Intermediate Course: Group – II **(Mock Test Paper – Series : 2)**
DATE: 04.11.2024 **MAXIMUM MARKS: 100** **TIMING: 3¼ Hours**

FINANCIAL MANAGEMENT & STRATEGIC MANAGEMENT

PAPER – 6A : FINANCIAL MANAGEMENT

1. **The question paper comprises two parts. Part I and Part II.**
2. **Part I comprises Case Scanario based Multiple Choice Questions (MCQs)**
3. **Part II comprises questions which require descriptive type answers.**
4. **Working note should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note. However, in answers to Questions in Part I, working notes are not required.**

PART I – CASE SCENARIO BASED MCQs (15 Marks)

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.

Ans. 1 to Ans. 5:
Case Scenario

1. Ans. a
2. Ans. d
3. Ans. c
4. Ans. b
5. Ans. a

MCQ [5 MCQ of 2 Marks Each : Total 10 Marks]

Ans. 6 to Ans. 8:
Case Scenario

6. Ans. c } {2 M Each}
7. Ans. b }
8. Ans. d }{1 M}

PART II – DESCRIPTIVE QUESTIONS (35 Marks)

Question No. 1 is Compulsory.

Attempt any two questions out of the remaining three questions.

Answer 1:

(a) Gross Profit Rs. 54,000
Gross Profit Margin 20%

$$\therefore \text{Sales} = \frac{\text{Gross Profit}}{\text{Gross Profit Margin}} = ₹\ 54{,}000 / 0.20 = ₹\ 2{,}70{,}000$$ }{1/2 M}

Credit Sales to Total Sales = 80%

$$\therefore \text{Credit Sales} = ₹\ 2{,}70{,}000 \times 0.80 = ₹\ 2{,}16{,}000$$ }{1/2 M}

Total Assets Turnover = 0.3 times

$$\therefore \text{Total Assets} = \frac{\text{Sales}}{\text{Total Assets Turnover}}$$

$$= \frac{₹\ 2{,}70{,}000}{0.3} = ₹\ 9{,}00{,}000$$ }{1/2 M}

Sales – Gross Profit = COGS

∴ COGS = ₹ 2, 70,000 – 54,000 = ₹ 2, 16,000 }{1/2 M}

Inventory turnover = 4 times

Inventory $= \frac{\text{COGS}}{\text{Inventory turnover}} = \frac{2,16,000}{4}$ = ₹ 54,000 }{1/2 M}

Average Collection Period = 20 days

∴ Debtors turnover $= \frac{360}{\text{Average Collection Period}}$ = 360/20 = 18

∴ Debtors $= \frac{\text{Credit Sales}}{\text{Debtors turnover}} = \frac{₹\ 2,16,000}{18}$ = ₹12,000 }{1/2 M}

Current ratio = 1.8

1.8 $= \frac{\text{Debtors + Inventory + Cash (Current Assets)}}{\text{Creditors (Current Liabilities)}}$

1.8 Creditors = (₹ 12,000 + ₹ 54,000 + Cash)

1.8 Creditors = ₹ 66,000 + Cash ------------- (i)

Long-term Debt to Equity = 40%

Shareholders' Funds (Equity) **Rs. 12,000 x 50 = Rs. 6,00,000**

∴ Long-term Debt = ₹ 6, 00,000 × 40% = ₹ 2, 40,000 }{1/2 M}

Creditors = ₹ 9, 00,000 – (6, 00,000 + 2, 40,000) = ₹ 60,000

∴ Cash = (₹ 60,000×1.8) – ₹ 66,000 = ₹ 42,000 [From equation (i)]
}{1/2 M}

Balance Sheet

Liabilities	Rs.	Assets	Rs.
Creditors	60,000	Cash	42,000
Long- term debt	2,40,000	Debtors	12,000
Shareholders' funds	6,00,000	Inventory	54,000
		Fixed Assets (Balancing figure)	7,92,000
	9,00,000		9,00,000

{1 M}

Answer:

(b) Workings:

(a) **Value of Debt** $= \frac{\text{Interest}}{\text{Cost of debt }(K_d)}$

$= \frac{₹\ 7,50,000}{0.08}$ = ₹ 93,75,000 }{1 M}

(b) **Value of equity capital** $= \frac{\text{Operating profit - Interest}}{\text{Cost of equity }(K_e)}$

$= \frac{₹\ 34,50,000 - ₹\ 7,50,000}{0.16}$ = ₹ 1,68,75,000 }{1 M}

(c) New Cost of equity (K_e) after proposal

$$= \frac{\text{Increased Operating profit} - \text{Interest on Increased debt}}{\text{Equity capital}}$$

$$= \frac{(₹\ 34,50,000 + ₹\ 14,25,000) - (₹\ 7,50,000 + ₹\ 6,00,000)}{₹\ 1,68,75,000}$$

$$= \frac{₹\ 48,75,000 - ₹\ 13,50,000}{₹\ 1,68,75,000} = \frac{₹\ 35,25,000}{₹\ 1,68,75,000} = 0.209 \text{ or } 20.9\%$$ }{1 M}

(i) Calculation of Weighted Average Cost of Capital (WACC) before the new proposal

Sources	Amount (Rs.)	Weight	Cost of Capital	WACC
Equity	1,68,75,000	0.6429	0.160	0.1029
Debt	93,75,000	0.3571	0.080	0.0286
Total	**2,62,50,000**	**1**		**0.1315 or 13.15 %**

{1 M}

(ii) Calculation of Weighted Average Cost of Capital (WACC) after the new proposal

Sources	Amount (Rs.)	Weight	Cost of Capital	WACC
Equity	1,68,75,000	0.5000	0.209	0.1045
Debt	1,68,75,000	0.5000	0.080	0.0400
Total	**3,37,50,000**	**1**		**0.1445 or 14.45 %**

{1 M}

Answer:
(c)

	Rs. in lakhs
Net Profit	75
Less: Preference dividend	30
Earning for equity shareholders	45
Earning per share	= 45/7.5 = Rs. 6.00

{1 M}

Let, the dividend per share be D to get share price of Rs. 42

$$P = \frac{D + \frac{r}{Ke}(E - D)}{K_e}$$

$$₹\ 42 = \frac{D + \frac{0.20}{0.16}(6 - D)}{0.16}$$

$$6.72 = \frac{0.16D + 1.2 - 0.20D}{0.16}$$

$$0.04D = 1.2 - 1.0752$$

$$D = 3.12$$

$$\text{D/P ratio} = \frac{DPS}{EPS} \times 100 = \frac{3.12}{6} \times 100 = 52\%$$ }{1 M}

So, the required dividend payout ratio will be = 52%

(b) Since $r > K_e$, the optimum dividend pay-out ratio would 'Zero' (i.e. D = 0), Accordingly, value of a share:

$$P = \frac{D + \frac{r}{Ke}(E - D)}{K_e}$$

$$P = \frac{0 + \frac{0.20}{0.16}(6\text{-}0)}{0.16} = ₹\ 46.875$$ }{1 M}

(c) Price:

At 25% pay-out ratio

$$P = \frac{1.5 + \frac{0.20}{0.16}(6\text{-}1.5)}{0.16} = ₹\ 44.531$$ }{1/2 M}

At 50% pay-out ratio

$$P = \frac{3 + \frac{0.20}{0.16}(6\text{-}3)}{0.16} = ₹\ 42.188$$ }{1/2 M}

At 75% pay-out ratio

$$P = \frac{4.5 + \frac{0.20}{0.16}(6\text{-}4.5)}{0.16} = ₹\ 39.844$$ }{1/2 M}

At 100% pay-out ratio

$$P = \frac{6 + \frac{0.20}{0.16}(6\text{-}6)}{0.16} = ₹\ 37.50$$ }{1/2 M}

Answer 2:

(i) Calculation of Cost of Capital for each source of capital:

(a) Cost of Equity share capital:

$$K_e = \frac{D_0(1+g)}{\text{Market Price per share}(P_0)} + g = \frac{250\ (1+0.05)}{2000} + 0.05$$

$$= \frac{262.5}{2000} + 0.05 = 0.18125 \text{ or } 18.125\%$$ }{1 M}

(b) Cost of Preference share capital (K_p) = 9% }{1 M}

(c) Cost of Debentures (K_d) $= r(1 - t)$

$= 11\%\ (1 - 0.3) = 7.7\%$. }{1 M}

(d) Cost of Retained Earnings: $K_s = K_e(1 - t_p) = 18.125\ (1 - 0.2) = 14.5\%$. }{1 M}

(ii) Weighted Average Cost of Capital on the basis of book value weights

Source	Amount (Rs.)	Weights (a)	After tax Cost of Capital (%) (b)	WACC (%) (c) = (a) x (b)
Equity share	80,00,000	0.40	18.125	7.25
9% Preference share	20,00,000	0.10	9.000	0.90
11% Debentures	60,00,000	0.30	7.700	2.31
Retained earnings	40,00,000	0.20	14.500	2.90
	2,00,00,000	1.00		13.36

{3 M}

(iii) Weighted Average Cost of Capital on the basis of market value weights

Source	Amount (Rs.)	Weights (a)	After tax Cost of Capital (%) (b)	WACC (%) (c) = (a) x (b)
Equity share	1,06,66,667	0.427	18.125	7.739
9% Preference share	24,00,000	0.096	9.000	0.864
11% Debentures	66,00,000	0.264	7.700	2.033
Retained Earning	53,33,333	0.213	14.5	3.089
	2,50,00,000	1.000		13.725

{3 M}

Answer 3:

Working Notes:

(1) Calculation of cash and credit sales (Rs. in thousands)

	Nov.	Dec.	Jan.	Feb.	Mar.
Total Sales	640	880	600	600	800
Cash Sales (1/5th of total sales)	128	176	120	120	160
Credit Sales (4/5th of total sales)	512	704	480	480	640

{2 M}

(2) Calculation of Credit Sales Receipts (Rs. in thousands)

Month	Nov.	Dec.	Jan.	Feb.	Mar.
Forecast Credit sales (Working note 1)	512.00	704.00	480.00	480.00	640.00
Receipts:					
15% in the month of sales			72.00	72.00	96.00
25% in next month			176.00	120.00	120.00
58% in next to next month			296.96	408.32	278.40
Total			544.96	600.32	494.40

{2 M}

Cash Budget (Rs. in thousands)

	Nov.	Dec.	Jan.	Feb.	Mar.
Opening Balance (A)			50.00	174.96	355.28
Sales	640.00	880.00	600.00	600.00	800.00
Receipts:					

Cash Collection (Working note 1)			120.00	120.00	160.00
Credit Collections (Working note 2)			544.96	600.32	494.40
Total (B)			664.96	720.32	654.40
Purchases (90% of sales in the month prior to sales)		540	540	720	
Payments:					
Payment for purchases (next month)			540	540	720
Total (C)			540	540	720
Closing balance(D) = (A + B − C)		{2 M}{	174.96	355.28	289.68 }{2 M}

{2 M}{

Answer 4:

(a) (i) **Euro bonds**: Euro bonds are debt instruments which are not denominated in the currency of the country in which they are issued. E.g. a Yen note floated in Germany.

(ii) **Floating Rate Notes:** Floating Rate Notes: are issued up to seven years maturity. Interest rates are adjusted to reflect the prevailing exchange rates. They provide cheaper money than foreign loans.

(iii) **Euro Commercial Paper(ECP):** ECPs are short term money market instruments. They are for maturities less than one year. They are usually designated in US Dollars.

(iv) **Fully Hedged Bond:** In foreign bonds, the risk of currency fluctuations exists. Fully hedged bonds eliminate the risk by selling in forward markets the entire stream of principal and interest payments.

{1 M Each}

Answer:

(b) **(i)** **Lease may low cost alternative:** Leasing is alternative to purchasing. As the lessee is to make a series of payments for using an asset, a lease arrangement is similar to a debt contract. The benefit of lease is based on a comparison between leasing and buying an asset. Many lessees find lease more attractive because of low cost.

(ii) **Tax benefit**: In certain cases tax benefit of depreciation available for owning an asset may be less than that available for lease payment.

(iii) **Working capital conservation:** When a firm buy an equipment by borrowing from a bank (or financial institution), they never provide 100% financing. But in case of lease one gets normally 100% financing. This enables conservation of working capital.

(iv) **Preservation of Debt Capacity**: So, operating lease does not matter in computing debt equity ratio. This enables the lessee to go for debt financing more easily. The access to and ability of a firm to get debt financing is called debt capacity (also, reserve debt capacity).

(v) **Obsolescence and Disposal:** After purchase of leased asset there may be technological obsolescence of the asset. That means a technologically upgraded asset with better capacity may come into existence after purchase. To retain competitive advantage the lessee as user may have to go for the upgraded asset.

{1 M Each for Any 3 Point}

Answer:

(c) Two Main Objective of Financial Management Two objectives of financial management are:

(i) Profit Maximisation

It has traditionally been argued that the primary objective of a company is to earn profit; hence the objective of financial management is also profit maximisation. {$1^{1/2}$ M}

(ii) Wealth / Value Maximization

Wealth / Value Maximization Model. Shareholders wealth are the result of cost benefit analysis adjusted with their timing and risk i.e. time value of money. This is the real objective of Financial Management. So,

Wealth = Present Value of benefits – Present Value of Costs

{$1^{1/2}$ M}

OR

Answer:

(c) Main reasons for considering risk in capital budgeting decisions:

Main reasons for considering risk in capital budgeting decisions are as follows

(i) There is an opportunity cost involved while investing in a project for the level of risk. Adjustment of risk is necessary to help make the decision as to whether the returns out of the project are proportionate with the risks borne and whether it is worth investing in the project over the other investment options available.

(ii) Risk adjustment is required to know the real value of the Cash Inflows.

{3 M}

PAPER – 6B : STRATEGIC MANAGEMENT

1. **The question paper comprises two parts, Part I and Part II.**
2. **Part I comprises case scenario based multiple choice questions (MCQs)**
3. **Part II comprises questions which require descriptive type answers.**

PART I – CASE SCENARIO BASED MCQs (15 Marks)

Ans. 1 to Ans. 5:
Case Scenario

1. Ans. (c)
2. Ans. (d)
3. Ans. (b)
4. Ans. (d)
5. Ans. (a)

MCQ [5 MCQ of 2 Marks Each : Total 10 Marks]

6. Ans. (c) } {2 M Each}
7. Ans. (c)
8. Ans. (a) } {1 M}

PART II – DESCRIPTIVE QUESTIONS (35 Marks)

Question No. 1 is Compulsory.
Attempt any two questions out of the remaining three questions.

Answer 1:

(a) The Best Cost Provider strategy would ensure a better reach to the not so affluent customers and provide them with good quality cycles and equipments, thus tapping in on the increasing trend of cycling. **{1 M}**

Two sub-strategies that can be implemented are:

1. Offering lower prices than rivals for the same quality of products.
2. Charging same prices for better quality of products.

{1 M Each}

{The idea of Mr. Vijay is to provide almost same quality of products in terms of functionality if not so in terms of branding, to customer who do not have huge sums of money to pay.**}{1 M} {**Thus, sub- strategy number one, offering lower prices for almost same quality should be implemented to become the best cost provider of cycles and related equipments in the market.**}{1 M}**

Answer:

(b) The strategy adopted by StarTech Solutions is Focused differentiation. This strategy involves targeting a specific segment of the market with unique products or services that are perceived as valuable by customers in that segment. By specializing in serving unique, high-end clients, StarTech is able to differentiate itself from competitors and create a competitive advantage. **{1 M}**

Advantages of Focused Differentiation:

- Strong Customer Loyalty: By catering to a specific niche market, StarTech can build strong relationships with its customers, leading to higher customer loyalty and retention.
- Higher Profit Margins: Serving a niche market allows StarTech to command higher prices for its specialized products or services, leading to higher profit margins.

{1 M Each for Any 2 Points}

- Reduced Competition: By focusing on a niche market that other firms are not targeting, StarTech faces less competition, allowing it to establish itself as a leader in that segment.
- Better Resource Allocation: Focusing on a specific market segment allows StarTech to allocate its resources more efficiently, concentrating on areas that will provide the greatest return on investment.

Disadvantages of Focused Differentiation:

- Limited Market Size: The niche market that StarTech is targeting may be limited in size, restricting the company's potential for growth.
- Risk of Market Changes: Changes in the market or customer preferences could impact on the demand for StarTech's specialized products or services, leading to potential revenue loss.
- Higher Costs: Serving a niche market may require specialized resources and expertise, leading to higher costs of operation.
- Imitation by Competitors: If StarTech's success in the niche market attracts competitors, they may attempt to imitate its strategy, eroding its competitive advantage.

{1 M Each for Any 2 Points}

Overall, the focused differentiation strategy adopted by StarTech Solutions has allowed it to differentiate itself in a competitive industry and build a strong position in the market. However, the company must be aware of the potential challenges and risks associated with this strategy and continue to innovate and adapt to maintain its competitive edge.

Answer:

(c) **{**Samar Electronics Limited transitioning into network structure.**}{1 M}** It is a newer and somewhat more radical organisational design. Its essential features are as follows:

1. It is termed as "non-structure" as it eliminates in house functions and outsources many of them.
2. An organisation organised in this manner is often called "virtual organisation" because it is composed of a series of project groups or collaborations linked by constantly changing nonhierarchical, cob-web like structures.
3. Network structures become most useful when the environment of a firm is unstable and is expected to remain so. Under such conditions, there is usually a strong need for innovation and quick response.
4. Instead of having salaried employees, it may contract with people for a specific project or length of time.

{1 M Each}

Answer 2:

(a) (i) The strategic level of management at which decisions like transforming hotel units into COVID-care units and quarantine facilities are made is at the "Corporate Level." This level of management is responsible for making decisions that affect the overall direction and scope of the entire organization. {1 M}

(ii) The given scenario highlights a limitation of strategic management known as highly complex and turbulent environment. Due to this, there exist environmental uncertainty and unpredictability of the external factors that affect an organization. In this case, the COVID-19 pandemic created a highly uncertain and unpredictable business environment for Swagatam Hotels. The pandemic significantly impacted the hotel sector, causing a rapid decline in revenue and necessitating a strategic shift to adapt to the changing circumstances. {1 M}

(iii) A proactive approach involves anticipating and addressing issues before they become critical, while a reactive approach responds to problems after they have occurred. In the scenario, the decision to transform hotel units into COVID-care units and quarantine facilities was reactive, driven by the unexpected impact of the pandemic.

A proactive approach offers several benefits.

First, it allows for better risk management by identifying potential challenges in advance, enabling organizations to develop contingency plans. {1 M}

Second, proactive strategies often result in cost savings as preventive measures can be more efficient than addressing crises retroactively. {1 M}

Third, organizations can maintain a competitive edge by staying ahead of industry trends and changes. {1 M}

Overall, a proactive approach enhances organizational strength and responsiveness in navigating uncertainties.

Answer:

(b) **{**To target tech-savvy consumers for the new smartphone model, the tech company can develop a marketing strategy based on customer behavior. Consumer behaviour may be influenced by a number of things.**}{1 M}** These elements can be categorised into the following conceptual domains:

- External Influences: Utilize online platforms and tech forums to generate buzz around the new smartphone. Partner with tech influencers and bloggers to review the product and create awareness among tech-savvy consumers.
- Internal Influences: Appeal to the desire for innovation and advanced features among tech-savvy consumers. Highlight the unique selling points of the new smartphone, such as its cutting-edge technology, performance, and design.
- Decision Making: Recognize that tech-savvy consumers are early adopters who value functionality and performance. Provide detailed specifications and comparisons with other smartphones to help them make an informed decision.
- Post-decision Processes: Offer excellent customer service and support to address any technical issues or concerns. Encourage customers to provide feedback and reviews to build credibility and trust among tech-savvy consumers.

{1 M Each}

By understanding the behavior of tech-savvy consumers and aligning the marketing strategy with their preferences, the tech company can effectively promote the new smartphone and attract this demographic.

Answer 3:

(a) Four specific criteria of sustainable competitive advantage that firms can use to determine those capabilities that are core competencies. Capabilities that are valuable, rare, costly to imitate, and non-substitutable are core competencies.

i. Valuable: Valuable capabilities are the ones that allow the firm to exploit opportunities or avert the threats in its external environment. A firm created value for customers by effectively using capabilities to exploit opportunities. Finance companies build a valuable competence in financial services. In addition, to make such competencies as financial services highly successful require placing the right people in the right jobs. Human capital is important in creating value for customers. {$1^{1/2}$ M}

ii. Rare: Core competencies are very rare capabilities and very few of the competitors possess this. Capabilities possessed by many rivals are unlikely to be sources of competitive advantage for any one of them. Competitive {$1^{1/2}$ M}

advantage results only when firms develop and exploit valuable capabilities that differ from those shared with competitors.

iii. Costly to imitate: Costly to imitate means such capabilities that competing firms are unable to develop easily. {1 M}

iv. Non-substitutable: Capabilities that do not have strategic equivalents are called non-substitutable capabilities. This final criterion for a capability to be a source of competitive advantage is that there must be no strategically equivalent valuable resources that are themselves either not rare or imitable. {1 M}

Answer:

(b) The ADL matrix has derived its name from Arthur D. Little which is a portfolio analysis method based on product life cycle. The approach forms a two-dimensional matrix based on stage of industry maturity and the firm's competitive position, environmental assessment and business strength assessment. The role of ADL matrix is to assess the competitive position of a firm based on an assessment of the following criteria:

- **Dominant:** This is a comparatively rare position and in many cases is attributable either to a monopoly or a strong h
- **Strong:** By virtue of this position, the firm has a considerable degree of freedom over its choice of strategies and is often able to act without its market position being unduly threatened by its competitors.
- **Favourable:** This position, which generally comes about when the industry is fragmented and no one competitor stand out clearly, results in the market leaders a reasonable degree of freedom.
- **Tenable:** Although the firms within this category are able to perform satisfactorily and can justify staying in the industry, they are generally vulnerable in the face of increased competition from stronger and more proactive companies in the market.
- **Weak:** The performance of firms in this category is generally unsatisfactory although the opportunities for improvement do exist.

{1 M Each}

Answer 4:

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

There are four types of strategic control:

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

{1 M Each}

Answer:

(b) Experience curve akin to a learning curve which explains the efficiency increase 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. It is based on the concept, "we learn as we grow". {1 M}

The implication is that larger firms in an industry would tend to have lower unit costs as compared to those for smaller companies, thereby gaining a competitive cost advantage. {1 M}

Experience curve results from a variety of factors such as learning effects, economies of scale, product redesign and technological improvements in production. {$1^{1/2}$ M}

Experience curve has following features:

- As business organisation grow, they gain experience.
- Experience may provide an advantage over the competition. Experience is a key barrier to entry.
- Large and successful organisation possess stronger "experience effect".

{1/2 M Each}

A typical experience curve may be depicted as follows:

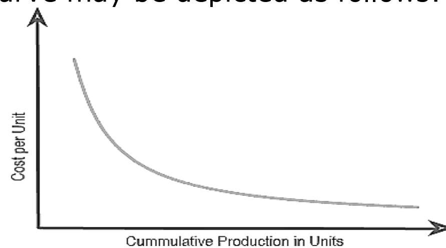

Figure: Experience curve

As a business grows, it understands the complexities and benefits from its experiences.

The concept of experience curve is relevant for a number of areas in strategic management. For instance, the 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.

OR

Answer:

(b) Each organization has to build its competitive advantage over the competitors in the business warfare in order to win. This can be done only by following the process of strategic management. Strategic Management is very important for the survival and growth of business organizations in dynamic business environment. Other major benefits of strategic management are as follows:

- Strategic management helps organizations to be more proactive rather than reactive in dealing with its future. It facilitates to work within vagaries of environment and remains adaptable with the turbulence or uncertain future. Therefore, they are able to control their own destiny in a better way.
- It provides better guidance to entire organization on the crucial point – what it is trying to do. Also provides frameworks for all major business decisions of an enterprise such as on businesses, products, markets, organizational structures, etc.
- It facilitates to prepare the organization to face the future and act as pathfinder to various business opportunities. Organizations are able to identify the available opportunities and identify ways and means as how to reach them.

{1 M Each}

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

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