

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN



Fall 2012 (February 2013) Examinations

Thursday, the 21st February 2013

STRATEGIC MANAGEMENT (ML-603)

SEMESTER – 6

Time Allowed – 2 Hours 45 Minutes

Maximum Marks – 90

Roll No.:

- (i) Attempt ALL questions.
- (ii) Answers must be neat, relevant and brief.
- (iii) In marking the question paper, the examiners take into account clarity of exposition, logic of arguments, presentation and language.
- (iv) Read the instructions printed inside the top cover of answer script CAREFULLY before attempting the paper.
- (v) DO NOT write your Name, Reg. No. or Roll No. Anywhere inside the answer script.
- (vi) Question No.1 – “Multiple Choice Question” printed separately, is an integral part of this question paper.
- (viii) **Question Paper must be returned to the invigilator before leaving the examination hall.**

MARKS

- Q.2 (a)** “The transaction cost approach seeks to answer the question of why firms exist”. How the transaction cost analysis compares the relative cost advantage of organized production on either a market or a hierarchy basis? What problems management has to face with contracts and with hierarchies? **06**
- (b)** Stakeholders are those persons and organizations having an interest in the strategy of an organization. Briefly describe ‘interest to defend’ and ‘response risk’ of internal stakeholders, connected stakeholders and external stakeholders. **06**
- Q.3 (a)** The role of the management accountant in strategic planning is to provide management information in order that strategic planning and control decision can be made. What is the difference between strategic management accounting and traditional management accounting? Discuss briefly how the role of strategic management accountant can be analyzed? **06**
- (b)** “Goals and objectives are derived from mission”. Elucidate goals for markets and marketing and for products and services? Identify the functions of corporate objectives? **06**
- Q.4 (a)** Firms do not have unlimited resources. The ‘Resource Audit’ is an internal review and plays a pivotal role in the success of an organization. Identify the 9Ms of resources along with examples in Ms model categorises the limiting factors. **10**
- (b)** Organic growth is a popular method of growth for many organizations. What do you mean by organic growth and explain why might a firm pursue organic growth? Discuss potential disadvantages of an organic growth? **10**

PTO

- Q.5 (a)** A gap analysis has its own importance and it can be used as means of strategic control. Discuss gap analysis evaluating existing gap in sales and the profit. **07**
- (b)** "Risk involves situations or events which may or may not occur, but whose probability of occurrence can be calculated statistically". What is the difference between risk and uncertainty? Who suffers risk and briefly explain different types of risks. **10**
- Q.6 (a)** Some individuals within an organization may accept, co-operate with, or even support a change programme, it is likely that other will resist it. What are two choices to deal with resistance when a management is faced with resistance to change? Briefly identify six approaches to deal with resistance to change as highlighted by Kotter & Schlesinger. **08**
- (b)** "Turnaround strategy is a renewal strategy that is designed for situations in which the organization's performance problems are more serious as reflected by its performance measures". Indicate seven elements of turnaround strategy. **08**
- Q.7 (a)** Financial ratio analysis should be done carefully as they help in decision making. Suppose an investment in a non-current asset would cost Rs. 200,000 and make a profit of Rs. 22,000 per annum after depreciation. The asset would be depreciated by Rs. 50,000 per annum for four years. It is a group policy that investments must show a minimum return of 15%.
- Required:**
- Find out the following:
- a) Net Present Value (NPV). **02**
- b) Return on Investment (ROI) (investment measured year by year) **02**
- c) Compare result of (a) & (b) above and interpret the results. **03**
- (b)** A wide range of measures exists for measuring manufacturing performance. A number of performance indicators can be used to assess operations. Identify them. What are the four over-arching measures for manufacturing environments? **06**

THE END

PRESENT VALUE FACTOR							
Year	12%	13%	14%	15%	16%	17%	18%
1	0.893	0.885	0.877	0.870	0.862	0.855	0.847
2	0.797	0.783	0.769	0.756	0.743	0.731	0.718
3	0.712	0.693	0.675	0.658	0.641	0.624	0.609
4	0.636	0.613	0.592	0.572	0.552	0.534	0.516
5	0.567	0.543	0.519	0.497	0.476	0.456	0.437

CUMULATIVE PRESENT VALUE FACTOR							
Year	12%	13%	14%	15%	16%	17%	18%
1	0.893	0.885	0.877	0.870	0.862	0.855	0.847
2	1.690	1.668	1.647	1.626	1.605	1.585	1.566
3	2.402	2.361	2.322	2.283	2.246	2.210	2.174
4	3.037	2.974	2.914	2.855	2.798	2.743	2.690
5	3.605	3.517	3.433	3.352	3.274	3.199	3.127