MITTAL COMMERCE CLASSES   CA INTERMEDIATE – MOCK TEST

(GI-8, FMT)

DATE: 16.03.2023   **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. b	
4.	Ans. d	
5.	Ans. e	
6.	Ans. d	
7.	Ans. a	
8.	Ans. a	1 Mark Each Valid Point (Max. 15 Marks)
9.	Ans. b	
10.	Ans. c	
11.	Ans. d	
12.	Ans. a	
13.	Ans. c	
14.	Ans. a	
15.	Ans. b	

Answer 2:

Pros and Cons of having single software for Accounting and Tax Compliance

S. No.	Particulars	Accounting & Tax Compliance Software	Only Tax Compliance Software	
1	Ease of software operation	Less – as this is integrated system of accounting and tax compliance, everything connected with other and making changes at one place may affect other aspects also.	More – as this is used only for one single purpose, i.e. tax compliance, it is less complicated and bound to be easy.	{1 M for each valid point {Max 5 Marks}
2	Features and facilities	Less – as this system is not an exclusive system for tax compliance, it may have limited features for tax compliance.	More – as this is an exclusive and specifically designed system for tax compliance, naturally more features and facilities shall exist in this system.	
3	Time and efforts required	Less – as this is an integrated system, time required to transfer data to compliance software is zero.	More – as this is a separate software, data from accounting software need to put in this for preparation of returns. This may take extra time and efforts.	
4	Accuracy	More – As this is an integrated system and hence accounting data and tax compliance data shall always be same. No need to	Less – as there are two separate system, reconciliation with accounting data is needed, possibility of mismatch of data is	

		transfer data to compliance software and reconcile the data.	always there.
5	Cost	More – if tax compliance feature is not available in accounting system, getting it customized may require some amount of cost which may be higher than buying separate software.	Less – as this is specific purpose software, there shall be less complications and the cost also shall be less.

Answer 3:

(a)   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.
- 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: Operating 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.

{1 M for each valid point {Max 6 Marks}

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

{1 M}

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.

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 each valid point {Max 3 Marks}

Answer 4:
(a)

- Ownership of Data/ process: Data resides at the Data Centre. Establish clear ownership.
- Authorization process: Anybody with access to the CBS, including the customer himself, can enter data directly. What is the authorization process?
- Authentication procedures: These may be inadequate and hence the user entering the transaction may not be determinable or traceable.
- Several software interfaces across diverse networks: A Data Centre can have as many as 75-100 different interface and application software.
- Maintaining response time: Maintaining the interfacing software and ensuring optimum response time and up time can be challenging.
- User Identity Management: This could be a serious issue. Some Banks may have more than 5000 users interacting with the CBS at once.

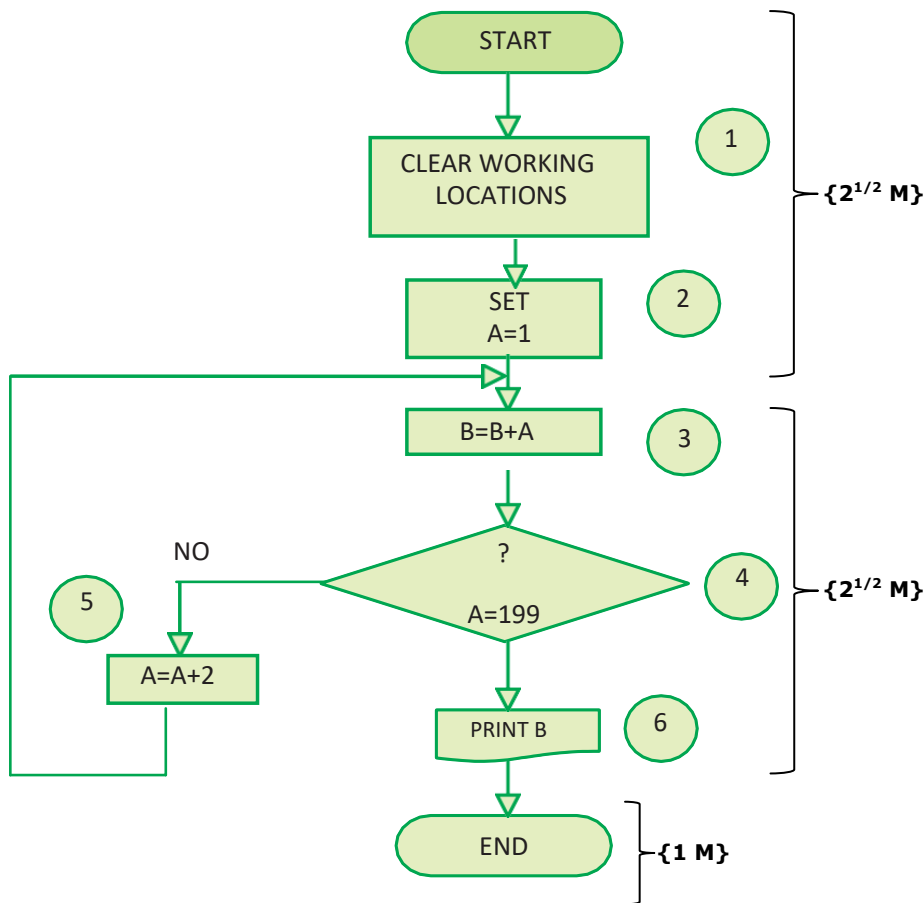*{1 M for each valid point {Max 6 Marks}*

- ◆ Access Controls: Designing and monitoring access control is an extremely challenging task.
- ◆ Incident handling procedures: These may not be adequate considering the need for real-time risk management.
- ◆ Change Management: At application level and data level – Master files, transaction files and reporting software.

Answer:

(b) Computer Network is a collection of computers and other hardware interconnected by communication channels that allow sharing of resources and information. Where at least one process in one device can send/receive data to/from at least one process residing in a remote device, then the two devices are said to be in a network. A network is a group of devices connected to each other.   **{1 M}**

Connection Oriented networks: Wherein a connection is first established and then data is exchanged like it happens in case of telephone networks.   **{1 M}**

Connectionless Networks: Where no prior connection is made before data exchanges. Data which is being exchanged in fact has a complete contact information of recipient and at each intermediate destination, it is decided how to proceed further like it happens in case of postal networks.   **{2 M}**

Answer 5:

(a) The flowchart is drawn as Fig. 1.7.3 and is explained step by step below. The step numbers are shown in the flowchart in circles and as such are not a part of the flowchart but only a referencing device.

Our purpose is to find the sum of the series 1, 3, 5, 7, 9.....(100 terms.) The student can verify that the 100th term would be 199. We propose to set A = 1 and then go on incrementing it by 2 so that it holds the various terms of the series in turn. B is an accumulator in the sense that A is added to B whenever A is incremented. Thus, B will hold:

1

1 + 3 = 4

4 + 5 = 9,

9 + 7 = 16, etc. in turn.

Step 1 - All working locations are set at zero. This is necessary because if they are holding some data of the previous program, that data is liable to corrupt the result of the flowchart.

Step 2 - A is set at 1 so that subsequently by incrementing it successively by 2, we get the wanted odd terms: 1,3,5,7 etc.

Step 3 - A is poured into B i.e., added to B. B being 0 at the moment and A being 1, B becomes 0 + 1 = 1.

Step 4 - Step 4 poses a question. "Has A become 199?" if not, go to step 5, we shall increment A by 2. So that although at the moment A is 1, it will be made 3 in step 5, and so on. Then go back to step 3 by forming loop.

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                    ┌──────────────────┐
                    │      START       │
                    └──────────────────┘
                             │
                             ▼
                    ┌──────────────────┐      ①
                    │  CLEAR WORKING   │              {2^{1/2} M}
                    │    LOCATIONS     │
                    └──────────────────┘
                             │
                             ▼
                    ┌──────────────────┐      ②
                    │       SET        │
                    │       A=1        │
                    └──────────────────┘
                             │
                             ▼
                    ┌──────────────────┐      ③
                    │      B=B+A       │
                    └──────────────────┘
                             │
                             ▼
        NO                 ◇ ?                 ④
     ┌───────────────────◇      ◇─────────              {2^{1/2} M}
     │              ◇   A=199   ◇
   ⑤ │                   ◇    ◇
     ▼                      │
┌─────────┐                 ▼
│  A=A+2  │          ┌──────────────┐      ⑥
└─────────┘          │   PRINT B    │
                     └──────────────┘
                             │
                             ▼
                    ┌──────────────────┐
                    │       END        │          {1 M}
                    └──────────────────┘
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Answer:

(b) Business Intelligence (BI) is a technology-driven process for analyzing data and presenting actionable information to help corporate executives, business managers and other end users make more informed business decisions. BI encompasses a wide variety of tools, applications and methodologies that enable organizations to collect data from internal systems and external sources, prepare it for analysis, develop and run queries against the data, and create reports, dashboards and data visualizations to make the analytical results available to corporate decision makers as well as operational workers.   {2 M}

The potential benefits of business intelligence programs include accelerating and improving decision making; optimizing internal business processes; increasing operational efficiency; driving new revenues; and gaining competitive advantages over business rivals. BI systems can also help companies identify market trends and spot business problems that need to be addressed.   {2 M}

Answer 6:

(a) **Mobile Apps: BHIM** (Bharat Interface for Money) is a Mobile App developed by National Payments Corporation of India (NPCI) based on UPI (Unified Payment Interface). It facilitates e-payments directly through banks and supports all Indian banks which use that platform. It is built on the Immediate Payment Service infrastructure and allows the user to instantly transfer money between the bank accounts of any two parties.   {1 M}

BHIM works on all mobile devices and enables users to send or receive money to other UPI payment addresses by scanning QR code or using account number with Indian Financial Systems Code (IFSC) code or MMID (Mobile Money Identifier) Code for users who do not have a UPI-based bank account. **{1 M}**

(b) **Cache Memory:** There is a huge speed difference between Registers and Primary Memory. To bridge these speed differences, we have cache memory. Cache (pronounced as cash) is a smaller, faster memory, which stores copies of the data from the most frequently used main memory locations so that Processor/Registers can access it more rapidly than main memory. **{1 M}**

It is the property of locality of reference, which allows improving substantially the effective memory access time in a computer system. **{1 M}**

(c) **XBRL** (eXtensible Business Reporting Language) is a freely available and global standard for exchanging business information. **{1 M}**

XBRL allows the expression of semantic meaning commonly required in business reporting. **{1 M}**

(d) **BYOD** (Bring Your Own Device) refers to business policy that allows employees to use their preferred computing devices, like smart phones and laptops for business purposes. It means employees are welcome to use personal devices (laptops, smart phones, tablets etc.) to connect to the corporate network to access information and application. **{1 M}**

The BYOD policy has rendered the workspaces flexible, empowering employees to be mobile and giving them the right to work beyond their required hours. The continuous influx of readily improving technological devices has led to the mass adoption of smart phones, tablets and laptops, challenging the long-standing policy of working on company-owned devices. **{1 M}**

(e) **Audit Hooks:** There are audit routines that flag suspicious transactions. For example, internal auditors at Insurance Company determined that their policyholder system was vulnerable to fraud every time a policyholder changed his or her name or address and then subsequently withdrew funds from the policy. They devised a system of audit hooks to tag records with a name or address change. **{1 M}**

The internal audit department will investigate these tagged records for detecting fraud. When audit hooks are employed, auditors can be informed of questionable transactions as soon as they occur. This approach of real-time notification displays a message on the auditor's terminal. **{1 M}**

SECTION – B : STRATEGIC MANAGEMENT
Q. No. 7&8 is Compulsory,
Answer any three questions from the remaining four questions

Answer 7:

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

Answer 8:

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 9:

(a)   Human resource management has been accepted as a strategic partner in the formulation of organization's strategies and in the implementation of such strategies through human resource planning, employment, training, appraisal and reward systems. The following points should be kept in mind as they can have a strong influence on employee competence:

   i.   Recruitment and selection: The workforce will be more competent if a firm can successfully identify, attract, and select highly competent applicants. **{1 M}**

   ii. Training: The workforce will be more competent if employees are well trained to perform their jobs properly. **{1 M}**

iii.   Appraisal of performance: The performance appraisal is to identify any performance deficiencies experienced by employees due to lack of competence. Such deficiencies, once identified, can often be solved through counseling, coaching or training. **{1¹ᐟ² M}**

iv.   Compensation: A firm can usually increase the competency of its workforce by offering pay, benefits and rewards that are not only attractive than those of their competitors but also recognizes merit. **{1¹ᐟ² M}**

Answer:

(b)   Promotion stands for activities that communicate the merits of the product and persuade target consumers to buy it. Strategies are needed to combine individual methods such as advertising, personal selling, and sales promotion into a coordinated campaign. In addition promotional strategies must be adjusted as a product move from an earlier stages from a later stage of its life.

Modern marketing is highly promotional oriented. Organizations strive to push their sales and market standing on a sustained basis and in a profitable manner under conditions of complex direct and indirect competitive situations.

Promotion is communication, persuasion and conditioning process. There are at least four major direct promotional methods or tools briefly explained as follows: **{1 M}**

(i)   Personal Selling: Personal selling is one of the oldest forms of promotion. It involves face-to-face interaction of sales force with the prospective customers and provides a high degree of personal attention to them. In personal selling, oral communication is made. It may initially focus on developing a relationship, an end up with efforts for making a sale. Personal selling suffers from a very high costs as sales personnel attend one customer at a time.

(ii)   Advertising: Advertising is a non-personal, highly flexible and dynamic promotional method. The media for advertisings are several such as pamphlets, brochures, newspapers, magazines, hoardings, display boards, radio, television and internet. Choice of appropriate media is important for effectiveness of the message. The media may be local, regional, or national. The type of the message, copy, illustration are a matter of choice and creativity. Advertising may be directed towards consumers, middlemen or opinion leaders. Advertising is likely to succeed in promoting the sales of an organization but its effectiveness in respect to the expenditure cannot be directly measured. Salesis a function of several variables out of which advertising is only one.

(iii) Publicity: Publicity is also a non-personal form of promotion similar to advertising. However, no payments are made to the media as in case of advertising. Organizations skillfully seek to promote themselves and their product with negligible cost. Publicity is communication of a product, brand or business by placing information about it in the media. Basic tools for publicity are press releases, press conferences, reports, stories, and internet releases. These releases must be of interest to the public.

(iv)   Sales promotion: Sales promotion is an omnibus term that includes all activities that are undertaken to promote the business but are not specifically included under personal selling, advertising or publicity.

Activities like discounts, contests, money refunds, installments, kiosks, exhibitions and fairs constitute sales promotion. All these are meant to give a boost to the sales.

{1 M Each}

Answer 10:

(a) Companies that are large enough to be organized into strategic business units face the challenge of allocating resources among those units. In the early 1970's the Boston Consulting Group developed a model for managing portfolio of different business units or major product lines. The BCG growth-share matrix facilitates portfolio analysis of a company having invested in diverse businesses with varying scope of profits and growth. **{1 M}**

The BCG matrix can be used to determine what priorities should be given in the product portfolio of a business unit. Using the BCG approach, a company classifies its different businesses on a two-dimensional growth share matrix. Two dimensions are market share and market growth rate. In the matrix:

♦ The vertical axis represents market growth rate and provides a measure of market attractiveness.

♦ The horizontal axis represents relative market share and serves as a measure of company's strength in the market.

Thus the BCG matrix depicts quadrants as shown in the following table: **{1 M}**

Relative Market Share

		High	Low
Market Growth	High	Stars	Question Marks
	Low	Cash Cows	Dogs

BCG Matrix

Different types of business represented by either products or SBUs can be classified for portfolio analyses through BCG matrix. They have been depicted by meaningful metaphors, namely:

(a) Stars are products or SBUs that are growing rapidly. They also need heavy investment to maintain their position and finance their rapid growth potential. They represent best opportunities for expansion.

(b) Cash Cows are low-growth, high market share businesses or products. They generate cash and have low costs. They are established, successful, and need less investment to maintain their market share. In long run when the growth rate slows down, stars become cash cows.

(c) Question Marks, sometimes called problem children or wildcats, are low market share business in high-growth markets. They require a lot of cash to hold their share. They need heavy investments with low potential to generate cash. Question marks if left unattended are capable of becoming cash traps. Since growth rate is high, increasing it should be relatively easier. It is for business organisations to turn them stars and then to cash cows when the growth rate reduce.

(d) Dogs are low-growth, low-share businesses and products. They may generate enough cash to maintain themselves, but do not have much future. Sometimes they may need cash to survive. Dogs should be minimised by means of divestment or liquidation.

{1/2 M Each}

The BCG matrix is useful for classification of products, SBUs, or business, and for selecting appropriate strategies for each type as follows.

(a) Build with the aim for long-term growth and strong future.

(b) Hold or preserve the existing market share.

(c) Harvest or maximize short-term cash flows.

(d) Divest, sell or liquidate and ensure better utilization of resources elsewhere.

{1 M}

Thus BCG matrix is a powerful tool for strategic planning analysis and choice.

Answer:

(b) A sick company has huge accumulated losses that have eroded its net worth. The electric home appliance company may analyse its various products to take decisions on the viability of each.

Retrenchment becomes necessary for coping with hostile and adverse situations in the environment and when any other strategy is likely to be suicidal. The nature, extent and timing of retrenchment are matters to be carefully decided by management, depending upon each contingency. **{1 M}**

Retrenchment strategy is adopted because:

◆ The management no longer wishes to remain in business either partly or wholly due to continuous losses and unviability.

◆ The environment faced is threatening.

◆ Stability can be ensured by reallocation of resources from unprofitable to profitable businesses. **{1 M}**

Retrenchment strategy is followed when an organization substantially reduces the scope of its activity. This is done through an attempt to find out the problem areas and diagnose the causes of the problems. Next, steps are taken to solve the problems. These steps result in different kinds of retrenchment strategies.

Turnaround strategy: If the organization chooses to transform itself into a leaner structure and focuses on ways and means to reverse the process of decline, it adopts a turnaround strategy. It may try to reduce costs, eliminate unprofitable outputs, generate revenue, improve coordination, better control, and so on. It may also involve changes in top management and reorienting leadership.

Divestment Strategy: Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU. Divestment is usually a part of rehabilitation or restructuring plan and is adopted when a turnaround has been attempted but has proved to be unsuccessful. **{1 M}**

Liquidation Strategy: In the retrenchment strategy, the most extreme and unattractive is liquidation strategy. It involves closing down a firm and selling its assets.

It is considered as the last resort because it leads to serious consequences such as loss of employment for workers and other employees, termination of opportunities where a firm could pursue any future activities, and the stigma of failure. Many small-scale units, proprietorship firms, and partnership ventures liquidate frequently but medium- and large-sized companies rarely liquidate in India. The company management, government, banks and financial institutions, trade unions, suppliers and creditors, and other agencies are extremely reluctant to take a decision, or ask, for liquidation. **{1 M}**

Liquidation strategy may be unpleasant as a strategic alternative but when a "dead business is worth more than alive", it is a good proposition.

The management of a Sick company manufacturing various electrical home appliances be explained about the each of the above three options of retrenchment strategy with their pros and cons. But the appropriate advice with respect to a particular option of retrenchment strategy will depend on the specific circumstances of each electrical home appliances and management goals of the company. **{1 M}**

Answer 11:

(a) A firm's profitability tends to be higher when other firms are blocked from entering the industry. New entrants can reduce industry profitability because they add new production capacity leading to increase supply of the product even at a lower price and can substantially erode existing firm's market share position. Barriers to entry represent economic forces that slow down or impede entry by other firms. Common barriers to entry include:

(i)   Capital Requirements: When a large amount of capital is required to enter an industry, firms lacking funds are effectively barred from the industry, thus enhancing the profitability of existing firms in the industry.

(ii)   Economies of Scale: Many industries are characterized by economic activities driven by economies of scale. Economies of scale refer to the decline in the per-unit cost of production (or other activity) as volume grows.

(iii) Product Differentiation: Product differentiation refers to the physical or perceptual differences, or enhancements, that make a product special or unique in the eyes of customers.

(iv)   Switching Costs: To succeed in an industry, new entrant must be able to persuade existing customers of other companies to switch to its products. When such switching costs are high, buyers are often reluctant to change.

(v)   Brand Identity: The brand identity of products or services offered by existing firms can serve as another entry barrier. Brand identity is particularly important for infrequently purchased products that carry a high unit cost to the buyer.

(vi)   Access to Distribution Channels: The unavailability of distribution channels for new entrants poses another significant entry barrier. Despite the growing power of the internet, many firms may continue to rely on their control of physical distribution channels to sustain a barrier to entry to rivals.

(vii) Possibility of Aggressive Retaliation: Sometimes the mere threat of aggressive retaliation by incumbents can deter entry by other firms into an existing industry.

(Any 5 Points Each 1 Mark)

Answer:

(b) In a highly competitive marketplace, companies can operate successfully by creating and delivering superior value to target customers and also learning how to adapt to a continuously changing business environment. So to meet changing conditions in their industries, companies need to be farsighted and visionary, and must have a system of managing strategically.

The term 'strategic management' refers to the managerial process of developing a strategic vision, setting objectives, crafting a strategy, implementing and evaluating the strategy, and initiating corrective adjustments where deemed appropriate.   **{1 M}**

The overall objective of strategic management is two fold:

♦   to create competitive advantage, so that the company can outperform the competitors in order to have dominance over the market.

♦   To guide the company successfully through all changes in the environment.

The following are the benefits of strategic approach to managing:

♦   Strategic management helps organisations to be more proactive instead of reactive in shaping its future. Organisations are able to analyse and take actions instead of being mere spectators. Thereby they are able to control their own destiny in a better manner. It helps them in working within vagaries of environment and shaping it, instead of getting carried away by its turbulence or uncertainties.

♦   Strategic management provides framework for all the major decisions of an enterprise such as decisions on businesses, products, markets, manufacturing facilities, investments and organisational structure. It provides better guidance to entire organisation on the crucial point - what it is trying to do.

♦   Strategic management is concerned with ensuring a good future for the firm. It seeks to prepare the corporation to face the future and act as pathfinder to various business opportunities. Organisations are able to identify the available opportunities and identify ways and means as how to reach them.

{1 M Each}

- Strategic management serves as a corporate defence mechanism against mistakes and pitfalls. It help organisations to avoid costly mistakes in product market choices or investments. Over a period of time strategic management helps organisation to evolve certain core competencies and competitive advantages that assist in its fight for survival and growth.

Answer 12:

(a) Decision making is a managerial process of selecting the best course of action out of several alternative courses for the purpose of accomplishment of the organizational goals. Decisions may be operational i.e., which relate to general day-to-day operations. They may also be strategic in nature. According to Jauch and Glueck "Strategic decisions encompass the definition of the business, products to be handled, markets to be served, functions to be performed and major policies needed for the organisation to execute these decisions to achieve the strategic objectives." **{2 M}**

The major dimensions of strategic decisions are as follows:

- Strategic decisions require top-management involvement: Strategic decisions involve thinking in totality of the organization. Hence, problems calling for strategic decisions require to be considered by the top management.
- Strategic decisions involve commitment of organisational resources: For example, Strategic decisions to launch a new project by a firm requires allocation of huge funds and assignment of a large number of employees. **{1 M}**

- Strategic decisions necessitate consideration of factors in the firm's external environment: Strategic focus in organization involves orienting its internal environment to the changes of external environment.
- Strategic decisions are likely to have a significant impact on the long-term prosperity of the firm: Generally, the results of strategic implementation are seen on a long-term basis and not immediately. **{1 M}**

- Strategic decisions are future oriented: Strategic thinking involves predicting the future environmental conditions and how to orient for the changed conditions.
- Strategic decisions usually have major multifunctional or multi-business consequences: As they involve organization in totality they affect different sections of the organization with varying degree. **{1 M}**

Answer:

(b) Strategic leadership is the ability of influencing others to voluntarily make decisions that enhance prospects for the organisation's long-term success while maintaining short-term financial stability. It includes determining the firm's strategic direction, aligning the firm's strategy with its culture, modelling and communicating high ethical standards, and initiating changes in the firm's strategy, when necessary. Strategic leadership sets the firm's direction by developing and communicating a vision of future and inspire organization members to move in that direction. Unlike strategic leadership, managerial leadership is generally concerned with the short-term, day-to-day activities. **{1 M}**

Two basic approaches to leadership can be transformational leadership style and transactional leadership style.

Transformational leadership style use charisma and enthusiasm to inspire people to exert them for the good of the organization. Transformational leadership style may be appropriate in turbulent environments, in industries at the very start or end of their life-cycles, in poorly performing organizations when there is a need to inspire a company to embrace major changes. Transformational leaders offer excitement, **{2 M}**

vision, intellectual stimulation and personal satisfaction. They inspire involvement in a mission, giving followers a 'dream' or 'vision' of a higher calling so as to elicit more dramatic changes in organizational performance. Such a leadership motivates followers to do more than originally affected to do by stretching their abilities and increasing their self-confidence, and also promote innovation throughout the organization.

Transactional leadership style focuses more on designing systems and controlling the organization's activities and are more likely to be associated with improving the current situation. Transactional leaders try to build on the existing culture and enhance current practices. Transactional leadership style uses the authority of its office to exchange rewards, such as pay and status. They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement. **{2 M}**

Transactional leadership style may be appropriate in static environment, in growing or mature industries, and in organizations that are performing well. The style is better suited in persuading people to work efficiently and run operations smoothly.

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