

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN



Winter (November) 2011 Examinations

Thursday, the 17th November 2011

MANAGEMENT ACCOUNTING–BUSINESS STRATEGY – (S-603)

STAGE-6

Time Allowed: 2 Hours 45 Minutes

Maximum Marks: 90

Roll No.:

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- (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 before leaving the examination hall.**
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- | | Marks |
|---|-------|
| Q. 2 (a) Strategic Management allows an organization to be more proactive than reactive in shaping its own futures. Describe benefits of Strategic Management including financial and non-financial benefits. | 10 |
| (b) The statement “What is our business?” indicates a mission statement for an organization. Discuss characteristics of a mission statement. | 05 |
| Q. 3 (a) Identifying major competitors is always a difficult task because many firms have divisions that compete in different industries. Briefly describe what is Competitor Intelligence (CI)? | 05 |
| (b) According to Porter the business of a firm can best be described as a Value Chain in which total revenue minus total costs of all activities undertaken to develop and market a product or service yields VALUE. Elaborate the concept of Value Chain Analysis (VCA) explaining one of its tools, “Benchmarking”. | 10 |
| Q. 4 Strategies that stress cooperation among competitors are being used more frequently. For collaboration between competitors to succeed, both firms must contribute something distinctive, such as technology, distribution, basic research, or manufacturing capacity.
In the context of cooperation among competitors briefly explain the following: | |
| (a) Joint venture/ Partnering | 05 |
| (b) Merger/ Acquisition | 05 |
| (c) First Mover Advantage | 05 |
| (d) Outsourcing | 05 |

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Q. 5 (a) The structural format for developing objectives and policies can significantly impact all other strategic-implementation activities of an organization. Identify advantages and disadvantages of following organizational structure:

- (i) Functional 05
- (ii) Divisional 05

(b) Strategic evaluation is important because organizations face dynamic environments in which key external and internal factors often change quickly and dramatically. There are certain criteria for evaluating strategies. Briefly describe the following criteria suggested by Rumelt:

- (i) Consistency
- (ii) Consonance
- (iii) Feasibility
- (iv) Advantage 10

Q. 6 Elegant-Lady Fashions is a progressive women fashion designer and manufacturer. It is planning to introduce a new fashion garment in the market in the forthcoming festival season. Four metres of cloth material are required to lay out the dress pattern. After cutting, some material remains that can be sold as cut-pieces. The left over material can also be used to manufacture a matching cap and handkerchief.

The manufacturer expects to sell 2,500 dresses if matching cap and handkerchief are not provided, and 20% more in case of matching cap and handkerchief are made available. The market research indicates that the cap and/ or handkerchief cannot be sold independently but only as accessories with the dress.

The various combination of dresses, caps, and handkerchiefs that are expected to be sold by retailers in the forthcoming season are as below:

	%
Complete sets of dress, cap and handkerchief	68
Dress and cap only	12
Dress and handkerchief only	9
Dress only	11
Total	100

The material used in the dress costs Rs. 60 per meter. The cost of cutting the dress, if the cap and handkerchief are not manufactured, is estimated at Rs. 20 a dress and the resulting remnants can be sold for Rs. 5 for each dress cut out. If the cap and handkerchief are to be manufactured, it requires more delicate and skillful cutting and hence cutting cost will increase by Rs. 8 per dress. There will be no salable scrap, if the caps and handkerchiefs are manufactured in the quantities estimated.

The selling prices and the costs to complete the three items, once they are cut, are as follows:

	(Rupees)	
	Selling price per unit	Unit cost to complete*
Dress	400.00	48.00
Cap	29.00	6.50
handkerchief	18.00	3.00

* Excludes cost of material and cutting operation

Required:

- (a) Should the company go in for caps and handkerchiefs along with dresses? Substantiate your answer with appropriate calculation. 12
- (b) What are the non-quantitative factors that could influence the company's decision to manufacture caps and handkerchiefs that match the dress? 08