



The Institute of Chartered Accountants of India

Code: IN7SM419078
Subject : 07B Strategic Management

Total Marks: 35
Marks Obtained : 18.5

Subject : SM

Number of Answer Books used : Main + 0 additional sheets

For use by ICAI only

419078



05 FEB 2021

Q.No.	To be ticked (✓) by the candidate against the Questions answered	Marks Awarded (To be filled by Examiner)					Total
		a	b	c	d	e	
1							
2							
3							
4							
5							
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7							
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9							
10							
11							
12							
13							
14							
Total							

B

Use only Blue / Black Ball Point Pen to write and shade the circles.
AVOID RED PEN.
Write the marks in the boxes before shading the respective circles.

Total Marks awarded

0	0
1	1
2	2
3	3
4	4
5	5
6	6
7	7
8	8
9	9

Total Marks awarded (in words) _____

Examiner's Signature _____



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INSTRUCTIONS TO THE CANDIDATE

are not to be written on this page

1. Answers should be written in figures and words in the allotted space at the right hand corner of the answer book and nowhere else including additional answer book/s and graph paper.
2. Answers should be written in the box in numbers and darken the appropriate circles of the OMR provided in the right hand corner of the cover page with **Black / Blue** ball point pen.
3. Particulars such as name of Examination, Paper No. and subject at the appropriate space in the left hand upper corner.
4. Remove the Bar Code sticker of the particular paper from the Attendance sheet and affix the same on the box provided in the right hand corner of the cover page.
5. Since a machine will read the Roll no., please check and ensure that Roll number written in numbers, words and circles darkened are correct. In case any candidate fills this information wrongly, Institute will not take any responsibility for rectifying the mistake.
6. The answers should be written neatly and legibly
7. The answer to each question must be commenced on a fresh page and question number prominently written at the top of each answer. Alternatively, the question number should be distinctly written in the margin.
8. The answer to each question in all parts should be fully completed in one page or in a consecutive set of pages, before the next question is taken up.
9. **The candidates are required to write answers of Section A in the answer booklet with the marking (A) on the cover page and answers of Section B in the answer booklet with the marking (B) on the cover page. In case a candidate writes the answers in wrong set of answer books the same will not be valued and no correspondence in this regard will be entertained.**
10. Writing of Roll number in place/s other than the space provided for the purpose or writing distinguishing mark, symbols like "OM", "Sri", "Jesus", "786", etc., will tantamount to adoption of "unfair means"
11. Before submission of answer book to the invigilator take care to score out (X) blank pages, if any, that you might have left.



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6Step1

Ans (6)

Four major characteristics of
resources & capabilities required
to sustain competitive advantage
~~and its at~~ are +

(i) Durability + • It is based on the period
over ~~the within the~~ which
the firms assets/resources deteriorate.

• ~~the~~ It is dependent partly on the
obsolescence of products & assets in
the industry.

• The sustainability tends to be
greater ~~for~~ when product obsolesces
are less & assets are not
much deteriorating.

or
• The sustainability tends to be lower
in case the product/resources
obsolesces are faster.



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(ii) Transferability - If Even if the assets/resources on which the firm's ~~costs~~ competitive advantage is based ~~it~~ are durable, ~~the~~ it is not achieved, ~~if~~ it is transferable easily to the competitors or they can imitate it.

(iii) Imitability - If resource/asset over which a competitor's advantage is based, could not be purchased by A would be imitated, it will be built from scratch.. cheaply how quickly & ~~cheaply~~, they can develop the resources on which the competitive advantage is based. This is the time test of imitability.



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(iv)	<u>Appropriability</u> + • It refers to the appropriability/distribution of return on resource to its resource owners. <u>(providers)</u> .
3.5	6Step2
	Even if the resource owners, could be identified easily, the same competitive advantage will not be sustained.
3.5	6



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6

Ans (8a)

→ A typical large organisation is a multi-divisional organisation that operates in several different businesses. It has separate self-contained divisions to manage each of these. Strategic levels involved are -

- ~~General~~ Corporate level
- Business level &
- Functional level.

Ans, in this case, the Corporate level ~~manages~~ comprises of CEO (Chief Executive officer), Board of directors, other senior executives & other senior staff.

So, → ~~AB~~ Company's search of ~~any~~ Chief Executive Officer is for the ~~Chief~~ Corporate level management.



8aStep1



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	7	
	• This individuals participate in ^{strategic} decision making for the the whole organisation.	
1.5	8aStep2	• they define mission, goals & vision of an organisation.
	• they are responsible for developing strategies for the whole organisation for competing successfully.	
	• to achieve the objectives.	
	• they provide a link between the persons who oversee the development of an and entity organisation & those who own it.	
2.5	8a	• they are responsible for the developing realistic mission & vision.



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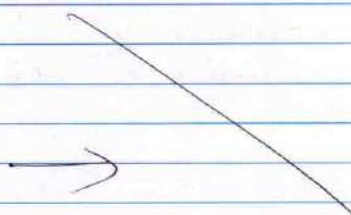
8



Ans. (B1)

- Strategy adopted by Spacelab Pvt. Ltd. is Focus Strategy.
- Focus strategy is the strategy that fulfills the needs of small group of consumers.
- They are most effective when consumers have distinctive preferences & ~~two~~ rival firms are not attempting to specialize in the ~~same~~ same.
- In mid size & large firms, it can be successful only in conjunction with cost leadership or differentiation strategy.

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Advantages +

- Premium Prices can be charged by the enterprise for their focused products or services.
- Due to tremendous expertise about a particular product / service, cost leaders & differentiators will not be able to exploit it.

2.5

8bStep2

Disadvantages +

- ~~The~~ The firm that lacks in distinctive competencies can't follow focus strategy.
- Due to the limited demand for the product / service, the per unit prices ~~are~~ / costs are high.

3.5

8b

Other firms may acquire the same distinctive competencies to cater to the market & a focus strategy may be initiated.

6

Q8



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Ans (7a)

The principal aspects in strategy execution are +

→ Developing Budgets that ~~are~~ ^{allocate} ample resources into those areas that are critical to strategic success.

2

7aStep1

→ Staffing the organisation with the needed skills & expertise.

→ Ensuring that policies & operating procedures facilitate rather than impede effective execution.

→ Using the ~~best~~ ^{world-class} business best practices to perform core-business activities

→ Installing & maintaining ~~an~~ ^a information system that enables company personnel to better & carry out their strategic roles day in day out.

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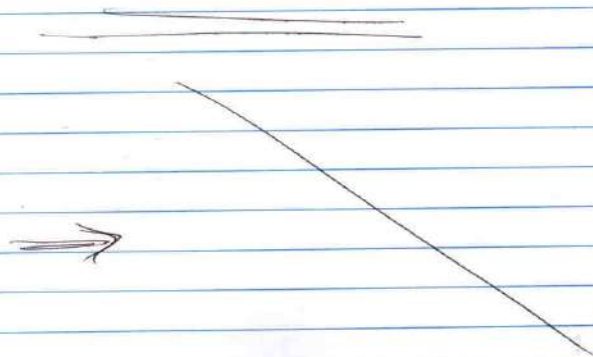
→ Motivating people to pursue their target objectives energetically.

→ Creating a company culture & work climate conducive to successful strategy implementation & execution.

→ Creating strategy executive involves creating strong "fits" between:

- strategy & reward structure.
- strategy & organizational structure.
- strategy & work climate and culture.

2 7a





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Ans (7b)

The strategy to be adopted by
X Ltd. should be divestment strategy. (redevelopment).

1

7bStep1

- Divestment strategy involves the sale or liquidation of a portion of a business or SRU.
- It is usually a part of rehabilitation & restructuring plan.
- It is adopted when turnaround strategy has been attempted but proves to be unsuccessful or when divestment is the only answer, turnaround can be ignored.

It is adopted when -

- A business that had been acquired proves to be a distur mismatch & cannot be integrated with the company.



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→ If followed when an organisation substantially reduces ^{the} scope of its activities.

→ It involves a redesign of the organisation.

Now, since, X Ltd. has ventured with the business that ~~for~~ business line is unprofitable / unviable & failure of existing strategy.

7bStep2

Thus, here, company ~~should~~ ^{should} adopt ~~from~~ ^{retrenchment} ~~divestment~~ ^{strategy}.

→ ~~But~~ Because of the following reasons:

- (1) ~~But~~ Business cannot be integrated with the company.
- (2) Business is unviable & unprofitable.
- (3) Existing strategy is failed.

7b

Q7



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Ans 106

Ans 106

Ans 106

Expanded Marketing Mix

→ Typically all organisations follow some form of marketing mix (4P's - Product, Price, Place & Promotion),

but as it is not exhaustive, it can include other elements as well for the business marketing.

→ Thus, an organisation can extend the 4P's and can include more elements in it.

(i) Physical evidence - the environment ~~detours~~ where the market offering is developed & customers & organisations interact for the product.

10bStep1

(ii) People - all human actors who play a part in delivery of the market offering & include firm's personnel & customers, that changes the buyer's perception about a product.



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(ii) Process - the actual mechanisms, procedures & activities by which the ~~process~~ product/service is delivered.



10b

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1

10aStep1

Ans (a a)

It is SRU structure. (Strategic business unit)

→ ~~It is~~ An SRU is a grouping of related businesses ~~that~~ can be ~~to~~ planned ~~for~~ separately.

→ which is amenable to composite planning treatment

→ It enables the grouping the related (multi-business into few groups ^{business enterprise}) ~~that~~ in a scientific & systematic way ~~for~~ strategic planning purpose.

→ The characteristics are +

- It has its own set of competitors.
- It is a grouping of related business or a single business
- It ~~can~~ has a manager who is responsible for strategic planning & profit



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Advantages/benefits:

(i) Each SBU will have a CEO, who will be responsible for strategic planning & profit performance.

(ii) Clear set of competitors.

(iii) Each SBU is a separate business from strategic planning standpoint.

0 10aStep2

(iv) An improvement over the territorial grouping of businesses & strategic planning based on territory.

(v) Unrelated businesses within each SBU should be identified & assigned to another SBU, if can be possible, otherwise make it a separate SBU.

(vi) It is a grouping of related business which helps in better strategic planning.

1 10a

(vii) It helps in removing vagueness & confusion among business.

5 Q10

(viii) Increased efficiency.

(ix) Better results.



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Ans (2a)

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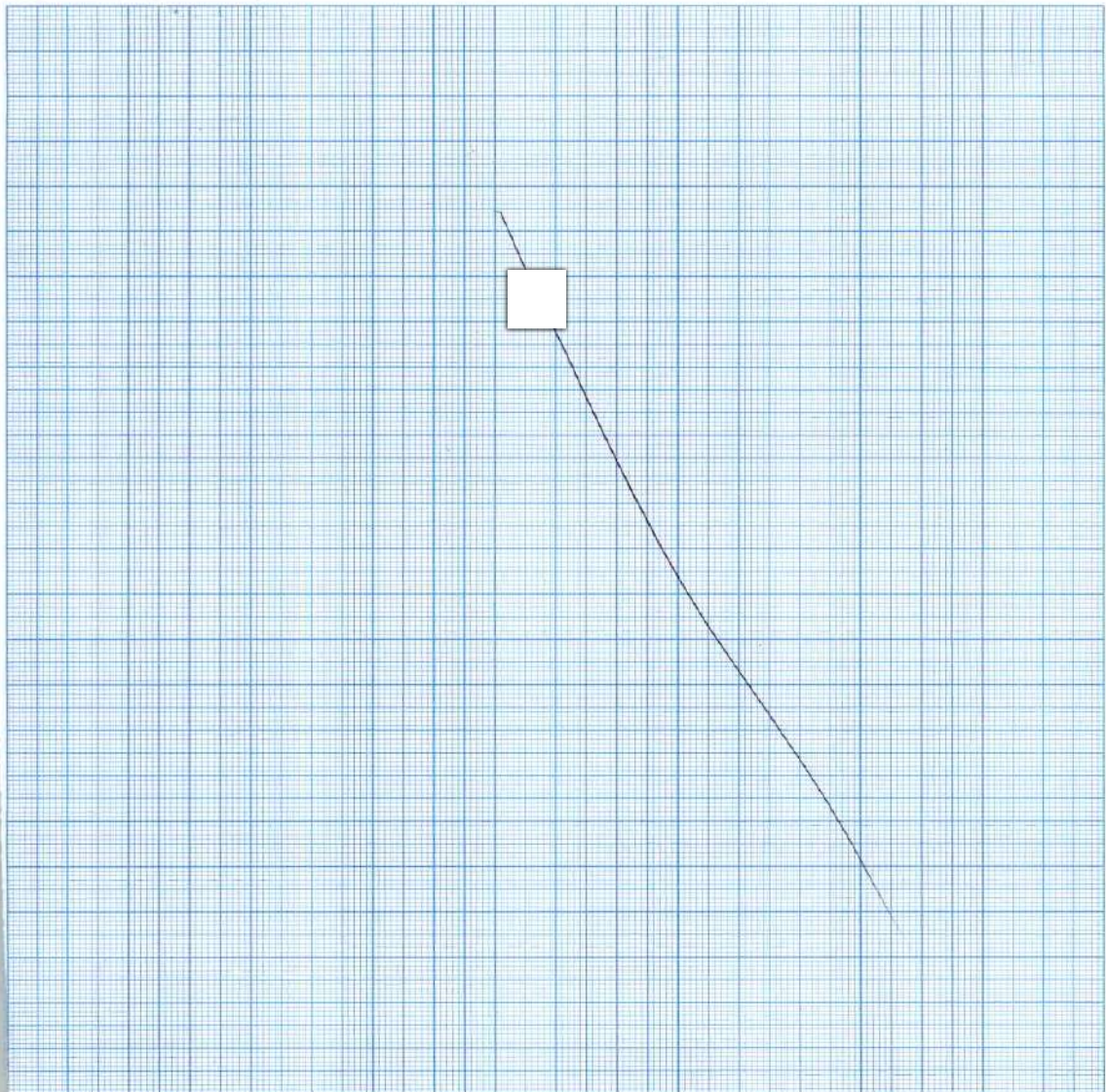


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Result Overview

Awarded Marks: 18.5 Max Marks:35

NA Not Attempted O Optional M Marked

Q6_Compulsory (Score: 3.5/5)			
Question No	Awarded Marks	Maximum Marks	Status
6	3.5	5	M
Q7_Q10 (Score: 15/30)			
Question No	Awarded Marks	Maximum Marks	Status
Q7	4	10	M
7a	2	5	M
7b	2	5	M
Q8	6	10	M
8a	2.5	5	M
8b	3.5	5	M
Q9	0	10	O
9a	0	5	O
9b	0	5	O
Q10	5	10	M
10a	1	5	M
10b	4	5	M