provides Virtual Memory by carving an area of hard disk to supplement the functional memory capacity of RAM. In this way, it augments memory by creating a virtual RAM.

- **Task Management:** Task Management feature of Operating system helps in allocating resources to make optimum utilization of resources. This facilitates a user to work with more than one application at a time i.e. multitasking and allows more than one user to use the system i.e. time sharing.

- **Networking Capability:** Operating systems can provide systems with features & capabilities to help connect computer networks. Like Linux & Windows 8 give us an excellent capability to connect to internet.

- **Logical Access Security:** Operation systems provide logical security by establishing a procedure for identification & authentication using a User ID and Password. It can log the user access thereby providing security control.

- **File management:** The operating system keeps a track of where each file is stored and who can access it, based on which it provides the file retrieval.
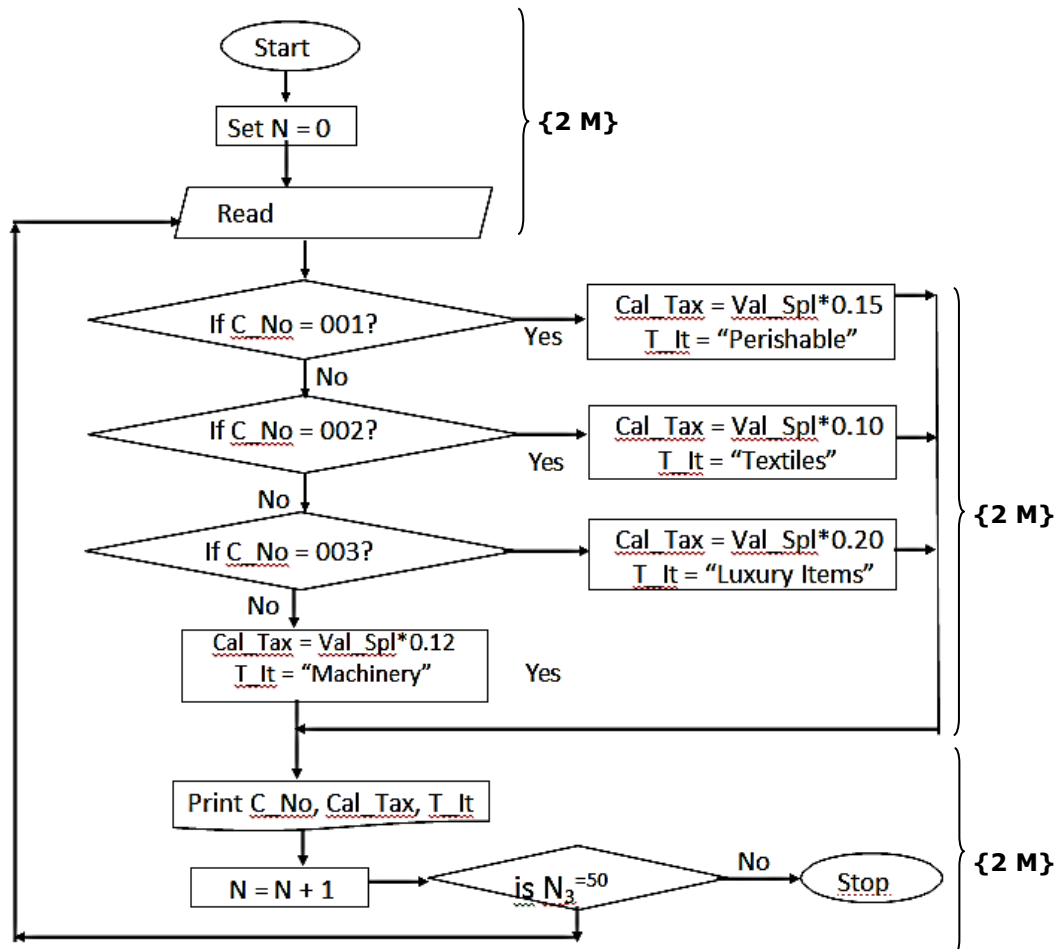
Answer:

(b)   **Preventive Controls:** These controls prevent errors, omissions, or security incidents from occurring.   **{1 M}**

Examples include simple data-entry edits that block alphabetic characters from being entered in numeric fields, access controls that protect sensitive data/ system resources from unauthorized people, and complex and dynamic technical controls such as anti virus software, firewalls, and intrusion prevention systems. In other words, Preventive Controls are those inputs, which are designed to prevent an error, omission or malicious act occurring. Some of the examples of Preventive Controls are as follows:

Any control can be implemented in both manual and computerized environment for the same purpose. Only, the implementation methodology may differ from one environment to the other. Some of the examples of preventive controls can be Employing qualified personnel; Segregation of duties; Access control; Vaccination against diseases; Documentation; Prescribing appropriate books for a course; Training and retraining of staff; Authorization of transaction; Validation, edit checks in the application; Firewalls; Anti-virus software (sometimes this acts like a corrective control also), etc., and Passwords. The above list contains both of manual and computerized, preventive controls.   **{3 M}**

Answer 5:

(a)   The variables are defined as follows:

C = Code No;   Val_Spl = Value of Supply;

T_It = Types of Item   N = Counter; Cal_Tax = Calculated Tax after GST

The required flowchart is as below:

Start

Set N = 0   **{2 M}**

Read

If C_No = 001? — Yes → Cal_Tax = Val_Spl*0.15 ; T_It = "Perishable"

No

If C_No = 002? — Yes → Cal_Tax = Val_Spl*0.10 ; T_It = "Textiles"

No

If C_No = 003? — Yes → Cal_Tax = Val_Spl*0.20 ; T_It = "Luxury Items"   **{2 M}**

No

Cal_Tax = Val_Spl*0.12 ; T_It = "Machinery"   Yes

Print C_No, Cal_Tax, T_It

N = N + 1 → is N_3 =50 — No → Stop   **{2 M}**

Answer:

(b)   Characteristics of Cloud Computing

The following is a list of characteristics of a cloud-computing environment. Not all characteristics may be present in a specific cloud solution. However, some of the key characteristics are given as follows:

* **Elasticity and Scalability:** Cloud computing gives us the ability to expand and reduce resources according to the specific service requirement. For example, we may need a large number of server resources for the duration of a specific task. We can then release these server resources after we complete our task.

* **Pay-per-Use:** We pay for cloud services only when we use them, either for the short term (for example, for CPU time) or for a longer duration (for example, for cloud-based storage or vault services).

* **On-demand:** Because we invoke cloud services only when we need them, they are not permanent parts of the IT infrastructure. This is a significant advantage for cloud use as opposed to internal IT services. With cloud services there is no need to have dedicated resources waiting to be used, as is the case with internal services.

* **Resiliency:** The resiliency of a cloud service offering can completely isolate the failure of server and storage resources from cloud users. Work is migrated to a different physical resource in the cloud with or without user awareness and intervention.

* **Multi Tenancy:** Public cloud service providers often can host the cloud services for multiple users within the same infrastructure. Server and storage isolation may be physical or virtual depending upon the specific user requirements.

* **Workload Movement:** This characteristic is related to resiliency and cost considerations. Here, cloud-computing providers can migrate workloads across servers both inside the data center and across data centers (even in a different geographic area). This migration might be necessitated by cost (less expensive to run a workload in a data center in another country based on time of day or power requirements) or efficiency considerations (for example, network bandwidth). A third reason could be regulatory considerations for certain types of workloads.

(1 M for any 4 points)

Answer 6 :

(a)   The major benefits that will be drawn out of automating the Grievance related business process and implementing the Grievance Management System are as follows: **{1 M}**

* **Quality and Consistency:** Ensures that every action is performed identically - resulting in high quality, reliable results and stakeholders will consistently experience the same level of service.

* **Time Saving:** Automation reduces the number of tasks employees would otherwise need to do manually. It frees up time to work on items that add genuine value to the business, allowing innovation and increasing employees' levels of motivation.

* **Visibility:** Automated processes are controlled and consistently operate accurately within the defined timeline. It gives visibility of the process status to the organization.

* **Improved Operational Efficiency:** Automation reduces the time it takes to achieve a task, the effort required to undertake it and the cost of completing it successfully. Automation not only ensures systems run

(1 M for 7 point)

smoothly and efficiently, but that errors are eliminated and that best practices are constantly leveraged.

- **Governance and Reliability:** The consistency of automated processes means stakeholders can rely on business processes to operate and offer reliable processes to customers, maintaining a competitive advantage.
- **Reduced Turnaround Times:** Eliminate unnecessary tasks and realign process steps to optimize the flow of information throughout production, service, billing and collection. This adjustment of processes distills operational performance and reduces the turnaround times for both staff and external customers.
- **Reduced Costs:** Manual tasks, given that they are performed one-at-a-time and at a slower rate than an automated task, will cost more. Automation allows us to accomplish more by utilizing fewer resources.

Answer:

(b) The term Web 3.0, also known as the Semantic Web, describes sites wherein the computers will be generated raw data on their own without direct user interaction. Web 3.0 is considered as the next logical step in the evolution of the Internet and Web technologies. **{2 M}**

SECTION – B : STRATEGIC MANAGEMENT

Q. No. 7 & 8 is Compulsory,

Answer any three questions from the remaining four questions

Answer 7:

1. **Ans. b**
2. **Ans. d**
3. **Ans. d**
4. **Ans. b**
5. **Ans. d**
6. **Ans. b**
7. **Ans. a**
8. **Ans. d**   **{1 M Each x 15 = 15 Marks}**
9. **Ans. c**
10. **Ans. b**
11. **Ans. b**
12. **Ans. a**
13. **Ans. b**
14. **Ans. b**
15. **Ans. a**

Answer 8:

Yes, strategy is partly proactive and partly reactive. In proactive strategy, organizations will analyze possible environmental scenarios and create strategic framework after proper planning and set procedures and work on these strategies in a predetermined manner. **{2 M}**

However, in reality no company can forecast both internal and external environment exactly. Everything cannot be planned in advance. It is not possible to anticipate moves of rival firms, consumer behaviour, evolving technologies and so on. there can be significant deviations between what was visualized and what actually happens. Strategies need to be attuned or modified in the light of possible environmental changes. there can be significant or major strategic changes when the environment demands. Reactive strategy is triggered by the changes in the environment and provides ways and means to cope with the negative factors or take advantage of emerging opportunities. **{3 M}**

Answer 9:

(a) Through SWOT analysis organisations identify their strengths, weaknesses, opportunities and threats. While conducting the SWOT Analysis managers are often not able to come to terms with the strategic choices that the outcomes demand. Heinz Weihrich developed a matrix called TOWS matrix by matching strengths and weaknesses of an organization with the external opportunities and threats. The incremental benefit of the TOWS matrix lies in systematically identifying relationships between these factors and selecting strategies on their basis. The matrix is outlined below: **{1 M}**

TOWS Matrix **{1 M}**

The TOWS Matrix is tool for generating strategic options. Through TOWS matrix four distinct alternative kinds of strategic choices can be identified.

SO (Maxi-Maxi): SO is a position that any firm would like to achieve. The strengths can be used to capitalize or build upon existing or emerging opportunities. Such firms can take lead from their strengths and utilize the resources to build up the competitive advantage. **{1 M}**

ST (Maxi-Mini): ST is a position in which a firm strives to minimize existing or emerging threats through its strengths.

WO (Mini-Maxi): The firm needs to overcome internal weaknesses and make attempts to exploit opportunities to maximum. **{1 M}**

WT (Mini-Mini): WT is a position that any firm will try to avoid. A firm facing external threats and internal weaknesses may have to struggle for its survival. WT strategy is a strategy which is pursued to minimize or overcome weaknesses and as far as possible, cope with existing or emerging threats. **{1 M}**

Answer:

(b) The Ansoff's product market growth matrix (proposed by Igor Ansoff) is an useful tool that helps businesses decide their product and market growth strategy. With the use of this matrix, a business can get a fair idea about how its growth depends upon its markets in new or existing products in both new and existing markets.

The Ansoff's product market growth matrix is as follows:

Ansoff's Product Market Growth Matrix

{2 M}

Based on the matrix, Aurobindo may segregate its different products. Being in pharmaceuticals, development of new products is result of extensive research and involves huge costs. There are also social dimensions that may influence the decision of the company. It can adopt penetration, product development, market development or diversification simultaneously for its different products.

Market penetration refers to a growth strategy where the business focuses on selling existing products into existing markets. It is achieved by making more sales to present customers without changing products in any major way. Market development refers to a growth strategy where the business seeks to sell its existing products into new markets. It is a strategy for company growth by identifying and developing new markets for the existing products of the company. Product development is refers to a growth strategy where business aims to introduce new products into existing markets. It is a strategy for company growth by offering modified or new products to current markets. Diversification refers to a growth strategy where a business markets new products   in new markets. It is a strategy by starting up or acquiring businesses outside the company's current products and markets.

As market conditions change overtime, a company may shift product-market growth strategies. For example, when its present market is fully saturated a company may have no choice other than to pursue new market.

{3 M}

Answer 10:

(a) A culture where creativity, embracing change, and challenging the status quo are pervasive is very conducive to successful execution of a product innovation and technological leadership strategy. A culture built around such business principles as listening to customers, encouraging employees to take pride in their work, and giving employees a high degree of decision-making responsibility is very conducive to successful execution of a strategy of delivering superior customer service.

{2$^{1/2}$M}

A strong strategy-supportive culture nurtures and motivates people to do their jobs in ways conducive to effective strategy execution; it provides structure, standards, and a value system in which to operate; and it promotes strong employee identification with the company's vision, performance targets, and strategy. All this makes employees feel genuinely better about their jobs and work environment and the merits of what the company is trying to accomplish. Employees are stimulated to

{2$^{1/2}$M}

take on the challenge of realizing the company's vision, do their jobs competently and with enthusiasm, and collaborate with others as needed to bring the strategy to success.

Answer:

(b)   The changes in the environmental forces often require businesses to make modifications in their existing strategies and bring out new strategies. Strategic change is a complex process and it involves a corporate strategy focused on new markets, products, services and new ways of doing business. **{1 M}**

To make the change lasting, Kurt Lewin proposed three phases of the change process for moving the organization from the present to the future. These stages are unfreezing, changing and refreezing.

(a)   **Unfreezing the situation:** The process of unfreezing simply makes the individuals or organizations aware of the necessity for change and prepares them for such a change. Lewin proposes that the changes should not come as a surprise to the members of the organization. Sudden and unannounced change would be socially destructive and morale lowering. The management must pave the way for the change by first "unfreezing the situation", so that members would be willing and ready to accept the change. **{1 M}**

Unfreezing is the process of breaking down the old attitudes and behaviours, customs and traditions so that they start with a clean slate. This can be achieved by making announcements, holding meetings and promoting the ideas throughout the organization.

(b)   **Changing to New situation:** Once the unfreezing process has been completed and the members of the organization recognise the need for change and have been fully prepared to accept such change, their behaviour patterns need to be redefined. H.C. Kellman has proposed three methods for reassigning new patterns of behaviour. These are compliance, identification and internalisation.

   ◆   **Compliance:** It is achieved by strictly enforcing the reward and punishment strategy for good or bad behaviour. Fear of punishment, actual punishment or actual reward seems to change behaviour for the better. **{2 M}**

   ◆   **Identification:** Identification occurs when members are psychologically impressed upon to identify themselves with some given role models whose behaviour they would like to adopt and try to become like them.

   ◆   **Internalization:** Internalization involves some internal changing of the individual's thought processes in order to adjust to a new environment. They have given freedom to learn and adopt new behaviour in order to succeed in the new set of circumstances.

(c)   **Refreezing:** Refreezing occurs when the new behaviour becomes a normal way of life. The new behaviour must replace the former behaviour completely for successful and permanent change to take place. In order for the new behaviour to become permanent, it must be continuously reinforced so that this newly acquired behaviour does not diminish or extinguish. **{1M}**

Change process is not a one time application but a continuous process due to dynamism and ever changing environment. The process of unfreezing, changing and refreezing is a cyclical one and remains continuously in action.

Answer 11:

(a) (i)   Objectives should define the organization's relationship with its environment.
(ii)   They should be facilitative towards achievement of mission and purpose.
(iii)   They should provide the basis for strategic decision-making.
(iv)   They should provide standards for performance appraisal.
(v)   They should be concrete and specific.
(vi)   They should be related to a time frame.
(vii)   They should be measurable and controllable.
(viii)   They should be challenging.
(ix)   Different objectives should correlate with each other.
(x)   Objectives should be set within the constraints of organisational resources and external environment.

{1 M for Any 5 points}

Answer:

(b) Rising competition, business cycles and economic volatility have created a climate where no business can take viability for granted. Turnaround strategy is a highly targeted effort to return an organization to profitability and increase positive cash flows to a sufficient level. Organizations that have faced a significant crisis that has negatively affected operations requires turnaround strategy. Turnaround strategy is used when both threats and weaknesses adversely affect the health of an organization so much that its basic survival is a question. When organization is facing both internal and external pressures making things difficult then it has to find something which is entirely new, innovative and different. Being organization's first objective is to survive and then grow in the market; turnaround strategy is used when organization's survival is under threat. Once turnaround is successful the organization may turn to focus on growth.

{1 M}

Conditions for turnaround strategies: When firms are losing their grips over market, profits due to several internal and external factors, and if they have to survive under the competitive environment they have to identify danger signals as early as possible and undertake rectification steps immediately. These conditions may be, inter alia, cash flow problems, lower profit margins, high employee turnover and decline in market share, capacity underutilization, low morale of employees, recessionary conditions, mismanagement, raw material supply problems and so on.

Action plan for turnaround strategy

Stage One – Assessment of current problems: The first step is to assess the current problems and get to the root causes and the extent of damage the problem has caused. Once the problems are identified, the resources should be focused toward those areas essential to efficiently work on correcting and repairing any immediate issues.

Stage Two – Analyze the situation and develop a strategic plan: Before you make any major changes; determine the chances of the business's survival. Identify appropriate strategies and develop a preliminary action plan. For this one should look for the viable core businesses, adequate bridge financing and available organizational resources. Analyze the strengths and weaknesses in the areas of competitive position. Once major problems and opportunities are identified, develop a strategic plan with specific goals and detailed functional actions.

{1 M}

Stage Three – Implementing an emergency action plan: If the organization is in a critical stage, an appropriate action plan must be developed to stop the bleeding and enable the organization to survive. The plan typically includes human resource, financial, marketing and operations actions to restructure debts, improve working capital, reduce costs, improve budgeting practices, prune product lines and accelerate high potential products. A positive operating cash flow must be established as quickly as possible and enough funds to implement the turnaround strategies must be raised.

{1 M}

Stage Four – Restructuring the business: The financial state of the organization's core business is particularly important. If the core business is irreparably damaged, then the outlook for the entire organization may be bleak. Prepare cash forecasts, analyze assets and debts, review profits and analyze other key financial functions to position the organization for rapid improvement.

During the turnaround, the "product mix" may be changed, requiring the organization to do some repositioning. Core products neglected over time may require immediate attention to remain competitive. Some facilities might be closed; the organization may even withdraw from certain markets to make organization leaner or target its products toward a different niche. **{1 M}**

The 'people mix' is another important ingredient in the organization's competitive effectiveness. Reward and compensation systems that encourage dedication and creativity encourage employees to think profits and return on investments.

Stage Five – Returning to normal: In the final stage of turnaround strategy process, the organization should begin to show signs of profitability, return on investments and enhancing economic value-added. Emphasis is placed on a number of strategic efforts such as carefully adding new products and improving customer service, creating alliances with other organizations, increasing the market share, etc. **{1 M}**

Answer 12:

(a) Advantages of Differentiation Strategy

A differentiation strategy may help to remain profitable even with: rivalry, new entrants, suppliers' power, substitute products, and buyers' power.

1. Rivalry - Brand loyalty acts as a safeguard against competitors. It means that customers will be less sensitive to price increases, as long as the firm can satisfy the needs of its customers.

2. Buyers – They do not negotiate for price as they get special features and also they have fewer options in the market.

3. Suppliers – Because differentiators charge a premium price, they can afford to absorb higher costs of supplies and customers are willing to pay extra too. **{1 M each point}**

4. Entrants – Innovative features are an expensive offer. So, new entrants generally avoid these features because it is tough for them to provide the same product with special features at a comparable price.

5. Substitutes – Substitute products can't replace differentiated products which have high brand value and enjoy customer loyalty.

Answer:

(b) The financial strategies of an organization are related to several finance/ accounting concepts considered to be central to strategy implementation. These are: acquiring needed capital/sources of fund, developing projected financial statements/budgets, management/ usage of funds, and evaluating the worth of a business. **{1 M}**

Various methods for determining a business's worth can be grouped into three main approaches which are as follows:

(i) **Net worth or stockholders' equity:** Net worth is the total assets minus total outside liabilities of an organisation. **{1 M}**

(ii) **Future benefits to owners through net profits:** These benefits are considered to be much greater than the amount of profits. A conservative rule of thumb is to establish a business's worth as five times the firm's current annual profit. A five-year average profit level could also be used. **{1 M}**

(iii) **Market-determined business worth:** This, in turn, involves three methods. First, the firm's worth may be based on the selling price of a similar company. The second approach is called the price-earnings ratio method whereby the market price of the firm's equity shares is divided by the annual earnings per share and multiplied by the firm's average net income for the preceding years. The third approach can be called the outstanding shares method whereby one has to simply multiply the number of shares outstanding by the market price per share and add a premium.   **{2 M}**

✳✳✳