

(CA INTERMEDIATE MOCK TEST MAY 2021)

DATE: 27.04.2021

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. a | } 1 Mark Each Valid Point (15 Marks) |
| 2. | Ans. d | |
| 3. | Ans. c | |
| 4. | Ans. b | |
| 5. | Ans. c | |
| 6. | Ans. d | |
| 7. | Ans. b | |
| 8. | Ans. d | |
| 9. | Ans. b | |
| 10. | Ans. d | |
| 11. | Ans. a | |
| 12. | Ans. a | |
| 13. | Ans. a | |
| 14. | Ans. b | |
| 15. | Ans. d | |

Answer 2:

When risks are identified and analyzed, it is not always appropriate to implement controls to counter them. Some risks may be minor, and it may not be cost effective to implement expensive control processes for them. Risk management strategy is explained below:

- **Tolerate/Accept the risk:** One of the primary functions of management is managing risk. Some risks may be considered minor because their impact and probability of occurrence is low. In this case, consciously accepting the risk as a cost of doing business is appropriate, as well as periodically reviewing the risk to ensure its impact remains low.
- **Terminate/Eliminate the risk:** It is possible for a risk to be associated with the use of a technology, supplier, or vendor. The risk can be eliminated by replacing the technology with more robust products and by seeking more capable suppliers and vendors.
- **Transfer/Share the risk:** Risk mitigation approaches can be shared with trading partners and suppliers. A good example is outsourcing infrastructure management. In such a case, the supplier mitigates the risks associated with managing the IT infrastructure by being more capable and having access to more highly skilled staff than the primary organization. Risk also may be mitigated by transferring the cost of realized risk to an insurance provider.
- **Treat/mitigate the risk:** Where other options have been eliminated, suitable controls must be devised and implemented to prevent the risk from manifesting itself or to minimize its effects.
- **Turn back:** Where the probability or impact of the risk is very low, then management may decide to ignore the risk.

(1 M Each)

Answer 3:

- (a)** The Risks and their corresponding Controls associated with the Treasury Process in Core Banking Systems are as follows:

S. No.	Risk	Key Controls	
1.	Unauthorized securities setup in systems such as Front office/Back office.	Appropriate Segregation of duties and review controls around securities master setup/amendments.	{1 ^{1/2} M}
2.	Inaccurate trade is processed.	Appropriate Segregation of duties and review controls to ensure the accuracy and authorization of trades.	
3.	Unauthorized confirmations are processed.	Complete and accurate confirmations to be obtained from counter-party.	{1 ^{1/2} M}
4.	Insufficient Securities available for Settlement	Effective controls on securities and margins.	
5.	Incomplete and inaccurate data flow between systems.	Inter-system reconciliations, Interfaces and batch processing controls.	
6.	Insufficient funds are available for settlements.	Controls at Clearing Corporation of India Limited (CCIL)/ National Electronic Funds Transfer (NEFT)/ Real Time Gross Settlement (RTGS) to ensure the margin funds availability and the timely funds settlements.	{2 M}
7.	Incorrect Nostro payments processed.	Controls at Nostro reconciliation and payments.	

Answer:

(b) Components of Mobile Computing

The key components of Mobile Computing are as follows:

- ♦ **Mobile Communication:** This refers to the infrastructure put in place to ensure that seamless and reliable communication goes on. This would include communication properties, protocols, data formats and concrete technologies. {1^{1/2} M}
- ♦ **Mobile Hardware:** Mobile Hardware includes mobile devices or device components that receive or access the service of mobility. They would range from Portable laptops, Smart Phones, Tablet PCs, and Personal Digital Assistants (PDA) that use an existing and established network to operate on. At the back end, there are various servers like Application Servers, Database Servers and Servers with wireless support, WAP gateway, a Communications Server and/or MCSS (Mobile Communications Server Switch) or a wireless gateway embedded in wireless carrier's network. The characteristics of mobile computing hardware are defined by the size and form factor, weight, microprocessor, primary storage, secondary storage, screen size and type, means of input, means of output, battery life, communications capabilities, expandability and durability of the device. {2 M}
- ♦ **Mobile Software:** Mobile Software is the actual programme that runs on the mobile hardware and deals with the characteristics and requirements of mobile applications. It is the operating system of that appliance and is the essential component that makes the mobile device operates. Mobile applications popularly called Apps are being developed by organizations for use by customers but these apps could represent risks, in terms of flow of data as well as personal identification risks, introduction of malware and access to personal information of mobile owner. {1^{1/2} M}

Answer 4:

(a) Various risks associated with technology while implementing ERP are as following:

- **Software Functionality:** ERP systems offer a myriad of features and functions, however, not all organizations require those many features. Implementing all the functionality and features just for the sake of it can be disastrous for an organization. {2 M}

- Technological Obsolescence: With the advent of more efficient technologies every day, the ERP system also becomes obsolete as time goes on. (1 M)
- Enhancement and Upgrades: ERP Systems are not upgraded and kept up-to-date. Patches and upgrades are not installed and the tools are underutilised. (1 M)
- Application Portfolio Management: These processes focus on the selection of new business applications and the projects required delivering them. (1 M)

Answer:

(b) Following commercial laws are applicable to e-commerce and m-commerce transactions in India.

- Income Tax Act, 1961: Income Tax Act, has detailed provisions regarding taxation of income in India. In respect of e-commerce/m-commerce transactions; the issue of deciding place of origin transaction for tax purpose is critical.
- Companies Act, 2013: Companies Act, 2013, regulates the corporate sector. The law defines all regulatory aspects for companies in India. Most of the merchants in e-commerce / m-commerce business are companies, both private and public.
- Foreign Trade (Development and Regulation) Act, 1992: This is an act to provide for the development and regulation of foreign trade by facilitating imports into, augmenting exports from India and for matters connected therewith or incidental thereto.
- The Factories Act, 1948: This is an act to regulate working conditions of workers and extends to the place of storage as well as transportation. Most of the merchants e-commerce/m-commerce business need to comply with provisions of the act.
- The Custom Act, 1962: This act defines import/export of goods/services from India and provides for levy of appropriate customs duty.
- The Goods and Services Tax Act, 2017 (GST): This Act requires each applicable business, including e-commerce/m-commerce, to upload each sales and purchase invoice on one central IT infrastructure, mandating reconciliations of transactions between business, triggering of tax credits on payments of GST, facilitating filling of e-return s, etc.
- Indian Contract Act, 1872: This act defines constituents of a valid contract. In case of e-commerce/m-commerce business, it becomes important to define these constituents.
- The Competition Act, 2002: This is a law to regulate practices that may have adverse effect on competition in India. Competition Commission have been vigilant to ensure that e-commerce/m-commerce merchants do not engage in predatory practices.
- Foreign Exchange Management Act (FEMA 1999): This law regulates foreign direct investments, flow of foreign exchange in India and has important implications for e-commerce/m-commerce business.
- Consumer Protection Act, 1986: The law to protect consumer rights has been source of most of litigations for transaction done through e-commerce and m-commerce.

(1/2 M Each)

All laws above have same nature of applicability as in a normal commercial transaction. The fact that transactions are done electronically gives rise to issues which are unique in nature. Few of issues have been put to rest by court decisions but new issues crop up every day.

Answer 5:

(a) The most suitable choice is Community Cloud which is the cloud infrastructure provisioned for exclusive use by a specific community of consumers from

organizations that have shared concerns (eg. mission security requirements, policy, and compliance considerations). It may be owned, managed, and operated by one or more of the organizations in the community, a third party or some combination of them, and it may exist on or off premises. In this, a private cloud is shared between several organizations. This model is suitable for organizations that cannot afford a private cloud and cannot rely on the public cloud either.

Advantages of Community Cloud are as follows:

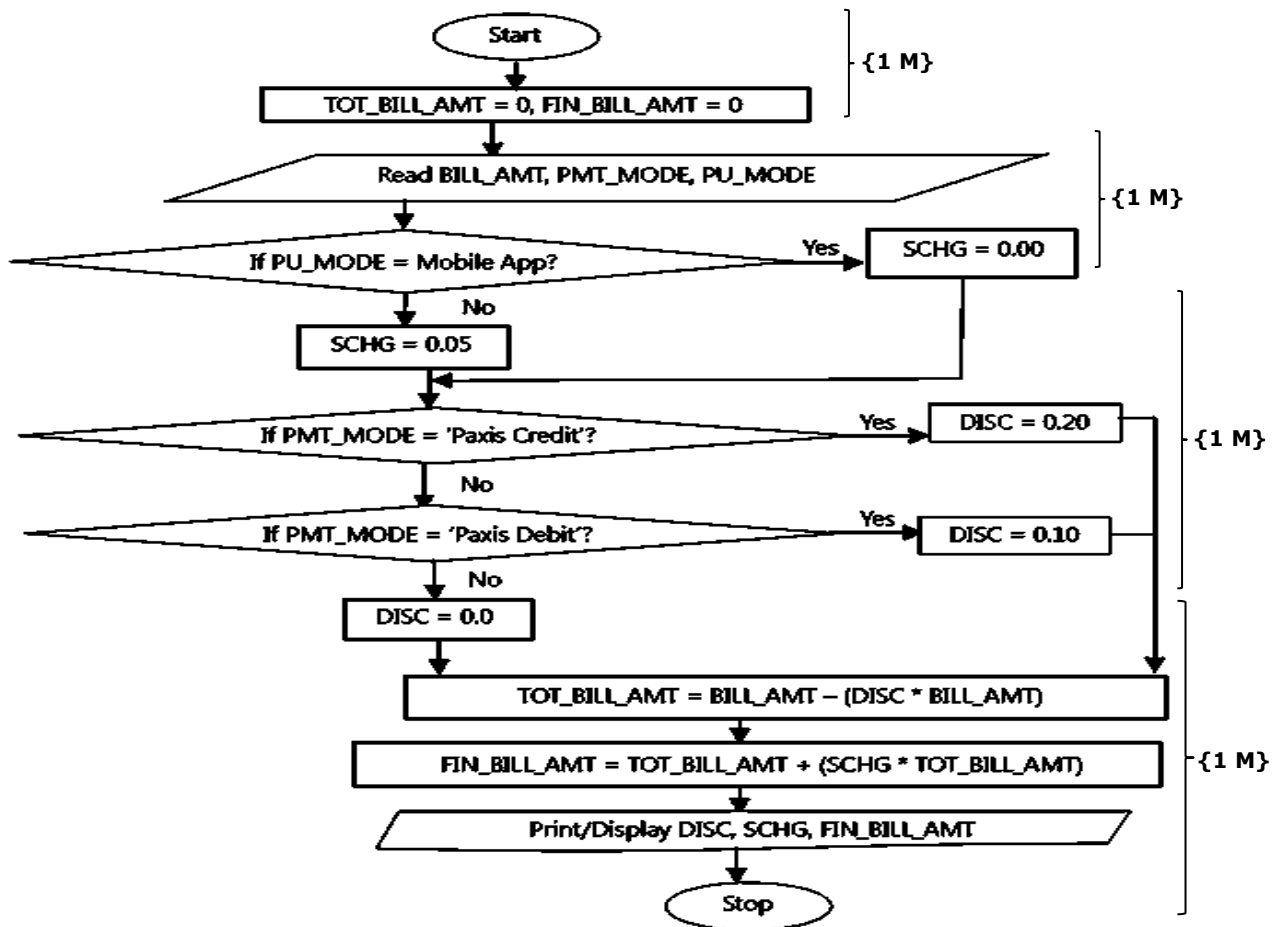
- It allows establishing a low-cost private cloud.
- It allows collaborative work on the cloud.
- It allows sharing of responsibilities among the organizations.
- It has better security than the public cloud.

{3 M}

The limitation of the Community Cloud is that the autonomy of the organization is lost and some of the security features are not as good as the private cloud. It is not suitable in the cases where there is no collaboration.

{2 M}

Answer:
(b)



The variables used are defined as follows:

- | | | |
|--|--------------------------------|--------|
| PU_MODE: Purchase Mode, | BILL_AMT: Initial Bill Amount, | }{1 M} |
| TOT_BILL_AMT: Bill Amount after Discount, | SCHG: Surcharge, | |
| FIN_BILL_AMT: Final Bill Amount after Surcharge, | PMT_MODE: Payment Mode | |
| DISC: Discount, | | |

Answer 6:

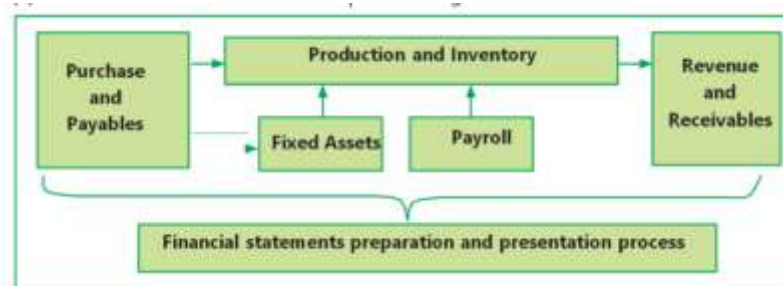
(a) In computing, Virtualization means to create a virtual version of a device or resource, such as a server, storage device, network or even an operating system where the framework divides the resource into one or more execution environments. Virtualization refers to technologies designed to provide a layer of abstraction between computer hardware systems and the software running on them. By providing a logical view of computing resources, rather than a physical view; virtualization allows its' users to manipulate their systems' operating systems into thinking that a group of servers is a single pool of computing resources and conversely, allows its users to run multiple operating systems simultaneously on a single machine. Thus, the core concept of Virtualization lies in Partitioning, which divides a single physical server into multiple logical servers. For example - Partitioning of a hard drive is considered virtualization because one drive is partitioned in a way to create two separate hard drives. Devices, applications and human users can interact with the virtual resource as if it were a real single logical resource. (2^{1/2} M)

Application Areas of Virtualization are as follows:

- ◆ Server Consolidation: Virtual machines are used to consolidate many physical servers into fewer servers, which in turn host virtual machines. Each physical server is reflected as a virtual machine "guest" residing on a virtual machine host system. This is also known as "Physical-to-Virtual" or 'P2V' transformation.
- ◆ Disaster Recovery: Virtual machines can be used as "hot standby" environments for physical production servers. This changes the classical "backup-and-restore" philosophy, by providing backup images that can "boot" into live virtual machines, capable of taking over workload for a production server experiencing an outage.
- ◆ Testing and Training: Virtualization can give root access to a virtual machine. This can be very useful such as in kernel development and operating system courses.
- ◆ Portable Applications: Portable applications are needed when running an application from a removable drive, without installing it on the system's main disk drive. Virtualization can be used to encapsulate the application with a redirection layer that stores temporary files, windows registry entries and other state information in the application's installation directory and not within the system's permanent file system.
- ◆ Portable Workspaces: Recent technologies have used virtualization to create portable workspaces on devices like iPods and USB memory sticks. (1/2 M Each)

Answer:

(b) **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 as shown in the Fig.



Types of Master Data in Financial and Accounting Systems (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 expected to change.
- (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.
- (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.
- (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 each)

SECTION – B : STRATEGIC MANAGEMENT

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

Answer 7:

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

-1 Mark Each = Total 15 Marks

Answer 8:

Business Process Reengineering (BPR) is an approach to unusual improvement in operating effectiveness through the redesigning of critical business processes and supporting business systems. It is revolutionary redesign of key business processes that involves examination of the basic process itself. It looks at the minute details of the process, such as why the work is done, who does it, where is it done and when it is done. BPR refers to the analysis and redesign of workflows and processes both within the organization and between the organization and the external entities like suppliers, distributors, and service providers.

{2^{1/2} M}

The orientation of redesigning efforts is basically radical. In other words, it is a total deconstruction and rethinking of business process in its entirety, unconstrained by its existing structure and pattern. Its objective is to obtain quantum jump in process performance in terms of time, cost, output, quality, and responsiveness to customers. BPR is a revolutionary redesigning of key business processes. BPR involves the following steps:

- i. Determining objectives: Objectives are the desired end results of the redesign process which the management and organization attempts to realise. They will provide the required focus, direction, and motivation for the redesign process and help in building a comprehensive foundation for the reengineering process.
- ii. Identify customers and determine their needs: The process designers have to understand customers - their profile, their steps in acquiring, using and disposing a product. The purpose is to redesign business process that clearly provides value addition to the customer.
- iii. Study the existing processes: The study of existing processes will provide an important base for the process designers. The purpose is to gain an understanding of the 'what', and 'why' of the targeted process. However, as discussed earlier, some companies go through the reengineering process with clean perspective without laying emphasis on the past processes.
- iv. Formulate a redesign process plan: The information gained through the earlier steps is translated into an ideal redesign process. Formulation of redesign plan is the real crux of the reengineering efforts. Customer focussed redesign concepts are identified and formulated. In this step alternative processes are considered and the best is selected.
- v. Implement the redesigned process: It is easier to formulate new process than to implement them. Implementation of the redesigned process and application of

{1/2 M Each}

other knowledge gained from the previous steps is key to achieve dramatic improvements. It is the joint responsibility of the designers and management to operationalise the new process.

Answer 9:

(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.

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

{1 M}

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.
- ♦ 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.

} 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:

		Relative Market Share		
		<i>High</i>	<i>Low</i>	
Market Growth	<i>High</i>	Stars	Question Marks	
	<i>Low</i>	Cash Cows	Dogs	

BCG Matrix

} 1 M }

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

} 1/2 M Each }

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.

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.

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

{1 M}

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.

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.

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.

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.

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

{1 M}

{1 M}

{1 M}

{1 M}

{1 M}

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.

Answer 11:

(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."

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. {1 M}
- ♦ 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.
- ♦ 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. {1 M}
- ♦ 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.
- ♦ Strategic decisions are future oriented: Strategic thinking involves predicting the future environmental conditions and how to orient for the changed conditions. {1 M}
- ♦ 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. 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, 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. }

Answer 12:

- (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. } **{ 1 1/2 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. } **{ 1 1/2 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. } **{ 1 M }**
 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:
- (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. } **{ 1 M Each }**
 - (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. Sales is 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.

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