The Institute of Chartered Accountants of India

Code: IN7SM419078 **Total Marks:** 35
Subject : 07B Strategic Management **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)					
		a	b	c	d	e	Total
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
Total							

ICAI

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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TIONS TO THE CANDIDATE

are not to be written on this page

be written in figures and words in the allotted space at the right hand corner of the nd nowhere else including additional answer book/s and graph paper.

should be written in the box in numbers and darken the appropriate circles of the OMR ovided in the right hand corner of the cover page with **Black / Blue** ball point pen.

articulars such as name of Examination, Paper No. and subject at the appropriate space he 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 be 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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0 6Step1

Ans (6)

~~A~~ 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 which the~~ which the firms assets / resources deteriorate.

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

• the sustainability tends to be greater ~~to~~ when product obsoletes are less & assets are not much deteriorating.

or

• the sustainability tends to be lower in case the product / resources obsoletes are faster.

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

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

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(iv) Appropriability :- It refers to the appropriation/ distribution of return on resource to its resource owners. (providers.

• Even if the resource owners, could be identified ~~easily~~ the ~~[illegible]~~ competitive advantage will not be sustained.

3.5 6Step2

3.5 6

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Ans (8a)

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

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

Thus, in ~~this case~~, ~~CE~~ Corporate level ~~managers~~ comprises of CEO (Chief Executive officers) Board of directors, other senior executives & other senior staff.

So, → ~~ABC~~ Company's search of ~~CEO~~ Chief Executive Officers is for ~~the~~ ~~CEO~~ Corporate level → management.

1 8aStep1

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- this individuals participate in strategic decision making for the ~~(?)~~ whole organisation
- they define missions & goals ~~of~~ & vision of an organisation.

1.5 8aStep2

- 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 ~~(?) entity (?)~~ organisation & those who own it.

2.5 8a

- they are responsible for ~~the~~ ~~(?)~~ developing realistic mission & ~~mission~~ vision.

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Ans. (8b)

- Strategy adopted by Spacetek Pvt. Ltd. is Focus Strategy.

- Focus strategy is the strategy that fullfils the needs of small group of consumers.

1 8bStep1

- They are most effective when consumers have distinctive preferences & ~~rfd~~ rival firms are not attempting to specialize in the ~~case~~ same.

- In mid size & large firms, it can be successful only in conjunction with cost leadership or ~~bst~~ differentiation strategy.

- ~~to~~

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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 & differentiations will not be able to exploit it.

2.5 8bStep2

~~Disa~~ Dis advantages :-

- ~~The~~ the firm that lacks in distinctive competencies can't follow focus strategy

- Due to the limited demand for the product / service, the produce prices ~~&~~ / costs are high.

3.5 8b

~~the~~ Other firms may acquire the same distinctive competencies ~~&~~ to cater to the market & ~~a~~ focused strategy may be imitated.

6 Q8

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Ans ~~7a~~ (7a)

the principal aspects in strategy execution are :

-) Developing budgets that ~~ste~~ steers ~~of~~ 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 ~~world-class~~ best known practices to perform core-business activities

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

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→ Motivating people to persue their target objectives energetically.

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

→

Good strategy executive involves creating strong "fits" between:
- strategy & reward structure.
- strategy & other organisational structure
- strategy & climate and culture.

2 7a

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Ans (7b)

The strategy to be adopted by XPut Ltd. should be ~~divest~~ divestment strategy. (retrenchment).

1 7bStep1

→ Divestment strategy ~~is~~ involves the sale or liquidation of a portion of a business or SBU.

→ It is usually a part of rehabilitation & restructuring plan.

→ It is adopted when turnaround strategy has been attempted but proves to be ~~the~~ 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 ~~distrac~~ mismatch & cannot be integrated with the company

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→ It is followed when an organisation substantially reduces the scope of its activities.

→ It involves a redefinition of the organisation.

Now, since XPut. Ltd. has ventured with the business those business line is unprofitable / unviable

1 7bStep2 & failure of existing strategy.

Thus, here, company ~~strategy~~ should adopt ~~turn~~ divestment / retrenchment strategy.

→ Because of the following reasons:

(1) Business cannot be integrated with the company

(2) Business is unviable & unprofitable.

(3) Existing strategy is failed.

2 7b

4 Q7

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~~Ans~~ ~~Ans 10(b)~~
Ans (10b)
Expanded Marketing Mix :

→ Typically all organisations follow some form of Marketing Mix. (4P's — Product, Price, Place & Promotion),
But ~~a~~ it is not exhaustive, ~~as~~ it can include other ~~as~~ elements as well ~~to~~ for the business marketing.

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

(i) ~~e~~ Physical evidence : The environment where the market offering is delivered ~~developed~~ & customers & organisation interact for the product.

4 10bStep1

(ii) ~~Peo~~ People : all human actors who play a part in delivery of the market offerings & include firm's personnel & ~~key~~ customers, that ~~the~~ changes the buyer's perception about a product

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

4 10b

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Ans (10 a)

1 10aStep1

It is SBU structure. (Strategic business unit)

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

→ which is amenable to composite planning treatment

→ It enables the grouping the related (multi-business enterprise) business into few groups ~~the~~ in a scintific & 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 ~~should~~ has a manager who is responsible for strategic planning & profit

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Advantages/benefits:

(i) Each SBU will have a CEO ~~to~~ which will be responsible for strategic planning & profit performance

(ii) Own 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 ~~SI~~ 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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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