

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. b
 2. Ans. a
 3. Ans. c
 4. Ans. b
 5. Ans. b
 6. Ans. a
 7. Ans. a
 8. Ans. b
 9. Ans. d
 10. Ans. c
 11. Ans. a
 12. Ans. d
 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}

{1 M}

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.

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) **"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 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.

{2 M}

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.

{1 M for any 4 point}

- ♦ **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.

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)

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 as follows:

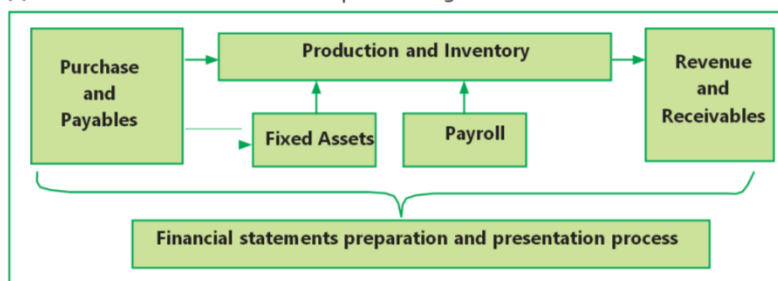
- Database Environment
- Application Environment
- Web Environment
- Security solution
- Connectivity to the Corporate Network and the Internet
- Data Centre and Disaster Recovery Centre
- Network Solution architecture to provide total connectivity
- Enterprise Security architecture

(1/2 M for any 8 point)

- Branch and Delivery channel environment
- Online Transaction monitoring for fraud risk management

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

{ 1 M each }

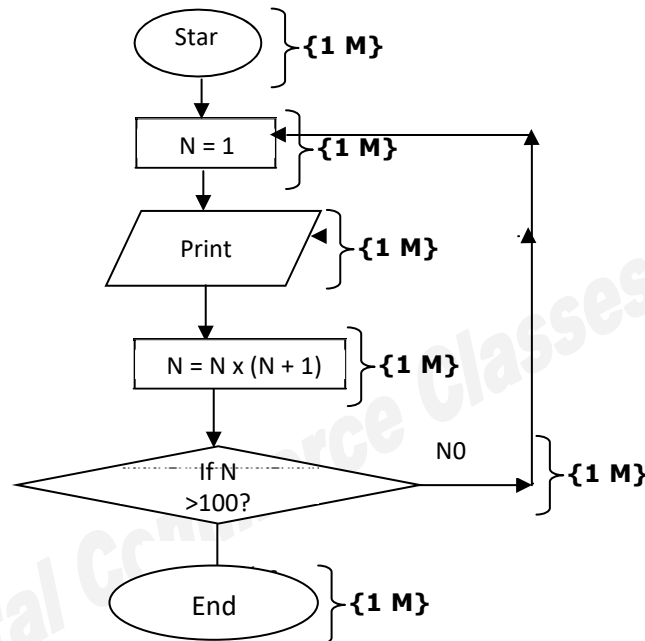
itself by using continuous audit techniques, auditors can gather evidence without the systems staff and application system users being aware that evidence is being collected at that particular moment. This brings in the surprise test advantages.

- ◆ **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.

Answer 6:

- (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 {2 M}

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.

- ♦ **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}

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SECTION – B : STRATEGIC MANAGEMENT

Q. No. 7&8 is Compulsory,

Answer any three questions from the remaining four questions

Answer 7:

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

Answer 8:

Steps to understand the competitive landscape

- (i) **Identify the competitor:** The first step to understand the competitive landscape is to identify the competitors in the firm's industry and have actual data about their respective market share. {1 M}
- (ii) **Understand the competitors:** Once the competitors have been identified, the strategist can use market research report, internet, newspapers, social media, industry reports, and various other sources to understand the products and services offered by them in different markets. {1 M}
- (iii) **Determine the strengths of the competitors:** What are the strength of the competitors? What do they do well? Do they offer great products? Do they utilize marketing in a way that comparatively reaches out to more consumers. Why do customers give them their business? {1 M}
- (iv) **Determine the weaknesses of the competitors:** Weaknesses (and strengths) can be identified by going through consumer reports and reviews appearing in various media. After all, consumers are often willing to give their opinions, especially when the products or services are either great or very poor. {1 M}
- (v) **Put all of the information together:** At this stage, the strategist should put together all information about competitors and draw inference about what they are not offering and what the firm can do to fill in the gaps. The strategist can also know the areas which need to be strengthened by the firm. {1 M}

Answer 9:

- (a) A typical large organization is a multidivisional organisation that competes in several different businesses. It has separate self-contained divisions to manage each of these. There are three levels of strategy in management of business - corporate, business, and functional. {2 M}
- The corporate level of management consists of the chief executive officer and other top level executives. These individuals occupy the apex of decision making within the organization. The role of corporate-level managers is to oversee the development of strategies for the whole organization. this role includes defining the mission and

goals of the organization, determining what businesses it should be in, allocating resources among the different businesses and so on rests at the corporate Level. }
 The development of strategies for individual business areas is the responsibility of the general managers in these different businesses or business level managers. a business unit is a self-contained division with its own functions - for example, finance, production, and marketing. the strategic role of business-level manager, head of the division, is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses. } **{ 1 M }**
 Functional-level managers are responsible for the specific business functions or operations such as human resources, purchasing, product development, customer service, and so on. thus, a functional manager’s sphere of responsibility is generally confined to one organizational activity, whereas general managers oversee the operation of a whole company or division. } **{ 2 M }**

Answer:

- (b)** SWOT analysis is a tool used by organizations for evolving strategic options for the future. The term SWOT refers to the analysis of strengths, weaknesses, opportunities and threats facing a company. Strengths and weaknesses are identified in the internal environment, whereas opportunities and threats are located in the external environment. } **{ 1 M }**
Strength: Strength is an inherent capability of the organization which it can use to gain strategic advantage over its competitor. } **{ 1 M }**
Weakness: A weakness is an inherent limitation or constraint of the organisation which creates strategic disadvantage to it. } **{ 1 M }**
Opportunity: An opportunity is a favourable condition in the external environment which enables it to strengthen its position. } **{ 1 M }**
Threat: An unfavourable condition in the external environment which causes a risk for, or damage to the organisation’s position. } **{ 1 M }**

Answer 10:

- (a)** A Mission statement tells you the fundamental purpose of the organization. It concentrates on the present. It defines the customer and the critical processes. It informs you of the desired level of performance. On the other hand, a vision statement outlines what the organization wants to be. It concentrates on the future. It is a source of inspiration. It provides clear decision-making criteria. } **{ 2 M }**
 A mission statement can resemble a vision statement in a few companies, but that can be a grave mistake. It can confuse people. Following are the major differences between vision and mission:
 1. The vision states the future direction while the mission states the ongoing activities of the organisation. }
 2. The vision statement can galvanize the people to achieve defined objectives, even if they are stretch objectives, provided the vision is specific, measurable, achievable, relevant and time bound. A mission statement provides a path to realize the vision in line with its values. These statements have a direct bearing on the bottom line and success of the organization. } **{ 2 M }**
 3. A vision statement defines the purpose or broader goal for being in existence or in the business and can remain the same for decades if crafted well while a mission statement is more specific in terms of both the future state and the time frame. Mission describes what will be achieved if the organization is successful. } **{ 1 M }**

Answer:

- (b) Concentric diversification occurs when a firm adds related products or markets. On the other hand, conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its current line of business. **{2 M}**
- In concentric diversification, the new business is linked to the existing businesses through process, technology or marketing. In conglomerate diversification, no such linkages exist; the new business/product is disjointed from the existing businesses/products. **{2 M}**
- The most common reasons for pursuing a concentric diversification are that opportunities in a firm's existing line of business are available. However, common reasons for pursuing a conglomerate growth strategy is that opportunities in a firm's current line of business are limited or opportunities outside are highly lucrative. **{1 M}**

Answer 11:

- (a) To achieve differentiation, following are the measures that could be adopted by an organization to incorporate:
1. Offer utility for the customers and match the products with their tastes and preferences.
 2. Elevate the performance of the product.
 3. Offer the promise of high quality product/service for buyer satisfaction.
 4. Rapid product innovation.
 5. Taking steps for enhancing image and its brand value.
 6. Fixing product prices based on the unique features of the product and buying capacity of the customer.
- {1 M for any 5 point}**

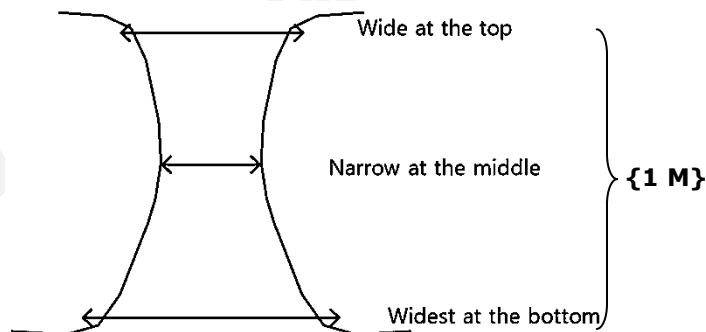
Answer:

- (b) Successful implementing supply management systems requires a change from managing individual functions to integrating activities into key supply chain processes. It involves collaborative work between buyers and suppliers, joint product development, common systems and shared information. A key requirement for successfully implementing supply chain will be network of information sharing and management. The partners need to link together to share information through electronic data interchange and take decisions in timely manner. **{1 M}**
- Implementing and successfully running supply chain management system will involve:
1. Product development: Customers and suppliers must work together in the product development process. Right from the start the partners will have knowledge of all. Involving all partners will help in shortening the life cycles. Products are developed and launched in shorter time and help organizations to remain competitive.
 2. Procurement: Procurement requires careful resource planning, quality issues, identifying sources, negotiation, order placement, inbound transportation and storage. Organizations have to coordinate with suppliers in scheduling without interruptions. Suppliers are involved in planning the manufacturing process.
 3. Manufacturing: Flexible manufacturing processes must be in place to respond to market changes. They should be adaptive to accommodate customization and changes in the taste and preferences. Manufacturing should be done on the basis of just-in-time (JIT) and minimum lot sizes. Changes in the manufacturing process be made to reduce manufacturing cycle. **{1 M}**
 4. Physical distribution: Delivery of final products to customers is the last position in a marketing channel. Availability of the products at the right place at right time is important for each channel participant. Through physical distribution processes serving the customer become an integral part of **{1 M}**

- marketing. Thus, supply chain management links a marketing channel with customers.
5. Outsourcing: Outsourcing is not limited to the procurement of materials and components, but also include outsourcing of services that traditionally have been provided within an organization. The company will be able to focus on those activities where it has competency and everything else will be outsourced.
 6. Customer services: Organizations, through interfaces with the company's production and distribution operations, develop customer relationships so as to satisfy them. They work with customer to determine mutually satisfying goals, establish and maintain relationships. This in turn help in producing positive feelings in the organization and the customers.
 7. Performance measurement: There is a strong relationship between the supplier, customer and organisation. Supplier capabilities and customer relationships can be correlated with a firm performance. Performance is measured in different parameters such as costs, customer service, productivity and quality.

Answer 12:

- (a) In the recent years information technology and communications have significantly altered the functioning of organizations. The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools. Hourglass organization structure consists of three layers in an organisation structure with constricted middle layer. The structure has a short and narrow middle management level. Information technology links the top and bottom levels in the organization taking away many tasks that are performed by the middle level managers. A shrunken middle layer coordinates diverse lower level activities.



Hourglass Organization Structure

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

Answer:

- (b) Benchmarking is an approach of setting goals and measuring productivity of firms based on best industry practices or against the products, services and practices of its competitors or other acknowledged leaders in the industry. It developed out of need to have information against which performance can be measured. Benchmarking helps businesses in improving performance by learning from the best practices and the processes by which they are achieved. Thus, benchmarking is a process of

continuous improvement in search for competitive advantage. Firms can use benchmarking practices to achieve improvements in diverse range of management functions like product development, customer services, human resources management, etc.

The various steps in Benchmarking Process are as under:

- (i) **Identifying the need for benchmarking:** This step will define the objectives of the benchmarking exercise. It will also involve selecting the type of benchmarking. Organizations identify realistic opportunities for improvements. {1/2 M}
- (ii) **Clearly understanding existing decisions processes:** The step will involve compiling information and data on performance. {1/2 M}
- (iii) **Identify best processes:** Within the selected framework best processes are identified. These may be within the same organization or external to them. {1/2 M}
- (iv) **Comparison of own process and performance with that of others:** Benchmarking process also involves comparison of performance of the organization with performance of other organization. Any deviation between the two is analysed to make further improvements. {1/2 M}
- (v) **Prepare a report and implement the steps necessary to close the performance gap:** A report on benchmarking initiatives containing recommendations is prepared. Such a report also contains the action plans for implementation. {1/2 M}
- (vi) **Evaluation:** Business organizations evaluate the results of the benchmarking process in terms of improvements vis-à-vis objectives and other criteria set for the purpose. They also periodically evaluate and reset the benchmarks in the light of changes in the conditions that impact the performance. {1/2 M}

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