

**PRIME ACADEMY**  
**33<sup>RD</sup> SESSION PROGRESS TEST-AUDITING & ASSURANCE**

No. of Pages: 5

Total Marks: 75  
Time Allowed: 2Hrs

1. What of the following documents is not relevant for vouching cash sales?
  - (a) Daily cash sales summary
  - (b) Salesmen's summary
  - (c) Monthly statement sent to customer
  - (d) Bank statement
  
2. Absolute certainty in auditing is
  - (a) Rarely attained
  - (b) Easily attained
  - (c) Not attainable
  - (d) None of the Above
  
3. Audit documentation is prepared by
  - (a) Management
  - (b) Auditor
  - (c) Both
  - (d) None of the Above
  
4. The working paper which auditor prepares for financial statements audit is
  - (a) Evidence for conclusions
  - (b) Owned by the client
  - (c) Owned by the auditor
  - (d) Retained in auditor office until a change in auditors
  
5. Which of the following would prevent double payment of the same voucher?
  - (a) The person signing the cheque should cancel the supporting documents
  - (b) Cheques should be signed by min two persons
  - (c) The date of payment of vouchers of similar nature should be the same or close to each other
  - (d) All the above.
  
6. For vouching of which item, the auditor is most likely to examine cost records.
  - (a) Commission earned
  - (b) Bad debts recovered
  - (c) Sale of scrap
  - (d) Credit sales
  
7. The creditors A/c Generally have credit balance; debit balance may be due to
  - (a) Advance paid against an order
  - (b) Goods returned
  - (c) Wrong debit to Supplier A/c
  - (d) Any of the above

- 8 Internal Evidence is
- (a) Reliable
  - (b) Not reliable
  - (c) Depends upon the strength of related internal control system
  - (d) None of the above
- 9 Of the following, which is the least persuasive type of audit evidence?
- (a) Bank statements obtained from the client
  - (b) Effective internal control system provides reliable audit evidence.
  - (c) Carbon copies of sales invoices inspected by the auditor.
  - (d) Computation made by the auditor
- 10 Which of the following document is not relevant for vouching cash sales?
- (a) Daily cash sales summary
  - (b) Salesmen's summary
  - (c) Monthly statements sent to customer
  - (d) Bank statement
- 11 In case of unclaimed wages, the auditor should examine whether
- (a) The amount has been deposited in a separate bank account
  - (b) Deposited with the cashier
  - (c) Held in a safe deposit box
  - (d) All of these
- 12 Which of the following is not a primary purpose of audit working papers?
- (a) Coordinating the examination
  - (b) Assisting in preparing the audit report
  - (c) Supporting the financial statement
  - (d) Providing evidence of the audit work performed.
- 13 An auditor conducts surprise checks on the pay day (i.e. the day when wages and salaries are paid). The primary purpose of this audit procedure is
- (a) To assure that there are no fictitious workers
  - (b) To assure the casual workers employed are authorized by the supervisor
  - (c) To test procedures for distributing pay cheques.
  - (d) To obtain understanding of internal control system.
- 14 While vouching wages auditor should examine whether there is proper segregation of duties. Which of the following activities should not be done by same department?
- (a) Maintaining personnel records and accruing changes in wage rates
  - (b) Proposing payroll summary and disbursement of wages.
  - (c) Making salary statements and filing tax returns.
  - (d) None of the above.

- 15 The main object of an audit is
- (a) Expression of opinion
  - (b) Detection and prevention of frauds and errors
  - (c) Both (a) and (b)
  - (d) Depends on the type of audit.
- 16 While verifying/vouching Rent receipts, which of the following shall be carried out by the auditor
- (a) Examining the cash book
  - (b) Examining the rent receipts issued
  - (c) Checking the usage of properties, tenancy agreements and rent bills
  - (d) All the above.
- 17 Which of the following statement is, generally, correct about the reliability of audit evidence?
- (a) To be reliable, evidence should be conclusive rather than persuasive.
  - (b) Effective internal control system provides reliable audit evidence.
  - (c) Evidence obtained from outside sources routed through the client
  - (d) All are correct
- 18 When is evidential matter, generally, considered sufficient?
- (a) When it constitutes entire population
  - (b) When it is enough to provide a basis for giving reasonable assurance regarding truthfulness and fairness of financial statements
  - (c) When it is objective and relevant
  - (d) When auditor collects and evaluates it independently.
- 19 Which of the following is not the corroborative evidence?
- (a) Minutes of the meeting
  - (b) Confirmation from the Debtors
  - (c) Information gathered by auditor through observation
  - (d) Worksheet supporting consolidated financial statements.
- 20 Which of the following factors is most important in determining the appropriation of audit evidence?
- (a) The reliability of audit evidence and its relevance in meeting the audit objective.
  - (b) The objectivity and integrity of the auditor
  - (c) The quantity of audit evidence
  - (d) The independence of the source of evidence
- 21 Which of the following is not an advantage of the preparation of working papers?
- (a) To provide a basis for review for audit work
  - (b) To provide a basis for subsequent audits
  - (c) To ensure audit work is being carried out as per programme
  - (d) To provide a guide for advising another client on similar issues.

- 22 In case of vouching, the auditor is least likely to examine authorization by appropriate authority in case of
- (a) Advance paid against an order
  - (b) Goods returned
  - (c) Wrong debit to supplier account
  - (d) Any of these
- 23 To verify the payments made to repairs and renewals, which of the following documents are relevant
- (a) Bank statements
  - (b) Attendance records
  - (c) Statement of estimate and bills
  - (d) Board resolution
- 24 The fixed assets register is examined by the auditor to check which of the following?
- (a) Purchase and sale of fixed assets
  - (b) Fixed deposits with the banks
  - (c) Location and status of the assets
  - (d) None of the above.
- 25 The payment of Income tax shall be verified by the auditor with respect to the following:
- (a) Partnership Act, 1932
  - (b) Indian Contract Act,
  - (c) Income tax Act, 1961
  - (d) Companies Act, 1956
- (25x=25 Marks)**

## PART-B

I. Answer any five of the following: -

1. What is Audit evidence?
2. What are the procedures to obtain evidence?
3. What are the objectives of Audit?
4. Give some examples of audit documentation?
5. Write short notes on ownership of working papers
6. What are the limitations of audit?

(5x3=15 Marks)

II. How do you verify/vouch the following?

- (i) Bills receivable
- (ii) Insurance claims
- (iii) Sale of Investments
- (iv) Advertisement expenses
- (v) Payment of Taxes

(5x5=25 Marks)

III. What are the basic principles governing an audit as laid down in SA 200? Explain in brief?  
(10x1=10 Marks)

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**33<sup>RD</sup> SESSION PROGRESS TEST – AUDITING & ASSURANCE**  
**SUGGESTED ANSWERS**

**PART-A**

Sl. No	Answers
1	c
2	a
3	b
4	c
5	a
6	c
7	d
8	c
9	c
10	c
11	a
12	c
13	c
14	b
15	d
16	d
17	b
18	b
19	d
20	a
21	d
22	d
23	c
24	a
25	c

## PART-B

I

1. Audit Evidence includes the records of initial accounting entries and supporting records, such as checks and records of electronic fund transfers, invoices, contracts, general and subsidiary ledgers, journal entries etc. Audit evidence is the information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence includes both information contained in the accounting records underlying the financial statements and other information.

2. The audit evidence can be obtained by performing:

Risk assessment procedures which include enquiries of management, use of analytical procedures, observation and inspection, information obtained in prior periods and discussion among engagement team.

Tests of controls which ensures availability of internal controls on effectiveness and working of the systems and procedures

Substantive procedures by evaluating and analyzing the procedures and methods followed in carrying out the operations and activities of the organization.

3. The following are the objectives of Audit:

(a) *Primary objective of an audit: Expression of opinion as to truthfulness and fairness of financial statements.*

(b) SA 200A (previously Auditing and Assurance Standards (AAS) 2 ) entitled, *Objective and Scope of the Audit of Financial Statements* issued by the Institute of Chartered Accountants of India. It states that, "the objective of an audit of financial statements, prepared within the framework of recognized accounting policies and practices and relevant statutory requirements, if any, is to enable an opinion on such financial statements. The auditor's opinion helps determination of the true and fair view of the financial position and operating results of an enterprise.

(c) *Secondary Objective: Detection and prevention of frauds and errors*

Auditor's duty with regard to detection and prevention of frauds and errors has been largely laid down by various legal decisions and professional pronouncements.

4. Examples of Audit documentation include the following:

- (i) Audit programme
- (ii) Analyses
- (iii) Memoranda
- (iv) Letters of confirmation
- (v) Representation letters
- (vi) Photo copies of documents
- (vii) Schedules.

5. The ownership of working papers belongs to the auditor. However, he may make copies available to the client. The auditor's ownership rights are subject to limitations of clause I, Part I of the Second Schedule to the Chartered Accountants Act, 1949. It prohibits disclosure of confidential client information without the management's consent except when required by the law.
6. The various limitations of the audit include the following:  
Audit work involves judgment  
The nature of evidence is persuasive which enables the auditor to draw only reasonable conclusions therefrom. Test nature inherent limitations of any system of internal control.  
Inherent limitations of system of internal control.

## II

### **(i) Bills Receivable**

The amount collected in respect of bills receivable are verified by reference to Bills Receivable Book. When bills are purchased, a provision for the amount of the discount, not earned till the close of the year is made in the accounts, in the case of bank. If the bills have been discounted, the contingent liability in respect of the discounted bill is disclosed in the balance sheet, also bills which have since been paid off are shown separately. Enquiries should be made from the client as regards the position of a bill or bill receivable dishonoured and if it is suspected that the amount due on a bill may not be recovered, a provision thereof should be made.

### **(ii) Insurance claims**

Insurance claims may be in respect of fixed assets or current assets. While vouching the receipts of insurance claims, the auditor should examine a copy of the insurance claim lodged with the insurance company. Correspondence with the insurance company and the insurance agent should also be seen. Counterfoils of the receipts issued to the insurance company should be seen. The auditor should also determine the adjustment of the amount received in excess or short of the value of the actual loss as per the insurance policy. The copy of certificate/report containing full particulars of the amount of loss should also be verified. The accounting treatment of the amount received should be seen particularly to ensure that revenue is credited with the appropriate amount and that in respect of claim against an asset, the profit and loss account is debited with the shortfall of the claim admitted against the book value. If the claim was lodged in the previous year but no entries were passed, entries in the profit and loss account should be appropriately described.

### **(iii) Sale of Investments**

Only the person who is authorized to purchase an investment can sell an investment. Thus, in the case of a company, an investment can be sold only by the Board of Directors and in the case of a trust by the trustees acting together. The normal method of selling investment is through Stock Broker, either directly or through a bank; the sale proceeds of investments are vouched by reference to Broker's Sold Note. On disposal of an investment, the difference between the carrying amount and the disposal proceeds, net of expenses, is recognized in the profit and loss statement. When disposing of a part of the holding of an individual investment, the carrying amount to be

allocated to that part is to be determined on the basis of the average carrying amount of the total holding of the investment. As-13 requires disclosures of amounts included in profit and loss statement for:

- Interest, dividends (showing separately dividends from subsidiary companies), and rentals on investments showing separately such income from long term and current investments. Gross income should be stated, the count of income tax deducted at source being included under Advance Taxed Paid;
- Profits and losses on disposal of current investments and changes in the carrying amounts of such investments; and
- Profits and losses on disposal of long term investments and changes in the carrying amounts of such investments.

**(iv) Advertisement Expenses**

The advertisement expenses will be vouched in the following manner:

- (a) Ascertain the nature of advertisement expenses to ensure that the same have been charged properly.
- (b) Obtain the complete list of advertisement, media wise, i.e., newspapers, slides, hoardings, magazines, television, radio, etc, showing the dates, exact location, timings, etc, along with the amounts paid in respect of each category.
- (c) See that advertisement expenses relate to the client's business.
- (d) Ascertain whether there is a regular contract with an advertising agency. See that regular statements are obtained from the agency showing the advertising media and amounts debited to the client. Discounts, if any, should be properly adjusted and disclosed in the bills.
- (e) Check the receipts for amounts paid for the advertising expenses incurred.
- (f) See that outstanding advertising expenses have been properly disclosed on the liabilities side of the balance sheet

**(v) Payment of Taxes**

Payment on account of income-tax and other taxes consequent upon a regular assessment should be verified by reference to the copy of the assessment order, assessment form, notice of demand and the receipted challan. Payments or advance payments of income-tax should also be verified with the notice of demand and the receipted challan acknowledging the amount paid. The interest allowed on advance payments of income-tax should be included as income and penal interest charged for non-payment should be debited to the interest account.

**III**

The basic principles governing an Audit are:

**Integrity, Objectivity and Independence:**

Integrity refers to honesty of the auditor, Objectivity refer to impartial or unbiased attitude with respect to matters under review and Independence implies that he should not be susceptible to any influence or pressure from client or anybody else during the audit process.

**Confidentiality:**

The auditor shall maintain confidentiality of the client information and should not disclose it to third parties unless authorized by the client or when there is a legal or professional duty to disclose it.

**Skills and competence:**

Audit process should be carried out with due professional care with specialized skills and competence which are acquired through education, technical knowledge and practical training and shall update the same periodically

**Work performed by others:**

Auditor should exercise reasonable care and skill while relying on the work of others.

**Documentation:**

All audit evidences obtained should be documented by the auditor

**Planning:**

Planning is essential for effective and efficient conduct of audit.

**Audit evidence:**

Auditor should obtain sufficient and appropriate audit evidence to enable him to draw reasonable conclusions and express an opinion.

**Accounting system and internal controls:**

Management is responsible for maintaining an adequate accounting system and internal controls and auditor should assess the adequacy of accounting system and related internal controls.

**Audit conclusion and reporting:**

Auditor should assess whether financial information complies with recognized accounting principles and relevant statutory requirements and assess the adequacy of its disclosure. The audit report should contain a clear expression of opinion on the financial information and its form and contents should be according to statutory requirements, laws and procedures.

**PRIME ACADEMY**  
**33<sup>RD</sup> SESSION PROGRESS TEST**  
**INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT**

No. of Pages: 5

TotalMarks:75

Time Allowed: 2 Hrs

**Part-A**

- 1) Smart Terminals
  - a) are dumb terminal
  - b) are dependant on the connected computer
  - c) are programmable by users
  - d) are intelligent terminals that contain a micro processor and storage facility
  
- 2) Smart Cards are
  - a) Credit cards
  - b) Debit cards
  - c) look alike of Credit cards used for making utility payments and for storing personal information
  - d) all of the above
  
- 3) OCR stands for
  - a) Output Character Recognition
  - b) Optical Character Recognition
  - c) Optical Character Reader
  - d) None of the above
  
- 4) The demand for goods depends upon
  - a) people's ability to buy
  - b) People's willingness to buy
  - c) All of the above
  - d) None of the above
  
- 5) Strength, size of the market, purchasing power are determined by
  - a) Socio-cultural environment
  - b) Demographic environment
  - c) Economic environment
  - d) Political environment
  
- 6) A Business policy is
  - a) the study of business strategy
  - b) a business plan
  - c) is a study of functions and responsibilities of the senior management
  - d) all of the above
  
- 7) Strategic management consists of
  - a) Situational analysis
  - b) Goal setting and analysis of alternatives
  - c) Decision making and implementation
  - d) All of the above

- 8) Mission refers
- a) to the statement which defines the role of an organization in the society
  - b) to the statement for which an organizations strives for
  - c) to the statement that function as a yardstick for tracking the organizations' performance
  - d) all of the above
- 9) Strategic Vision is
- a) a sort of dream or idea
  - b) a mental perception
  - c) a direction setting for an enterprise
  - d) is an expression of the growth ambition of an enterprise
- 10) Conservative approach is
- a) least resistance in nature
  - b) adaptive in nature
  - c) Dynamic in nature
  - d) Confident approach
- 11) Port is a
- a) Software
  - b) System device
  - c) Hardware device
  - d) All of the above
- 12) Central nervous System of a Computer is
- a) Control Unit
  - b) CPU
  - c) ALU
  - d) All of the above
- 13) RAM Stands for
- a) Read and access Memory
  - b) Random Memory
  - c) Random Access Memory
  - d) None of the above
- 14) Survival
- a) is the basic objective of every business
  - b) Represents the will and anxiety to remain in business
  - c) Is the ability to sustain and grow
  - d) All of the above
- 15) Profitability is
- a) The overall measure of performance
  - b) Main objective of any business Processing
  - c) Is a long term perspective
  - d) All of the above

- 16) Superior R & D skills which can be used for a new product development by a business is
- An Opportunity
  - Threat
  - Strength
  - All of the above
- 17) Bargaining power of suppliers determines
- Profitability
  - Quality
  - Competition
  - Cost of the raw materials and other inputs
- 18) Wholesalers, retailers and dealers
- Help in establishing a link between organization and its customers
  - Help in establishing an competitive environment
  - Are part of macro environment
  - All of the above
- 19) Corporate strategy are not
- Conceptual
  - Formulated at top level
  - Goal oriented
  - Operational
- 20) A simple numeric character is called
- A Character
  - A digit
  - A data item
  - None of the above
- 21) The relationship between an organization and its environment can best be described in terms of
- Exchange of information
  - Exchange of resources
  - Exchange of influence and power
  - All of the above
- 22) Server in a LAN environment is a
- Computer system that provides service
  - Computer system which receives service
  - Is a work station
  - None of the above
- 23) The group that influence an Organization are
- Owners
  - Board of Directors
  - Employees
  - All of the above

- 24) Business has
- a) Single objective
  - b) Multiple objectives
  - c) General objectives
  - d) All of the above
- 25) MS Word is a
- a) System software
  - b) Application Software
  - c) General Utility software
  - d) All of the above

(25 X 1 = 25 Marks)

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**Part - B**

**Question 1 is compulsory and answer any three from the rest.**

- 1) (a) A company offers discounts to customers on the following basis:

<b>Quantity ordered</b>	<b>Normal discount</b>
Less than 101	5%
From 101 to 500	10%
From 501 to 1,000	15%
More than 1,000	20%

The normal discount as given above is admissible only if the Customer's account balance is below ₹ 1,000 and the order value is ₹10,000 or more. If the account does not satisfy both of these conditions, the discount is reduced by 2% and if only one condition is violated, the discount is reduced by 1%.

Draw a Flow Chart to print customer name, discount offered and net amount payable for 25 customers.

- (b) Explain porter's five forces model (10+ 10 = 20 Marks)

- 2) (a) Briefly describe the Main components of a computer system  
(b) Explain the concept of cooperation in relation to a competitive environment

(5+5=10 Marks)

- 3) (a) Distinction between System Software and Application Software  
(b) Distinction between Internal and External factors that determine the business firm and its relationship with its environment

(5+5=10 Marks)

- 4) Answer the following:  
(a) Expert Systems  
(b) Differentiate between Micro Computer and Work Station

(5+5=10 Marks)

- 5) Write Short notes on  
(a) What do understand by Focus Strategy?  
(b) Various elements of micro environment

(5+5=10 Marks)

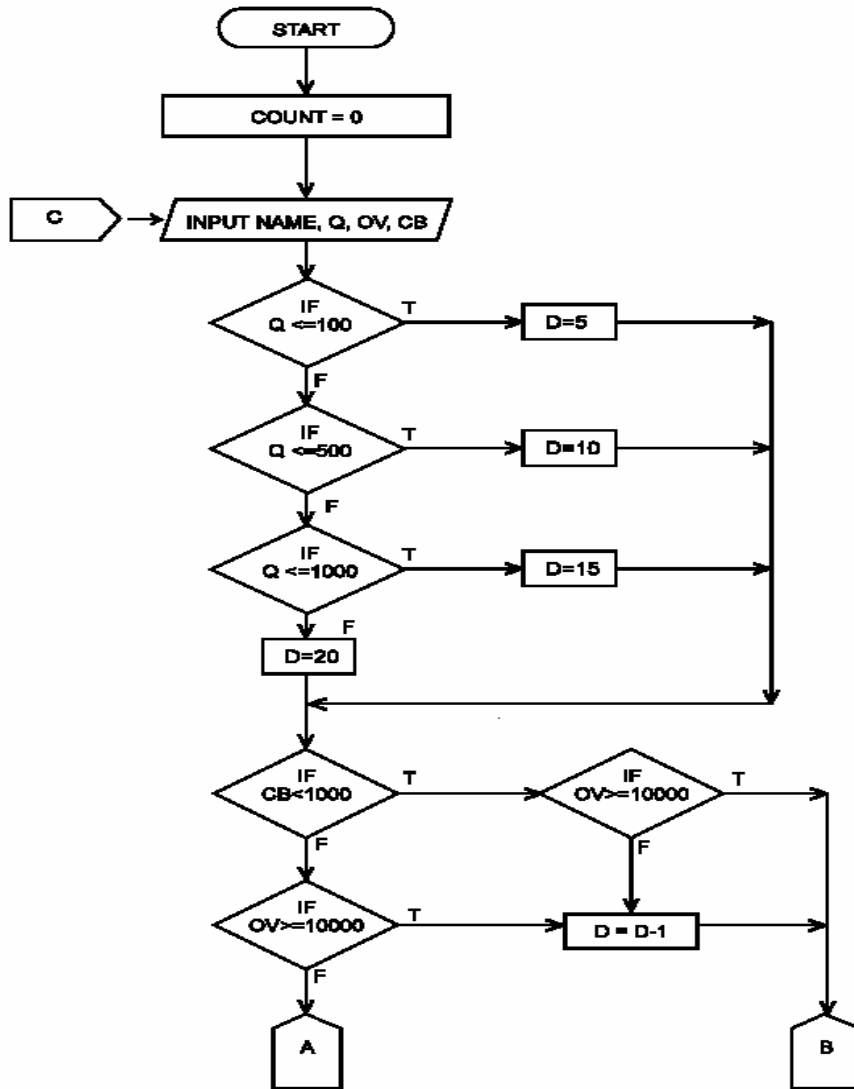
**PRIME ACADEMY**  
**33<sup>RD</sup> SESSION PROGRESS TEST – INFORMATION TECHNOLOGY &**  
**STRATEGIC MANAGEMENT**  
**SUGGESTED ANSWER**

**PART-A**

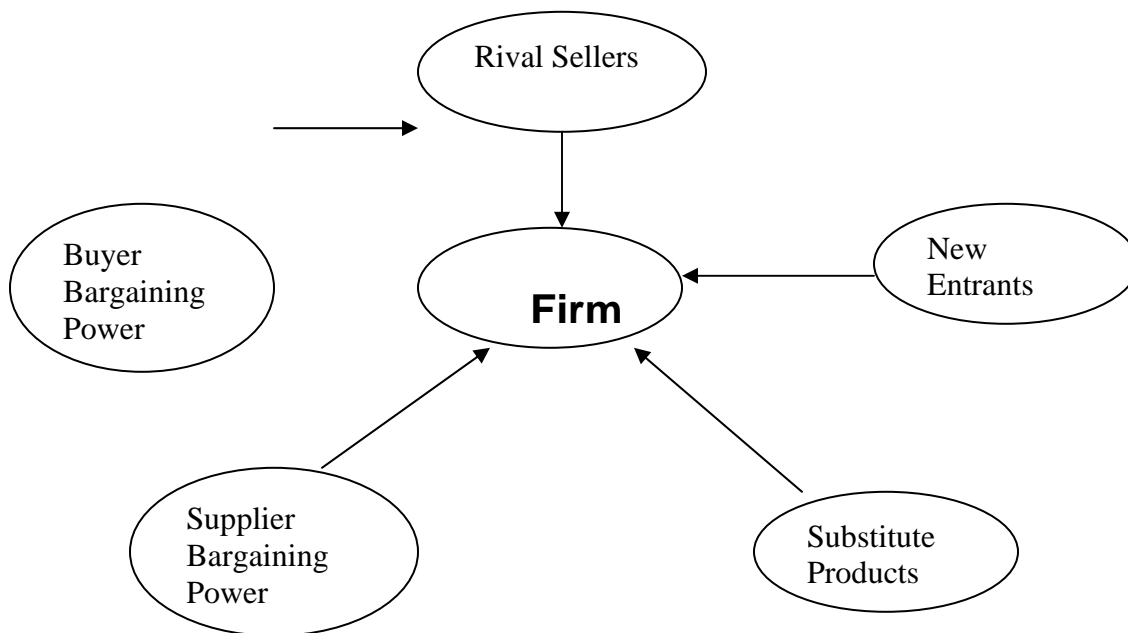
Sl. No	Answers
1	d
2	c
3	c
4	c
5	c
6	c
7	d
8	c
9	c
10	a
11	a
12	c
13	d
14	d
15	c
16	c
17	d
18	a
19	d
20	b
21	d
22	a
23	d
24	b
25	c

PART-B

1. (a) Flow chart



(b)



1. Porter's Five Model Competitive Analysis is a powerful and widely used tool for systematically diagnosing the principal competitive pressures in a market and assessing the strength and importance of each. The five forces together determine industry attractiveness /profitability
2. Competitive Pressures: This model states that the state of competition in an industry is the result of competitive pressures operating in five areas of the overall market –
  - (a) Competitive pressures associated with the market, maneuvering and jockeying for buyer patronage that goes on among rival sellers in the industry
  - (b) Competitive pressures associated with the threat of new entrants into the market
  - (c) Competitive pressures coming from the attempts of Companies in other industries to win buyers over their own substitute products
  - (d) Competitive pressures stemming from supplier bargaining power & Supplier –seller collaboration
  - (e) Competitive pressures stemming from buyer bargaining power and seller-buyer collaboration

**Steps:** The steps to determine competition in a given industry are –

Step	Description
1	Identify the specific competitive pressures associated with each of the five forces
2	Evaluate how strong the pressures comprising each of the five forces are- (a) fierce, (b) strong, (c) moderate to normal or (d) weak
3	Determine whether the collective strength of the five competitive forces is conducive to earning attractive profits

2. (a) Main components of a computer system

A computer is a group of integrated parts that have common purpose of performing the required operations in the program being executed. The components of this system are called input, processing, output and memory. Each of these units performs specific functions, which are enumerated below:

**Input:** The entry of program statements and data into a computer occurs by means of an input device. Some of the more common input devices are keyboard, floppy disk drives and cartridge tape device.

**Central processing unit:** The heart of any computer is the central processing unit (CPU). It is this central processor that makes comparisons, performs calculations, reads, interprets and controls the execution of the instructions. It consists of two separate sub-units.

- (i) The control unit;
- (ii) The arithmetic and logic unit;

**Control Unit:** The control unit, as the name implies, supervises the operations of the entire Computer. It selects the program statement from the storage unit, interprets the statement and sends the appropriate electronic impulses to the arithmetic/logic and storage units to cause these units to carry out the operations required.

**Arithmetic/Logic Unit:** Arithmetic and logic unit performs mathematical calculations, compares numeric and non-numeric values and makes decisions. The data flows between this unit and the storage unit during processing. Specifically, data is transferred as needed from the storage unit to the arithmetic/logic unit, manipulated and returned to the storage unit.

**Storage:** The storage, or primary memory section of the computer consists of the devices used to store the information which will be used during the computations. The storage section of the computer is also used to hold both intermediate and final results as the computer proceeds through the program. Common storage devices are bubble memory, RAM chips etc.

**Secondary storage:** Because the primary storage capacity of most computers is limited, it is both expensive and not always possible to hold a large volume of data and instructions in the primary storage. Hence, it becomes necessary to have secondary or auxiliary storage for holding data and programs not currently in use. The various secondary storage devices are the magnetic tape drives and magnetic disk drives.

**Output devices:** Output devices like input units are instruments of communication between people and machines. They are used to record the results obtained by the computer and present them to the outside world. The most commonly used output devices are printers, graph-plotters, magnetic disc drives, visual display unit etc

(b) Concept of cooperation in relation to a competitive environment

In a competitive environment cooperation between different member firms in an industry ensures coordination and unification of the members and to determine the best means for safeguarding their interests, individually and collectively

For example, organization of oil exporting countries (OPEC) which is collective group of nations extracting and exporting oil is an oligopoly to protect the member nation's interests and to stabilize market prices

Cooperation can take any of the following forms-

- (a) a small number of manufacturers/sellers joining together to form a Cartel to decide market prices, shares and profits
- (b) Business under the control of the same family eg., Tata, Birla, reliance etc

- (c) Business arrangements with enterprises in related activities eg.,co- branding, tie up etc
- (d) Kieretsus

3. (a) Distinction between System Software and Application Software

System Software comprises of those programs that control and support the computer system and its data processing applications. It includes the following:

- Programming languages
- Operating Systems
- Subroutines
- Utility programs
- Diagnostic routines
- Language translators.

The system software of one computer system may differ in many ways from that of another. It is traditionally written in low-level languages. A detailed knowledge of system hardware is needed to write such programs. Hence, they are generally provided by the manufacturers or specialized software development firms.

Application Software on the other hand, directs the computer in performing specific user-related data processing tasks. These are written by the programming staff of a computer using organization. The program usually solves a particular application or problem that is unique to that organization. Examples of such programs are payroll, general accounting, sales statistics, inventory control and CAD/CAM. Usually different organizations require different programs for similar application and hence it is difficult to write standardized programs. However, tailor made application software can be written by software houses on modular design to cater the needs of different users.

(b) Distinction between Internal and External factors that determine the business firm and its relationship with its environment

Internal Factors	External Factors
Size of the organization, age, nature of business, nature of ownership, degree of professionalization of management etc	Includes behavior of environmental elements Their nature and composition
Is within the control of the business	Outside the control of the business
To some extent predictable and certain	Uncertain and non-predictable

4. (a) Expert System: An expert system is a computerized information system that allows non-experts to make decisions comparable to those of an expert. Expert systems are used for complex or ill structured tasks that require experience and specialised knowledge in narrow, specific subject area. An expert system typically contains the following components:

- (i) Knowledge base
- (ii) Inference engine
- (iii) User interface
- (iv) Explanation facility, and
- (v) Knowledge acquisition facility.

Expert systems can be example-based, rule-based or frame- based.

In *example- based system*, the example is converted into decision tree that is used to match the case at hand and those previously entered in the knowledge base.

The *rule- based systems* are created by storing data and decision rules as if – then - else rules.

These systems are useful when history of cases is unavailable or when a body of knowledge can be structured.

*Frame-based systems* organize all the information into linked records in a data file called frame. Rules are then applied to extract relevant information.

## Advantages

- (a) It provides cost-effective alternative to human expert.
- (b) It gives faster, consistent and good quality decisions.
- (c) It increases productivity and preserves the expertise of an expert leaving the organization.

### (b) Differentiate between Micro Computer and Work Station

Microcomputer is a full-fledged computer system that uses a microprocessor as its CPU. These are also called personal computers. Between minicomputer and microcomputer, in terms of processing power, there is a class of computers known as workstation. It looks like a personal computer and is typically used by one person. Most microcomputers can run on DOS, Windows and Windows NT operating system

Workstations differ significantly from microcomputers in two areas. Internally, workstations are constructed differently than microcomputers. They are based on different architecture of CPU called Reduced Instruction Set Computing (RISC), which results in faster processing of instructions compared to microprocessor-based personal computers. Workstations are generally used by scientists and engineers. Workstations generally run on the Unix operating system or a variation of it. Although workstations are still more powerful than the average personal computer, the difference in the capabilities of these types of machines are growing smaller.

### 5. (a) Focus Strategy

Focus strategy is nothing but the strategy that defines the focus that needs to be directed at by the organization.

A successful focus strategy depends on an industry segment that is of sufficient size, has good growth potential and is not crucial to the success of other major competitors. Strategies such as market penetration and market development offer substantial focusing advantages. Focus strategies are most effective when consumers have distinctive preferences or requirements and when rival firms are not attempting to specialize in the same target segment. An organization using a focus strategy may concentrate a particular group of customers, geographic markets or on a particular product-line segments in order to serve a well-defined but narrow market better than competitors who serve a broader market.

### (b) Various elements of micro environment

Micro environment affects business and marketing at routine and operating levels. Whereas the changes in the macro environment affect business in the long run, the effect micro environment changes are noticed immediately. Organizations have to closely analyze and monitor all the elements of micro environment in order to stay competitive. Micro environment can be broadly classified as:

- Consumers/customers
- Competitors
- Organization
- Market
- Suppliers
- Intermediaries