

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN



September 2011 Extra Attempt Examinations

Thursday, the 22nd September 2011

MANAGEMENT ACCOUNTING-BUSINESS STRATEGY – (S-603)

STAGE-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, effective presentation, language and use of clear diagram/ chart, where appropriate.
- (iv) Read the instructions printed inside the top cover of answer script CAREFULLY before attempting the paper.
- (v) Use of non-programmable scientific calculators of any model is allowed.
- (vi) DO NOT write your Name, Reg. No. or Roll No. anywhere inside the answer script.
- (vii) Question No.1 – “Multiple Choice Question” printed separately, is an integral part of this question paper.
- (viii) **Question Paper must be returned to invigilator after finishing/ writing the exam.**

	Marks
Q. 2 (a) Why do firms have objectives and why are they important in strategic management?	05
(b) Failing to follow certain guidelines in conducting strategic management can foster criticisms of the process and create problems for the organizations. List out at least ten guidelines for the strategic-planning process to be effective.	05
(c) According to Michael Porter, strategies allow organizations to gain competitive advantage from three different bases. Briefly describe the Michael Porter's generic strategies developed on these bases, stating when each generic strategy is effective/ attractive.	10
Q. 3 (a) Discuss 'social responsibility' as an objective of a business.	05
(b) Briefly explain the nature and process of external and internal audits performed by organizations during strategy formulation indicating key forces to be considered under each audit.	15
Q. 4 Strategists strive to preserve, emphasize and build upon aspects of an existing culture that support proposed new strategies. Changing a firm's culture to fit new strategy is usually more effective than changing a strategy to fit an existing culture. List out the techniques available to organizations to alter its culture. Also identify elements that are most useful in linking culture to strategy.	10
Q. 5 (a) Why is strategy evaluation necessary phase in strategic management process? Mention possible corrective actions to competitively reposition a firm.	10
(b) 'The Balanced Scorecard' is an important strategy-evaluation tool. Discuss the tool illustrating its elements in detail.	10

PTO

Q. 6 M/s. ABC Super Store desires to maintain the moderate level of liquidity for its day-to-day working capital requirement and meeting the contingencies. To assess and maintain the desired liquidity, financial controller has compiled the following information:

(i) Sales, actual and estimated, are as under:

Month	Rs. '000'	Month	Rs. '000'
July 2011	4,500	December 2011	3,000
August 2011	5,250	January 2012	4,500
September 2011	6,000	February 2012	3,750
October 2011	2,250	March 2012	3,000
November 2011	3,000	April 2012	4,500

(ii) Sales are 25% for cash and 75% for credit.

(iii) Collections against credit sales are:

- 60% in the month after the sale,
- 30% in the second month, and
- 10% in the third month.

(iv) Bad debt losses are insignificant.

(v) Payments for purchases of goods are 80% of the following month's anticipated sales.

(vi) Wages and salaries (Rupees) for the period from October 2011 to March 2012 are as under:

<u>October</u>	<u>November</u>	<u>December</u>	<u>January</u>	<u>February</u>	<u>March</u>
450,000	600,000	750,000	750,000	600,000	525,000

(vii) Rent is Rs.30,000 per month.

(viii) Interest of Rs.112,500 is due at the end of each calendar quarter.

(ix) A tax prepayment amounting to Rs.750,000 on the income of 2012 is due in January 2012.

(x) All prices and costs remain constant.

(xi) A capital investment of Rs.450,000 is planned in March 2012.

(xii) The company shall have a cash balance of Rs.1,500,000 as at September 30, 2011 which is the minimum desired level for cash. Funds can be borrowed in multiples of Rs.75,000 on a monthly basis. Borrowings taking place at the beginning of the month and repayments are made at the end of the month. Interest @ 12% per annum is paid at the time of repayment of the principal and computed on the portion of principal repaid at that time.

Required:

Prepare cash budget for the six months from October 2011 to March 2012 of M/s. ABC Super Store.

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THE END