

PRIME ACADEMY
34th SESSION PROGRESS TEST-AUDITING & ASSURANCE

No. of Pages: 5

Total Marks: 75
Time Allowed: 2Hrs

1. Which of the following is not true about opinion on financial statements?
 - a) The auditor should express an opinion on financial statements.
 - b) His opinion is no guarantee to future viability of business
 - c) He is responsible for detection and prevention of frauds and errors in financial statements
 - d) He should examine whether recognised accounting principle have been consistently

2. The audit engagement letter, generally, should include a reference to each of the following except
 - a) limitations of auditing
 - b) responsibilities of management with respect to audit work
 - c) expectation of receiving a written management representation letter.
 - d) a description of the auditor's method of sample selection.

3. The use of an audit engagement letter is the best method of assuring the auditor will have which of the following?
 - a) Auditor will obtain sufficient appropriate audit evidence.
 - b) Management representation letter
 - c) Access to all books, accounts and vouchers required for audit purpose
 - d) Cooperation from other auditors

4. The least important element in the evaluation of an audit firm's system of quality control would relate to
 - a) a)assignment of audit assistants
 - b) system of determining audit fees
 - c) consultation with experts
 - d) confidentiality of client's information

5. Which of the following is not a quality control consideration on accepting a new client?
 - a) Availability of audit assistants with necessary skill and competence.
 - b) Provision of other services to the client which may impair independence
 - c) Predecessor auditor's advice as to whether audit fees were paid promptly
 - d) Review of audit work done by one partner by the other

6. Of the following, which is the least persuasive type of audit evidence?
 - a) Bank statements obtained from the client
 - b) Documents obtained by auditor from third parties directly.
 - c) Carbon copies of sales invoices inspected by the auditor
 - d) Computations made by the auditor

7. Which of the following statements is, generally, correct about the reliability of audit evidence?
 - a) To be reliable, evidence should 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.

8. Which of the following is not a corroborative evidence?
- Minutes of meetings
 - Confirmations from debtors
 - Information gathered by auditor through observation
 - Worksheet supporting consolidated financial statements
9. What would most effectively describe the risk of incorrect acceptance in terms of substantive audit testing?
- The auditor has ascertained that the balance is materially correct when in actual fact it is not
 - The auditor concludes the balance is materially misstated when in actual fact it is not
 - The auditor has rejected an item from sample which was not supported by documentary evidence
 - He applies random sampling on data which is inaccurate and inconsistent
10. Which of the following best describes the primary purpose of audit programme preparation?
- To detect errors or fraud.
 - To comply with GAAP
 - To gather sufficient appropriate evidence
 - To assess audit risk
11. For what minimum period should audit working papers be retained by audit firm?
- For the time period the entity remains a client of the audit firm.
 - For a period of ten years
 - For a period auditor opines them to be useful in servicing the client
 - For the period the audit firm is in existence.
12. Who is responsible for the appointment of statutory auditor of a limited company ?
- Directors of the company
 - Members of the company
 - The Central Government
 - All of the above
13. The board of directors shall appoint first auditor of a company
- With in one month of completion of capital subscription state of the company
 - With in one month of the promotion of the company
 - With in one month of the commencement of the business of the company
 - With in one month of incorporation of the company
14. ICICI prudential, a life insurance company, holds thirty two percent of subscribed share capital of Delta Ltd. The statutory auditor of Delta Ltd. would be appointed by__
- ordinary resolution
 - Special resolution
 - either of the above
 - none

15. Which of the following is counted for the purposes of section 224(IB) the number of partners of a firm which shall be taken into account would be as on the data of ____
- a) Joint audit
 - b) Audit to non profit companies
 - c) Audit of unlimited companies
 - d) All of the above
 - e) (a) and (b) only
16. In order to vouch bought ledger, the auditor obtain confirmations from creditors. The principal reason for the auditor to examine suppliers statements at balance sheet date is to obtain evidence that
- a) the supplier exist
 - b) there are no unrecorded liabilities
 - c) recorded purchases actually occurred
 - d) to link creditors with cash book entries
17. An auditor is verifying valuation of building which has been self constructed by the client. Which of the following documents is least relevant to the auditor for verification purposes?
- a) Bills of contractor
 - b) Minutes of meeting of board of directors
 - c) Certificates of engineer and architect
 - d) Loan agreement
18. XYZ Ltd. Conducts quarterly review of operations. It discovers that unrest in a south east Asian country may affect the supply of raw materials to it the next quarter. This is an example of :
- a) risk assessment
 - b) control procedure
 - c) supervision
 - d) control environment
19. The auditor should consider whether the auditor's own participation is sufficient to be able to act as the principal auditor. For this purpose the auditor would NOT consider:
- a) the materiality of the portion of the financial information which the principal auditor audits;
 - b) the principal auditor's degree of knowledge regarding the business of the components;
 - c) the risk of material misstatements in the financial information of the components audited by the other auditor
 - d) work papers of the other auditor
20. The date on auditor's report should not be__
- a) the data of AGM
 - b) later than the date on which the accounts are approved in board's meeting
 - c) earlier than the date on which the accounts are approved by the management
 - d) Both (a) and (b)
21. Which of the following report not result in qualification of the auditor's opinion due to a scope limitation?
- a) Restrictions the client imposed
 - b) Reliance on the report of other auditor
 - c) Inability to obtain sufficient appropriate evidential matter
 - d) Inadequacy of accounting records

22. Which of the following is true about explanatory notes?
- a) These are given by the directors of the company
 - b) These are given to adhere to requirements of section 211.
 - c) These are given by auditors of the company in auditor's report
 - d) All of the above
23. An auditor who accepts an audit but does not possess the industry expertise of the business entity should
- a) engage experts
 - b) obtain knowledge of matters that relate to the nature of entity's business
 - c) inform management about it
 - d) take help of other auditors
24. When an independent auditor relies on the work of an internal auditor, he or she should
- a) examine the scope of internal auditor's work
 - b) examine the system of supervising review and documentation of internal auditor's work
 - c) adequacy of related audit programme
 - d) all of the above
25. When an independent auditor decides that the work performed by internal auditors may have bearing on the nature, timing and extent of planned audit procedures, the independent auditor should evaluate objectivity of the internal auditor. The most important factor influencing it would be
- a) organizational level to which he reports
 - b) qualification of internal auditor
 - c) system of quality control of his work
 - d) all of the above

(25x=25 Marks)

PART-B

1. Answer the following: -

- (i) What does SA 230 say about utility, ownership, custody and retention of working papers?
- (ii) Write short note on evaluating the work of an expert as per SA 620.
- (iii) Enumerate, in brief, the important aspects to be evaluated by the external auditor in determining the efficiency and extent of reliance to be placed on the work and function of an Internal Auditor.
- (iv) Enumerate (in brief) the basic principles governing an audit
- (v) The accountant of C Ltd. has requested you, not to send balance confirmations to a particular group of debtors since the said balances are under dispute and the matter is pending in the Court. Comment.

(5x3=15 Marks)

2. How do you verify/vouch the following

- (i) Assets acquired on hire purchase
- (ii) Payment of retirement gratuity to employees
- (iii) Recovery of bad debts written off
- (iv) Advertisement expenses
- (v) Sale of scrap

(5x5=25 Marks)

3. Explain the responsibilities of a joint auditor as per SA 299?

(10x1=10 Marks)

PRIME ACADEMY
34th SESSION PROGRESS TEST-AUDITING & ASSURANCE
SUGGESTED ANSWERS

PART-A

1.

1	C
2	D
3	C
4	B
5	C
6	C
7	B
8	D
9	A
10	C
11	C
12	B
13	D
14	A
15	E
16	B
17	B
18	A
19	D
20	C
21	B
22	A
23	B
24	D
25	A

\

PART-B

I.

1. **Utility of working papers:** According to SA 230 on 'Audit Documentation' working papers helps in planning and performance of the audit, supervision and review of the audit work and provide evidence of the audit work performed to support the auditor's opinion.

Ownership of working papers: Working papers are the property of the auditor and he may, at his discretion, make portions of or extracts from his working papers to his client. **Custody of working papers:** The auditor should adopt reasonable procedures for safe custody and confidentiality of his working papers.

Retention of working papers: Working papers should be retained, long enough, for a period of time sufficient to meet the needs of his practice and satisfy any legal or professional requirement of record retention.

2. The duties of an auditor regarding using the work of an expert are contained in SA 620 "Using the Work of an Expert". The auditor has to first evaluate the skills and competence of the expert and also his objectivity. When the auditor decides to use the work of an expert, he should examine evidence to gain knowledge regarding the terms of the expert's engagement and such other matters like:

- The objectives and scope of the expert's work,
- a general outline as to the specific items in the expert's report,
- Confidentiality of the experts work, including the possibility of its communication to third parties,
- The expert's relationship with the client, if any, and
- Confidentiality of the client's information used by the expert.
- The auditor should also seek reasonable assurance that the expert's work constitutes appropriate audit evidence in support of the financial information. This can be done by considering:
 - The source data used, the assumptions and the methods used and, if appropriate, their consistency with the prior period,
 - The results of the experts work in the light of the auditor's overall knowledge of the business and of the results of his audit procedures, and
 - The auditor should also satisfy himself that the substance of the expert's findings are properly reflected in the financial information.
- The auditor should also consider whether the expert has used source data that is appropriate in the circumstances. This can be done by making inquiries to determine that the source data is sufficient, relevant and reliable and also conducting audit procedures on the data provided by the client to the expert to obtain reasonable assurance that the data are appropriate. The auditor should obtain an understanding of those assumptions and methods to determine that they are reasonable based on the auditor's knowledge of the client's business and on the results of his audit procedures. The standard also provides that in case the auditor comes across any inconsistency, the auditor may discuss the matter with the client and the expert and, may employ additional procedures including possibly engaging another expert may also assist the auditor in resolving the inconsistency.

3. **Evaluation of Internal Audit Function:** The external auditor should as a part of his audit, carryout general evaluation of the internal audit function to determine the extent to which he can place reliance upon the work of the internal auditor. As per SA 610 "Relying Upon the Work of an Internal Auditor", the important aspects to be considered by external auditor are:
- (i) **Organisational Status:** An important aspect is whether the audit is being carried out by outside agency or by departmental team. Another related aspect is level in the organisation to whom the report is addressed and whether he is free to communicate with the external auditor.
 - (ii) **Scope of Function:** Nature and depth of coverage of the internal audit and to what extent the management considers and where appropriate, act upon the recommendations of the internal auditor.
 - (iii) **Technical competence:** Internal audit work is performed by persons having adequate technical training and proficiency. Professional qualification and experience of the persons carrying out internal audit function also need to be considered.
 - (iv) **Due Professional care:** It should be ascertained that the internal audit appears to be properly planned, supervised, reviewed and documented. Existence of proper internal audit manual, programmes and working papers will lead to the establishment of due professional care.
The external auditor should document his evaluation and conclusion of all the above factors.
4. SA 200, "Basic Principles Governing an Audit", describes the basic principles which govern the auditor's professional responsibilities and which should be complied with whenever an audit is carried out. Basic principles are:
- (i) **Integrity, Objectivity and Independence:** The auditor should be straightforward, honest and sincere in his approach to his professional work. He must be fair and must not allow prejudice or bias to override his objectivity. He should maintain an impartial attitude and both be and appear to be free of any interest which might be regarded, whatever its actual effect, as being compatible with integrity and objectivity.
 - (ii) **Confidentiality:** The auditor should respect the confidentiality of information acquired in the course of his work and should not disclose any such information to a third party without specific authority or unless there is a legal or professional duty to disclose.
 - (iii) **Skills and Competence:** The audit should be performed and the report prepared with due professional care by persons who have adequate training, experience and competence in auditing.
 - (iv) **Work performed by others:** When the auditor delegates work to assistants or uses work performed by other auditor and experts, he will continue to be responsible for forming and expressing his opinion on the financial information. The auditor should carefully direct, supervise and review work delegated to assistants. The auditor should obtain reasonable assurance that work performed by other auditors or experts is adequate for his purpose.
 - (v) **Documentation:** The auditor should document matters which are important in providing evidence that the audit was carried out in accordance with the basic principles.

- (vi) Planning: The auditor should plan his work to enable him to conduct an effective audit in an efficient and timely manner. Plans should be based on a knowledge of the client's business.
 - (vii) Audit evidence: The auditor should obtain sufficient appropriate audit evidence through the performance of compliance and substantive procedures to enable him to draw reasonable conclusions therefrom on which to base his opinion on the financial information.
 - (viii) Accounting System and Internal Control: The auditor should reasonably assure himself that the accounting system is adequate and that all the accounting information which should be recorded has in fact been recorded. Internal controls normally contribute to such assurance.
 - (ix) Audit conclusions and reporting: The auditor should review and assess the conclusions drawn from the audit evidence obtain and from his knowledge of business of the entity as the basis for the expression of his opinion on the financial information.
5. External Confirmation Requests: SA 505, "External Confirmations", establishes standards on the auditor's use of external confirmation as a means of obtaining audit evidence. It requires that the auditor should employ external confirmation procedures in consultation with the management. The auditor may come across certain situations in which the management may request him not to seek external confirmation from certain parties because of dispute with the debtors, etc. The management, for example, might make such a request on the grounds that due to a dispute with the particular debtor, the request for confirmation might aggravate the sensitive negotiations between the entity and the debtor. In such cases, when an auditor agrees to management's request not to seek external confirmation regarding a particular debtor, the auditor should consider validity of grounds for such a request and assess management's integrity and obtain evidence to support the same. The auditor should also ask the management to submit its request in a written form, detailing therein the reasons for such a request. The auditor agrees to management's request not to seek external confirmation regarding a particular matter, the auditor should document the reasons for acceding to the management's request and should apply alternative procedures to obtain sufficient appropriate evidence regarding that matter. While considering the validity of request, in case the auditor reaches at a conclusion that the same was not valid, he may appropriately modify the report.

II.

(i) Assets acquired on hire purchase:

- Inspect the hire purchase agreement to ascertain the terms and condition, the installment and amount of interest included in the installment.
- Ensure that these are treated as assets acquired under finance lease as per AS-19.
- Verify that initial recognition of lease should be as an asset and a liability at equal amounts.
- If it is reasonably certain that lessee will get ownership at the end of the term, see that asset is depreciated over its useful life. Otherwise confirm that asset is depreciated over the shorter of its useful life and the lease term.
- Ensure that it is shown separately in the Balance Sheet.

(ii) Payment of retirement gratuity to employees

This may be vouched in the following manner:-

- Examine the basis on which gratuity payable is worked out-actuarial or agreement or on the assumption that all employees retire on the balance sheet date.
- Ensure that the basis of computing gratuity is valid.
- Verify computation of liability of gratuity on aggregate basis.
- Check the amount of gratuity paid to employees who retired during the year with reference to the no. of years of service rendered by the retiring employees.
- If the concern has taken an insurance policy see that the annual premium has been charged to Profit & Loss account.
- Ensure that the concern has adhered to the accounting treatment in accordance with AS-15 (revised).

(iii) Recovery of bad debts written off

- Verify the relevant correspondence with the debtor whose accounts were written off as bad.
- See that the amount recovered is credited to a separate account recovery of bad debts written off.
- Verify the acknowledgement receipt issued.
- Examine notification from the court, bankruptcy trustee, collecting agencies.
- Check credit manager's file for the amount received and see that the amount has been deposited in the bank promptly.
- Review the internal control system regarding writing off and recovery of bad debts.

(iv) Advertisement Expenses:

It should be vouched on the following basis :

- Verify the bill/invoice from advertising agency to ensure that rates charged for different types of advertisement are as per contract.
- See that advertisement relates to client's business.
- Inspect the receipt issued by the agency.
- Ascertain the nature of expenditure – revenue deferred and see that it has been recorded properly.
- Ascertain the period for which payment is made and see that pre-paid is carried forward to balance sheet.
- Compare the statement of account with the ledger account.
- See that all outstanding advertisement bills have been provided for.

(v) Sale of scrap:

- Review the internal control as regards generation, storage and disposal of scrap.
- Check whether the organization is maintaining reasonable record for generation of Scrap.
- Analyze the raw material used, production and generation pattern of scrap and compare the same with figures of earlier year.
- Check the rates at which scrap has been sold and compare the rate with previous year.
- Vouch sales, with invoices raised, advertisement for tender, rate contract with scrap dealers.

- Ensure that there exists a proper control procedure to identify scrap and good units and they are not mixed up and sold as scrap.
- Make an overall assessment of the value of realization from scrap as to its reasonableness.

III.

Division of work

Where joint auditors are appointed, they should, by mutual discussion, divide the audit work among themselves. The division of work would usually be in terms of audit of identifiable units or specified areas. In some cases, due to the nature of the business of the entity under audit, such a division of work may not be possible. In such situations, the division of work may be with reference to items of assets or liabilities or income or expenditure or with reference to periods of time. Certain areas of work, owing to their importance or owing to the nature of the work involved, would often not be divided and would be covered by all the joint auditors. The division of work among joint auditors as well as the areas of work to be covered by all of them should be adequately documented and preferably communicated to the entity.

Coordination

Where, in the course of his work, a joint auditor comes across matters which are relevant to the areas of responsibility of other joint auditors and which deserve their attention, or which require disclosure or require discussion with, or application of judgement by, other joint auditors, he should communicate the same to all the other joint auditors in writing. This should be done by the submission of a report or note prior to the finalization of the audit.

Relationship among joint auditors

In respect of audit work divided among the joint auditors, each joint auditor is responsible only for the work allocated to him, whether or not he has prepared a separate report on the work performed by him. On the other hand, all the joint auditors are jointly and severally responsible-

- (a) in respect of the audit work which is not divided among the joint auditors and is carried out by all of them;
- (b) in respect of decisions taken by all the joint auditors concerning the nature, timing or extent of the audit procedures to be performed by any of the joint auditors. It may, however, be clarified that all the joint auditors are responsible only in respect of the appropriateness of the decisions concerning the nature, timing or extent of the audit procedures agreed upon among them; proper execution of these audit procedures is the separate and specific responsibility of the joint auditor concerned;
- (c) in respect of matters which are brought to the notice of the joint auditors by any one of them and on which there is an agreement among the joint auditors;
- (d) for examining that the financial statements of the entity comply with the disclosure requirements of the relevant statute; and
- (e) for ensuring that the audit report complies with the requirements of the relevant statute.

It is the responsibility of each joint auditor to determine the nature, timing and extent of audit procedures to be applied in relation to the area of work allocated to him. The issues such as appropriateness of using test checks or sampling should be decided by each joint auditor in relation to his own area of work. This responsibility is not shared by the other joint auditors. Thus, it is the separate and specific responsibility of each joint auditor to study and evaluate the prevailing

system of internal control relating to the work allocated to him. Similarly, the nature, timing and extent of the enquiries to be made in the course of audit as well as the other audit procedures to be applied are solely the responsibility of each joint auditor.

Each joint auditor is entitled to assume that the other joint auditors have carried out their part of the audit work in accordance with the generally accepted audit procedures.

It is not necessary for a joint auditor to review the work performed by other joint auditors or perform any tests in order to ascertain whether the work has actually been performed in such a manner. Each joint auditor is entitled to rely upon the other joint auditors for bringing to his notice any departure from generally accepted accounting principles or any material error noticed in the course of the audit.

Reporting responsibilities

Normally, the joint auditors are able to arrive at an agreed report. However, where the joint auditors are in disagreement with regard to any matters to be covered by the report, each one of them should express his own opinion through a separate report. A joint auditor is not bound by the views of the majority of the joint auditors regarding matters to be covered in the report and should express his opinion in a separate report in case of a disagreement.

PRIME ACADEMY
34th SESSION - PROGRESS TEST
INFORMATION TECHNOLOGY & STRATEGIC MANAGEMENT

No. of Pages: 4

Total Marks: 75

Time Allowed: 2Hrs

PART-A

- 1) UNIVAC stands for
 - a) Universal Automatic Computer
 - b) Unique Automatic computer
 - c) Universal Automated Computer
 - d) None of the above

- 2) They are the fastest and largest computers but not used for commercial purposes.....
 - a) Main frame Computers
 - b) Super Computers
 - c) MICRO Computers
 - d) Personal Computers

- 3) A computer that provides services in a network is called
 - a) Server
 - b) c) Net worked Computer
 - c) Client
 - d) d) All of the above

- 4) Picoseconds represent of a second
 - a) One millionth
 - b) c) One trillionth
 - c) One billionth
 - d) d) None of the above

- 5) The most common type of main memory
 - a) Dynamic RAM
 - b) c) Flash Memory
 - c) Read-only Memory
 - d) d) All of the above

- 6) Non-Impact printers does not include
 - a) Thermal Printers
 - b) c) Laser Printers
 - c) Ink-jet printers
 - d) d) Dot-matrix printers

- 7) Standard programs supplied by the Suppliers is called as
 - a) System Software
 - b) c) Operating systems
 - c) Software
 - d) d) Application Software

- 8) Compiler is one
- Translates the entire program line by line when the program is run
 - That translates program into object code
 - That translates into machine code as when the program is run
 - That translates the entire program into machine language before execution
- 9) Simple mail transfer Protocol is associated with
- Web browsing
 - c) Internet
 - Electronic Mail
 - d) All of the above
- 10) Sales order processing system is an example of
- Program flow chart
 - System flow chart
 - Run flow chart
 - All of the above
- 11) "Who are we and what we do" refers to
- Mission statements of an organization
 - Vision Statements of an organization
 - Focus strategy of an organization
 - All of the above
- 12) Strategic Management helps organisation to be in approach
- Proactive
 - c) Futuristic
 - Reactive
 -) Conservative
- 13) Conglomerate of multiple units located in different parts of the globe but all linked with common ownership is called a
- Joint Venture
 - Foreign Company
 - Global Company
 - All of the above
- 14) A global company will be guided by the following strategic approach
- Multi-domestic
 - Centralized decision making
 - Universal strategy
 - None of the above
- 15) Unfavourable conditions in a firm's environment are called as
- Risk
 - Threats
 - Damage
 - Competition

II State correct / incorrect for the following statements

- 16) Changes of any type are always disquieting, sometimes they may be threatening – Incorrect
 - 17) There is both opportunity and challenge in 'Change'. – Correct
 - 18) Retrenchment implies downsizing of business. – Incorrect
 - 19) Strategic management is a bundle of tricks and magic. – Incorrect
 - 20) The rate and magnitude of changes that can affect organisations are decreasing dramatically.
 - 21) The purpose of SWOT analysis is to rank organizations
 - 22) "Industry is a grouping of dissimilar firms
 - 23) Problem children or wildcats, have low market share business in high-growth markets
 - 24) Porter's five forces model considers new entrants as a significant source of competition
 - 25) Forward and backward integration forms part of vertically integrated diversification
- (25x1=25 Marks)**

PART-B

Questions 1 is compulsory and answer any three from the rest

- 1) a) Draw a flow chart to calculate the sum of first N multiples of an integer
b) Describe the construction of BCG matrix and discuss its utility in strategic management
(10+10=20 Marks)
- 2) a) Characteristics of Decision Support System
b) State the points that may be considered while writing a mission statement of a Company
(5+5=10 Marks)
- 3) a) Write short notes on General purpose Software/ utilities
b) Differentiate clearly between forward and backward integration
(5+5=10 Marks)
- 4) a) What are acquisitions? Give two examples
b) Characteristics of Storage
(5+5=10 Marks)
- 5) Write Short notes on / briefly explain the following:
 - a) Interleaving Techniques
 - b) Multiprocessing
 - c) Foreground/background processing
 - d) Key success Factors
 - e) Strategic Management(5x2=10 Marks)

OR

- 6) Draw a flow chart to calculate the local taxes as per the following details:

Code No	Type of Goods	Tax Rate
001	Perishable	15%
002	Textiles	10%
003	Luxury Items	20%
004	Machinery	12%

(10 Marks)

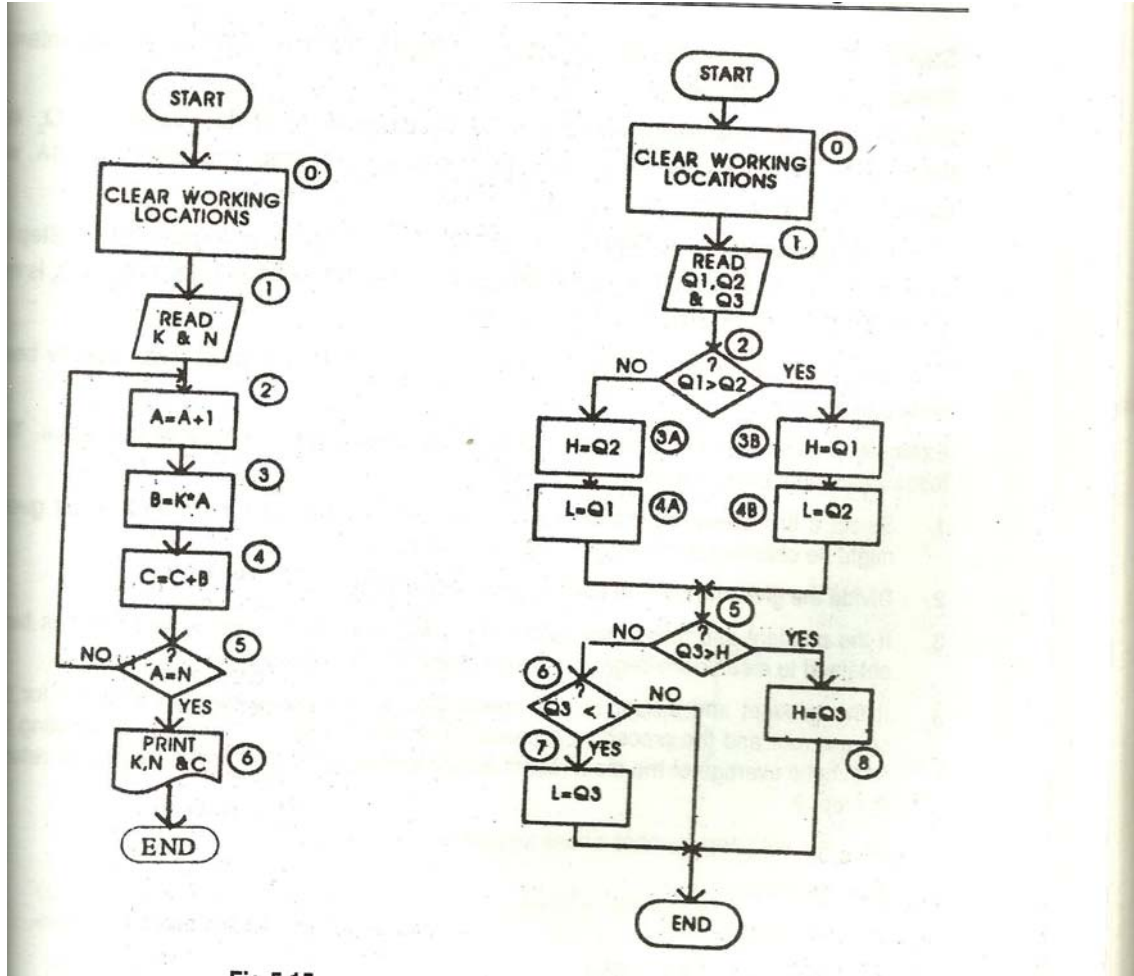
PRIME ACADEMY
34th SESSION PROGRESS TEST- IPCC
INFORMATION TECHNOLOGY & STRATEGIC MANAGEMENT
SUGGESTED ANSWERS

PART - A

Qn no.	Answers
1 UNIVAC stands for	a) Universal Automatic Computer
2 They are the fastest and largest computers but not used for commercial purposes.....	b) Super Computers
3 A computer that provides services in a network is called	a) Server
4 Picoseconds represent of a second	c) One trillionth
5 The most common type of main memory	a) Dynamic RAM
6 Non-Impact printers does not include	d) Read-only Memory
7 Standard programs supplied by the Suppliers is called as	a) Dot-matrix printers
8 Compiler is one	That translates the entire program into
9 Simple mail transfer Protocol is associated with	d) machine language before execution
10 Sales order processing system is an example of	b) System flow chart
11 Who are we and what we do" refers to	b) Electronic Mail
12 Strategic Management helps organisation to be in approach	a) Mission statements of an organization
13 Conglomerate of multiple units located in different parts of the globe but all linked with common ownership is called a	a) Proactive
14 A global company will be guided by the following strategic approach	b) Global Company
15 Unfavourable conditions in a firm's environment are called as	a) Multi-domestic
16 Changes of any type are always disquieting, sometimes they may be threatening	c) Threats
17 There is both opportunity and challenge in 'Change'.	Incorrect
18 Retrenchment implies downsizing of business.	Correct
19 Strategic management is a bundle of tricks and magic.	Incorrect
20 The rate and magnitude of changes that can affect organisations are decreasing dramatically.	Incorrect
21 The purpose of SWOT analysis is to rank organizations	Incorrect
22 Industry is a grouping of dissimilar firms.	Incorrect
23 Problem children or wildcats, have low market share business in high- growth markets	Correct
24 Porter's five forces model considers new entrants as a significant source of competition	Correct
25 Forward and backward integration forms part of vertically integrated diversification	Correct

PART - B

1 (a)



(b) Construction of BCG matrix and its utility in strategic management

Companies that are large enough to be organized into strategic business units face the challenge of allocating resources among those units. In the early 1970's the Boston Consulting Group developed a model for managing a portfolio of different business units or major product lines. The BCG growth-share matrix named after its developer facilitates portfolio analysis of a company having invested in diverse businesses with varying scope of profits and growth.

The BCG matrix can be used to determine what priorities should be given in the product portfolio of a business unit. Using the BCG approach, a company classifies its different businesses on a two-dimensional growth share matrix. Two dimensions are market share and market growth rate. In the matrix:

The vertical axis represents market growth rate and provides a measure of market attractiveness. The horizontal axis represents relative market share and serves as a measure of company strength in the market.

High	Stars	Question Marks
Low	Cash cows	Dogs
High		Low

Relative Market Share

Different types of business represented by either products or SBUs can be classified for portfolio analyses through BCG matrix. They have been depicted by meaningful metaphors, namely:

- (a) **Stars** are products or SBUs that are growing rapidly. They also need heavy investment to maintain their position and finance their rapid growth potential. They represent best opportunities for expansion.
- (b) **Cash Cows** are low-growth, high market share businesses or products. They generate cash and have low costs. They are established, successful, and need less investment to maintain their market share. In long run when the growth rate slows down, stars become cash cows.
- (c) **Question Marks**, sometimes called problem children or wildcats, are low market share business in high-growth markets. They require a lot of cash to hold their share. They need heavy investments with low potential to generate cash. Question marks if left unattended are capable of becoming cash traps. Since growth rate is high, increasing it should be relatively easier. It is for business organisations to turn them stars and then to cash cows when the growth rate reduces.
- (d) **Dogs** are low-growth, low-share businesses and products. They may generate enough cash to maintain themselves, but do not have much future. Sometimes they may need cash to survive. Dogs should be minimised by means of divestment or liquidation. The BCG matrix is useful for classification of products, SBUs, or businesses, and for selecting appropriate strategies for each type as follows.
 - (a) Build with the aim for long-term growth and strong future.
 - (b) Hold or preserve the existing market share.
 - (c) Harvest or maximize short-term cash flows.
 - (d) Divest, sell or liquidate and ensure better utilization of resources elsewhere.

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

2. (a) **Decision Support System:** Decision Support System (DSS) is a specific class of computerized information system that supports business and organizational decision-making activities. A properly designed DSS is an interactive software-based system intended to help decision maker to compile useful information from raw data, documents, personal knowledge, and/or business models to identify and solve problems and make decisions. A DSS may present information graphically and may include an expert system or artificial intelligence. DSS have also achieved broad use in accounting and auditing today.

The common characteristics of Decision Support Systems are as mentioned below:

- (i) DSS support management decision making – These enhance decision quality. While the system might not point to a particular decision, it is the user who ultimately makes the final choice.
- (ii) DSS solve relatively unstructured problems – The unstructured problems with lesser well-defined questions do not have easy solution procedures and therefore need some managerial judgment. Such problems can be handled and addressed with the help of appropriate DSS.
- (iii) DSS are friendly computer interface – A friendly computer interface is also a characteristic of a DSS. As the managers and other decision makers using DSS are not necessarily good programmers, such systems must be easy to use. The communication between the user and the DSS is made easy through nonprocedural modelling languages.
- (iv) DSS should be able to respond quickly to the changing needs of the decision makers – As managers must plan for future activities, they rely heavily on assumptions. Any DSS should address the decision making for a variety of assumptions. A key characteristic of many systems is that these allow users to ask what-if questions and examine the results of these questions.

(b) Points that may be considered while writing a mission statement of a Company

A company's mission statement is typically focused on its present business scope—"who we are and what we do"; mission statements broadly describe an organizations present capabilities, customer focus activities and business makeup.

- 1) The following points must be considered while writing a mission statement of a company.
- 2) To establish the special identity of the business - one that typically distinct it from other similarly situated companies.
- 3) Needs which business tries to satisfy, customer groups it wishes to target and the technologies and competencies it uses and the activities it performs.
- 4) Good mission statements should be unique to the organisation for which they are developed.
- 5) The mission of a company should not be to make profit surpluses may be required for survival and growth, but cannot be mission of company.

3. (a) General purpose Software/ utilities

- This software provides the frame work for a great number of businesses, scientific and personal applications.
- It can be commercial, shareware and open source software.
- They are sold as package and are accompanied by user-oriented documentation.
- Word processor, Spreadsheet program, web browser are all examples of General purpose software/utilities

(b) Forward and backward integration forms part of vertically integrated diversification. In vertically integrated diversification, firms opt to engage in businesses that are vertically related to the existing business of the firm. The firm remains vertically within the same process. While diversifying firms opt to engage in businesses that are linked forward or backward in the chain and enter specific product/process steps with the intention of making them into new businesses for the firm.

Backward integration is a step towards, creation of effective supply by entering business of input providers. Strategy employed to expand profits and gain greater control over production of a product whereby a company will purchase or build a business that will increase its own supply capability or lessen its cost of production. On the other hand forward integration is moving forward in the value chain and entering business lines that use existing products.

Forward integration will also take place where organisations enter into businesses of distribution channels.

4. (a) **Acquisition of or merger:** with an existing concern is an instant means of achieving the expansion. It is an attractive and tempting proposition in the sense that it circumvents the time, risks and skills involved in screening internal growth opportunities, seizing them and building up the necessary resource base required to materialise growth, organisations consider merger and acquisition proposals in a systematic manner, so that the marriage will be mutually beneficial, a happy and lasting affair.

They are also resorted to for purposes of achieving a measure of synergy between the parent and the acquired enterprises. Synergy may result from such bases as physical facilities, technical and Managerial skills, distribution channels, general administration, research and development and so on. Only positive synergistic effects are relevant in this connection which denotes that the positive effects of merged resources are greater than the sum of the effects of the individual resources before merger or acquisition.

Examples:

Tata's acquisition of Anglo Dutch Steelmaker Corus
Mittal steel's takeover of Arcelor

(b) Characteristics of Storage

1. Volatility of information – static or dynamic
2. Ability to access non-contiguous information- random and sequential
3. Ability to change information- to read, write, read only, mutable slow write, fast write etc
4. Addressability of information – it can be location-specific, file specific, or content specific
5. Capacity and performance – density, capacity; latency and throughput all define storage

5.

- (a) **Interleaving Techniques:** Combining the processing work of simultaneous users or applications in a manner that achieves the highest possible resource efficiency to support multiple simultaneous users is called interleaving. It includes multiprogramming, foreground/background processing, multitasking, virtual memory and multi-processing.
- (b) **Multiprocessing:** It refers to the use of two or more central processing units, linked together, to perform coordinated work simultaneously. The jobs can be processed more rapidly. It is also known as parallel processing.
- (c) **Foreground/background processing:** Main Memory which is logically separated also allows job streams to be set up as High priority jobs and low priority jobs. With foreground /background processing, foreground jobs are handled first and only background processing after the jobs of high priority are moved out from the queue.
- (d) **Key Success Factors (KSFs):** are those things that most affect industry members' ability to prosper in the market place – the particular strategy elements, product, attributes, resources, competencies, competitive capabilities and business outcomes that spell the difference between profit and loss and, ultimately, between competitive success or failure
- (e) **Strategic Management:** starts with developing a company mission, objectives and goals, business portfolio and functional plans to create competitive advantage and guides the company successfully through all the changes in the environment.

6.

