

PRIME ACADEMY
39TH SESSION PROGRESS TEST - AUDITING AND ASSURANCE

No of pages: 4

Total Marks : 75
Time Allowed : 2 Hrs

PART - A

1. Computer operations controls are designed to control the operations of the systems and to provide reasonable assurance that:
 - a. The systems are used for authorized purpose only.
 - b. Access to computer operations are is restricted to authorized personnel.
 - c. Only authorized programs are used and processing errors are detected and corrected.
 - d. All of the above

2. To establish or evaluate a system of internal control for applications processed at a service bureau requirement shall be:
 - a. Liaison between bureau and user should be clearly defined. Senior member of the user's staff is appointed as liaison officer.
 - b. Need for a system testing including all clerical procedures at the user company.
 - c. Control over physical movement of data and in this respect whether a copy or microfilm of documents sent to the service bureau is kept
 - d. All of the above.

3. The following are causes of loss of audit trail in a computer based system except:
 - a. Overwritten of computer file
 - b. Having backup copies of data transactions
 - c. No retention of documentary evidence
 - d. The use of visual display instead of computer printed output.

4. For the purpose of restricting detection risk to an acceptable level, the auditor should consider
 - a. Assessed level of inherent risk and control risk
 - b. Nature timing and extent of substantive procedures
 - c. Both a & b
 - d. None of the above

5. When the auditor has determined that an assessed risk of material misstatement at assertion level is significant risk, then auditor shall undertake
 - a. Testing on sample basis
 - b. Apply substantive procedures
 - c. A combination of substantive analytical procedures and tests of details
 - d. None of the above

6. For cheque received on last day of the year, treatment shall be
 - a. No entry shall be passed in the books for the year
 - b. Entry to be passed and included in bank reconciliation statement
 - c. Shown as cash in transit
 - d. None of the above

7. The auditor should pay his attention to the following while vouching the sales return:
 - a. Date on which goods are actually returned.
 - b. Credit notes of sales return, return inward register, stores records and customer's account

- c. Gatekeeper's receipt books and return inward register
 - d. All the above
8. Repairs to Assets shall be
- a. Charged to Profit and loss statement
 - b. Added to Fixed assets cost
 - c. Treated as Contingent asset
 - d. None of the above
9. Remuneration paid to directors shall be Verified with
- a. the terms of AOA and resolution
 - b. compliance with the returns filed with ROC
 - c. both (a) and (b)
 - d. None of the above
10. For verification of customs duty paid which of the following to be verified
- a. Bill of entry
 - b. PLA register
 - c. Returns filed with ROC
 - d. None of the above
11. A state government sent fifty lakhs on renovation of Raj Bhavan for Governor. In the C & AG opinion, this expenditure was more than what occasion demanded? It is an example of:
- a. Propriety audit
 - b. Performance audit
 - c. Audit against provision of funds
 - d. None of the above
12. Verification of debtors involves which of the following procedures
- a. Examination of records
 - b. Direct confirmation procedures
 - c. Analytical review procedures
 - d. All of the above
13. The form of requesting debtors confirmation may be
- a. Positive form
 - b. Negative form
 - c. Either positive form or negative form
 - d. Neither positive form or negative form
14. Analytical review procedures for debtors verification includes:
- a. Comparison of closing balance of debtors with the corresponding figures of previous year
 - b. Comparison of current years ageing schedule with the corresponding figures of previous year
 - c. Comparison of significant ratios relating to debtors with the industry norms.
 - d. All the above

15. Work in progress be verified by
 - a. Ascertaining the completion stage of WIP
 - b. Comparing the composition of cost and values on various components with that of the previous year
 - c. Both (a) and (b)
 - d. None of the above

16. The use of CAAT may be required because of
 - a. The absence of input documents
 - b. Lack of visible audit trail
 - c. Availability of input documents
 - d. Both (a) and (b)

17. Controls over output provides assurance that
 - a. Results of processing are accurate
 - b. Access to output is restricted to authorized personnel
 - c. Output is provided to appropriate authorized personnel on a timely basis
 - d. All of the above

18. Controls over input provides a reasonable assurance that
 - a. Transactions are duplicated or improperly changed
 - b. Transactions are not lost duplicated or improperly changed
 - c. Incorrect transactions are rejected or submitted after conversion
 - d. Both (b) and (c)

19. The prime objective of EDP audit is to determine whether
 - a. Safeguard assets and maintain data integrity
 - b. Achieve organizational goals effectively
 - c. Consume resources efficiently
 - d. All of the above

20. Which of the following is the measure to overcome loss of audit trail
 - a. Testing on a total basis and Programmed interrogation facilities
 - b. Arranging for special printouts containing additional information
 - c. Reliance on alternative tests.
 - d. All of the above

21. Comptroller and auditor general shall audit and report
 - a. All expenditures from consolidated fund of India/state/union territories
 - b. All transactions of union/states relating to the contingency funds and public accounts
 - c. All trading, manufacturing, profit and loss account and balance sheet
 - d. All of the above

22. Audit of government expenditure involves which of the following
 - a. Audit of rules and orders and sanctions
 - b. Audit against provision of funds
 - c. Audit of propriety and performance audit
 - d. All of the above

23. A body or authority shall be treated as substantially financed from the consolidated fund of India/state/union territory if the amount of a grant or loan in one year is:
- Greater than 25 lakhs and such amount is greater than 75 % of total expenditure of that body
 - Greater than ₹ 25 lakhs but less than ₹ 1 Crore rupees and such amount is greater than 50% of total expenditure of that body
 - Greater than ₹ 1 crore and such amount is less than 75 % of total expenditure of body
 - Greater than ₹ 10 crores
24. Goodwill shall be recorded in the books only when
- Some consideration in money or money's worth has been paid for
 - No consideration in paid
 - Revaluation made in the assets and liabilities
 - None of the above.
25. State the factors which decrease the gross profit
- Undervaluation of opening stock and overvaluation of closing stock
 - Under provision in the expenses
 - Both (a) and (b)
 - None of the above

(25 X 1 = 25 Marks)

PART - B
Answer all Qn.s

(50 Marks)

- Being a statutory auditor of MNC limited what are the steps to be followed on verification of Plant & Machinery? **(5 Marks)**
- Elaborate the steps to be followed for verification of cash in hand and cash at bank? **(5 Marks)**
- What do you mean by performance audit and list the procedures for conducting performance audit? **(5 Marks)**
- List out the basic standards of expenditure audit in brief? **(5 Marks)**
- Why are computer assisted audit techniques (CAAT) needed in a Computer Information Systems (CIS) environment and how it helps the auditor in obtaining and evaluating audit evidences? **(5 Marks)**
- Write a short note on - Audit Trail? **(5 Marks)**
- What are the inherent limitations of internal control system? **(5 Marks)**
- 'Doing an audit in EDP environment is simpler since the trial balance always tallies' Analyze critically.
(Or)
Write short notes on examination in Depth. **(5 Marks)**
- How will you verify/vouch the following:
 - Interest and dividend income **(5 Marks)**
 - Retirement gratuity to gratuity to employees **(5 Marks)**

PRIME ACADEMY
39th SESSION PROGRESS TEST – AUDITING & ASSURANCE
SUGGESTED ANSWERS
PART-A

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

PART –B

1.
 - i) Examine the schedule of plant and machinery and the fixed asset's register.
 - ii) Verify proper authorization for purchase of new plant and machinery during the year.
 - iii) Installation costs and other charges incurred to the place asset in condition for use should also be capitalized, irrespective of whether it has been purchased or constructed.
 - iv) Confirm the existence of lien on charge by inspecting register of charges, approval of appropriate authority, certificate from client's legal advisor and confirmation from mortgagee.
 - v) Ascertain whether the profit or loss on sale of the machinery has been calculated correctly and disclosed properly in the income statement.
 - vi) Analyze whether the provision for depreciation has been made in accounts as per the Companies Act rates prescribed.
 - vii) Enquire cases of revaluation of fixed assets and verify the whether provisions of AS – 6 & 10 Depreciation accounting and Accounting for Fixed assets respectively, has been complied with.
 - viii) Examine the manner of disclosure in the balance sheet and ensure compliance with the legal provisions.

2. **Cash in hand**
- i) Physical verification of cash to be carried on at the yearend or undertake surprise checks and reconcile with the yearend cash available as per the records.
 - ii) All items of cash balance shall be verified, such as Main cash, petty cash, imprest balances with the employees etc, simultaneously, so that the shortage in one balance is not made good by transfer.

Cash at bank

- i) Examine the bank reconciliation statement to know the items that explains differences, if any between the balance shown by client's ledger and bank statement.
 - ii) Obtain confirmation from the bankers for the balance in the account.
 - iii) In case of stale cheques, ensure that suitable adjustments have been made in the books of account.
 - iv) Review the total number of bank accounts maintained by the entity to ensure that there are no inoperative accounts through which fraud is possible.
 - v) Remittances in transit should be verified with reference to their credit in the bank account in the subsequent period.
3. Performance audit aims to ascertain that government programmes have achieved the desired objectives at the lowest cost and given the intended benefits. Performance audit includes efficiency, economy and effectiveness.

i) Efficiency audit:

Focuses on various schemes/ projects executed and to verify whether:-

- a) their operations are carried out in an economical and efficient manner
- b) the projects yield the expected results.

ii) Efficiency audit:

Focuses on the resources – whether:-

- a) The government has acquired the financial, human and physical resources in an economical manner, and
- b) The sanctioning authority and spending authority have observed economy.

iii) Effectiveness audit:

Focuses on the performance:-

- a) Is an appraisal of the performance of programmes, schemes, projects with reference to the overall targeted objectives as well as efficiency of the means adopted for the attainment of objectives.

Efficiency cum performance audit is an objective examination of the financial and operational performance of an organization, authority or function and is oriented towards identifying opportunities for greater economy and effectiveness.

Procedure for conducting performance audit cover

- i) Identification of area
- ii) Preliminary study
- iii) Planning and execution of audit
- iv) reporting

4. The audit of government expenditure is one of the major components of government audit. The basic standards set out for audit of expenditure are to ensure that there is provision funds authorized by the competent authority fixing the limits within which expenditure can be incurred. These standards are:-
 - i) That the expenditure conforms to the relevant provisions of the statutory enactment and in accordance with the financial rules and regulations framed by the competent authority. Such an audit is called as the audit against 'rules and regulations'
 - ii) That there is sanction, either special or general, accorded by competent authority authorizing the expenditure. Such an audit is called as the audit of sanctions.
 - iii) That there is provision of funds out of which expenditure can be incurred and the same has been authorized by competent authority. Such an audit is called audit against provision of funds.
 - iv) That the expenditure is incurred with due regard to broad and general principles of financial propriety. Such an audit is called as propriety audit.
 - v) That the various programmes, schemes and projects where large financial expenditure has been incurred are being run economically and are yielding results expected of them. Such an audit is termed as the performance audit.

5. Computer assisted audit techniques may be required in CIS environment in the following situations:-
 - i) The absence of input document (e.g. order entry in online systems) or the generation of accounting transactions by computer programs (e.g. automatic calculation of discounts) may preclude the auditor from examining documentary evidence.

 - ii) The lack of a visible audit trail will preclude the auditor from visually following transactions through the computerized accounting system.

 - iii) The lack of visible output may necessitate access to data retained on files readable only by the computer.

The effectiveness and efficiency of auditing procedures may be improved through the use of computer-assisted audit techniques in obtaining and evaluating audit evidence, for example:

- i) Some transactions may be tested more effectively for a similar level of cost by using the computer to examine all or a greater number of transactions than would otherwise be selected.
 - ii) In applying analytical review procedures, transactions or balance details may be reviewed and reports printed of unusual items more efficiently by using the computer than by manual methods.
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6. Audit Trail: 'Audit trail' refers to a situation where it is possible to relate, on a "one – to – one" basis, the original input with the final output. In a manual accounting system, it is possible to relate the recording of a transaction of each successive stage enabling an auditor to locate and identify all documents from beginning to end for the purposes of examining documents, totaling and cross – referencing. Where there is significant visible audit trail the audit's work is not affected and he need not change his approach to audit. Absence of audit trail may be due to factors like:
 - i) Direct data entry into system (e.g. creation of automatic Purchase order when the stock reaches danger level)

- ii) The system may not produce a visible audit trail of transactions processed through the computer. Delivery notes and suppliers invoices may be matched by a computer programme. In addition, programmed control procedures such as checking customer credit limits, may provide visible evidence only on an exception basis. In such cases, there may be no visible evidence that all transactions have been processed.
- iii) Output reports may not be produced by system or a printed report may only contain summary totals while supporting details are retained in computer files.

In the absence of audit trail, the auditor needs the assurance that the programmes are functioning correctly in respect of specific items by using special audit techniques. The absence of input documents or the lack of visible audit trail may require the use of Computer Assisted Audit Techniques (CAATs) i.e. using the computer as an audit tool.

7. Internal control can provide only reasonable but not absolute assurance that its objective relating to prevention and detection of errors/frauds, safeguarding of assets etc., are achieved. This is because it suffers from some inherent limitations, such as:-

- i) Management's consideration that the internal control cost does not exceeds the expected benefits.
- ii) Most controls do not tend to be directed at unusual transactions
- iii) The potential of human error due to carelessness, misjudgment and misunderstanding of instructions.
- iv) The possibility that control may be circumvented through collusion with employees or outsiders.
- v) The possibility that a person responsible for exercising control may abuse that authority.
- vi) Compliance with procedures may deteriorate because the procedures becoming inadequate due to change in condition.
- vii) Manipulation by management with respect to transactions or estimates and judgments required in the preparation of financial statements.

8. Audit in EDP environment: Though it is true that in EDP environment the trial balance always tallies, the same cannot imply that the job of an auditor becomes simpler. There can still be some accounting errors like omission of certain entries, compensating errors, duplication of entries, errors of commission in the form of wrong A/c head is posted, possibility of "Window Dressing" and/or "Creation of Secret Reserves" where the trial balance tallied. At present, due to complex business environment the importance of trial balance cannot be judged only up to the arithmetical accuracy but the nature of transactions recorded In the books and appear in the trial balance should be focused.

The emergence of new forms of financial instruments like options and futures, derivatives, off balance sheet financing etc., have given rise to further complexities in recording and disclosure of transactions. In an audit, besides the tallying of a trial balance, there are also other issue like estimation of provision for depreciation, valuation of inventories , obtaining audit evidence, ensuring compliance procedure and carrying out substantive procedure, verification of assets & liabilities their valuation etc. which still requires judgment to be exercised by the auditor.

Responsibility of expressing an audit opinion and objectives of an audit are not changed in the audit in EDP environment. Therefore, it can be said that simply because of EDP environment and the trial balance has tallied it does not mean that the audit would become simpler.

(OR)

Examination in Depth: It implies examination of a few selected transactions from the beginning to the end through the entire flow of the transaction, i.e., from initiation to the completion of the transaction by receipt or payment of cash and delivery or receipt of the goods. This examination consists of studying the recording of transactions at the various stages through which they have passed. At each stage, relevant records and authorities are examined; it is also judged whether the person who has exercised the authority in relation to the transactions is fit to do so in terms of the prescribed procedure. For example, a purchase of goods may commence when a predetermined re-order level has been reached. The ensuing stages may be summarized thus:

- i) Requisitions are pre-printed, pre-numbered and authorized;
- ii) official company order, also sequentially pre-numbered, authorized and placed with approved suppliers only;
- iii) receipt of supplier's invoice;
- iv) receipt of supplier's statement;
- v) entries in purchases day book;
- vi) postings to purchase ledger and purchase ledger control account;
- vii) cheque in settlement;
- viii) entry on bank statement and returned "paid" cheque (if requested);
- ix) cash book entry;
- x) Posting from cash book to ledger and control account, taking into account any discounts.
- xi) receipt of goods, together with delivery/advice note;
- xii) admission of goods to stores;
- xiii) indication, by initials or rubber stamp on internal goods inwards note, of compliance with
Order regarding specification, quantity and quality;
- xiv) Entries in stores records.

It should be noted that the above list is not necessarily comprehensive, nor does its constituent stages inevitably take place in the sequence suggested. The important point to note is that from the moment it was realized that once a re-order level had reached, a chain of events was put in motion, together leaving what may be termed as "audit trail". Each item selected for testing must be traced meticulously, and although sample sizes need not be large, they must, of course, be representative.

9. I) Interest and dividend income
 - a) Examine whether the enterprise maintain adequate records of its investments, loans and deposits verify amount of interest, date of investment etc.
 - b) The dates on which dividends or interest payments generally fall should also be noted
 - c) Ensure the type of investment, whether cum dividend or ex-dividend or cum interest or ex interest
 - d) Check the computation of accrued interest on cumulative deposits.
 - e) Vouch interest outstanding with records of investments and loans and examine its proper disclosure in books.
 - f) Ensure that the interest and dividend received are credited to respective accounts in full i.e. before deduction of tax at source.
 - g) Ensure that the provisions of AS 9 – Revenue recognition has been complied with

- ii) Retirement gratuity to employees
 - a) Examine the basis on which gratuity payable is worked out – actuarial or agreement or on the assumption that all employees retire on the balance sheet date.
 - b) Ensure compliance with the payment of gratuity act
 - c) Check the amount of gratuity paid to employees who have retired during the year with reference to number of years of services rendered by them
 - d) Ensure that the basis of computing gratuity is valid and is being consistently followed
 - e) Verify computation of liability of gratuity on the aggregate basis
 - f) Ensure that compliance with AS – 15 has been made.

PRIME ACADEMY
39th SESSION PROGRESS TEST
INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

No. of Pages: 4

Total Marks – 75

Time Allowed – 2 Hours

PART - A

1. An application that records data as soon as they occur and allows query handling, responses to the updates is system is called
 - a. Online processing system
 - b. Real time processing system
 - c. Batch processing system
 - d. Business application
2. Controls in business process automation that ensures that the data given to users will be presented, formatted and delivered in a consistent and secured manner
 - a. Process controls
 - b. Input controls
 - c. Output controls
 - d. Retention controls
3. Network of computers where each computers resources are shared with every other computer in the system
 - a. Cloud computing
 - b. Network virtualization
 - c. Resource pooling
 - d. Grid computing
4. Integrated user-machine system for providing information to support, operation, management and decision making functions in an organization:
 - a. Management information systems
 - b. Knowledge management systems
 - c. Information systems
 - d. Decision support systems
5. Imaginary memory area supported by some operating systems in conjunction with the hardware:
 - a. Cache memory
 - b. Virtual memory
 - c. Secondary memory
 - d. Read only memory
6. A network configuration that involves a central unit that has a number of terminals tied into it:
 - a. Bus network
 - b. Star network
 - c. Ring network
 - d. Mesh network
7. A connection in which data flows in one direction from the transmitter to the receiver.
 - a. Half duplex connection
 - b. Full duplex connection
 - c. Simplex connection
 - d. Duplex connection

8. It is the fundamental rethinking and radical redesign of processes to achieve improvement in measures of performance such as cost, quality, service and speed.
 - a. Business process management
 - b. Accounting system automation
 - c. Enterprise resource planning
 - d. Business process reengineering
9. Allowance for uncollectible accounts falls under the _____ cycle
 - a. Financial reporting cycle
 - b. Expenditure cycle
 - c. Production cycle
 - d. Revenue cycle
10. A group of computers and other network devices which are connected together and is not restricted to a geographical location:
 - a. Local Area Network
 - b. Metropolitan Area Network
 - c. Wide Area Network
 - d. Virtual Private Network
11. A computer hardware component that connects a computer to a computer network:
 - a. Modem
 - b. Network interface card
 - c. Multiplexer
 - d. Router
12. Client computers that performs the bulk of any data processing operations itself, and does not rely on the server.
 - a. Thick client
 - b. Thin client
 - c. Hybrid client
 - d. Host computer
13. A network layer protocol that contains addressing information and some control information that enables packets to be routed:
 - a. Transmission control protocol
 - b. Shareware
 - c. Internet protocol
 - d. System protocol
14. Invisible form of electromagnetic radiation that varies in wavelength from around 1 mm to 1 lakh km making it one of the widest ranges in electromagnetic system.
 - a. Infrared waves
 - b. Radio waves
 - c. Micro waves
 - d. Multi-tier waves
15. Which one of the following is not a type of modem
 - a. Short haul modems
 - b. Intelligent modems
 - c. Internal modems
 - d. Special modems

16. The strategy involves providing customers more value for the money by emphasizing low cost and better quality difference:
 - a. Best cost provider strategy
 - b. Focus strategy
 - c. Differentiation strategy
 - d. Cost leadership strategy
17. The process by which organizations monitor their relevant environment to identify opportunities and threats that affects the business for the purpose of taking strategic decisions:
 - a. SWOT Analysis
 - b. Environmental scanning
 - c. TOWS matrix
 - d. Environmental analysis
18. Which one of the following is not an element of the macro environment:
 - a. Demographic
 - b. Technological
 - c. Economy
 - d. Market
19. _____ broadly describes an organization's present capabilities, customer focus, activities and business make up.
 - a. Objectives
 - b. Vision statement
 - c. Mission statement
 - d. Goals
20. Which one of the following is not an expansion strategy:
 - a. Market penetration
 - b. Product development
 - c. Diversification strategy
 - d. Divestment strategy
21. Which one of the following is not a type of merger?
 - a. Conglomerate merger
 - b. Concentric merger
 - c. Co-generic merger
 - d. Vertical merger
22. _____ is the set of controllable marketing variables that the firm blends to produce the response it wants in the target market.
 - a. Marketing process
 - b. Marketing mix
 - c. Promotion
 - d. Marketing analysis
23. Marketing strategy techniques that provides additional customer services and benefits built around the care and the actual products that relate to introduction of hi – tech services.
 - a. Services marketing
 - b. Direct marketing
 - c. Augmented marketing
 - d. Differential marketing

24. Which one of the following is not a type of strategic control

- a. Premise control
- b. Strategic surveillance
- c. Special alert control
- d. Management control

25. In the PESTLE analysis P stands for:

- a. Price
- b. Product
- c. Political
- d. People

(25 x 1 = 25 Marks)

PART - B

50 Marks

1. Write short notes on:

- a. Need for automation of business processes?
- b. TOWS matrix.
- c. Knowledge management system?
- d. Why is environmental analysis necessary for a business?
- e. Strategic business unit

(5 x 2= 10 Marks)

2. Briefly explain the following :

- a. Define business process and explain the two types of business processes
- b. What is decision support system?
- c. Any three benefits of E-Commerce applications
- d. Three important elements in political legal environment
- e. Trends in tele communication

(5 x 3 = 15 Marks)

3. What are the components of Supply Chain Management system (SCM)?

(4 Marks)

4. What are the external threats to a Company's well being?

(4 Marks)

5. Distinguish between the following:

- a. Strategy formulation and strategy implementation
- b. Serial transmission and parallel transmission

(2x5=10 Marks)

6. What is communication software and briefly explain the major functions of communication software?

(7 Marks)

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39th SESSION PROGRESS TEST
INFORMATION TECHNOLOGY & STRATEGIC MANAGEMENT
SUGGESTED ANSWERS

PART - A

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

PART -- B

1. a) The primary reasons for automation of business process are:
 - i. Cost saving: It leads to saving in time and labor costs
 - ii. To remain competitive: To provide the level of products and services as offered by the competition
 - iii. Fast service to customers: automation could help the organization to serve their customers faster and better.

- b) TOWS matrix:

TOWS matrix was developed by matching strengths and weaknesses of an organization with external opportunities and threats. The benefit of the matrix lies in systematically identifying relationships between these factors and selecting strategies on their basis.

- c) Knowledge management system refers to any kind of IT system that stores and retrieve knowledge, improves collaboration, locates knowledge sources, mines repositories for hidden knowledge, captures and uses knowledge, or in some other way enhances the KM process. KMS treats the knowledge component of any organisations activities as an explicit concern reflected in strategy, policy and practice at all levels of organization.
- d) When the company does not adjust its strategies towards the changes in the business environment, or if it does not react to the demands of the environment by changing its strategy, the result is reduced achievement of corporate objectives. Environmental analysis helps strategists in the following way:
 - a) Time to anticipate opportunities and to plan to take optional responses to these opportunities.
 - b) Develop an early warning system to prevent threats
 - c) Strategic business unit:
SBU is a unit of the company that has a separate mission and objectives which can be planned separately from other company businesses. SBU can be company division, product line within a division or a single product/brand, specific group of customers/geographical location. The SBU is given authority to make its own strategic decisions within corporate guidelines as long as it meets corporate objectives.

2.

- a. **Business process** is a coordinated and a standardized flow of activities performed by people or machines, which can traverse functional or departmental boundaries to achieve a business objective and creates value for internal or external customers. Types of business processes:
 - i. **Organizational business process:** they are high level business process that are typically specified in textual form by their inputs, outputs, expected results and their dependencies on other organizational business processes.
 - ii. **Operational business process:** these are the basis for developing implemented business processes that contain information on the execution of the process activities and the technical and organizational environment in which they will be executed.
- b.
 - i. DSS is a specific class of computerized information system that supports business and organizational decision making activities.
 - ii. 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 business models to identify and solve problems and make decisions.
 - iii. A DSS may present information graphically and may include an expert system or artificial intelligence.
- c.
 - i. Reduces costs to buyers from increased competition in procurement as more suppliers are able to compete in an electronically open marketplace
 - ii. Reduces errors, time, and overhead costs in information processing by eliminating requirements for re-entering data.
 - iii. Reduces costs to suppliers by electronically assessing on line databases of bid opportunities, online abilities to submit bids, and online review of bids.
 - iv. Reduces time to complete business transactions, particularly from delivery to payment.

- v. Creation of new markets through ability to reach potential customers easily and cheaply.
 - vi. Easier entry into new markets, especially geographically remote markets, for companies of all sizes and location.
 - vii. Better quality of goods, faster time to access market, optimization of resource selection, reduces inventory and reduction of risks.
- d. There are three important elements in political-legal environment
- i. **Government:** business is highly guided and controlled by government policies. A strategist has to consider the changes in regulatory framework and their impact on the business.
 - ii. **Legal:** businesses must have good working knowledge of the major laws protecting consumers, competitions and organization. Business must understand relevant laws relating to companies, competition, intellectual property, foreign exchange, labour and so on.
 - iii. **Political:** political pressure groups influence and limit organisations. Apart from movements against certain products, service and organisations, politics has seeped into unions. They put pressure on organisations to pay more attention to customer's rights, minority rights and women rights.
- e.
- i. **Industry trends:** Towards more competitive vendors, carriers, alliances and network services, accelerated by deregulation and the growth of the internet and the world wide web
 - ii. **Technology trends:** Towards extensive use of internet, digital fiber optic, and wireless technologies to create high speed local and global internet works for voice, data, images, audio and video communications.
 - iii. **Application trends:** Towards the pervasive use of internet, enterprise intranets and inter-organisational extranets to support e- business and commerce, enterprise collaboration and strategic advantage in local and global markets.
3. The main elements of supply chain include
- i. **Procurement/purchasing:** procurement must concern itself with the determination of who should supply the parts, the components or the services. This concentrates on evaluation of a potential supplier and evaluation of businesses that are already suppliers to an operation.
 - ii. **Operations:** having received the raw materials, components and spares, the organization must now transform them and produce the products or services that meets the needs of the customers.
 - iii. **Distribution:** This involves several activities – transportation, warehousing and customer relationship management.
 - iv. **Integration:** It is critical that all participants in the service chain recognize the entirety of the service chain. Failure to adopt can significantly increase the cost and destroy value.
4. Potential external threats to a company's well being:
- i. Likely entry of potent new competitors
 - ii. Loss of sales to substitute products
 - iii. Mounting competition from new internet start-up companies pursuing e commerce strategy.
 - iv. Increasing intensity of competition among industry rivals may cause squeeze on profit margins.
 - v. Technological changes or product innovations that undermine demand for the firms product.
 - vi. Slowdowns in market growth
 - vii. Adverse shifts in foreign exchange rates and trade policies of foreign government.

5.

a. Strategy formulation and strategy implementation

S.No	Strategy formulation	Strategy implementation
1	Strategy formulation is positioning forces before the action	Strategy implementation is managing forces during action
2	Focuses on effectiveness	Focuses on efficiency
3	Primarily an intellectual process	Primarily an operational process
4	Requires good intuitive and analytical skills	Requires special motivation and leadership skills
5	Requires co-ordination among few individuals	Requires combination among many individuals

b. Serial transmission and parallel transmission

S.No	Serial Transmission	Parallel Transmission
1	The data bits are transmitted serially one after the other	The data bits are transmitted simultaneously
2	Data is transmitted over a single wire	Data is transmitted over 8 different wires
3	It is a cheaper mode of transferring data	It is relatively expensive mode of transferring data
4	It is useful for long distance data transmission	Not practical for long distance because it uses parallel paths. So cross talk may occur.
5	It is relatively slower	It is relatively faster

6. Communication software manages the flow of data across a network. It performs the following major functions:

- i. **Access control:** Linking and disconnecting different devices, automatic dialing and answering telephones. Restricting access to authorized users and establishing parameters such as speed, mode and direction of transmission.
- ii. **Network management:** Polling devices to see whether they are ready to send or receive data, queuing input and output, determining system priorities, routing messages and logging network activity, use and errors.
- iii. **Data and file transmission:** Controlling the transfer of data, files and messages among various devices.
- iv. **Error detection and control:** Ensuring that the data sent is indeed the data received.
- v. **Data security:** Protecting data during transmission from unauthorized access.