(CA INTERMEDIATE MOCK TEST MAY 2021)

DATE: 24.03.2021 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. a
3. Ans. b
4. Ans. b
5. Ans. d
6. Ans. d
7. Ans. b
8. Ans. d
9. Ans. a
10. Ans. c
11. Ans. b
12. Ans. d
13. Ans. c
14. Ans. b
15. Ans. a

{1 M each}

Answer 2:

The business processes and standards adapted by Banks should consider these new set of IT risks and challenges:

(i) **Frequent changes or obsolescence of technology**: Technology keeps on evolving and changing constantly and becomes obsolete very quickly. Hence, there is always a risk that the investment in technology solutions unless properly planned may result in loss to bank due to risk of obsolescence.

(ii) **Multiplicity and complexity of systems**: The core of banking services remain same but by using technology the way these banking products and services are provided changes drastically. The Technology architecture used for services could include multiple digital platforms and is quite complex. Hence, this requires the bank personnel to have personnel with requisite technology skills or the management of the bank's technology could be outsourced to a company having the relevant skill set.

(iii) **Different types of controls for different types of technologies/ systems**: Deployment of Technology gives rise to new types of risks which are explained later in this chapter. These risks need to be mitigated by relevant controls as applicable to the technology/information systems deployed in the bank.

(iv) **Proper alignment with business objectives and legal/ regulatory requirements** : Banks must ensure that the CBS and allied systems implemented, cater to all the business objectives and needs of the bank, in addition to the legal/regulatory requirements envisaged.

(v) **Dependence on vendors due to outsourcing of IT services**: In a CBS environment, the bank requires staff with specialized domain skills to manage IT deployed by the bank. Hence, these services could be outsourced to vendors and there is heavy dependency on vendors and gives rise to vendor risks which should be managed by proper contracts, controls and monitoring.

(1 M for any 5 point)

(vi) **Vendor related concentration risk**: There may not one but multiple vendors providing different services. For example, network, hardware, system software and banking software services may be provided by different vendors or these services may be provided by a single vendor. Both these situations result in higher risks due to heavy dependence on vendors.

(vii) **Segregation of Duties (SoD):** Banks have a highly-defined organization structure with clearly defined roles, authority and responsibility. The segregation of duties as per organization structure should be clearly mapped in the CBS used by the bank. This is a high-risk area since any SoD conflicts can be a potential vulnerability for fraudulent activities. For example, if a single employee can initiate, authorize and disburse a loan the possibility of misuse cannot be ignored.

(viii) **External threats leading to cyber frauds/ crime**: The CBS environment provides access to customers anytime, anywhere using internet. Hence, information system which was earlier accessible only within and to the employees of the bank is now exposed as it is open to be accessed by anyone from anywhere. Making the information available is business imperative but this is also fraught with risks of increased threats from hackers and others who could access the software to commit frauds/crime.

(ix) **Higher impact due to intentional or unintentional acts of internal employees**: Employees in a technology environment are the weakest link in an enterprise. This is much more relevant in bank as banks deal directly with money. Hence, the employee acts done intentionally or unintentionally may compromise security of the IT environment.

(x) **New social engineering techniques employed to acquire confidential credentials**: Fraudsters use new social engineering techniques such as socializing with employees and extracting information which is used unauthorizedly to commit frauds. For example: extracting information about passwords from bank's staff acting as genuine customer and using it to commit frauds.

(xi) **Need for governance processes to adequately manage technology and information security**: Controls in CBS should be implemented from macro and business perspective and not just from function and technology perspective. As Technology, has become key enabler for bank and is implemented across the bank, senior management of bank should be involved in directing how technology is deployed in bank and approve appropriate policies. This requires governance process to implement security as required.

(xii) **Need to ensure continuity of business processes in the event of major exigencies**: The high dependence on technology makes it imperative to ensure resilience to ensure that failure does not impact banking services. Hence, a documented business continuity plan with adequate technology and information systems should be planned, implemented and monitored.

Answer 3:

(a) An ideal ERP System where a single database is being utilized and contains all data for various software modules includes the following modules:

- **Manufacturing:** Some of the functions include engineering, capacity, workflow management, quality control, bills of material, manufacturing process, etc.
- **Financials:** Accounts payable, accounts receivable, fixed assets, general ledger and cash management, etc.
- **Human Resources:** Benefits, training, payroll, time and attendance, etc.
- **Supply Chain Management:** Inventory, supply chain planning, supplier scheduling, claim processing, order entry, purchasing, etc.

(1 M for any 6 point)

- **Projects:** Costing, billing, activity management, time and expense, etc.
- **Customer Relationship Management (CRM):** CRM is a term applied to processes implemented by a company to handle its contact with its customers. CRM software is used to support these processes, storing information on current and prospective customers. Information in the system can be accessed and entered by employees in different departments, such as sales, marketing, customer service, training, professional development, performance management, human resource development and compensation.
- **Data Warehouse:** Usually this is a module that can be accessed by an organization's customers, suppliers and employees. Data warehouse is a repository of an organization's electronically stored data. These are designed to facilitate reporting and analysis, to retrieve and analyse data; tools to extract, transform and load data into the repository; and to manage the data dictionary.

Answer:

(b) Various types of Asynchronous Attacks on data are as follows:

- **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 subsystem.
- **Wire-tapping:** This involves spying on information being transmitted over telecommunication 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.

(1 M each 4 point)

Answer 4:

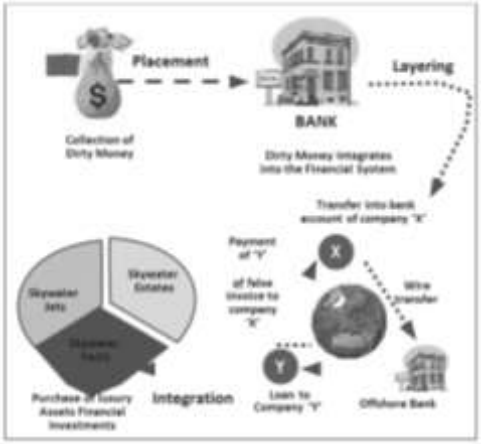
(a) Three stages of Money Laundering

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) **Cloud computing,** simply means the use of computing resources as a service through networks, typically the Internet. The Internet is commonly visualized as clouds; hence the term "cloud computing" for computation done through the Internet. With Cloud Computing, users can access database resources via the Internet from anywhere, for as long as they need, without worrying about any maintenance or management of actual resources. Besides these, databases in cloud may be highly dynamic and scalable. In fact, it is a very independent platform in terms of computing.

I. 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.

{Any Four Point Each 1 M x 4 = 4 M}

Answer 5:

(a) (i) Advantages of DBMS

Major advantages of DBMS are given as follows:

- **Permitting Data Sharing:** One of the principle advantages of a DBMS is that the same information can be made available to different users.
- **Minimizing Data Redundancy:** In a DBMS duplication of information or redundancy is, if not eliminated, carefully controlled or reduced i.e. there is no need to repeat the same data over and over again. Minimizing redundancy can therefore significantly reduce the cost of storing information on hard drives and other storage devices.
- **Integrity can be maintained:** Data integrity is maintained by having accurate, consistent, and up-to-date data. Updates and changes to the data only must be made in one place in DBMS ensuring Integrity. The chances of making a mistake increase if the same data needs to be changed at several different places than making the change in one place.
- **Program and File consistency:** Using a DBMS, file formats and programs are standardized. This makes the data files easier to maintain because the same rules and guidelines apply across all types

{1/2 M Each x 8 = 4M}

of data. The level of consistency across files and programs also makes it easier to manage data when multiple programmers are involved.

- **User-friendly:** DBMS makes the data access and manipulation easier for the user. DBMS also reduce the reliance of users on computer experts to meet their data needs.
- **Improved security:** DBMSs allow multiple users to access the same data resources which could lead to risk to an enterprise if not controlled. Security constraints can be defined i.e. Rules can be built to give access to sensitive data. Some sources of information should be protected or secured and only viewed by select individuals. Using passwords, database management systems can be used to restrict data access to only those who should see it.
- **Achieving program/data independence:** In a DBMS, data does not reside in applications but data bases program & data are independent of each other.
- **Faster Application Development:** In the case of deployment of DBMS, application development becomes fast. The data is already therein databases, application developer has to think of only the logic required to retrieve the data in the way a user needs.

(ii) Disadvantages of a DBMS

There are basically two major downsides to using DBMSs. One of these is cost (both system and user training), and the other is the threat to data security. These are given as under:

- **Cost:** Implementing a DBMS system can be expensive and time-consuming, especially in large enterprises. Training requirements alone can be quite costly. **{1 M}**
- **Security:** Even with safeguards in place, it may be possible for some unauthorized users to access the database. If one gets access to database, then it could be an all or nothing proposition. **{1 M}**

Answer:

(b) Advantages of Flowcharts (Any Four)

(i) Quicker grasp of relationships - The relationship between various elements of the application program/business process must be identified. Flowchart can help depict a lengthy procedure more easily than by describing it by means of written notes.

(ii) Effective Analysis - The flowchart becomes a blue print of a system that can be broken down into detailed parts for study. Problems may be identified and new approaches may be suggested by flowcharts.

(iii) Communication - Flowcharts aid in communicating the facts of a business problem to those whose skills are needed for arriving at the solution.

(iv) Documentation - Flowcharts serve as a good documentation which aid greatly in future program conversions. In the event of staff changes, they serve as training function by helping new employees in understanding the existing programs.

(v) Efficient coding - Flowcharts act as a guide during the system analysis and program preparation phase. Instructions coded in a programming language may be checked against the flowchart to ensure that no steps are omitted.

(vi) Program Debugging - Flowcharts serve as an important tool during program debugging. They help in detecting, locating and removing mistakes.

{Any Four 1 Mark for every correct point}

(vii) **Efficient program maintenance -** The maintenance of operating programs is facilitated by flowcharts. The charts help the programmer to concentrate attention on that part of the information flow which is to be modified.

(viii) **Identifying Responsibilities -** Specific business processes can be clearly identified to functional departments thereby establishing responsibility of the process owner.

(ix) **Establishing Controls -** Business process conflicts and risks can be easily identified for recommending suitable controls.

Answer 6:

(a) E-commerce components include the following:

(I) **User:** This may be individual / organization or anybody using the e-commerce platforms. As e-commerce, has made procurement easy and simple, just on a click of button e-commerce vendors needs to ensure that their products are not delivered to wrong users. In fact, e-commerce vendors selling products like medicine / drugs need to ensure that such products are not delivered to wrong user. **{1 M}**

(II) **E-commerce Vendors:** This is the organization / entity providing the user, goods/ services asked for. For example: www.flipkart.com. E-commerce Vendors further needs to ensure following for better, effective and efficient transaction. **{1 M}**

- Suppliers and Supply Chain Management
- Warehouse operations
- Shipping and returns
- E - Commerce catalogue and product display
- Marketing and loyalty programs
- Showroom and offline purchase
- Different Ordering Methods
- Guarantees
- Privacy Policy
- Security

(III) **Technology Infrastructure:** The computers, servers, database, mobile apps, digital libraries, data interchange enabling the e-commerce transactions. **{1 M}**

(a) **Computers, Servers and Database**
(b) **Mobile Apps**
(c) **Digital Library:** A **Digital Library**
(d) **Data Interchange: Data Interchange**

(IV) **Internet / Network:** This is the key to success of e-commerce transactions. **{1 M}**

- This is the critical enabler for e-commerce. Internet connectivity is important for any e-commerce transactions to go through. Net connectivity in present days can be through traditional as well as new technology.
- The faster net connectivity leads to better e-commerce. Many mobile companies in India have launched 4G services.
- The success of e-commerce trade depends upon the internet capability of organization. At a global level, it is linked to the countries capability to create a high speed network. The latest communication technologies like 4G, 5G have already made in-roads in India.

(V) **Web portal:** This shall provide the interface through which an individual / organization shall perform e-commerce transactions.

- **Web Portal** is the application through which user interacts with the e-commerce vendor. The front end through which user interacts for an e-commerce transaction. These web portals can be accessed through desktops / laptops / PDA / hand- held computing devices / mobiles and now through smart TVs also.
- The simplicity and clarity of content on web portal is directly linked to customer experience of buying a product online. E-commerce vendors put a lot of money and effort in this aspect.

{1 M}

(VI) **Payment Gateway:** The payment mode through which customers shall make payments. Payment gateway represents the way e-commerce / m-commerce vendors collects their payments. The payment gateway is another critical component of e-commerce set up. These are the last and most critical part of e-commerce transactions. These assures seller of receipt of payment from buyer of goods / services from e-commerce vendors. Presently numerous methods of payments by buyers to sellers are being used, including Credit / Debit Card Payments, Online bank payments, Vendors own payment wallet, Third Party Payment wallets, like SBI BUDDY or PAYTM, Cash on Delivery (COD) and Unified Payments Interface (UPI).

{1 M}

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}**

SECTION – B : STRATEGIC MANAGEMENT

Q. No. 7 & 8 is Compulsory,
Answer any threequestions from the remaining four questions

Answer 7:

1. Ans. a
2. Ans. d
3. Ans. b
4. Ans. a
5. Ans. a
6. Ans. b
7. Ans. c
8. Ans. c
9. Ans. c
10. Ans. b
11. Ans. d
12. Ans. a
13. Ans. d
14. Ans. b
15. Ans. a

{1 M Each}

Answer 8:

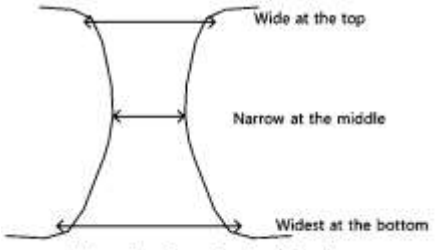
Yes, strategy is partly proactive and partly reactive. In proactive strategy, organizations will analyze possible environmental scenarios and create strategic framework after proper planning and set procedures and work on these strategies in a predetermined manner. **{2 M}**

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) In the recent years information technology and communications have significantly altered the functioning of organizations. The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools. Hourglass organization structure consists of three layers in an organisation structure with constricted middle layer. The structure has a short and narrow middle management level.

Information technology links the top and bottom levels in the organization taking away many tasks that are performed by the middle level managers. A shrunken middle layer coordinates diverse lower level activities. **{2 M}**



Hourglass Organization Structure

{1 M}

Hourglass structure has obvious benefit of reduced costs. It also helps in enhancing responsiveness by simplifying decision making. Decision making authority is shifted close to the source of information so that it is faster. However, with the reduced size of middle management, the promotion opportunities for the lower levels diminish significantly. **{2 M}**

Answer:

(b) Strategic Control focuses on the dual questions of whether: (1) the strategy is being implemented as planned; and (2) the results produced by the strategy are those intended. **{1 M}**

There are four types of strategic control:

- Premise control: A strategy is formed on the basis of certain assumptions or premises about the environment. Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built. **{1 M}**
- Strategic surveillance: Strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy. **{1 M}**
- Special alert control: At times, unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy. **{1 M}**
- Implementation control: Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results. **{1 M}**

Answer 10:

(a) A typical large organization is a multidivisional organisation that competes in several different businesses. It has separate self-contained divisions to manage each of these. There are three levels of strategy in management of business - corporate, business, and functional.

The corporate level of management consists of the chief executive officer and other top level executives. These individuals occupy the apex of decision making within the organization. The role of corporate-level managers is to oversee the development of strategies for the whole organization. this role includes defining the mission and goals of the organization, determining what businesses it should be in, allocating resources among the different businesses and so on rests at the corporate Level. **{2 M}**

The development of strategies for individual business areas is the responsibility of the general managers in these different businesses or business level managers. a business unit is a self-contained division with its own functions - for example, finance, production, and marketing. the strategic role of business-level manager, head of the division, is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses. **{1 M}**

Functional-level managers are responsible for the specific business functions or operations such as human resources, purchasing, product development, customer service, and so on. thus, a functional manager's sphere of responsibility is generally confined to one organizational activity, whereas general managers oversee the operation of a whole company or division. **{2 M}**

Answer:

(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. **{1 M}**

Strength: Strength is an inherent capability of the organization which it can use to gain strategic advantage over its competitor. **{1 M}**

Weakness: A weakness is an inherent limitation or constraint of the organisation which creates strategic disadvantage to it. **{1 M}**

Opportunity: An opportunity is a favourable condition in the external environment which enables it to strengthen its position. **{1 M}**

Threat: An unfavourable condition in the external environment which causes a risk for, or damage to the organisation's position. **{1 M}**

Answer 11:

(a) To achieve differentiation, following are the measures that could be adopted by an organization to incorporate:

1. Offer utility for the customers and match the products with their tastes and preferences.
2. Elevate the performance of the product.
3. Offer the promise of high quality product/service for buyer satisfaction.
4. Rapid product innovation.
5. Taking steps for enhancing image and its brand value.
6. Fixing product prices based on the unique features of the product and buying capacity of the customer.

(1 M for any 5 point)

Answer:

(b) Successful implementing supply management systems requires a change from managing individual functions to integrating activities into key supply chain processes. It involves collaborative work between buyers and suppliers, joint product development, common systems and shared information. A key requirement for successfully implementing supply chain will be network of information sharing and management. The partners need to link together to share information through electronic data interchange and take decisions in timely manner.

Implementing and successfully running supply chain management system will involve: **{1 M}**

1. Product development: Customers and suppliers must work together in the product development process. Right from the start the partners will have knowledge of all. Involving all partners will help in shortening the life cycles. Products are developed and launched in shorter time and help organizations to remain competitive.
2. Procurement: Procurement requires careful resource planning, quality issues, identifying sources, negotiation, order placement, inbound transportation and storage. Organizations have to coordinate with suppliers in scheduling without interruptions. Suppliers are involved in planning the manufacturing process.
3. Manufacturing: Flexible manufacturing processes must be in place to respond to market changes. They should be adaptive to accommodate customization and changes in the taste and preferences. Manufacturing should be done on the basis of just-in-time (JIT) and minimum lot sizes. Changes in the manufacturing process be made to reduce manufacturing cycle. **{1 M}**

4. Physical distribution: Delivery of final products to customers is the last position in a marketing channel. Availability of the products at the right place at right time is important for each channel participant. Through physical distribution processes serving the customer become an integral part of marketing. Thus, supply chain management links a marketing channel with customers. **{1 M}**
5. Outsourcing: Outsourcing is not limited to the procurement of materials and components, but also include outsourcing of services that traditionally have been provided within an organization. The company will be able to focus on those activities where it has competency and everything else will be outsourced.
6. Customer services: Organizations, through interfaces with the company's production and distribution operations, develop customer relationships so as to satisfy them. They work with customer to determine mutually satisfying goals, establish and maintain relationships. This in turn help in producing positive feelings in the organization and the customers. **{1 M}**
7. Performance measurement: There is a strong relationship between the supplier, customer and organisation. Supplier capabilities and customer relationships can be correlated with a firm performance. Performance is measured in different parameters such as costs, customer service, productivity and quality. **{1 M}**

Answer 12:

(a) A Mission statement tells you the fundamental purpose of the organization. It concentrates on the present. It defines the customer and the critical processes. It informs you of the desired level of performance. On the other hand, a vision statement outlines what the organization wants to be. It concentrates on the future. It is a source of inspiration. It provides clear decision-making criteria.
A mission statement can resemble a vision statement in a few companies, but that can be a grave mistake. It can confuse people. Following are the major differences between vision and mission: **{2 M}**

1. The vision states the future direction while the mission states the ongoing activities of the organisation.
2. The vision statement can galvanize the people to achieve defined objectives, even if they are stretch objectives, provided the vision is specific, measurable, achievable, relevant and time bound. A mission statement provides a path to realize the vision in line with its values. These statements have a direct bearing on the bottom line and success of the organization. **{2 M}**
3. A vision statement defines the purpose or broader goal for being in existence or in the business and can remain the same for decades if crafted well while a mission statement is more specific in terms of both the future state and the time frame. Mission describes what will be achieved if the organization is successful. **{1 M}**

Answer:

(b) Concentric diversification occurs when a firm adds related products or markets. On the other hand, conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its current line of business. **{2 M}**
In concentric diversification, the new business is linked to the existing businesses through process, technology or marketing. In conglomerate diversification, no such linkages exist; the new business/product is disjointed from the existing businesses/products. **{2 M}**

The most common reasons for pursuing a concentric diversification are that opportunities in a firm's existing line of business are available. However, common reasons for pursuing a conglomerate growth strategy is that opportunities in a firm's current line of business are limited or opportunities outside are highly lucrative. **{1 M}**

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