

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN



Spring (Summer) 2010 Examinations

Saturday, the 22nd May 2010

MANAGEMENT ACCOUNTING - BUSINESS STRATEGY – (S-603)
STAGE – 6

Time Allowed – 2 Hours 45 Minutes

Maximum Marks – 90

- (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.

		Marks
Q. 2	(a) “If a man takes no thought about what is distant, he will find sorrow near at hand. He who will not worry about what is far off will soon find something worse than worry.” (i) In the light of above statement define strategic management. (ii) What are the stages of strategic management? Briefly describe each stage.	02 06
	(b) It is said that “plans are less important than planning.” Why some firms do not engage in strategic planning? Give at least ten (10) reasons for poor or no strategic planning.	05
	(c) A firm gains control over all or any of the distributors, suppliers and competitors through vertical integration strategies. Enumerate guidelines for each of the three integration strategies when they are effective.	07
Q. 3	(a) “Where there is no vision, the people perish.” A clear vision helps in developing a comprehensive mission statement. Describe the nature and characteristics of a mission statement.	08
	(b) “It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.” To be responsive to changes external assessment/ audit is necessary. You are required to briefly explain the: (i) nature of external audit, (ii) process of performing external audit.	02 04
	(c) The answer of any question in the management audit checklist indicates a potential weakness or vice versa. List down the questions to be included in the management audit checklist to assess weaknesses and strengths.	06
Q. 4	(a) Many types of strategies can be developed with the help of SWOT matrix. Briefly explain all the strategies and list down the steps involved in constructing the SWOT matrix, also construct the matrix.	12
	(b) The consideration of cultural aspects of implementing the strategies is beneficial for the firm. Similarly, the tactics used by politicians can aid strategists. Enumerate such tactics with brief description of each.	04
	(c) Absence of conflict is bad signal for the firm’s success which shows indifference of the functional managers. Why does conflict occur? What are different approaches for managing and resolving conflict between two or more parties?	04

PTO

- Q. 5 (a)** “Planners should not plan, but serve as facilitators, catalysts, inquirers, educators and synthesizers to guide the planning process effectively”. Therefore, strategic management process requires review, evaluation and control.

Write down the basic questions for reviewing the strategy to assess the achievement of firm’s objective.

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- (b)** The measurement of firm’s performance is an important activity of strategy evaluation process. Suggest some quantitative measures for comparison of historical data, competitors and industry averages. Also state some qualitative criteria for evaluation.

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- Q. 6 (a)** The assessment of finance/ accounting function is possible when the results of investment, financing and dividend decisions are analysed comparing them with previous results, industry norms.

You are required to state, what each of the following ratios measures? (write one sentence for each measure).

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Current ratio	Long-term debt to total capitalization
Acid-test ratio	Gross profit margin
Average collection period	Net profit margin
Inventory turnover	Asset turnover
Total debt to net worth	Return on assets

- (b)** Summarized financial statements of XYZ Company for last three years are given below:

	Amount in Rs.		
	2007	2008	2009
Cash	60,000	40,000	10,000
Accounts receivable	400,000	520,000	580,000
Inventory	800,000	960,000	1,200,000
Net fixed assets	1,600,000	1,600,000	1,600,000
	2,860,000	3,120,000	3,390,000
Accounts payable	460,000	600,000	760,000
Accruals	400,000	420,000	450,000
Bank loan, short-term	200,000	200,000	280,000
Long-term debt	600,000	600,000	600,000
Ordinary share capital	200,000	200,000	200,000
Retained earnings	1,000,000	1,100,000	1,100,000
	2,860,000	3,120,000	3,390,000
Sales	8,000,000	8,600,000	7,600,000
Cost of goods sold	6,400,000	7,200,000	6,600,000
Net profit	600,000	400,000	200,000

Required:

- (i) Calculate the ratios for the three (03) years as mentioned in (a) above.
- (ii) Analyse the company’s performance with respect to financial condition over last three (03) years.
- (iii) Explain if banker feels comfortable to grant short-term and long-term finance to this company.

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THE END