

(GI-1, GI-2, GI-3, VI-1, SI-1, VDI-1)

DATE: 05.08.2021

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

Answer 2:

The Companies Act, 2013

The Companies Act, 2013 has two very important Sections - Section 134 and Section 143, which have a direct impact on the audit and accounting profession.

(i) Section 134

Section 134 of the Companies Act, 2013 on "Financial statement, Board's report, etc." states inter alia:

The Directors' Responsibility Statement referred to in clause (c) of sub-section (3) shall state that:

The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

Explanation: For the purposes of this clause, the term "internal financial controls" means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

{1 M}

(ii) Section 143

Section 143, of the Companies Act 2013, on "Powers and duties of auditors and auditing standards" states inter alia:

Section 143(3) contains the auditor's report which states:

"whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls";

When we talk in terms of "adequacy and effectiveness of controls"; it refers to the adequacy of the control design and whether the control has been working effectively during the relevant financial year. The impact of this statement is that it involves continuous control monitoring during the year and not a review "as at" a particular date.

For example, let us assume that a company has a sales invoicing control wherein all sales invoices raised by the salesman which is greater than ` 50,000/- are reviewed and approved by the sales manager. In terms of the of the control design this control may seem adequate. However, if during audit, it was found that, during the year, there were many invoices raised by the salesman which was greater than ` 50,000/- and not reviewed and approved by the sales manager. In such a case, although the control design was adequate, the control was not working effectively, due to many exceptions without proper approval.

As per ICAI's "Guidance Note on Audit of Internal Financial Controls over Financial Reporting":

Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the 2013 Act" or "the Act") requires the auditors' report to state whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.

I. Management's Responsibility

The 2013 Act has significantly expanded the scope of internal controls to be considered by the management of companies to cover all aspects of the operations of the company. Clause (e) of Sub-section 5 of Section 134 to the Act requires the directors' responsibility statement to state that the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

Clause (e) of Sub-section 5 of Section 134 explains the meaning of the term, "internal financial controls" as "the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information."

Rule 8(5)(viii) of the Companies (Accounts) Rules, 2014 requires the Board of Directors' report of all companies to state the details in respect of adequacy of internal financial controls with reference to the financial statements.

The inclusion of the matters relating to internal financial controls in the directors' responsibility statement is in addition to the requirement for the directors to state that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the 2013 Act, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

II. Auditors' Responsibility

The auditor's objective in an audit of internal financial controls over financial reporting is to express an opinion on the effectiveness of the company's internal financial controls over financial reporting and the procedures in

{1 M}

{1 M}

MITTAL COMMERCE CLASSES CA INTERMEDIATE – MOCK TEST

respect thereof are carried out along with an audit of the financial statements. Because a company's internal controls cannot be considered effective if one or more material weakness exists, to form a basis for expressing an opinion, the auditor should plan and perform the audit to obtain sufficient appropriate evidence to obtain reasonable assurance about whether material weakness exists as of the date specified in management's assessment. A material weakness in internal financial controls may exist even when the financial statements are not materially misstated. {1 M}

III. Corporate Governance Requirements

Corporate Governance is the framework of rules and practices by which a board of directors ensures accountability, fairness, and transparency in a company's relationship with its all stakeholders (financiers, customers, management, employees, government, and the community).

The corporate governance framework consists of:

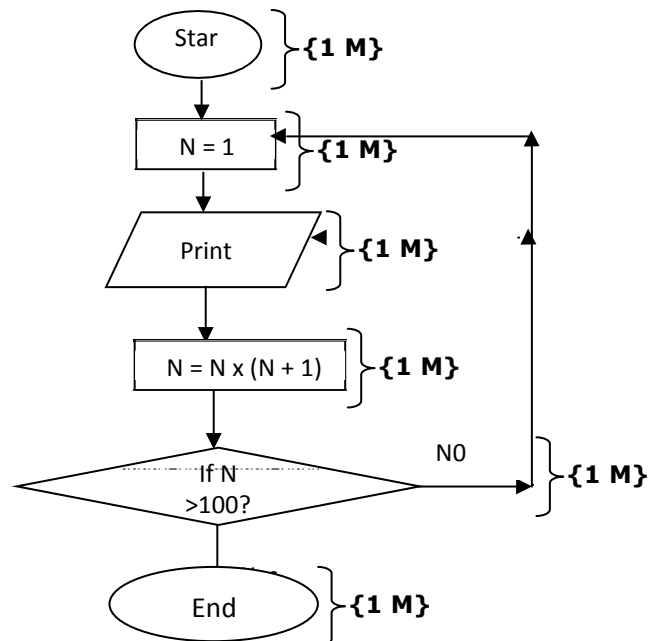
- (i) Explicit and implicit contracts between the company and the stakeholders for distribution of responsibilities, rights, and rewards
- (ii) Procedures for reconciling the sometimes-conflicting interests of stakeholders in accordance with their duties, privileges, and roles, and
- (iii) Procedures for proper supervision, control, and information-flows to serve as a system of checks-and-balances. {1 M}

Answer 3:

(a) (i) Let us define the variable first:

N: Number

The desired flowchart is as follows:



(ii) The output for the above program is as follows:

- 1
- 2
- 6
- 42

(iii) The output of the above program in case N is initialized as 0 will be - 0, 0, 0, 0, 0 (infinite loop)

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 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 M}

Answer 4:

(a) Database Controls

Protecting the integrity of a database when application software acts as an interface to interact between the user and the database, are called **Update Controls** and **Report Controls**.

Major **Update Controls** are as follows:

- ♦ **Sequence Check between Transaction and Master Files:** Synchronization and the correct sequence of processing between the master file and transaction file is critical to maintain the integrity of updating, insertion or deletion of records in the master file with respect to the transaction records. If errors, in this stage are overlooked, it leads to corruption of the critical data.
- ♦ **Ensure All Records on Files are processed:** While processing, the transaction file records mapped to the respective master file, and the end-of-file of the transaction file with respect to the end-of-file of the master file is to be ensured.
- ♦ **Process multiple transactions for a single record in the correct order:** Multiple transactions can occur based on a single master record (e.g. dispatch of a product to different distribution centers). Here, the order in which transactions are processed against the product master record must be done based on a sorted transaction codes.
- ♦ **Maintain a suspense account:** When mapping between the master record to transaction record results in a mismatch due to failure in the corresponding record entry in the master record; then these transactions are maintained in a suspense account. A non-zero balance of the suspense accounts reflects the errors to be corrected. }{1 M each}

Major **Report Controls** are as follows:

- **Standing Data:** Application programs use many internal tables to perform various functions like gross pay calculation, billing calculation based on a price table, bank interest calculation etc. Maintaining integrity of the pay rate table, price table and interest table is critical within an organization. Any changes or errors in these tables would have an adverse effect on the organizations basic functions. Periodic monitoring of these internal tables by means of manual check or by calculating a control total is mandatory.
- **Print-Run-to Run control Totals:** Run-to-Run control totals help in identifying errors or irregularities like record dropped erroneously from a transaction file, wrong sequence of updating or the application software processing errors.
- **Print Suspense Account Entries:** Similar to the update controls, the suspense account entries are to be periodically monitors with the respective error file and action taken on time.
- **Existence/Recovery Controls:** The back-up and recovery strategies together encompass the controls required to restore failure in a database. Backup strategies are implemented using prior version and logs of transactions or changes to the database. Recovery strategies involve roll-forward (current state database from a previous version) or the roll-back (previous state database from the current version) methods.

(1/2 M each)

Answer:

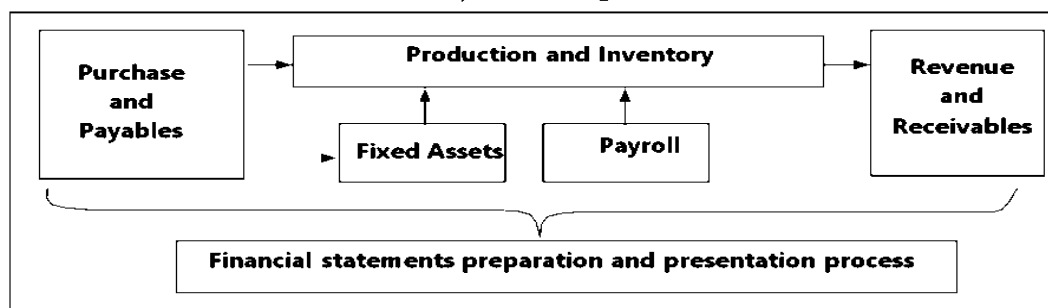
(b) The key technology components of Core Banking System (CBS) are asfollows:

- Database Environment
- Application Environment
- Web Environment
- Security solution
- Connectivity to the Corporate Network and the Internet
- Data Centre and Disaster Recovery Centre
- Network Solution architecture to provide total connectivity
- Enterprise Security architecture
- Branch and Delivery channel environment
- Online Transaction monitoring for fraud risk management

(1/2 M for any 8 point)

Answer 5:

(a) 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.



{ 2 M }

Types of Master Data in Financial and Accounting Systems

- (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)

Answer:

- (b) Some of the advantages of continuous audit techniques are asunder:
 - ◆ **Timely, Comprehensive and Detailed Auditing** – Evidence would be available more timely and in a comprehensive manner. The entire processing can be evaluated and analyzed rather than examining the inputs and the output only.
 - ◆ **Surprise test capability** – As evidences are collected from the system itself by using continuous audit techniques, auditors can gather evidence without the systems staff and application system users being aware that evidence is being collected at that particular moment. This brings in the surprise test advantages.
 - ◆ **Information to system staff on meeting of objectives** – Continuous audit techniques provides information to systems staff regarding the test vehicle to be used in evaluating whether an application system meets the objectives of asset safeguarding, data integrity, effectiveness, and efficiency.
 - ◆ **Training for new users** – Using the Integrated Test Facilities (ITF)s, new users can submit data to the application system, and obtain feedback on any mistakes they make via the system's error reports.

(1 M each)

Answer 6:

- (a) **"The Cloud"** refers to applications, services, and data storage on the Internet. These service providers rely on giant server farms and massive storage devices that are connected via Internet protocols. Cloud computing is the use of these services by

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individuals and organizations. You probably already use cloud computing in some forms. For example, if you access your e-mail via your web browser, you are using a form of cloud computing. If you use Google Drive’s applications, you are using cloud computing. While these are free versions of cloud computing, there is big business in providing applications and data storage over the web. Salesforce is a good example of cloud computing as their entire suite of CRM applications are offered via the cloud. Cloud computing is not limited to web applications: it can also be used for services such as phone or video streaming. The best example of cloud computing is Google Apps where any application can be accessed using a browser and it can be deployed on thousands of computers through the Internet.

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.

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.

{2 M}

{1 M for any 4 point}

Answer:

(b) Sample listing of Risks w.r.t Information Security for the Bank is as follows:

- Significant information resources may be modified inappropriately, disclosed without authorization, and/ or unavailable when needed. (e.g., they may be deleted without authorization).
- Lack of management direction and commitment to protect information assets.
- Potential Loss of confidentiality, availability and integrity of data and system.
- User accountability is not established.
- It is easier for unauthorized users to guess the password of an authorized user and access the system and/ or data. This may result in loss of confidentiality, availability and integrity of data and system.
- Unauthorized viewing, modification or copying of data and/ or unauthorized use, modification or denial of service in the system.
- Security breaches may go undetected.
- Inadequate preventive measure for key server and IT system in case of environmental threat like heat, humidity, fire, flood etc.
- Unauthorized system or data access, loss and modification due to virus, worms and Trojans.

**(1/2 M
for any 8
point)**

SECTION – B : STRATEGIC MANAGEMENT

Q. No. 7&8 is Compulsory,

Answer any three questions from the remaining four questions

Answer 7:

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

Answer 8:

<p>Organizations can be classified as commercial and non-commercial on the basis of the interest they have. typically, a government or medical organization may function without any commercial objectives. A commercial organization has profit as its main aim. We can find many organizations around us, which do not have any commercial objective of making profits. their genesis may be for social, charitable, or educational purposes.</p>	} {1 M}
<p>The strategic-management process is being used effectively by countless non-profit governmental organizations. Many non-profit and governmental organizations outperform private firms and corporations on innovativeness, motivation, productivity, and human resource.</p>	} {3 M}
<p>Compared to for-profit firms, non-profit and governmental organizations often function as a monopoly, produce a product or service that offers little or no measurability of performance, and are totally dependent on outside financing. especially for these organizations, strategic management provides an excellent vehicle for developing and justifying requests for needed financial support.</p>	} {1 M}

Answer 9:

<p>(a) A culture where creativity, embracing change, and challenging the status quo are pervasive is very conducive to successful execution of a product innovation and technological leadership strategy. A culture built around such business principles as listening to customers, encouraging employees to take pride in their work, and giving employees a high degree of decision-making responsibility is very conducive to successful execution of a strategy of delivering superior customer service.</p>	} {2 ^{1/2} M}
<p>A strong strategy-supportive culture nurtures and motivates people to do their jobs in ways conducive to effective strategy execution; it provides structure, standards, and a value system in which to operate; and it promotes strong employee identification with the company’s vision, performance targets, and strategy. All this makes employees feel genuinely better about their jobs and work environment and the merits of what the company is trying to accomplish. Employees are stimulated to take on the challenge of realizing the company’s vision, do their jobs competently and with enthusiasm, and collaborate with others as needed to bring the strategy to success.</p>	} {2 ^{1/2} M}

MITTAL COMMERCE CLASSES CA INTERMEDIATE – MOCK TEST

Answer:

- (b) The changes in the environmental forces often require businesses to make modifications in their existing strategies and bring out new strategies. Strategic change is a complex process and it involves a corporate strategy focused on new markets, products, services and new ways of doing business. {1 M}
- To make the change lasting, Kurt Lewin proposed three phases of the change process for moving the organization from the present to the future. These stages are unfreezing, changing and refreezing.
- (a) **Unfreezing the situation:** The process of unfreezing simply makes the individuals or organizations aware of the necessity for change and prepares them for such a change. Lewin proposes that the changes should not come as a surprise to the members of the organization. Sudden and unannounced change would be socially destructive and morale lowering. The management must pave the way for the change by first “unfreezing the situation”, so that members would be willing and ready to accept the change. {1 M}
- Unfreezing is the process of breaking down the old attitudes and behaviours, customs and traditions so that they start with a clean slate. This can be achieved by making announcements, holding meetings and promoting the ideas throughout the organization.
- (b) **Changing to New situation:** Once the unfreezing process has been completed and the members of the organization recognise the need for change and have been fully prepared to accept such change, their behaviour patterns need to be redefined. H.C. Kellman has proposed three methods for reassigning new patterns of behaviour. These are compliance, identification and internalisation. {2 M}
- ♦ **Compliance:** It is achieved by strictly enforcing the reward and punishment strategy for good or bad behaviour. Fear of punishment, actual punishment or actual reward seems to change behaviour for the better.
 - ♦ **Identification:** Identification occurs when members are psychologically impressed upon to identify themselves with some given role models whose behaviour they would like to adopt and try to become like them.
 - ♦ **Internalization:** Internalization involves some internal changing of the individual’s thought processes in order to adjust to a new environment. They have given freedom to learn and adopt new behaviour in order to succeed in the new set of circumstances.
- (c) **Refreezing:** Refreezing occurs when the new behaviour becomes a normal way of life. The new behaviour must replace the former behaviour completely for successful and permanent change to take place. In order for the new behaviour to become permanent, it must be continuously reinforced so that this newly acquired behaviour does not diminish or extinguish. {1M}
- Change process is not a one time application but a continuous process due to dynamism and ever changing environment. The process of unfreezing, changing and refreezing is a cyclical one and remains continuously in action.

Answer 10:

- (a) Mission statement is an answer to the question “Who we are and what we do” and hence has to focus on the organisation’s present capabilities, focus activities and business makeup. An organisation’s mission states what customers it serves, what need it satisfies, and what type of product it offers. It is an expression of the growth ambition of the organisation. {2 M}

MITTAL COMMERCE CLASSES CA INTERMEDIATE – MOCK TEST

A company's mission statement is typically focused on its present business scope- "who we are and what we do"; mission statements broadly describe an organizations present capabilities, customer focus activities and business makeup. The following points must be considered while writing a mission statement of a company.

- (i) To establish the special identity of the business - one that typically distinct it from other similarly positioned companies.
- (ii) Needs which business tries to satisfy, customer groups it wishes to target and the technologies and competencies it uses and the activities it performs.
- (iii) Good mission statements should be unique to the organisation for which they are developed.
- (iv) The mission of a company should not be to make profit. Surpluses may be required for survival and growth, but cannot be mission of a company.

{1 Mark
for each
valid
point}
(Max.
03
Marks}

Answer:

(b) Divestment Strategy: Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit center 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. The option of a turnaround may even be ignored if it is obvious that divestment is the only answer.

{2^{1/2}M}

Liquidation Strategy: Liquidation as a form of retrenchment strategy is considered as the most extreme and unattractive. 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 a firm could pursue, and the stigma of failure.

{2^{1/2}M}

Answer 11:

(a) To gain a deep understanding of a company's industry and competitive environment, managers do not need to gather all the information they can find and waste a lot of time digesting it. Rather, the task is much more focused. A powerful and widely used tool for systematically diagnosing the significant competitive pressures in a market and assessing the strength and importance of each is the Porter's five-forces model of competition. This model holds that the state of competition in an industry is a composite of competitive pressures operating in five areas of the overall market:

- Competitive pressures associated with the market manoeuvring and jockeying for buyer patronage that goes on among rival sellers in the industry.
- Competitive pressures associated with the threat of new entrants into the market.
- Competitive pressures coming from the attempts of companies in other industries to win buyers over to their own substitute products.
- Competitive pressures stemming from supplier bargaining power and supplier-seller collaboration.
- Competitive pressures stemming from buyer bargaining power and seller-buyer Collaboration.

{1 Marks
for each
valid
point}

Answer:

(b) Production System is concerned with the capacity, location, layout, product or service design, work systems, degree of automation, extent of vertical integration, and such factors. Strategies related to production system are significant as they deal with vital issues affecting the capability of the organisation to achieve its objectives.

{2^{1/2}M}

Strategy implementation would have to take into account the production system factors as they involve decisions which are long-term in nature and influence not only the operations capability of an organisation but also its ability to implement strategies and achieve objectives.

{2^{1/2}M}

Answer 12:

- (a)** Experience curve is similar to learning curve which explains the efficiency gained by workers through repetitive productive work. Experience curve is based on the commonly observed phenomenon that unit costs decline as a firm accumulates experience in terms of a cumulative volume of production. The implication is that larger firms in an industry would tend to have lower unit costs as compared to those of smaller organizations, thereby gaining a competitive cost advantage. Experience curve results from a variety of factors such as learning effects, economies of scale, product redesign and technological improvements in production. {3 M}
- The concept of experience curve is relevant for a number of areas in strategic management. For instance, experience curve is considered a barrier for new firms contemplating entry in an industry. It is also used to build market share and discourage competition. {2 M}

Answer:

- (b)** The management of internal linkages in the value chain could create competitive advantage in a number of ways:
- ♦ There may be important linkages between the primary activities. For example, a decision to hold high levels of finished stock might ease production scheduling problems and provide for a faster response time to the customer. However, an assessment needs to be made whether the value added to the customer by this faster response through holding stocks is greater than the added cost. {2 M}
 - ♦ It is easy to miss this issue of managing linkages between primary activities in an analysis if, for example, the organization’s competences in marketing activities and operations are assessed separately. The operations may look good because they are geared to high-volume, low-variety, low-unit-cost of production. However, at the same time, the marketing team may be selling speed, flexibility and variety to the customers. So competence in separate activities need to be compatible. {2 M}
 - ♦ The management of the linkages between a primary activity and a support activity may be the basis of a core competence. It may be key investments in systems or infrastructure which provides the basis on which the company outperforms competition. Computer-based systems have been exploited in many different types of service organization and have fundamentally transformed the customer experience. {2 M}
 - ♦ Linkages between different support activities may also be the basis of core competences. For example, the extent to which human resource development is in tune with new technologies has been a key feature in the implementation of new production and office technologies. Many companies have failed to become competent in managing this linkage properly and have lost out competitively. {1 M}

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