

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN



Spring (Summer) 2009 Examinations

Sunday, the 24th May 2009

MANAGEMENT ACCOUNTING – BUSINESS STRATEGY – (S-603)

Stage – 6

Time Allowed – 2 Hours 45 Minutes

Maximum Marks – 90

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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 on 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.
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	Marks
Q. 2 “The more price sensitive buyers base their purchasing decisions on the best price a seller can offer, the more appealing low-cost strategy becomes the part of their decisions”.	
Required:	
(a) What does cost leadership strategy emphasize?	04
(b) Explain the conditions when a low-cost provider strategy works best?	04
(c) Elaborate pitfalls of a low-cost provider strategy with logical argument.	06
Q. 3 (a) What is the difference between vision and mission statement?	02
(b) Briefly explain how a mission statement could contribute towards the planning and performance measurement process.	04
(c) How many related stakeholders are addressed in a professionally well defined mission statement of the company?	02
(d) Can you illustrate any mission statement you have come across?	02
(e) Identify the financial and non-financial benefits of strategic management.	04

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Marks

- Q. 4**
- (a) “Developing and altering organogram (organization chart) is an important tool for forming a strategic management process”. Do you agree? Explain with logic. 04
- (b) Successful strategy formulation does not guarantee successful implementation of strategies. Explain. 02
- (c) “There is no single optimal organizational design or structure for a given strategy or type of an organization. Each organizational design or structure has its own merits and demerits”. Examine this issue by focusing on the following:
- (i) Functional structure 04
- (ii) Divisional structure 06
- (iii) Matrix structure 04

- Q. 5**
- “Successful and sustainable companies treat facts and control system highly interactive. These companies not only survive but thrive by grasping opportunities in turbulent times because their respective strategy evaluation and resulted risk monitoring systems are sound and well communicated across the organization. These companies always inspire for more and more fact findings”. In the context of the statement answer the following:
- (a) Contingency planning is considered as a basic premises of strategic planning process. Explain with argument. 02
- (b) Can you describe few contingency plans? 04
- (c) Is it necessary to have alternate strategies? Explain. 02
- (d) What are the logical and sequential steps for contingency plan? Describe. 05
- (e) Consider some examples from real life of businesses and write steps for some contingencies threatening the business. 05
- (f) Can you describe how internal audit and compliances can help the organizations meeting strategies and support in mitigating the risk? 04

- Q. 6**
- Country's leading food processing company is examining projected sales and cost data for the coming year. The company sells three products, each of which has the same selling price. The projected activity for the year is as follows:

	(Rupees)			
Particulars	Jelly	Masalah	Aachar	Total
Sales (Rs.10 per unit)	600,000	360,000	240,000	1,200,000
Cost of goods sold:				
variable cost	360,000	252,000	192,000	804,000
other operating cost	90,000	54,000	36,000	180,000
Total cost	450,000	306,000	228,000	984,000
Contribution margin	150,000	54,000	12,000	216,000
Fixed cost				131,400
Net income				84,600

Required:

- (a) The company is considering a special advertising campaign, but does not want to dilute or liquidate the effectiveness of the campaign by trying to promote more than one product. Which product(s) should the company choose to promote in the advertising campaign? (Give your answer with logical financial arguments with calculations). 04

- (b) The company is examining possible ways to increase profitability. The purchasing department has found an alternate supplier for each of its products. Each supplier will sell to the company at a price 10% lower than the price which is being currently paid. However, the quality of the products would not be so high, therefore a reduction in sales of 15% is anticipated. The company can change suppliers for only one product at a time. For which product(s), if any, should the company change suppliers? Elaborate your answer with supporting figure work.
- (c) Assume that the company did not initiate the advertising campaign, nor did it change suppliers for any product. At the end of the year, the company showed a net income of Rs.11,100 on sales of Rs.1,250,000. Analysis of the sales mix for the year showed the following:

07

	Rs.
Jelly	300,000
Masalah	200,000
Aachar	750,000
Total	1,250,000

The CEO is surprised as to why net income was so low whereas sales had exceeded the forecasted amount. Explain the reasons with supportive calculations why net income was lower than projected?

06

- (d) Enlist at least six cost-volume-profit (CVP) analysis assumptions.

03

THE END