

PRIME ACADEMY
38TH SESSION PROGRESS TEST
AUDITING AND ASSURANCE

No of pages: 4

Total Marks : 75
Time Allowed : 2 Hrs

Part-A

1. In order to vouch the bought ledger, the auditor obtains the confirmation from the creditors. The principal reason for the auditor to examine supplier statements at balance sheet date is to obtain the evidence that
 - a) Supplier exist
 - b) There are no unrecorded liabilities
 - c) Recorded purchases actually occur
 - d) To link creditors with cash book entries
2. The least important element in the evaluation of an audit firm's system of quality control would relate to
 - a) Assignment of audit assistants
 - b) System of determining the audit fees
 - c) Consultation with experts
 - d) Confidentiality of clients information
3. XYZ Ltd conducts quarterly review of operations. It discovers that unrest in a south asian country may affect the supply of raw materials to its next quarter. This is an example of
 - a) risk assessment
 - b) control procedure
 - c) supervision
 - d) control environment
4. A person who is indebted to a company X for an amount of RS.1000 shall be
 - a) Disqualified from appointing as auditor of X
 - b) Not disqualified from appointing as auditor of X
 - c) Disqualified from appointing as auditor of X and its subsidiaries and holding company
 - d) Disqualified from appointing as auditor of X and its subsidiaries and holding company
5. The remuneration for the auditor who has been appointed for special audit shall be:
 - a) Determined by the board
 - b) Determined by the share holders in the General Meeting
 - c) Determined by the Central Government
 - d) Determined by the board in consultation with the Central Government
6. The audit report of a Company, for which a partnership firm is appointed as its auditors may be signed by
 - a) The partner who has conducted the audit
 - b) Any one of the partners of the firm
 - c) Any partner who is practising in India
 - d) Any partner or any member of the Institute who is authorised to sign by the partners
7. Management representation letter is to obtained by the auditor:
 - a) At the commencement of the audit
 - b) During the course of audit
 - c) After the completion of audit bur before issuing the audit report
 - d) After issuing the audit report

8. In determining the ceiling limit on number of audits under section 224(1B), which of the following companies shall be excluded:
 - a) An audit of a company licensed u/s 25
 - b) Statutory audit
 - c) Branch audit
 - d) Joint audit
9. According to SA-200 (Revised), if the auditor cannot obtain reasonable assurance and the qualified opinion is insufficient in the auditor's report, then the auditor should:
 - a) Disclaim the opinion or Issue an adverse Opinion
 - b) Withdraw from the engagement
 - c) Disclaim the opinion or withdraw from the engagement
 - d) Issue an adverse opinion
10. While performing an audit, each Joint Auditor is individually responsible:
 - a) For the work allocated to him and in respect of which he has prepared a separate report
 - b) In ensuring that the audit report complies with the relevant statute
 - c) In examining that the financial statements comply with the disclosure requirement
 - d) For the work allocated to him irrespective of whether or not a separate report has been prepared
11. In the context of an audit of financial statements, a high but not absolute, level of assurance is called:
 - a) Reasonable assurance
 - b) Second level assurance
 - c) Absolute assurance
 - d) High level assurance
12. The purpose of Standards on Auditing is to:
 - a) Provide guidance to the members of Institute of Chartered Accountants of India
 - b) Enhance confidence of the members of the Institute
 - c) Enhance the degree of confidence of intended users in the Financial Statements
 - d) All of the above
13. The branch of a company shall be appointed by:
 - a) The Board of Directors
 - b) The Shareholders in AGM
 - c) The Shareholders in EGM
 - d) Either (b) or (c) above
14. The Auditor's Report of a private company shall be open to inspection by:
 - a) The Board of Directors
 - b) Any member of the company
 - c) Management of the Company
 - d) Roc
15. Where the accounts of any branch office are audited by a person other than the Company Auditor, the company auditor:
 - a) Has a right to access at all-time books of accounts and vouchers of the branch
 - b) Does not have a right to access books of accounts and vouchers
 - c) Right to access is subject to the terms accepted at the time of appointment
 - d) Has a right subject to the approval of the branch auditor
16. Which of the following is not true about opinion on financial statements?
 - a) The auditor should express an opinion on financial statements
 - b) His opinion is no guarantee for future viability of business
 - c) He is responsible for detection and prevention of frauds and errors in financial statements
 - d) He should examine whether recognised accounting principle have been consistently

17. The audit engagement letter, generally, should include a reference to each of the following
 - a) Limitation of auditing
 - b) Responsibilities of management with respect to audit work
 - c) Expectation of receiving a written management representation letter
 - d) A description of the auditors method of sample selection
18. The use of an audit engagement letter is the best method of assuring the auditor will have which of the following?
 - a) Auditor will obtain sufficient appropriate audit evidence
 - b) Management representation letter
 - c) Access to all the books, accounts and vouchers required for audit purpose
 - d) Cooperation from other auditors
19. When an independent auditor relies on the work of an internal auditor, he or he should
 - a) Examine the scope of internal auditor's work
 - b) Examine the system of supervising review and
 - c) Adequacy of related audit programme
 - d) All of the above
20. Which of the following is true about explanatory statement?
 - a) These are given by the directors of the company
 - b) These are given to adhere to the requirements of sec 211
 - c) These are given by auditors of the company in auditors report
 - d) All of the above
21. An auditor who accepts an audit but does not possess the industry expertise of the business entity should
 - a) Engage experts
 - b) Obtain knowledge of matters that relate to the nature of entity's business
 - c) Inform management about it
 - d) Take help of other auditors
22. The date of auditor's report should not be
 - a) The date of AGM
 - b) Later than the date on which the accounts are approved in the board's meeting
 - c) Earlier than the date on which the accounts are approved by the management
 - d) Both (a) and (b)
23. An auditor is verifying valuation of building which has been self constructed by the client. Which of the following documents is least relevant to the auditor for verification purpose?
 - a) Bills of contractor
 - b) Minutes of meeting of board of directors
 - c) Certificate of engineer and architect
 - d) Loan agreement
24. The board of directors shall appoint first auditor of a company
 - a) Within one month of completion of capital subscription of the company
 - b) Within one month of the promotion of the company
 - c) Within one month of the commencement of the business of the company
 - d) Within one month of incorporation of the company
25. Which of the following best describes the primary purpose of audit program preparation?
 - a) To detect errors or frauds
 - b) To comply with GAAP
 - c) To gather appropriate audit evidence
 - d) To assess audit risk

(25x1=25 Marks)

Part – B

50 Marks

1. a) What is Audit evidence ? Explain the types and sources of evidence ?
b) Write short notes on Form, Content and Extent of Audit Documentation.

(2 x 5 = 10 Marks)

2. (a) Write short notes on the point to be considered by the auditor to decide on, whether his own Participation is sufficient to be able to act as a principle auditor.

(b) Write short notes on Objective of Internal control. (2 x 5=10 Marks)

3. a) Write short note on Scope and Objectives of the Internal Audit Function.

b) Explain the responsibilities of a joint auditor as per SA – 299?

(2 x 5=10 Marks)

4. How do you verify /vouch the following:

a) Assets acquired on hire purchase
b) Payment of retirement gratuity to employees
c) Recovery of bad debts written off
d) Advertisement expenses (4 x 5 = 20 Marks)

PRIME ACADEMY
38th SESSION PROGRESS TEST – AUDITING & ASSURANCE
SUGGESTED ANSWERS

PART-A

1. B
2. B
3. A
4. C
5. C
6. C
7. A
8. A
9. C
10. D
11. A
12. C
13. D
14. B
15. A
16. C
17. D
18. C
19. D
20. A
21. B
22. C
23. B
24. D
25. C

Part - B

1.A) Audit evidence:

Information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence includes both information contained in the accounting records underlying the financial statements and other information.

Type of audit evidence:

- a) Depending upon the nature – Visual, Documentary and Oral
- b) Depending upon source – Internal and External

Sources of Audit Evidence:

Internal audit evidence:

Some audit evidence is obtained by performing audit procedures to test the accounting records, for example, through analysis and review, re-performing procedures followed in the financial reporting process, and reconciling related types and applications of the same information. Through the performance of such audit procedures, the auditor may determine that the accounting records are internally consistent and agree to the financial statements.

External audit evidence:

More assurance is ordinarily obtained from consistent audit evidence obtained from different sources or of a different nature than from items of audit evidence considered individually. For example, Corroborating information obtained from a source independent of the entity may increase the assurance the auditor obtained from audit evidence that is generated internally, such as evidence existing within the accounting records, minutes of meetings, or a management representation. Information from sources independent of the entity that the auditor may use as audit evidence may include confirmations from third parties, analysts' reports, and comparable data about competitors.

- B) 1. The Auditor shall prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand
 - A. The nature, timing, and extent of the audit procedures performed to comply with the As and applicable legal and regulatory requirement.
 - B. The results of the audit procedures performed, and the audit evidence obtained; and
 - C. Signification matters arising during the audit, the conclusions reached thereon, and signification professional judgements made in reaching those conclusion.
- 2. In documenting the nature , timing and extent of audit procedures performed, the auditor shall record:
 - A. The Identifying characteristics of the specific items or matters tested.
 - B. Who performed the audit work and the date such work was completed; and
 - C. Who reviewed the audit work performed and the date and extent of such review.

The auditor shall document discussions of significant matters with management, those charged with governance, and others, including the nature of the significant matters discussed and when and with whom the discussions took place.
- 3. If the auditor identified information that is inconsistent with the auditor's final conclusion regarding a significant matter, the auditor shall document how the auditor addressed the inconsistency.

2. A) For the purpose of deciding whether the auditor's own participation is sufficient to be able to act as the principal auditor, the auditor should consider the following:
- a. The materiality of the portion of the financial information which the principal auditor audits;
 - b. The principal auditor's degree of knowledge regarding the business of the components
 - c. The risk of material misstatement in the financial information of the components audited by the other auditor; and
 - d. The performance of additional procedures as set out in this SA regarding the components audited by other auditor resulting in the principal auditor having significant participation in such audit.

(B)

- To ensure that transactions are executed in accordance with management's general or specific authorization
- To ensure that all transaction are promptly recorded in the correct amount in the appropriate accounts
- To ensure that assets are safeguarded from unauthorized access, use, disposition
- Prevention and detection of fraud and errors
- Elimination of conflicting responsibilities
- Preparation of periodical accounting and financial report
- Minimizing loss and wastage
- Encouraging employees to do good work

3.A) The activities of the internal audit function may include one or more of the following:

- Monitoring of internal control: The internal audit function may be assigned specific responsibility for reviewing controls, monitoring their operation and recommending improvements thereto.
- Examination of financial and operating information: The internal audit function may be assigned to review the means used to identify, measure, classify and report financial and operating information, and to make specific inquiry into individual items, including detailed testing of transaction, balance and procedures.
- The internal audit function may be assigned to review the economy, efficiency and effectiveness of operating activities, including non-financial activities of an entity.
- Review of compliance with law, regulations and other external requirements, and with management policies and directives and other internal requirements.
- It may assist the organization by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control system
- It may assess the governance process in its accomplishment of objectives on ethics and values, performance management and accountability, communicating risk and control information to appropriate areas of the organization and effectiveness of communication among those charged with governance, external and internal auditors, and management.

b) Division of work

Where joint auditors are appointed, they should, by mutual discussion, divide the audit work among themselves. The division of work would usually be in terms of audit of identifiable units or specified areas. In some cases, due to the nature of the business of the entity under audit, such a division of work may not be possible. In such situations, the division of work may be with reference to items of assets or liabilities or income or expenditure or with reference to periods of time. Certain areas of work, owing to their importance or owing to the nature of the work involved, would often not be divided and would be covered by all the joint auditors. The division of work among joint auditors as well as the areas of work to be covered by all of them should be adequately documented and preferably communicated to the entity.

Coordination

Where, in the course of his work, a joint auditor comes across matters which are relevant to the areas of responsibility of other joint auditors and which deserve their attention, or which require disclosure or require discussion with, or application of judgment by, other joint auditors, he should communicate the same to all the other joint auditors in writing. This should be done by the submission of a report or note prior to the finalization of the audit.

Relationship among joint auditors

In respect of audit work divided among the joint auditors, each joint auditor is responsible only for the work allocated to him, whether or not he has prepared a separate report on the work performed by him. On the other hand, all the joint auditors are jointly and severally responsible-

- a) In respect of the audit work which is not divided among the joint auditors and is carried out by all of them;
- b) In respect of decisions taken by all the joint auditors concerning the nature, timing or extent of the audit procedures to be performed by any of the joint auditors. It may, however, be clarified that all the joint auditors are responsible only in respect of the appropriateness of the decisions concerning the nature, timing or extent of the audit procedures agreed upon among them; proper execution of these audit procedures is the separate and specific responsibility of the joint auditor concerned;
- c) in respect of matters which are brought to the notice of the joint auditors by any one of them and on which there is an agreement among the joint auditors;
- d) For examining that the financial statements of the entity comply with the disclosure requirements of the relevant statute; and
- e) For ensuring that the audit report complies with the requirements of the relevant statute.

It is the responsibility of each joint auditor to determine the nature, timing and extent of audit procedures to be applied in relation to the area of work allocated to him. The issues such as appropriateness of using test checks or sampling should be decided by each joint auditor in relation to his own area of work. This responsibility is not shared by the other joint auditors. Thus, it is the separate and specific responsibility of each joint auditor to study and evaluate the prevailing system of internal control relating to the work allocated to him. Similarly, the nature, timing and extent of the enquiries to be made in the course of audit as well as the other audit procedures to be applied are solely the responsibility of each joint auditor. Each joint auditor is entitled to assume that the other joint auditors have carried out their part of the audit work in accordance with the generally accepted audit procedures.

It is not necessary for a joint auditor to review the work performed by other joint auditors or perform any tests in order to ascertain whether the work has actually been performed in such a manner. Each joint auditor is entitled to rely upon the other joint auditors for bringing to his notice any departure from generally accepted accounting principles or any material error noticed in the course of the audit.

Reporting responsibilities

Normally, the joint auditors are able to arrive at an agreed report. However, where the joint auditors are in disagreement with regard to any matters to be covered by the report, each one of them should express his own opinion through a separate report. A joint auditor is not bound by the views of the majority of the joint auditors regarding matters to be covered in the report and should express his opinion in a separate report in case of a disagreement.

4. A) Assets acquired on hire purchase

- Inspect the hire purchase agreement to ascertain the terms and conditions, the instalment and the amount of interest included in the instalment
- Ensure that these are treated as assets acquired under finance lease as per AS-19
- Verify that initial recognition of lease should be an asset and liability at equal amounts
- If its reasonably certain that lease will get ownership at the end of the term, see that asset is depreciated over its useful life. Otherwise confirm that the asset is depreciated over the shortest of its useful life and the lease term
- Ensure that it is shown separately in the Balance sheet

B) Payment of retirement gratuity to employees

- Examine the basis on which gratuity payable is worked out- actuarial or agreement or on the assumption that all the employees retire on the balance sheet date
- Ensure that the basis of computing is valid
- Verify computation of liability of gratuity on aggregate basis
- Check the amount of gratuity paid to employees who retired during the year with reference to the no of years of services rendered by the retiring employees
- If the concern has taken an insurance policy see the annual premium has been charged to P& L
- Ensure that the concern has adhered to the accounting treatment as per AS-15

C) Recovery of bad debt written off

- Verify the relevant correspondence with the debtor whose accounts were written off as bad
- See that the amount is credited in the separate account recovery of bad debt written off
- Verify the acknowledgement receipt received
- Examine the notification from the court, bankruptcy trustee
- Review internal control system

D) Advertisement expenses

- Verify the bill/invoice from the advertising agency to ensure the rates charged for different types of advertisement are as per contract
- See that the advt. relates to the client business
- Inspect the receipt issued by the agency
- Ascertain the nature of expenditure- revenue deferred and see it has been recorded prop
- Ascertain the period for which it has been made
- Compare the statement with the ledger
- See that all the advertisement bills have been provided for

PRIME ACADEMY
38TH SESSION – PROGRESS TEST
INFORMATION TECHNOLOGY & STRATEGIC MANAGEMENT

No of pages: 2

Total Marks: 75
Time Allowed: 2 Hrs

Part - A

(Question No.1 and 2 are compulsory. Answer any **two** from the rest in this section)

1. Answer the following

- (i) _____ integrates all data and processes of an organization into a single unified system to store data for the various system modules.
- (ii) _____ terminal has Microprocessors and some internal storage. It also has editing capability and can consolidate input data
- (iii) Repository of an organization's electronically stored data which facilitates reporting and supporting of data analysis _____
- (iv) _____ consists of secondary storage devices such as magnetic disks, optical disks, magnetic tapes etc
- (v) This is a communication channel controlled by centralized system – Star Topology
- (vi) _____ Layer in the Open system interconnection model of communication which provides services for file transfer, file sharing (6 x 2 = 12 Marks)

2. Write Short notes on the following:

- (i) Mirror Log
- (ii) Open Source Software
- (iii) Fire wall
- (iv) Intranet
- (v) Multitasking (5x2 = 10 Marks)

3. (a) Discuss the various attributes of Local Area Network (LAN)

(b) What is Integrated Services Digital Network (ISDN)? Write its advantages. (2 x4 =8 Marks)

4. The goods imported from the foreign countries are classified into four categories for the purpose of levying Custom duty. The rate of Custom duty on value of goods 'V' for each category is given below:

Category (K)	Type of Goods	Custom Duty (%)
1.	Electronic items	10
2.	Heavy machinery	15
3.	Footwear items	20
4.	All other unclassified items	25

Draw a flow chart to compute appropriate custom duty including educational chess at the rate of 3% of the value of custom duty. (8 Marks)

5. Differentiate between

- (a) 'File Volatility' and 'File Activity'
- (b) ERP and DSS

(4 + 4 = 8 Marks)

Part-B

(Question No.6 is compulsory. Answer any three from the rest)

6. State whether the following statement is correct/incorrect. Give reasons
- a. Portfolio analysis helps the strategists in identifying and evaluating various businesses of a company.
 - b. Strategy is a substitute for sound, alert and responsible management
 - c. A business, even if it continually remains passive to the relevant changes in the environment, would still grow and flourish.
 - d. In concentric diversification, the new business is linked to the existing businesses through process, technology or marketing. (4 x2 = 8 Marks)

Fill up:

- e. _____ is a growth strategy where the business focuses on selling existing products into existing markets.
 - f. The strategic role of _____ managers is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses.
 - g. _____ exhibits many characteristics such as complexity, dynamism, multi-faceted and far reaching impact.
 - h. _____ is selling at a higher price than the cost. (4 x2 = 8 Marks)
7. Michael E. Porter has suggested three generic strategies. Briefly explain them. Identify the type of strategy by the following companies:
- (a) Samsung Computer has decided to rely exclusively on direct marketing.
 - (b) "Our basic strategy was to charge a price so low that microcomputer makers couldn't do the software internally for that cheaply." – ABC Ltd
 - (c) 'BBC', a TV Channel has identified a profitable audience niche in the electronic media. It has further exploited that niche through the addition of new channels like 'BBC' Profit and 'Image'. (4 +3 = 7 Marks)
8. (a) A Japanese term generally used to mean an alliance of companies and individuals that work together for larger benefits. Identify the term and explain.
- (b) Discuss the elements of Micro environment (4 +3 = 7 Marks)
9. Pepsi SBU in PepsiCo represents "Star" whereas Miranda SBU in PepsiCo represents a "Question Mark". How does a Star differ from a question mark? What must Miranda do to become a "Star"? (7 Marks)
10. Face book in its corporate profile has stated – "to give people the power to share and make the world more open and connected". Is this a mission statement or vision statement? Also points to consider while writing the statement. Explain your answer accordingly. (7 Marks)

PRIME ACADEMY
38th SESSION PROGRESS TEST
INFORMATION TECHNOLOGY & STRATEGIC MANAGEMENT
SUGGESTED ANSWERS

PART - A

1.

- (i) **Enterprise resource system** integrates all data and processes of an organization into a single unified system to store data for the various system modules.
- (ii) **Smart** terminal has Microprocessors and some internal storage. It also has editing capability and can consolidate input data
- (iii) Repository of an organization's electronically stored data which facilitates reporting and supporting of data analysis **Data Warehouse**
- (iv) **Hardware** consists of secondary storage devices such as magnetic disks, optical disks, magnetic tapes etc
- (v) This is a communication channel controlled by centralized system **Star Topology**
- (vi) **Application** Layer in the Open system interconnection model of communication which provides services for file transfer, file sharing etc

2.

- (i) **Mirror Log:** A mirror log is an optional file that has a file extension .mlg. It is a copy of a transaction log which provides additional protection against the loss of data in the event of the transaction log becoming unusable.
- (ii) **Open Source Software:** Open source software is created by generous programmers and released into the public domain for public use. The company or individual that develops the software retains ownership of the program but the software can be used freely.
- (iii) **Firewall:** These are systems that control flow of traffic between the Internet and the firm's internal LANs and systems. They are usually packaged as turnkey hardware/software packages, and are set up to enforce the specific security policies that are desired. A firewall is a proven, effective means of protecting the firm's internal resources from unwanted intrusion.
- (iv) **Intranet:** It is a type of information system that facilitates communication within the organization among widely dispersed departments, divisions and regional locations. Intranet connects people together with Internet technology using Web browsers, Web servers and Data warehouses in a single view.
- (v) **Multitasking:** Multi-tasking refers to the Operating System's ability to execute two or more of a single user's tasks concurrently. Multiple tasks are executed by the CPU switching between them. This is accomplished through foreground / background processing. In this method, the CPU time is shared by different processes.

3. (a) Main attributes of Local Area Networks:

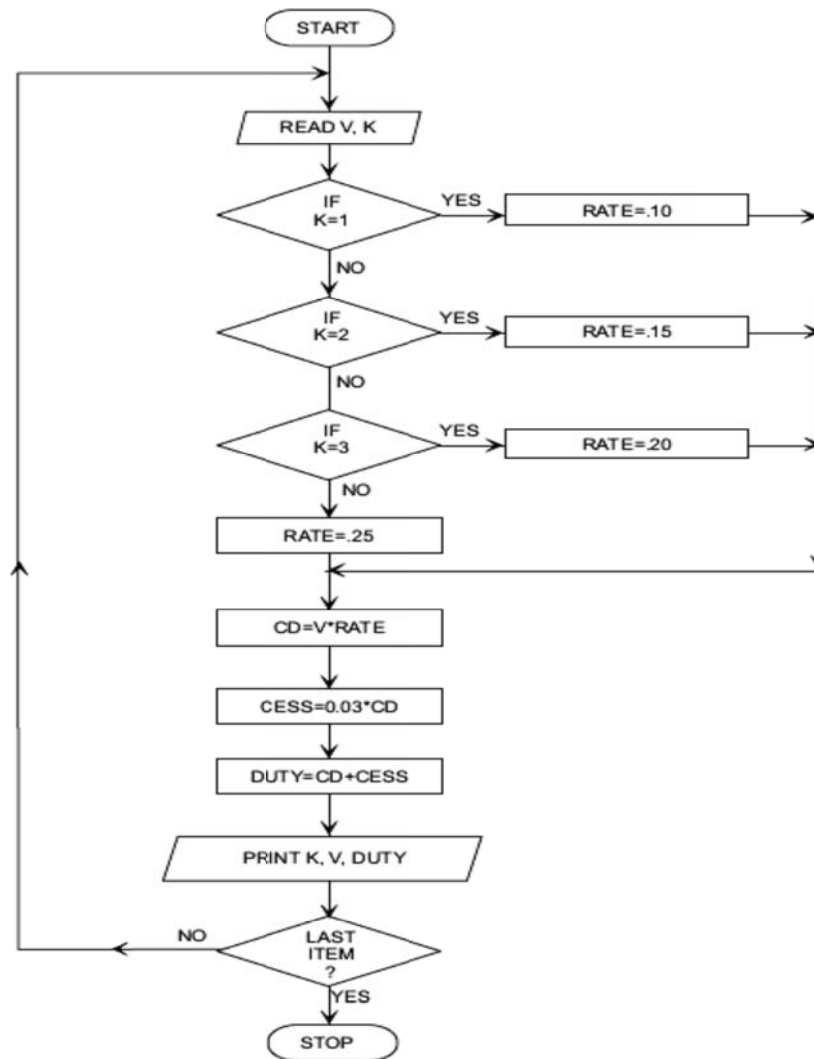
- (i) Inexpensive transmission media is used to connect computers in limited geographical area mainly through coaxial cable.
- (ii) Inexpensive devices like modems, repeaters and transceiver is used to interface with the transmission media.
- (iii) Provide easy physical connection of devices to the media.
- (iv) Provide high data transmission rates between source and the destination.
- (v) Network data transmissions is easier for the devices with different transmission rates in the network.
- (vi) Provide high degree of interconnection between the network devices.
- (vii) All devices have the potential to communicate with other devices on the network.
- (viii) It does not provide central controlling processor on the network.
- (ix) Each attached device may only hear and does not necessarily process messages or instructions.

3. (b) **ISDN:** Integrated Services Digital Network is a system of digital phone connections to allow simultaneous voice and data transmission across the world. Such voice and data are carried by bearer channels known as B channels having a bandwidth of 64 kilobits per second. ISDN provides two types of services namely Basic Rate Interface (BRI) and Primary Rate Interface (PRI). BRI consists of two 64 kbps B channels and one 16 kbps D channel and is suitable for individual users. PRI consists of twenty three B channels and one 64 kbps D channel and is suitable for users with higher capacity requirements.

Various advantages of ISDN are :

- (i) ISDN allows multiple digital channels to be operated simultaneously through the same regular phone cable meant for analog signals. The digital connection scheme permits a much higher data transfer rate than analog connections.
- (ii) In ISDN, digital data sources can be combined together to route the information at the destination point without any loss of data or voice.
- (iii) ISDN sends a digital packet on a separate channel without disturbing the established connections with high data rate transfer.
- (iv) ISDN transmits full duplex data using single device that can be connected with a U interface, which is known as Network Termination 1.

4.



5.

(a) File Volatility: This refers to the number of additions and deletions to the file in a given period of time. A file that constantly keeps changing is a highly volatile file. An Indexed-sequential file organization will not be suitable for such files, because additions have to be placed in the overflow area and constant reorganization of the file would have to occur. Other direct access methods would be a better choice. Even the sequential file organization would be appropriate if there are no interrogation requirements.

File Activity: On the other hand is the proportion of master file records that are actually used or accessed in a given processing run. At one extreme is the real time file where each transaction is processed immediately and hence at a time, only one master record is accessed. This situation obviously requires a direct access method. At the other extreme is a file, such as a payroll master file, where almost every record is accessed when the weekly payroll is processed. In such case, a sequentially ordered file would be more efficient.

(b) Enterprise Resource Systems (ERPs) integrate all data and processes of an organization into a single unified system. A typical ERP system will use multiple components of computer software and hardware to achieve the integration. A key ingredient of most ERP systems is the use of a single, unified database to store data for the various system modules. The term ERP originally implied systems designed to plan the utilization of enterprise-wide resources. ERP systems typically attempt to cover all basic functions of an organization, regardless of the organization's business or charter. Business, non-profit organizations, governments, and other large entities utilize ERP systems.

Decision Support System: Decision Support System (DSS) is a specific class of computerized information system that supports business and organizational decision-making activities. A properly designed DSS is an interactive software-based system intended to help decision maker to compile useful information from raw data, documents, personal knowledge, and/or business models to identify and solve problems and make decisions. A DSS may present information graphically and may include an expert system or artificial intelligence. DSS have also achieved broad use in accounting and auditing today

PART – B

6.

- (a) **Correct:** A business portfolio is a collection of businesses and products that make up the organization. Portfolio analysis is a tool by which management identifies and evaluates its various businesses. In portfolio analysis top management views its product lines and business units as a series of investments from which it expects returns. The best business portfolio is the one that best fits its strengths and weaknesses to the opportunities and threats in the environment. Through portfolio analysis, organizations are able to compare its various businesses and categorize them in various strata as promising, growing, without good future and so on.
- (b) **Incorrect:** Strategy is not substitute for sound, alert and responsible management. Strategy can never be perfect, flawless and optimal. Strategies are goal-directed decision and actions in which capabilities and resources are matched with the opportunities and threats in the environment. A good management at the top can steer the organizations by adjusting its path on the basis of the changes in the environment.
- (c) **Incorrect:** Businesses function within a whole gamut of relevant environment and have to negotiate their way through it. A successful business has to identify appraise and respond to various opportunities and threats in its environment. The extent to which the business thrives depends upon the manner in which it interacts with environmental situations or constraints. A business remaining passive to changes in its environment is destined to gradually fade away into oblivion.
- (d) **Correct:** Concentric diversification amounts to related diversification. In this form of diversification, the new business is linked to the existing businesses through existing systems such as process, technology or marketing. The new product is a spin-off from the existing facilities and products/processes. There are benefits of synergy with the current operations. However, concentric diversification differs from vertically integrated diversification in the nature of the linkage the new product has with the existing ones.

Fill up:

- (e) Market Penetration is a growth strategy where the business focuses on selling existing products into existing markets.
- (f) The strategic role of business-level managers is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses.
- (g) Business environment exhibits many characteristics such as complexity, dynamism, multi-faceted and far reaching impact.
- (h) Profit maximization is selling at higher price than cost.

7. According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. These bases form different generic strategies as follows:

Cost leadership: Emphasizes producing standardized products at a very low per-unit cost for consumers who are price-sensitive. It frequently results from productivity increases and aggressive pursuit of cost reduction throughout the development, production, marketing, and distribution processes. It allows a firm to earn higher profits than its competitors.

Differentiation: Is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive. It concerns with distinguishing a product/service from that of its competitors through unique design features, technological leadership, unique uses of products and attributes like quality, environmental impact and customer service.

Focus: Means producing products and services that fulfill the specific needs of small groups of consumers. It involves selecting or focusing a market or customer segment in which to operate.

In the given examples the generic strategies that are being followed are given as follows:

- i. **Differentiation:** Samsung Computers is differentiating on product delivery. Computer market is highly competitive and the products are very similar.
- ii. **Cost Leadership:** Keeping the prices low so that microcomputer makers acquire the software rather than developing themselves is a case of cost leadership.
- iii. **Focus:** Bloomberg has identified a profitable area (audience niche) and is focusing on it.

8 (a) Kieretsu are formed in order to enhance the abilities of individual member businesses to compete in their respective industries. A kieretsu is a loosely-coupled group of companies, usually in related industries. Kieretsu members are peers and may own significant amounts of each other's stock and have many board members in common. However, they are different from conglomerates (Common in western countries and also found in India) wherein all members are lineated through ownership pattern. A kieretsu also differs from a consortium or an association, as the primary purpose of a kieretsu is not to share information or agree industry standards, but to share purchasing, distribution or any other functions. In Kieretsu members remain independent companies in their own right: the only strategy they have in common is to prefer to do business with other kieretsu members, both when buying and when selling.

(b) **Elements of Micro Environment**

- **Consumers:** Customers are the people who pay money to acquire an organization's products. A consumer occupies the central position in the marketing environment. The marketer has to closely monitor and analyze changes in consumer tastes and preferences and their buying habits.
- **Competitors:** Competitors are the other business entities that compete for resources as well as markets. A study of the competitive scenario is essential for the marketer, particularly threats from competition.
- **Organization:** An organization has several non-specific elements that may affect its activities. This consists of specific organizations or groups that are likely to influence an organization.
- **Market:** The market is to be studied in terms of its actual and potential size, its growth prospect and also its attractiveness. The marketer should study the trends and development and the key success factors of the market.
- **Suppliers:** Suppliers form an important component of the micro environment. The suppliers provide raw materials, equipment, services and so on. Suppliers with their own bargaining power affect the cost structure of the industry. They constitute a major force, which shapes competition in the industry.
- **Market Intermediaries:** Intermediaries exert a considerable influence on the business organizations.

9. The BCG growth-share matrix is a popular way to depict different types of products or SBU as follows:

- Stars are products or SBUs with high market share in a market which is growing rapidly.
- Cash Cows are low-growth, high market share businesses or products.
- Question Marks are low market share business in high-growth markets.
- Dogs are low-growth, low-share businesses and products.

Stars, a position in the matrix, are characterized by high market share and high growth rate. They are products or SBUs that are growing rapidly. They also need heavy investment to maintain their position and finance their rapid growth potential. Business organizations that enjoy star positions have best opportunities for expansion and growth. Question Marks, sometimes called problem children or wildcats, are low market share business in high-growth markets. They require a lot of cash to hold their share. They need heavy investments with low potential to generate cash so that high market share can be achieved. This enables turning question marks into stars. Question marks if left unattended are capable of becoming cash traps. Since growth rate is high, increasing it should be relatively easier. It is for business organizations to turn them stars and then to cash cows when the growth rate reduces.

10. The given statement is a mission statement. A company's mission statement is typically focused on its present business scope – "who we are and what we do"; mission statements broadly describe an organizations present capabilities, customer focus, activities, and business makeup.

The following points must be considered while writing a mission statement of a company.

- (i) To establish the special identity of the business - one that typically distinct it from other similarly situated companies.
- (ii) Needs which business tries to satisfy, customer groups it wishes to target and the technologies and competencies it uses and the activities it performs.
- (iii) Good mission statements should be unique to the organization for which they are developed.
- (iv) The mission of a company should not be to make profit surpluses may be required for survival and growth, but cannot be mission of company.