



CA INTER

EIS-SM

150 Most Important
Questions Book

**For May 23
& Nov 23**

CA Saket Ghiria





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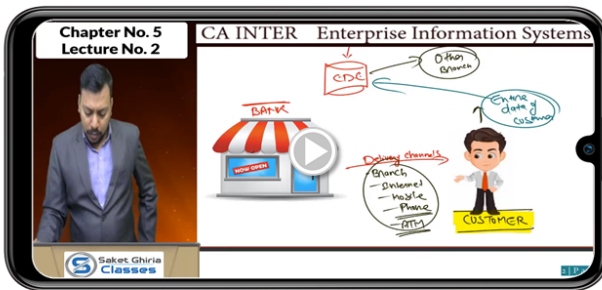
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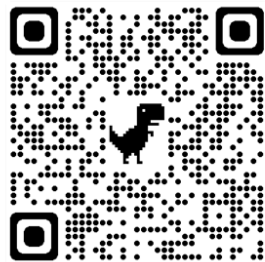


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Hello Dear Students,

Hoping all of you are doing great. Thanks a lot for such a wonderful response to the earlier editions of the Most Important Questions Book. This is the latest edition of **150 Most Important Questions Book** for CA Inter EIS-SM which will be useful for both the **May 23 and November 23 attempt**. In selecting the important questions, we have given priority to:

- *Latest Additions in the Syllabus by ICAI*
- *Latest trend and pattern of ICAI*
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Also share with your CA Inter Friends.



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(Q.N. 1) What do you understand by the term 'Data Integrity'? List some of the major controls associated with data integrity.

Ms. Puja has been appointed as an IS auditor by DSS Ltd. To ensure that the management of the company is managing well, and operation and maintenance of information system is in controlled and planned manner in DSS Ltd., she needs to examine the performance of various controls implemented on the information system. While auditing the information systems, explain the concerns specific to auditing Programming Management Controls that she should address.

Answer: Data integrity is defined as maintenance, assurance, accuracy, consistency of data. Control activities that are involved in maintaining the data integrity are as under:

- (a) **Definition Controls:** These controls ensures that the *database always corresponds and comply with its specified definition standards.*
- (b) **Existence/Backup Controls:** These controls ensure the existence of the database by establishing backup and recovery procedures. Backup refers to making copies of the data, files, databases so to ensure its availability in the event of data loss. Various backup strategies which can be used are as follows:
 - dual recording of data;
 - periodic dumping of data;
 - logging input transactions and changes to the data.
- (c) **Access Controls:** These controls are designed to prevent unauthorized access, changes of data. For this purpose, entity can use passwords, biometric authentication tools and data encryption tools etc.
- (d) **Quality Controls:** These controls ensure the accuracy, completeness, and consistency of data.
- (e) **Update Controls:** These controls restrict update of the database to authorized users in two ways either by permitting only addition of data to the database or allowing users to change or delete existing data.
- (f) **Concurrency Controls:** When two update processes access the same data item at the same time, these controls provide solutions in the form of agreed-upon schedules etc., to overcome the data integrity problems.

Some of the major concerns that Ms. Puja should address under different activities involved in Programming Management Control Phase are as follows:

- **Planning:** Auditors should evaluate whether nature of and extent of planning are appropriate to different types of software that are developed or acquired.
- **Control:** Auditors must evaluate whether the nature of an extent of control activities undertaken are appropriate for the different types of software that are developed or acquired. Auditors must gather evidence on whether the control procedures are operating reliably.
- **Design:** Auditors should find out whether programmers use *some type of systematic approach to design*. Auditors can obtain evidence of the design practices used by undertaking interviews, observations, and reviews of documentation.
- **Coding:** Auditors should seek evidence –
 - On the level of care exercised by programming management in choosing a module implementation and integration strategy.
 - To determine whether programming management ensures that programmers follow structured programming conventions.
 - To check whether programmers employ automated facilities to assist them with their coding work.
- **Testing:** Auditors can use interviews, observations, and examination of documentation to evaluate how well unit testing is conducted. Auditors primary concern is to see that *whole-of-program tests* have been undertaken for all material programs and that these tests have been well-designed and executed.
- **Operation and Maintenance:** Auditors need to ensure effective and timely reporting of maintenance needs that occur so that maintenance is carried out in a well-controlled manner. Auditors should ensure that management has implemented a review system and assigned responsibility for monitoring the status of operational programs.

(Q.N. 2) Briefly discuss Input Controls as a part of Application Control Framework. What are the types of Input Validation Controls? Discuss.



Answer: Input controls ensures accuracy and completeness of data input into the application for processing. Computer system processes whatever is input

in it, hence input controls are very important as if inaccurate or unauthorized input provided, it will affect all the subsequent processes.

Input Validation Controls are intended to *detect errors in the transaction data before the data are processed*. These are of the following types:

- (i) **Field check:** It examines the characters of the data in the field. Various control in this regard are:
 - (a) **Limit Check** - It examines the no. of characters in the field against the pre-determined limit. Like a mobile no. field should have exact 10 digits.
 - (b) **Picture Checks** - Looks for incorrect characters in the field like in phone number field, only numeric values are allowed.
 - (c) **Valid check codes** - It ensures that the field data code is as per the pre-determined transaction codes. Like sales data field shall have data from sales transaction vouchers.
- (ii) **Record Check:** Record check validates the entire record by examining the inter-relationship of its different field values. Some of them are:
 - (a) **Reasonableness Check** - It checks whether the value of one field is reasonable when considered along with other fields of that record.
 - (b) **Valid Sign** - It ensures that the sign of different fields of the record should be correct. Like in case of a sales record, money should be positive for sales field and negative for sales return field.
 - (c) **Sequence Check** - It checks whether the sequence order of the data field is as per the physical record or not.
- (iii) **Batch Check:** This includes the checks like the
 - (a) transaction type if all input records in a batch are of particular type like for the credit card transaction batch of Mr. A, all the input entries shall be related to credit card transactions made by him.
 - (b) sequence check if input records are in a particular order or not like the credit card transaction statement of Mr. A should contain the entries on the basis of the date of occurrence.
- (iv) **File Check:** This includes
 - file's version usage;
 - internal and external labeling;
 - data file security;

- file updating and
- maintenance authorization etc.

(Q.N. 3) What are the processor controls? What are the various types of it? Briefly discuss.



Answer: Processor has three functional unit namely Control unit, Arithmetic Logical unit & Registers. *Processor controls are intended to reduce expected losses from errors and irregularities associated with processors. Major types of processor controls are:*

- (i) **Error detection and Correction** - Processor malfunction due to design errors, manufacturing defects, damages etc. The failure may be transient (lasting for short time) intermittent (occurs periodically) or permanent (remains forever). For transient and intermittent errors, processor should retry and re-execute the task while for permanent errors, processor must halt and report the error.
- (ii) **Multiple Execution States** - It is important to determine the number and nature of execution states enforced by the processor. It helps auditor to determine which processes may carry out unauthorized activities like gaining access to sensitive data maintained in memory regions assigned to the operating system or other user processes.
- (iii) **Timing Controls** - A user's program may stuck in an infinite loop and may retain the use of the processor and prevent other programs from using it. In such situation timing control are used.
- (iv) **Component Replication** - In some cases, processor failure can lead to significant losses like processor used in Navigation system of air planes or missiles. In case of multi-computer or multi-processor architecture, redundant processors should be used to detect and correct errors. However if error is permanent, system should reconfigure itself to isolate the failed processor.

(Q.N. 4) Briefly discuss Access Controls as a part of boundary controls. Also discuss about PIN and the phases involved in its life cycle.




Answer: Access controls restrict the use of system resources to authorized users, limit the actions of such users and ensure that users obtain only

authentic system resources. The access control mechanism involves three steps namely Identification, Authentication and Authorization.

- User's identification is done by user by providing his user id or password.
- Authentication mechanism is used for proving the identity of the user by verifying the identification details provided by him.
- Authorization refers to the set of actions allowed to a user like Read, Write, Print, etc. once authentication is done successfully.

Personal Identification Numbers or PIN is like a password assigned to a user. Several phases of the life cycle of PINs are:

- Generation of the PIN;
- Issuance and delivery of PIN to users;
- Validation of the PIN upon entry at the terminal device;
- Transmission of the PIN across communication lines;
- Processing of the PIN;
- Storage of the PIN;
- Change of the PIN;
- Replacement of the PIN; and
- Termination of the PIN.

(Q.N. 5) No entity operates in risk-free environment and therefore any management needs to implement framework to operate more effectively and efficiently in such an environment filled with risks. Discuss the ERM framework that an enterprise may adapt for the successful management of various risks prevailing in their working environment. 

Answer: It is correct that no entity operates in risk-free environment and therefore any management needs to implement framework to operate more effectively and efficiently in such an environment filled with risks. The ERM framework consists of *eight interrelated components* that are derived from the way management runs a business and are integrated with the management process. These components are as follows:

- Internal Environment:** The internal environment *encompasses the tone of an organization and sets the basis for how risk is viewed and addressed* by an entity's people, including risk management philosophy and risk

appetite, integrity and ethical values, and the environment in which they operate. Management sets a philosophy regarding risk and establishes a risk appetite. The internal environment sets the foundation for how risk and control are viewed and addressed by an entity's people.

- (ii) **Objective Setting:** Objectives should be set before management can identify events potentially affecting their achievement. ERM ensures that management has a process in place to set objectives and that the chosen objectives support and align with the entity's mission/vision and are *consistent with the entity's risk appetite*.
- (iii) **Event Identification:** Potential events that *might have an impact on the entity* should be identified. Event identification includes identifying factors both internal and external that influence how potential events may affect strategy implementation and achievement of objectives. It includes distinguishing between potential events that represent risks, those representing opportunities and those that may be both.
- (iv) **Risk Assessment:** Identified risks are analysed to form a basis for determining how they should be managed. Risks are assessed on both an inherent and a residual basis, and the assessment considers both risk likelihood and impact. A range of possible results may be associated with a potential event, and management needs to consider them together.
- (v) **Risk Response:** Management selects an approach or set of actions to align assessed risks with the entity's risk tolerance and risk appetite, in the context of the strategy and objectives. Personnel identify and evaluate possible responses to risks, including avoiding, accepting, reducing and sharing risk.
- (vi) **Control Activities:** Policies and procedures are established and executed to help ensure that the risk responses that management selected are effectively carried out.
- (vii) **Information and Communication:** Relevant information is identified, captured and communicated in a form and time frame *that enables people to carry out their responsibilities*. Information is needed at all levels of an entity for identifying, assessing and responding to risk. Effective communication also should occur in a broader sense, flowing down, across and up the entity. Personnel need to receive clear communications regarding their role and responsibilities.

(viii) **Monitoring:** The entire ERM process should be monitored, and modifications made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations of the ERM processes or a combination of both.

(Q.N. 6) Mr. A is the IS Auditor who is going to audit the boundary controls of one of its client being an IT Company. What are the major aspects auditor should be concerned about for the same?



Answer: Auditor should be concerned about the following while auditing the boundary controls in an organisation:

- (i) How well the asset safeguards are used and preserve data integrity.
- (ii) Whether the access control mechanism implemented in any application system is sufficient or not.
- (iii) Whether careful control are exercised over maintenance activities, in case of hardware failure.
- (iv) For the cryptographic key management aspect, consider following three areas -
 - How keys are generated?
 - How keys are distributed to users?
 - How they are installed in cryptographic facilities?
- (v) Which approach has been used to implement access control so that he can predict the likely problems that may arise.


(Q.N. 7) Information Technology has touched every sector of business and has been instrumental in accelerating their growth. However, many crimes are also associated with computers henceforth Information Technology Act, 2000 came into existence. Explain few computer related offences prescribed in IT Act, 2000.



Answer: Some computer related offences which can attract prosecution and penalties as per Information Technology Act, 2000 are as follows:

- **Harassment via fake public profile on social networking site:** A fake profile of a person is created on a social networking site with the correct address, residential information or contact details but he is labelled as a person of 'loose character'. This leads to harassment of the victim.

- **Email Account Hacking:** If victim's email account is hacked and obscene emails are sent to other people, it amounts to email account hacking.
- **Web Defacement:** The homepage of a website is replaced with a defamatory page. Government sites usually face this on symbolic days.
- **Introducing Viruses, Worms, Backdoors, Rootkits, Trojans, and Bugs:** All these are some sort of malicious programs which are used to destroy or gain access to some electronic information.
- **Cyber Terrorism:** Cyber terrorism is the terrorism conducted in cyberspace, where the criminals attempt to damage or disrupt computer systems or telecommunication services. For example hacking into computer systems, introducing viruses, web site defacing, denial-of-service attacks, or terroristic threats made via electronic communication.
- **Online sale of illegal Articles:** It involves the sale of narcotics, drugs, weapons and wildlife is facilitated by the Internet.
- **Phishing and Email Scams:** Phishing involves fraudulently acquiring sensitive information through masquerading oneself as a trusted entity (e.g. usernames, Passwords, credit card information).
- **Theft of Confidential Information:** Many business organizations store their confidential information in computer systems. This information is targeted by rivals, criminals and disgruntled employees.
- **Source Code Theft:** A Source code generally is the most coveted and important "crown jewel" asset of a company. The theft of source code may cause serious damage to the organisation.

(Q.N. 8) Unlike non-integrated systems in an organization, where all the departments work independent to each other and use their own set of data; ERP systems use single database and contains data for various software modules. This distinct feature of ERP Systems enables them to provide enormous benefits to an organization. Discuss these benefits. 

Answer: The benefits of Enterprise Resource Planning (ERP) systems to an organization are as follows:

- Information integration:** ERP systems are integrated as they have the ability to automatically update data between related business functions and components.


- (ii) **Reduction of lead-time:** The elapsed time between placing an order for raw material and receiving it is known as the Lead-time. The ERP System is integrated and the use of the latest technologies like EFT, EDI reduce the lead times for the entity.
- (iii) **On-time Shipment:** Since different functions involved in timely delivery of finished goods to customers like purchasing, material management, production planning, plant maintenance, sales and distribution etc. are integrated, ERP system ensures on-time delivery of goods to customers.
- (iv) **Reduction in Cycle Time:** Cycle time is the time between placement of the order and delivery of the product to the customer. In an ERP System, all the data are updated and is available in the centralized database, thus ERP systems helps in reducing the cycle time.
- (v) **Improved Resource utilization:** The different modules in the ERP system ensure that:
- inventory is kept to a minimum level,
 - machine down time is minimum,
 - goods are produced as per the demand and
 - finished goods are delivered to the customer in most efficient way.
- Thus ERP systems help the organization in drastically improving the capacity and resource utilization.
- (vi) **Better Customer Satisfaction:** With the help of web-enabled ERP systems, customers can place order, track order status and make payment from home. This improves customer satisfaction.
- (vii) **Improved information accuracy & decision-making capability:** The information needs to be accurate, relevant for the decision-maker and available to the decision-makers when he requires it. ERP system help in improving the information accuracy, provides accurate information and makes information available at the right time thus help in better decision-making.

(Q.N. 9) XBRL (eXtensible Business Reporting Language) is a freely available and global standard for digital business reporting. Discuss key features of XBRL that makes it an international standard way to communicate and exchange of business information.



Answer: The key features of eXtensible Business Reporting Language (XBRL) that makes it an international standard way to communicate and exchange of business information are as follows:

- (i) **Clear Definitions/Taxonomies** - XBRL allows the creations of reusable, authoritative definitions called taxonomies. Taxonomies are like dictionaries that are developed by regulators, government, accounting standard bodies (ICAI) etc. to clearly define certain terms. Taxonomies helps to facilitate better data interchange by providing a common set of meaning of the accounting data.
- (ii) **Testable Business Rules** - XBRL allows the creation of business rules that controls what can be reported. These rules can be logical, arithmetical or both and can be used to:
 - (a) Stop the poor-quality information being sent by running it at the preparer's and itself.
 - (b) Stop poor quality information being accepted by recipient by being run at the receiver's end.
 - (c) Bouncing back the poor-quality report to the preparer for review and re-submissions.
 - (d) Flagging or highlighting the questionable information thus allowing prompt correction.
- (iii) **Strong Software Support** - XBRL is supported by wide range of software both from the large and small software vendors.
- (iv) **Multi-lingual Support** - XBRL supports multiple language translation without any additional work. Through XBRL, it is possible to display a report in a language different from the language it was originally prepared in.

(Q.N. 10) In an organization, the Database Controls are used within an application software to maintain the integrity of data and prevent any data integrity violations. Discuss various controls under Database Controls to achieve this objective. 

Answer: These controls are used within an application software to maintain the integrity of data, to prevent integrity violations when multiple programs have concurrent access to data, and the ways in which data privacy can be preserved within the database. It involves the following controls:

- (a) **Access Controls:** These controls seek to prevent unauthorized access and use of data. Organisation shall have a security policy to enforce access controls. If database is replicated at some other site, the same access control rules must be enforced at each site.
- (b) **Cryptographic Controls:** These controls are used for protecting the integrity of data stored in the database through encryption.
- (c) **File Handling Controls:** These controls are used to prevent accidental destruction of data contained on a storage media. These are exercised by hardware, software & users who load or unload storage media.
- (d) **Concurrency Controls:** These address the situation that arises either due to simultaneous access to the same database or due to deadlock.
- (e) **Application Software Controls:** When application software acts as an interface to interact between the user and the database, DBMS depends on application software to provide correct sequence of commands and update parameters so that appropriate actions can be taken when certain types of exception condition arise. *This is achieved through:*
- *Update Controls* that ensure that changes to the database reflect changes to the real-world entities and associations between entities and
 - *Report Controls* that identify errors or irregularities that may have occurred when the database has been updated.
- (f) **Integrity Controls:** These controls ensure that the accuracy, completeness, and uniqueness of instances used within the data are maintained. Integrity Constraints are established to specify the type of relationship and consistency among rows (tuple) in relationship.
- (g) **Audit Trail Controls:** The audit trail maintains the chronology of events that occur either to the database definition or the database itself.

(Q.N. 11) Cloud computing is one of the emerging technologies used in several organizations, yet it has many pertinent issues. Discuss the major pertinent issues related to cloud computing.



Answer: As an emerging technology, cloud computing involves several issues. Some of the pertinent issues related to cloud computing are:

- **Threshold Policy:** The main objective of implementing threshold policy is to inform cloud computing service consumers and providers what they

should do. Quite often, this policy does not exist. The only legal document between the customer and service provider is the Service Level Agreement (SLA). This document contains all the agreements between the customer and the service provider like what services the cloud service provider is now and what it will provide in future. However, there is no standard format for the SLA, and there may be services not documented in the SLA that the customer may be requiring in future.

- **Interoperability:** If a company enters into a contract with one cloud computing vendor, it may find it difficult to change to another computing vendor that has proprietary APIs (application programming interfaces) and different formats for importing and exporting data. Industry cloud computing standards do not exist for APIs or formats for importing or exporting data. This creates problems of achieving interoperability of applications between two cloud computing vendors. Once a company is locked in with one cloud provider, it is not easy to move an entire infrastructure to other clouds. Moreover, each cloud provider offers a unique set of services and tools for operating and controlling its cloud which may be completely different from other vendors.
- **Unexpected Behaviour:** An application which perform well at the company's internal data centre may not perform in the same way in the cloud. Therefore, it is essential to test its performance in the cloud for unexpected behaviour. Testing may include checking how the application allocates resources on sudden increase in demand for resources and how it allocates unused resources. This problem must be solved before obtaining services from the cloud.
- **Security Issues:** Cloud computing infrastructures use new technologies & services, most of which may not have been fully evaluated with respect to security. The important security issues with cloud computing are:
 - the management of the data might not be fully trustworthy;
 - the risk of malicious insider attacks in the cloud; and
 - the failing of cloud services.

Maintaining confidentiality is one the major issues faced in cloud systems as data can be accessed by the service provider. Data confidentiality can be preserved by encrypting data. Cloud systems share computational resources, storage, and services between multiple customer applications

in order to achieve efficient utilization of resources. However, this sharing of resources may violate the confidentiality of user's data and information assets. It must be ensured that there a degree of isolation between these users. The service provider must ensure that their infrastructure is secure and that their consumers' data and applications are protected.

- **Legal Issues:** Cloud systems need to adhere to several regulatory requirements, privacy laws and data security laws. These laws vary from country to country and cloud users have no control over where their data is physically located.
- **Software Development in Cloud:** Application developers who wishes to host and deploy their applications through the cloud face the complexity of building secure applications that may be hosted in the cloud. The speed at which applications will change in the cloud will affect both the System Development Life Cycle (SDLC) and security. The project manager must keep in mind the applications should be upgraded frequently. For this, he must ensure that their application development processes are flexible enough to keep up with the changes.


(Q.N. 12) ABC Ltd., a soft drink manufacturing company was established in 2010. The company has implemented some modules of ERP and was managing good business in initial seven years of its establishment. After that, the customer's feedback indicated a decline in the sale and therefore, the targets could not be achieved. On analyzing the customers' feedback, the management decided to incorporate CRM Module of ERP System to improvise its relationship with existing customers, find new prospective customers and win back former customers. The company implemented CRM module and found acceleration in the growth of its sale for past four years. Discuss various key benefits of CRM module that the company may have availed after implementing CRM? **(OR)**



In an ERP system, there exists a module that does not exchange transactions with any other module. Identify the module and explain the key benefits of that module.

Answer: The key benefits of CRM module that the company may have availed are as follows:

- **Improved customer relations:** One of the prime benefits of using a CRM is obtaining better customer satisfaction. By using this strategy, all dealings involving servicing, marketing, and selling out products to the customers can be carried out in an organized and systematic way. Better services can be provided to customers through improved understanding of their issues and this in turn helps in increasing customer loyalty and decreasing customer agitation. In this way, continuous feedback from the customers regarding the products and services can be received.
- **Increase customer revenues:** By using a CRM strategy, the revenue of the company can be increased. Using the data collected, marketing campaigns can be popularized in a more effective way. With the help of CRM software, it can be ensured that the product promotions reach a different and brand new set of customers, and not the ones who had already purchased the product, and thus increase the customer revenue.
- **Maximize up-selling and cross-selling:** A CRM system allows up-selling which is the practice of giving customers premium products that fall in the same category of their purchase. The strategy also facilitates cross selling which is the practice of offering complementary products to customers, based on their previous purchases. This is done by interacting with the customers and getting an idea about their wants, needs, and patterns of purchase. So, when an opportunity is spotted, the executives can promote their products to the customers, thus maximizing up-selling & cross selling.
- **Better internal communication:** Following a CRM strategy helps in building better communication within the company. Sharing of customer data between different departments will enable them to work as a team. This is better than functioning as an isolated entity, as it will help in increasing company's profitability & enabling better service to customers.
- **Optimize marketing:** CRM enables to understand the customer needs and behavior in a better way, thereby allowing any enterprise to identify the correct time to market its product to the customers. CRM will also give an idea about the most profitable customer groups, and by using this information, similar prospective groups, at the right time will be targeted. In this way, marketing resources can be optimized efficiently.

(Q.N. 13) Suppose you are an IT consultant of ABC enterprises. What general controls would you apply to all components of system, processes and data for ABC enterprises to ensure the security of information system and application program. 

Answer: General Controls that can be applied to all components of system are:

- **Information Security Policy:** The security policy is approved by the senior management and encompasses all areas of operations of bank and drives access to information across the enterprise and other stakeholders.
- **Administration, Access, and Authentication:** IT should be administered with appropriate policies and procedures clearly defining the levels of access to information and authentication of users.
- **Separation of key IT functions:** Secure deployment of IT requires the bank to have separate IT organization structure with key demarcation of duties for different personnel within IT department and to ensure that there are no Segregation of Duties (SoD) conflicts.
- **Management of Systems Acquisition & Implementation:** Software solutions for CBS are developed, acquired & implemented. Hence, process of acquisition & implementation of systems shall be properly controlled.
- **Change Management:** IT solutions deployed and its various components must be changed in tune with changing needs as per changes in technology environment, business processes, regulatory & compliance requirements. These changes impact the live environment of banking services. Hence, change management process should be implemented to ensure smooth transition to new environments covering all key changes including hardware, software and business processes. All changes must be properly approved by the management, before implementation.
- **Backup, Recovery and Business Continuity:** Heavy dependence on IT and criticality makes it imperative that resilience of banking operations should be ensured by having appropriate business continuity including backup, recovery and off-site data center.
- **Proper Development and Implementation of Application Software:** Application software drives the business processes of the banks. These solutions in case developed and implemented must be properly controlled by using standard software development process.

- **Confidentiality, Integrity and Availability of Software and data files:** Security is implemented to ensure Confidentiality, Integrity and Availability of information. Confidentiality refers to protection of critical information. Integrity refers to ensuring authenticity of information at all stages of processing. Availability refers to ensuring availability of information to users when required.
- **Monitoring of Applications and supporting Servers:** The Servers and applications running on them are monitored to ensure that servers, network connections and application software along with the interfaces are working continuously.
- **Value Add areas of Service Level Agreements (SLA):** SLA with vendors is regularly reviewed to ensure that the services are delivered as per specified performance parameters.
- **User training and qualification of Operations personnel:** The personnel deployed have required competencies and skill-sets to operate and monitor the IT environment.

(Q.N. 14) What do you think shall be the generic reasons due to which an enterprise may decide to implement BPA?



Answer: A list of generic reasons for which an enterprise shall go for BPA may include any or combination of the following:

- Errors in manual processes leading to higher costs.
- Payment processes not streamlined.
- Paying for goods and services not received.
- Poor debtor management leading to high invoice aging and poor cash flow.
- Not being able to find documents quickly during an audit or lawsuit.
- Lengthy or incomplete information of new employee.
- Unable to recruit and train new employees.
- Lack of management understanding of business processes.
- Poor customer service.

(Q.N. 15) The businesses with the vision to anticipate change generally grab the trend before their competitors does and certainly opt for online mode for their businesses, therefore ecommerce is a happening trend in businesses today. Explain the forces underpinning revolution of e-commerce.



Answer: The major forces behind the E-Commerce revolution or its growing emergence are as follows:

- **Proliferation of Mobile Device:** The mass adoption of mobile devices in the recent years is one of the biggest reasons of the e-commerce growth. To provide better user experience in the mobile devices, e-commerce companies are *developing mobile apps* which is proving the best alternate of desktop devices and websites. E-commerce companies are now using *shoppable videos* instead of images to enable the customers to shop for products and services directly from videos. Apart from these, companies are also using competitive analysis, studying and using trending keywords etc. to drive more user traffic in their website.
- **Convergence of Mobile Network and the Internet:** The mobile internet is growing in coverage and capacity. The transition from 3G to 5G & faster mobile data transfer speed makes the success of e-commerce possible.
- **Social Network:** Social media such as Facebook, Twitter, YouTube, etc. has become the part of our daily life. E-commerce companies have cleverly used this trend in their favor where they use the social media as one of the biggest promotional tool and integrated their products with the social media in such a way that allows the consumer to buy their product without even leaving the social media platform. The concept of commerce using social media tool box will help the e-marketer to become more familiar with their client's taste, preferences and requirements.
- **Biometrics:** E-commerce suffers from some serious security issues such as hacking, spamming, online fraud and theft of confidential data etc. which causes few people to avoid it. Biometric verification is a recent ecommerce technology trends that measure the physical characteristics of users such as fingerprints, palm, face, or voice for authentication, payment confirmation and other purposes. This enhances security and makes forging difficult for intruders.
- **Artificial Intelligence (AI):** AI offers personalized and interactive buying experiences in e-commerce. Ecommerce companies now using AI Chatbot messenger bots which is fully automated chat agent that will answer the questions of consumers and act as a first point of contact. Chatbots is a piece of software that can be used by a retailer to chat with customers via text or voice. Well-designed chatbots can offer personalized assistances,

process orders, track shipments, provide product suggestion etc. which enhance the user experience.

- **Predictive Analysis:** Predictive analysis tools is used to predict the online customers' behaviour, buying patterns, tastes & preferences. E-commerce companies are increasingly using these tools which helps them to optimize their e-mail communication whereby they try to offer the right product, in the right way, and at the right time to the right customer. This would lead to an increase in the number of new customers and the overall profitability.
- **Support of IT governing Laws:** Various provisions of IT Act, 2000 govern E-commerce in India which has proven to be a gamechanger for the future of "Digital India". The availability of jurisprudence in India on the various issues related to ecommerce sector is a major growth factor of e-commerce in India. These laws empower the e-businesses and ensures a timely and proper settlement of issues.

(Q.N. 16) Ms. Swati has been directed by her Reporting officer to prepare a report on Blockchain technology and several risks associated with it. Elaborate in brief the factors that would form part of her report.




Answer: Blockchain, also referred to as Distributed Ledger Technology (DLT), is a shared, peer-to-peer, and decentralized open ledger transaction system with no trusted third parties in between. This ledger database has every entry as permanent as it is an *append-only database* which cannot be changed or altered. It means that the data can only be added to the blockchain ledger in time-ordered sequential order and it cannot be changed or altered or deleted. All transactions are fully irreversible with any change in the transaction being recorded as new transaction. The decentralized network refers to the network which is not controlled by any bank, corporation, or government. However the private blockchain network may be controlled by its owner entity. A blockchain uses a chain of blocks, with each block representing the digital information stored in the database i.e. the chain.

The risks associated with Blockchain are as follows:

- As blockchain involves *humongous data* getting updated frequently, it lead to a situation of information overload. Hence, Entity has to find competent people who can design and perform effective monitoring controls.

- In the absence of any central authority to administer and enforce protocol amendments, it could affect the overall functioning and maintenance activities of the blockchain. Hence users of public blockchains find it difficult to obtain an understanding of general IT controls implemented and the effectiveness of such controls.
- In blockchain, organizations need to consider risks with a wider perspective as different users of a particular blockchain may have different level of risk tolerances.
- The reliability of financial transactions is dependent on the underlying technology like consensus mechanism and if this mechanism has been tampered with, it could render the financial information stored in the ledger to be inaccurate and unreliable.

(Q.N. 17) City Finance Bank is a private sector bank with several branches in India. The bank has decided to implement Core Banking Systems (CBS) in all of its branches to fulfil statutory requirement. Explain the various stages involved in deployment and implementation of the Core Banking Systems which should be considered by it. 

Answer: The various stages involved in deployment and implementation of Core Banking Systems (CBS) which should be considered by City Finance Bank are as follows:

- **Planning:** Banks should plan for CBS considering its strategic and business objectives.
- **Approval:** The decision to implement CBS requires high investment and recurring costs hence it must be approved by the highest authorities of the bank.
- **Selection:** There are multiple vendors of CBS, each solution has different features and advantages. Hence, bank should select the right CBS solution for itself so to meet its business objectives.
- **Design and develop or procure:** CBS solutions may be developed in-house by the bank or procured from market.
- **Testing:** Extensive testing must be done before the CBS becomes live i.e. put to actual use. The testing is to be done at different phases like procurement phase, processing phase etc.

- **Implementation:** CBS must be implemented as per pre-defined and agreed plans.
- **Maintenance:** CBS must be maintained as required.
- **Support:** CBS must be supported to ensure that it is working effectively.
- **Updation:** Different CBS modules must be updated based on business needs, technology updates or regulatory requirements.
- **Audit:** Audit of CBS must be done internally and externally as required to ensure that controls are working as envisaged.


(Q.N. 18) After the pandemic is over and employees are again started to go to their offices instead of work-from-home, Alpha Ltd., a mid-size IT consultancy firm, is currently not secured that how long this will continue and again it has to switch to work-from-home pattern. The management of Alpha Ltd. is currently not willing to spend huge sum to upgrade the computers etc. used by their employees and considering to adopt Bring Your Own Device (BYOD) policy. The management wishes to know about the risks associated with BYOD. Briefly explain the major risks associated with BYOD policy.



Answer: Following are the major risks associated with the Bring Your Own Device (BYOD) Policy:


- Network Risks:** In the BYOD Policy, employees carry their own devices, IT team may remain unaware about the number of devices being connected to the corporate network. This leads to a situation called lack of device visibility. As network is of very high importance for any organisation, the lack of device visibility can be very dangerous for the organisation. For example, if a virus hits the corporate network and all the connected devices need be scanned, it is possible that some of the devices would miss out the scan due to lack of device visibility.
- Device Risks:** If any device of the employee containing sensitive corporate data is lost or stolen, organisation may have to suffer serious financial and reputational losses.
- Application Risks:** The devices used by the employees may not have proper security software installed and may be infected by virus and other malware programs. For the organisation, it may become very difficult to decide who will be responsible for the security of the devices.

(iv) **Implementation Risks:** For any company, its corporate knowledge like its trade secrets, knowhow, formulas, data etc. are the key assets. To protect all these assets, company needs a very strong BYOD policy and its effective implementation. Weak BYOD Policy or its poor implementation can cause serious threats for the organisation. In addition to this, a weak policy fails to educate the user, thereby increasing vulnerability to the above-mentioned threats.

(Q.N. 19) Mr. Bhavesh is the managing director of Bhavesh Textile Ltd., a large family owned business. Considering the needs of the business, Mr. Bhavesh is considering to automate the order receipt and delivery system of the company. In this process, company has determined the objectives and goals to be achieved from the BPA exercise. What is the next step company should consider in this regard? Explain briefly with the aspects needed consideration for the same. 


Answer: As given in the question that Mr. Bhavesh has already determined the objectives and goals to be achieved from the implementation of BPA exercise. This is the fourth step in the BPA implementation process. After determining the objectives and goals to be achieved, entity should now engage the business process consultant. Business process consultant is the expert who takes the BPA implementation task forward and provides the necessary consultancy to the organisation in this regard. However before engaging the business process consultant, entity should consider the *following aspects about the business process consultant:*

- Does the consultant have experience with entity business process?
- Is the consultant experienced in resolving critical business issues?
- Whether the consultant can recommend and implementing a combination of hardware, software as appropriate to meet the BPA requirements?
- Does the consultant can clearly articulate the business value of every aspect of the proposed solution?

(Q.N. 20) Briefly explain some of the application areas of the Blockchain Technology. 

Answer: Some of the application areas of the blockchain technology are:

- **Financial Services:** Blockchain can be used to provide *an automated trade lifecycle* in terms of the transaction log of any transaction of asset or property like automobiles, real estate, etc. from one person to another.
- **Healthcare:** Blockchain provides secure sharing of data in healthcare industry by increasing the privacy, security, and interoperability of the data by eliminating the interference of third party and avoiding overhead costs.
- **Government:** Blockchain improves the transparency of many government services like land registration, vehicle registration etc. and provides a better way to monitor and audit such transactions.
- **Travel Industry:** Blockchain can be applied in the travel & hospitality industry in the form of storing important documents like passports/other identification cards, reservations and managing travel insurance, etc.
- **Economic Forecasts:** Blockchain makes possible the financial and economic forecasts based on decentralized prediction markets, decentralized voting, & stock trading, thus enabling organizations to better plan their businesses.

(Q.N. 21) After qualifying the Chartered Accountancy examination, Mr.  A got an interview call from Hindustan Plastics, a large plastics and metal tools maker. During a job interview, an interviewer asked Mr. A to explain the with Order-To-Cash (O2C) business process and list out all the risks and their controls associated with Order-To-Cash business process at transactions level. Prepare an appropriate draft reply.

Answer: The various risks and control objectives associated with the Order-To-Cash (O2C) business process are as follows:

S.N.	Risk	Control Objective
1.	System access to process transaction not restricted to authorized users only	System access to process transaction are restricted to authorized users only
2.	All orders received from customer not input or processed	All orders received from customer are input & processed
3.	Invalid orders input or processed by system	Only valid orders input & processed by system
4.	Orders not approved by management for price & terms of sale	All orders are approved by the management for price & terms of sale

5.	Orders and order cancellations not input accurately	Orders & order cancellation are input accurately
6.	Goods shipped without invoice	All goods are shipped with invoice
7.	Invoice raised for invalid shipments	Invoice raised only for the valid shipments
8.	Invoice not accurately calculated & recorded	All invoice accurately calculated & recorded

(Q.N. 22) Positions in software development are involved in design, development, and testing of software applications. Briefly state any four positions in this field.



Answer: Positions in software development are involved in design, development, and testing of software applications. The major positions in this field are as follows:

- (i) **Systems Architect:** Responsible for the overall information systems architecture in the organization.
- (ii) **Systems Analyst:** A systems analyst is involved in the design of applications & changes in application's original design. He develop technical requirements, program design & software test plans.
- (iii) **Software Developer/Programmers:** They develops or programs the application software. Depending upon the level of experience, persons in this position may also design the applications. Organizations that uses purchased applications, software developers may create custom interfaces, application customizations, and custom reports.
- (iv) **Software Tester:** They conduct tests to ensure the software created by developers is fit for purpose.

(Q.N. 23) BNC Financial is a well renowned Mortgage Broker company that is engaged in providing mortgage loans to potential businessmen for expansion/establishing their businesses. Write down various risks and their associated controls around the Mortgage Process.



Answer: The risks and their associated controls around the Mortgage process are as follows:

Risks	Key Controls
Incorrect customer and loan details are captured which will affect the downstream process.	There is secondary review performed by an independent team member who will verify loan details captured in core banking application with offer letter.
Incorrect loan amount disbursed.	There is secondary review performed by an independent team member who will verify loan amount to be disbursed with the core banking application to the signed offer letter.
Interest amount is incorrectly calculated & charged.	Interest amount is auto calculated by the core banking application.
Unauthorized changes made to loan master data or customer data.	System enforced Segregation of Duties exist in the core banking application where the person putting in the transaction cannot approve its own transaction and reviewer cannot edit any details submitted by person putting data.

(Q.N. 24) List the various benefits of the cyber law from the perspective of e-commerce in India.



Answer: Some of the major advantages of Cyber Law or Information Technology Act, 2000 (as amended in 2008) from the perspective of E-Commerce in India are as follows:

- Companies can carry E-Commerce using the legal infrastructure provided by the Act.
- Email is considered as valid and legal form of communication and can be accepted in the court of law.
- The Act addresses the security issues in the electronic transactions.
- Companies can file forms, applications and other documents for any legal purposes in electronic form.
- Concept of secured digital signature arises.
- Digital signature got the legal validity.
- Government is allowed to issue notifications etc. on the web thus promoting e-government.

(Q.N. 25) Write is Operational Risks in the context of Banking Industry?

Explain its various types.



Answer: Operational Risk is a risk arising due to inadequate or failed internal process, people and systems. Like inadequate audits, improper management, ineffective internal control procedures etc. *It is of the following types:*

- **People Risk** arises from lack of trained key personnel, tampering of records, unauthorized access to dealing rooms and nexus between front and back end offices.
- **Transaction Processing Risk** arises because faulty reporting of important market developments to the bank management or errors in entry of data for subsequent bank computations.
- **Legal Risk** arises because of the poor treatment of clients, misleading the client during sale of products or business practices of a bank. There are many examples of banks being taken to court by customers, who claim they were misled by advice given to them or products sold.
- **Information Security Risk** comprises the impacts to an organization and its stakeholders that could occur due to the threats and vulnerabilities associated with the operation and use of information systems and the environments in which those systems operate. Like data breaches.
- **Compliance Risk** is exposure to legal penalties, financial penalty and material loss an organization faces when it fails to act in accordance with laws and regulations, internal policies or prescribed best practices.

(Q.N. 26) Blockchain technology is attracting businesses across multiple sectors and many companies are actively evaluating the possibility to adopt this technology. What are the important features of Blockchain Technology? Briefly maintain.



Answer: Important features of Blockchain Technology are as follows:

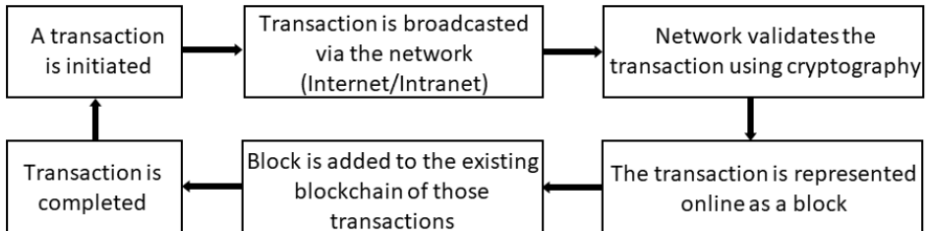
- It is also known as Distributed Ledger Technology (DLT).
- It is a *shared, peer-to-peer, & decentralized open ledger* transaction system.
- A blockchain uses a chain of blocks, where each block represents the digital information stored in database.
- Blockchain network can be public, private, consortium etc.

- In blockchain ledger database, every entry is entered as permanent and it is an append-only database which cannot be changed or altered.
- Every entry in blockchain ledger is entered in *time-ordered sequential order*.
- All transactions entered in the blockchain ledger are fully irreversible where any change in the transaction being recorded as new transaction.

(Q.N. 27) What are the steps involved in the working of a blockchain transaction. List them.



Answer: The steps involved in the working of a blockchain transaction are:



(Q.N. 28) Write a short note on voucher. Also list some of the points to be considered in voucher numbering.



Answer: A voucher is a documentary evidence of a transaction which is used like a source document to capture data for input in the system. Voucher is also known as document. *Some of the points to be considered in Voucher Numbering are as follows:*

- All vouchers must be serially numbered.
- All voucher number must be unique (i.e. not same).
- Every voucher type shall have separate numbering series.
- A voucher number may have prefix, suffix or both.
- Vouchers should be recorded in chronological order and vouchers recorded earlier shall have an earlier number.

(Q.N. 29) What is the law related to publishing or transmitting of material depicting children in sexually explicit act, etc. in electronic form. Is there any exceptions to the same? Briefly discuss.



Answer: As per *Section 67B of Information Technology Act, 2000*, Whoever, -

- (a) publishes or transmits or causes to be published or transmitted material in any electronic form which depicts children engaged in sexually explicit act or conduct; or
- (b) creates text or digital images, collects, seeks, browses, downloads, advertises, promotes, exchanges or distributes material in any electronic form depicting children in obscene or indecent or sexually explicit manner; or
- (c) cultivates, entices or induces children to online relationship with one or more children for and on sexually explicit act or in a manner that may offend a reasonable adult on the computer resource; or
- (d) facilitates abusing children online; or
- (e) records in any electronic form own abuse or that of others pertaining to sexually explicit act with children,

shall be punished

- **on first conviction** - Imprisonment of either description for a term which may extend to 5 years and with a fine which may extend to ₹10 lakh and
- **on second or subsequent conviction** - Imprisonment of either description for a term which may extend to 7 years and also with fine which may extend to ₹10 lakh:

Explanation - For the purposes of this section, "children" means a person who has not completed the age of 18 years.

However Provisions of Section 67B does not extend to any book, pamphlet, paper, writing, drawing, painting representation or figure in electronic form -

- (i) the publication of which is proved to be justified as being for the public good on the ground that such book, pamphlet, paper writing, drawing, painting, representation or figure is in the interest of science, literature, art or learning or other objects of general concern; or
- (ii) which is kept or used for bona fide heritage or religious purposes.

(Q.N. 30) Briefly explain e-Rupi. Also list its important features. The digital payment system is growing exponentially with evolving payment methods, rising e-commerce use, enhanced broadband connectivity, and



emergence of new technologies. Discuss various advantages and drawbacks of Digital Payments. **(OR)**

Undoubtedly, the Digital payments have gained momentum in today's e-Commerce world. However, there exists certain drawbacks of Digital payment due to which some set of people have their inhibitions in using this mode of payment. Discuss them.

Answer: e-Rupi is a new mode of cashless and contactless digital payment tool which is based on UPI system. It ensures seamless transfer of benefits to the citizens in a "leak-proof" manner. It is an e-voucher, which will be delivered to beneficiaries in the form of a QR code or SMS-string-based voucher through which the beneficiary can avail the facilities provided to him. These vouchers are person-and purpose-specific. e-RUPI is easy, safe, and secure and it keeps the details of the beneficiaries completely confidential. The entire transaction process associated in e-Rupi is faster and reliable. Any government agency and corporation can generate e-RUPI vouchers through their partner banks.

Important features of e-Rupi payment system are:

- It is a cashless and contactless digital payment tool.
- It is easy, safe, and secure and it keeps the details of the beneficiaries completely confidential
- It is based on Unified Payments Interface (UPI) system.
- It is a kind of e-voucher which is delivered in the form of a QR code or SMS-string-based voucher.
- It is person-and-purpose-specific which intends to transfer benefits to the citizens in a "leak-proof" manner.
- It can be redeemed by the beneficiary only for the purpose it is issued for.
- Government agency and corporation can generate e-RUPI vouchers through their partner banks.


Some advantages of Digital Payments are as follows:

- (i) **Easy and convenient:** Digital payments are easy and convenient. E-payment eliminates the security risks associated with handling cash.
- (ii) **Pay or send money from anywhere:** With digital payment modes, one can pay from anywhere anytime.

- (iii) **Discounts from taxes:** Government has announced many discounts to encourage digital payments.
- (iv) **Written record:** User often forgets to note down his/her spending, or even if nothing is done it takes a lot of time. These are automatically recorded in passbook or inside E-Wallet app. This helps to maintain record, track spending and budget planning.
- (v) **Less Risk:** Digital payments have less risk if used wisely.
- (vi) **Competitive advantage to business:** Digital payment enables businesses to make sales to customers who choose to pay electronically and gain a competitive advantage over those who accept payment only through traditional methods.
- (vii) **Environment Friendly:** Digital payment eliminates the use of paper.

Few disadvantages of Digital Payments are listed below:

- (i) **Difficult for a non-technical person:** As most of digital payment modes are based on mobile phone, the internet and cards; these modes are somewhat difficult for non-technical persons like farmers, workers etc.
- (ii) **Risk of data theft:** There is a risk of data theft associated with the digital payment. Hackers can hack the servers of the bank or the e-Wallet a customer is using and easily get his personal information and can use this information to steal money from the customer's account.
- (iii) **Overspending:** Digital payment methods can result in overspending due to non-involvement of physical cash.
- (iv) **Disputed transactions:** In case the electronic money such as credit card is misused by someone else, it is very difficult to receive a refund.
- (v) **Increased business costs:** Digital payment systems come with an increased need to protect sensitive financial information stored in a business's computer systems from unauthorized access.
- (vi) **Necessity of internet access:** Digital payment cannot be performed if Internet connection fails.

(Q.N. 31) Delhi University wants to conduct online exams for its different courses for which a contract is given to the IT vendor Online Business Tech Ltd. The vendor provides computing resources such as processing power, memory, storage, and networks to Delhi University users to run their online 

exam application on-demand. Identify the Service Model of Cloud Computing that vendor Online Business Tech Ltd. is providing to Delhi University and also describe its characteristics.

Answer: The Service Model provided by vendor Online Business Tech Ltd. to Delhi University is Infrastructure as a Service (IaaS). *Characteristics of Infrastructure as a Service (IaaS) of Cloud Computing are as follows:*

- **Web access to the resources:** The IaaS model enables the IT users to access IT infrastructure resources over the Internet.
- **Centralized Management:** The resources distributed across different parts can be controlled from central console that ensures effective resource management and effective resource utilization.
- **Elasticity and Dynamic Scaling:** Depending on the load, IaaS services can provide the resources and elastic services where the usage of resources can be increased or decreased according to the needs.
- **Shared infrastructure:** IaaS follows a one-to-many delivery model and allows multiple IT users to share the same physical infrastructure and thus ensure high resource utilization.
- **Metered Services:** IaaS allows the IT users to rent the computing resources instead of buying it. The services consumed by the IT user will be measured, and the users will be charged by the IaaS providers based on the amount of usage.

(Q.N. 32) Differentiate between Database, Data Warehouse & Data Mining.



Answer: Differences between Database, Data Warehouse & Data Mining are:

Database	Data Warehouse	Data Mining
It stores real time information generated or produced in the organisation. Example: In telecommunication sector, customer database stores	It stores both the historic & transactional data. Example: In telecommunication sector, information in a data warehouse will be used for product	This analyses data to find previously unknown trends. Example: In telecommunication sector, information will be analysed by data mining tools to

information related to monthly billing details, call records, minimum balance etc. of the customers.	promotions, decisions relating to sales, cash back offers etc.	<i>find out call duration with respect a particular age group from the entire data available.</i>
Its function is to record.	Its function is to report & used in data analyse.	Its function is to extract useful data.
Examples include MySQL, MS Access.	Examples include Teradata, Informatica.	Examples include R-Language, Oracle data mining.

(Q.N. 33) Briefly explain Cryptocurrency as a digital payment method.



Answer: Cryptocurrency is another electronic payment method that is gaining popularity. It is a digital currency produced by a public network, rather than any government, that uses cryptography to ensure that payments are sent and received safely. Cryptocurrency is called so because all the data is secured with strong cryptography. Cryptocurrency is completely decentralized, which means there are no servers involved and no central controlling authority. Since it is all online, the user can online transfer cryptocurrency to any other person. It can be used for making payments. Cryptocurrency is stored in a digital wallet. The first cryptocurrency was Bitcoin which was launched in 2009. Since then many cryptocurrencies came in the market. The other digital currencies such as DigiCash utilizes a Trusted Third Party approach in which a third party verifies and facilitates the transactions.

(Q.N. 34) Information Security that refers to ensure Confidentiality, Integrity and Availability of information, is critical in banking industry, to mitigate the risks of Information Technology. Identify and explain various sub-processes that are involved in Information Security.



Answer: The various sub-processes that are involved in information security are as follows:

- **Information Security Policies, Procedures and practices:** This refers to the processes relating to approval and implementation of information security. The security policy is basis on which detailed procedures and

practices are developed and implemented at various units/department and layers of technology, as relevant. These cover all key areas of securing information at various layers of information processing and ensure that information is made available safely and securely. Like Non-disclosure agreement with employees, vendors etc., KYC procedures for security.

- **User Security Administration:** This refers to security for various users of information systems. The security administration policy documents define how users are created and granted access as per organization structure and access matrix. It also covers the complete administration of users right from creation to disabling of users is defined as part of security policy.
- **Application Security:** This refers to how security is implemented at various aspects of application from configuration, setting of parameters & security for transactions through various application controls. Like Event Logging.
- **Database Security:** This refers to various aspects of implementing security for the database software. Like role based access privileges to employees.
- **Operating System Security:** This refers to security for operating system software which is installed in the servers and systems which are connected to the servers.
- **Network Security:** This refers to how security is provided at various layers of network and connectivity to the servers. Like use of virtual private networks for employees, implementation of firewalls etc.
- **Physical Security:** This refers to security implemented through physical access controls. Like disabling the USB ports.

(Q.N. 35) What are the disadvantages of e-business or e-commerce.



Answer: Following are the disadvantages of e-business or e-commerce:

- **Internet Connection:** Internet connectivity is a pre-requisite to perform online transactions and it may not be available in rural or remote areas thus people from those areas cannot do e-transactions.
- **High start-up costs:** Businesses may have to incur high start-up cost to establish an e-commerce business in the form of:
 - **Connection:** Connection costs to the Internet.
 - **Hardware/software:** This includes cost of sophisticated computer, modem, routers, etc.

- **Set up:** This includes employee work hours involved in the processes of setting up the systems.
- **Maintenance:** This includes costs of training employees and maintenance of Web-pages.
- **Legal issues:** Legal issues are significant obstacles in conducting business on the Internet. As the internet business expands, it brings new legal issues which the vendor needs to handle properly. The user data protection laws are also getting more stringent thereby increasing the probability of legal troubles.
- **Some businesses may never get into to e-commerce:** Businesses that deals in perishable food items or high-cost items such as jewellery and antiques may never get into e-commerce business due to the nature of products they deal in.
- **Cultural impediments to e-business:** Some customers are still fearful of using their credit card over the Internet. Many customers are uncomfortable with e-commerce and prefer traditional shopping only.
- **Security Concerns:** Technical obstacles including issues related to security and reliability of data over the internet are major concerns in online transactions due to the increased spywares and malwares in the internet.

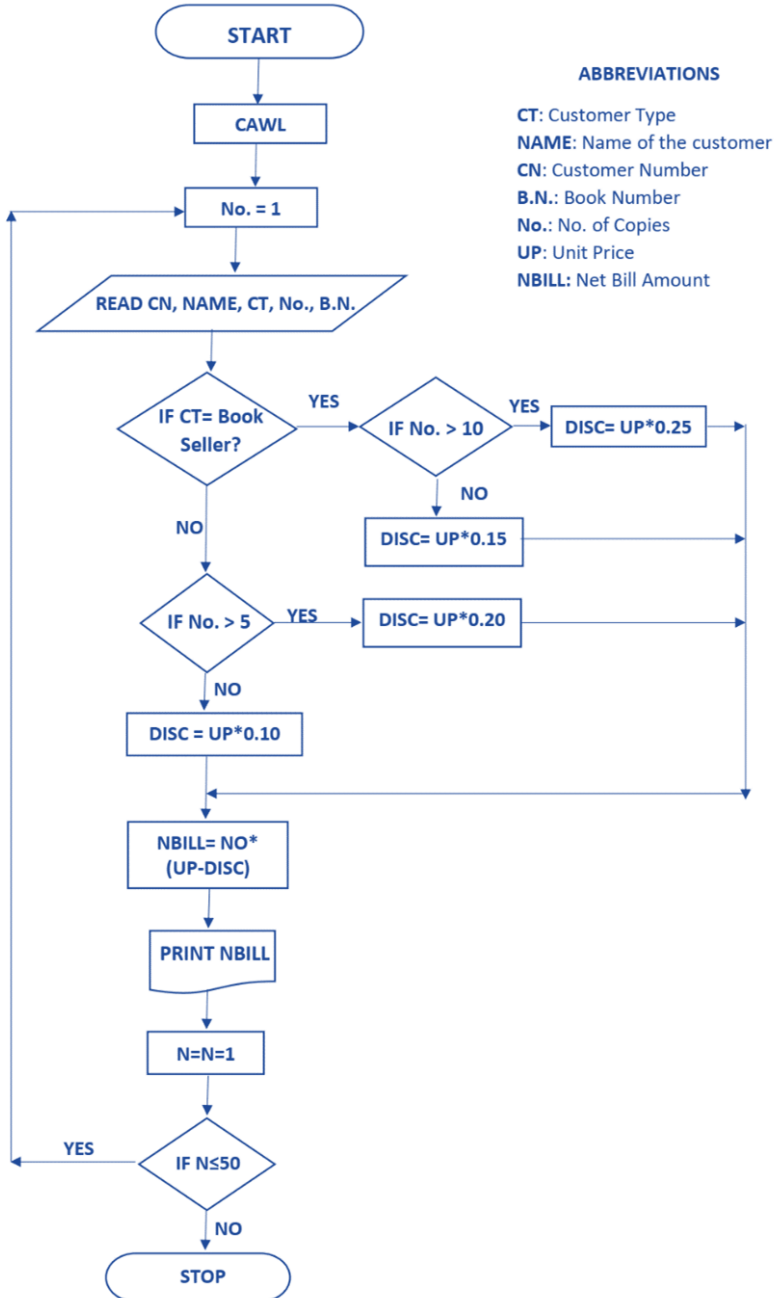
(Q.N. 36) A Book Publisher offers discount to customers on the basis of customer type and number of copies ordered as shown below:



Customer Type	Number of Copies Ordered	Discount %
Book Seller	More than 10	25
	Less than or equal to 10	15
Library	More than 5	20
	Less than or equal to 5	10

Customer number, name, type, book number, no. of copies ordered & unit price are given as input. Draw a flowchart to calculate the net amount of the bill for each customer and print it. Carry this for 50 customers.

Answer:



(Q.N. 37) What are the limitations of Mobile Computing?



Answer: The major limitations of Mobile Computing are:

- **Insufficient Bandwidth:** Mobile internet services are usually provided through GPRS, EDGE and 3G, 4G networks. Mobile internet speed is usually slower than the fixed internet connection.
- **Security Standards:** Security is a major concern in mobile computing field particularly due to the wireless nature of communication. There are security mechanisms like encryption, virtual private network (VPN) etc. but still security is a serious concern in mobile computing field.
- **Power consumption:** When a power plug is not available, mobile devices have to rely only on the battery power. Hence the battery capacity of mobile devices shall be strong enough to provide reasonable working time.
- **Transmission interferences:** Mobile signals can get affected by various factors like weather, nearest tower range etc. Also signal reception in basements, hilly areas etc. is often poor.
- **Potential health hazards:** Mobile devices may generate radiations due to which long usages of mobile devices may cause serious health issues. Using mobile devices while driving can cause road accidents.
- **Human interface with device:** Mobile devices have smaller screen and keyboard which makes them difficult to operate.

(Q.N. 38) What is data mining? Also steps what are the steps involved in Data Mining Process?



Answer: Data Mining is the process of analysing data to find previously unknown trends, patterns, and associations to make decisions. *The steps involved in the Data Mining process are as follows:*

- (a) **Data Integration:** Data are collected & integrated from different sources.
- (b) **Data Selection:** It may be possible that all the data collected may not be required hence entity should select only those data that are useful for data mining.
- (c) **Data Cleaning:** The data that is collected may not clean and may contain errors, missing values or inconsistent data. Thus, entity need to apply data cleansing techniques.

- (d) **Data Transformation:** Data even after cleaning are not ready for mining as it needs to be transformed into a common format.
- (e) **Data Mining:** Now various data mining tools and techniques are applied on the data to discover the hidden trends and patterns.
- (f) **Pattern Evaluation and Knowledge Presentation:** This step involves removing redundant patterns, visualization of patterns etc. from the patterns generated.
- (g) **Decisions/Use of Discovered Knowledge:** Finally user can use the knowledge acquired through the data mining process to take better decisions for its business.


(Q.N. 39) What do you understand by the term 'Risk Management'? What could be some risk management strategies? Explain briefly.



Answer: Risk Management is the process of assessing risk, taking steps to reduce risk to an acceptable level and maintaining that level of risk. Risk management involves identifying, measuring, and minimizing uncertain events affecting resources. **Following are the risk management strategies which can be adopted by the organisation in isolation or combination as required:**


- **Tolerate/Accept the risk** - Some risks may be considered minor by the management as their *impact and probability of occurrence may be low*. Such risks should be accepted as the risk as a cost of doing business. Such risks should be reviewed periodically to ensure their impact remains low.
- **Terminate/Eliminate the risk** - For the risks that have high probability and impact values, it may be best to avoid them altogether. Like if the risk is associated with the use of a technology, supplier, or vendor, it can be eliminated by replacing the technology with more robust products and by seeking more capable suppliers and vendors.
- **Transfer/Share the risk** - In this strategy, *risk is shared with trading partners and suppliers*. Like outsourcing infrastructure management. In such a case, the supplier mitigates the risks associated with managing the IT infrastructure. Risk also may be mitigated through insurance.
- **Treat/mitigate the risk** - Where other options have been eliminated, suitable controls must be devised and implemented to manage risk. Like risk mitigation is planning for the eventuality in case an enterprise won't

have sufficient capacity to deal with a very high demand. In that case, enterprise shall have a mitigation strategy in place that allows them to rapidly scale their capacity, or to subcontract the work.

(Q.N. 40) The IS auditor who is performing a comprehensive audit of an organization's information system & network system needs to perform a "points of presence" audit to discover what information is available about the organization's Internet presence. Briefly explain. 

Answer: The IS auditor who is performing a comprehensive audit of an organization's information system & network system needs to perform a "points of presence" audit to discover what information is available about organization's Internet presence. Some of the aspects in this regard are:

- **Search engines:** Google, Yahoo and other search engines should be searched to see what information about the organization is available. Searches should include names of company officers, management, key technologists or internal project names etc.
- **Social networking sites:** Social networking sites such as Facebook, LinkedIn, Twitter etc. should be searched to see what employees and others are saying about the organization. Any authorized or unauthorized "fan pages" should also be searched.
- **Online sales sites:** Sites such as Amazon and eBay should be searched to see if anything related to the organization is sold online.
- **Domain names:** The auditor should gather information for known domain names & related domain names.
- **Justification of Online Presence:** The auditor should examine business records to determine on what basis the organization established online capabilities such as e-mail, web sites, e-commerce, Internet access for employees etc. These services add cost and risks.

(Q.N. 41) Write a short note on the following E-Commerce Business Models 

- (i) e-Shops
- (ii) e-Malls
- (iii) Buyer Aggregators

Answer:

- (i) **e-Shops** - An e-shop is a virtual store that sells products and services online. Orders are placed and payments made. They are convenient way of direct sales to customers and allows manufacturers to bypass intermediaries and reduce costs & delivery times. Like www.dell.com.
- (ii) **e-Mall** - The e-mall is a e-retailing model of a shopping mall where different shops are situated in the ecommerce website. *They are mainly of following types:*
 - (a) **General stores/malls:** These are online stores that have a variety of items for sale and do not specialize in selling any one item and are thus called General stores. Like amazon.com as it provides platform to vendors to sell various products ranging from books, music, movies, electronics, toys, clothes etc.
 - (b) **Specialized stores/malls:** The specialized stores would sell only specialized items. Like 99acres.com is a website that specializes in buying and selling property and housing on an online platform.
- (iii) **Buyer Aggregators** - It brings together large numbers of individual buyers and provide products at reduced prices. In this, the firm contacts goods or service providers, make them their partners, and sell their products or services under its own brand. Example – www.zomato.com

(Q.N. 42) Country X plans to establish specific infrastructure setup with its access shared amongst members of the group constituting of some selected high-profiled dignitaries and officers from different ministries. The objective of the group is to carry out certain assignments related to nation's security and integrity. Which is the most suitable choice of the cloud under Cloud Computing? Discuss its advantages and limitations as well.




Answer: The most suitable choice is Community Cloud which is *the cloud infrastructure provisioned for exclusive use by a specific community of consumers from organizations that have shared concerns*. It may be owned, managed, and operated by one or more of the organizations in the community, a third party or some combination of them.

Advantages of Community Cloud are as follows:

- It allows establishing a low-cost private cloud.
- It allows collaborative work on the cloud.
- It allows sharing of responsibilities among the organizations.
- It has better security than the public cloud.

The limitation of the Community Cloud

- the autonomy of the organization is lost
- security features are not as good as the private cloud.
- not suitable in the cases where there is no collaboration.

(Q.N. 43) Enterprise Risk Management (ERM) may be defined as a process, affected by an entity's Board of Directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives. List the various benefits of Enterprise Risk Management available to a company. 

Answer: Enterprise Risk Management (ERM) provides following benefits to the organisations:

- Minimize Operational Surprises and Losses** - Due to Enterprise Risk Management (ERM), Entity will have enhanced capacity to identify the potential events and associated risks. It will help the entity to develop suitable response.
- Rationalize Capital** - Having better information about entity's total risk allows management to better assess the overall capital needs and improves capital allocation.
- Links Growth, Risk and Return** - ERM gives enhanced ability to identify and assess risk and management can accordingly establish acceptable risk levels relative to growth and return objectives.
- Align Risk Appetite and Strategy** - Risk appetite means degree of risk management of an entity is willing to accept in achieving its goals. Now once management establish the risk appetite, it will accordingly choose the strategy which will fall within the risk appetite of the management.

- (v) **Provides Integrated Response to Multiple Risk** - Instead of responding different risk in different ways, ERM will help the entity in providing an integrated response to multiple risk.
- (vi) **Seize Opportunities** - ERM exercise may bring events which may have potential opportunity there by letting the organization to seize those business opportunities.
- (vii) **Enhances Risk Response Decision** - It enables entity to identify & select most appropriate risk response decision to respond to any potential risk.

(Q.N. 44) ABC Ltd. is a coaching institute with its three branches in Delhi/NCR that provides coaching to engineering aspirants for various competitive examinations. The Institute wishes to develop an IT setup to initiate online coaching and assessment tests. To attain its objective, ABC Ltd. approaches an IT based company named KK Software Ltd. to develop the proposed system for them. Discuss in detail the activities that the Systems Development Management team of KK Software Ltd. would perform to develop the proposed system for ABC Ltd.



Answer: The activities that the Systems Development Management team of KK Software would perform to develop the proposed system for ABC Ltd. are:

- (a) **Problem definition and Feasibility assessment:** Information Systems can be developed to help resolve a problem or to take advantage of opportunities. All stakeholders shall have a common understanding on problem & should understand possible threats associated with possible solutions related to asset safeguard, data integrity, system effectiveness, and efficiency. The feasibility assessment is done to obtain a commitment to change and to evaluate whether cost effective solutions are available.
- (b) **Analysis of existing system:** Designers need to analyze the existing system that involves two major tasks:
 - Studying the existing organizational history, structure, and culture to determine whether there is a need and if so, the willingness of the stakeholders to change.
 - Studying the existing product and information flows and understand its strengths and weaknesses to determine the new system requirements and the extent of change required.

- (c) **Information Processing System design:** It involves following activities:
- (i) **Elicitation of detailed requirements:** Either ask the stakeholders for their requirement if they are aware about it or discover the requirement through analysis and experimentation in case stakeholders are uncertain about their needs.
 - (ii) **Design of data/information flow:** The designers shall determine the flow of data/information, its frequency and timing and the extent to which such flows will be formalized. Tools such as DFD can be used for this purpose.
 - (iii) **Design of Database & user interface:** Design of database involves determining its scope and structure, whereas the design of user interface specifies the ways in which users interact with a system.
 - (iv) **Physical design:** This involves breaking up the logical design into units & then implementation units such as programs & modules.
 - (v) **Design of the hardware/software platform:** In case the hardware & software platforms are not available or not supportive, the new platforms are required to be designed to support the proposed system.
- (d) **Hardware/Software acquisition & procedures development:** Entity shall acquire the hardware and software by asking vendors proposals and then evaluating them. During procedures development, designers shall involve the users.
- (e) **Acceptance Testing and Conversion:** Acceptance Testing is carried out to identify errors or deficiencies in the system prior to its final release. The conversion phase comprises the activities undertaken to place the new system in operation in place of existing system, if any.
- (f) **Operation and Maintenance:** In this phase, the new system is run and periodically modified to better meet the objectives. Organisation shall establish a formal process to identify and record the need for changes to a system and to authorize and control the implementation of such changes. The maintenance activities also needed to be approved and monitored carefully.

(Q.N. 45) Data Analytics involves much more than just analyzing the data and help the businesses to increase revenues, improve operational



efficiency and to respond more quickly to emerging market trends. Discuss the process of Data Analytics in detail. Data Analytics initiatives can help the businesses to increase revenues, boost business performances, improve operational efficiency, and gain a competitive edge in the market. Discuss various application areas where Data Analytics can play an instrumental role in achieving the mentioned benefits. **(OR)**


The Data Analytics applications involve many steps so that appropriate results can be produced which are useful for the management in decisions making. Discuss the processes involved in the Data Analytics Process.

Answer: The process of Data Analytics involves the following:

- **Data Collection:** The analytics process starts with data collection, in which *data scientists identify the information they need for an analytics application* and then work to assemble it for use. Data from different source systems may need to be combined via data integration routines transformed into a common format and loaded into an analytics system such as a Hadoop cluster, NoSQL database or data warehouse.
- **Find and Fix Data Quality Problem:** Once the data needed is in place, the *next step is to find and fix data quality problems that could affect the accuracy of analytics applications*. That includes running data profiling and data cleansing jobs to make sure that the information in a data set is consistent and errors and duplicate entries are eliminated. Data scientist builds an analytical model, using predictive modelling tools or other analytics software and programming languages like Python, Scala, R and SQL. Finally, the model is run in production mode against the full data set.
- **Building Analytical Model:** The last step in the data analytics process is communicating the results generated by analytical models to business executives and other end users to aid in their decision making. That usually is done with the help of data visualization techniques, which analytics teams use to create charts and other info graphics designed to make their findings easier to understand. Data visualizations are incorporated into Business Intelligence dashboard applications that display data on single screen and be updated in real time as new information becomes available.

Various application areas of Data Analytics are as follows:

- Data Analytics initiatives support a wide variety of business uses. Like, banks and credit card companies analyse withdrawal and spending patterns to prevent fraud and identity theft.
- E-commerce companies and marketing services providers do click stream analysis to identify website visitors who are more likely to buy a product or service based on navigation and page viewing patterns.
- Mobile network operators examine customer data to forecast so that they can take steps to prevent defections to business rivals; to boost customer relationship management efforts.
- Healthcare organizations mine patient data to evaluate the effectiveness of treatments for diseases.

(Q.N. 46) XYZ Ltd. has well implemented ERP systems, in which its Sales and Distribution Module has high level of integration complexity starting from enquiry to order and the ending with delivery. Discuss in detail the sub-processes involved in the Module. 

Answer: The Sales and Distribution Module of ERP systems of XYZ Ltd. has following subprocesses:

- Pre-Sales Activities:** Include prospecting of customers, identifying prospective customers, gathering data, contacting them and fixing appointments, showing demo, discussion, submission of quotations, etc.
- Sales Order:** Sales order is recorded in our books after getting a confirmed purchased order from our customer. Sales order shall contain details just like purchase order. For example Stock Item Details, Quantity, Rate, Due Date of Delivery, Place of Delivery, etc.
- Inventory Sourcing:** It includes making arrangements before delivery of goods; ensuring goods are ready and available for delivery.
- Material Delivery:** Material is delivered to the customer as per sales order. All inventory details are copied from Sales Order to Material Delivery. This transaction shall have a linking with Sales Order. Stock balance shall be reduced on recording of this transaction.
- Billing:** This is a transaction of raising an invoice against the delivery of material to customer. This transaction shall have a linking with Material

Delivery and all the details shall be copied from it. Stock balance shall not affect again.

- (vi) **Receipt from Customer/Payment:** Here amount is received from customer against sales invoice and shall have a linking with sales invoice.

(Q.N. 47) ABC Bank has introduced digital mode of remittance to make online transfer of funds from one place to another. Explain the various modes of Electronic Funds Transfer (EFT).



Answer: The various modes of Electronic Funds Transfer (EFT) are:

- (i) **Real Time Gross Settlement (RTGS)** is an electronic form of funds transfer where the transmission takes place on a real-time basis. In India, transfer of funds with RTGS is done for high value transactions, the minimum amount being ₹2 lakh.
- (ii) **National Electronic Funds Transfer (NEFT)** is a nation-wide payment system facilitating one-to-one funds transfer. Under the National Electronic Funds Transfer Scheme, individuals can electronically transfer funds from any bank branch to any individual having an account with any other bank branch in the country.
- (iii) **Immediate Payment Service (IMPS)** is an instant payment interbank electronic funds transfer system. IMPS offers interbank electronic fund transfer service through mobile phones. Unlike NEFT and RTGS, the service is available 24/7 throughout the year including bank holidays.

(Q.N. 48) Grid Computing is special kind of distributed computing model used to solve complex problems among different interconnected domains with each domain administrated independently and free to deploy technologies. Briefly explain the constraints that should be considered to develop the security architecture of Grid Computing.?




Answer: To develop security architecture of Grid Computing, constraints considerations that need to be kept in mind are as follows:

- **Single Sign-on:** Grid computing system use identity-based username and password, authentication, and authorization control. To access resources from different administrative domains having different security mechanisms, the user needs to authenticate to different domains. This is


a very irritating and time-consuming process. To resolve this issue, a mechanism should be established in which a user authenticates once only and then are able to acquire resources, use them, and release them and to communicate internally without any further authentication.

- **Resource Management:** Grid resources are from different administrative domains that have their own local resource managers, and a grid does not have full control of these resources. Allocation of resources and managing these resources without ownership is a big issue.
- **Management and Protection of Credentials:** The different multiple systems involved in grid computing require different credentials to access them. The credential management and protection of users' credentials such as passwords are big issues involved in grid computing.
- **Interoperability with local security solutions:** The grid security mechanism may provide access to different domains with a single sign-on, access to a local resource will typically be determined by a local security policy at a local level. Despite of modifying every local resource there is an inter-domain security server for providing security to local resource.
- **Standardization:** Grid computing as a highly integrated system involves multi-purpose protocols and interfaces. Standardizing these protocols and interfaces is a big issue in grid computing.
- **Exportability:** The code should be exportable i.e. they cannot use a large amount of encryption at a time.
- **Support for secure group communication:** In a communication, there are number of processes which coordinate their activities. This coordination must be secure and for this there is no such security policy.
- **Support for multiple implementations:** There should be a security policy which should provide security to multiple sources based on public and private key cryptography.

(Q.N. 49) Data in each business is considered as a unique resource and therefore its security is a primary concern for organizations as various risks are associated with it. Briefly discuss the Asynchronous attacks that fall under Data related risks. 

Answer: The Asynchronous attacks of automated environment that fall under Data Related Risks are of following types:

- **Data Leakage:** This involves leaking information out of the computer by means of dumping files to paper or stealing computer reports and tape.
- **Subversive Attacks:** These can provide intruders with important information about messages being transmitted and the intruder may attempt to violate the integrity of some components in the sub-system.
- **Wire-Tapping:** This involves spying on information being transmitted over communication network.
- **Piggybacking:** This is the act of following an authorized person through a secured door or electronically attaching to authorized telecommunication link that intercepts and alters transmissions. This involves intercepting communication between the operating system and the user and modifying them or substituting new messages.

(Q.N. 50) RBI has prescribed comprehensive Cyber Security Framework for banks to ensure effective information security governance in CBS environment. Specify the key measures required to implement Network Security and Secure configuration in digital environment of bank. 


In Core Banking System, what do you think shall be the key features of the full-fledged security policy that needs to be developed and implemented to ensure Confidentiality, Integrity and Availability of data and information.

Answer: The key measures required to implement Network security and secure configuration in digital environment of bank are as follows:

- (i) Multi-layered boundary defense through proxy servers, firewalls, intrusion detection systems to protect the network from any malicious attacks and to detect any unauthorized activities.
- (ii) Different LAN segments for in-house/onsite ATM and CBS/branch network to have adequate bandwidth to deal with the volume of transactions so as to prevent slowing down and lower efficiency.
- (iii) To ensure secure network configuration, proper usage of routers, hubs and switches should be made.
- (iv) Periodic security review of systems and terminals to assess the network's vulnerability and weaknesses.
- (v) Identification of the risks to ensure that it is within the bank's risk appetite and are managed properly.

In CBS, the full-fledged Security policy that needs to be developed and implemented to ensure Confidentiality, Integrity, and Availability (CIA) of data and information shall have following key features:

- Implementation of bank specific email domains with anti-phishing and antimalware software with controls enforced at the email solution.
- Two factor authentication.
- Implementation of Password Management policy.
- Effective training of employees to educate them to strictly avoid clicking any links received via email.
- Proper reporting mechanism to save the banks from the effects of misconduct including legal liability, reputational harm, and financial losses.
- Required to conduct effective due diligence and oversight to thoroughly assess the credentials of vendors/third party service providers/partners.
- Effective change management process to record/ monitor all the changes that are moved/ pushed into production environment.
- Robust configuration management processes to register changes to business applications, supporting technology, service components and facilities.
- Incident response and management mechanism to take appropriate action in case of any cyber security incident.
- Capturing of the audit logs pertaining to user actions and an alert mechanism to monitor any change in the log settings.
- Continuous surveillance to stay updated about emerging cyber threats.

(Q.N. 51) In any Information System, various controls are implemented to prevent, detect, and facilitate the correction of several risks. Describe various levels at which implementation of these controls are required to be examined in computer system. 

Answer: In computer systems, *controls should be checked at three levels namely Configuration, Masters, and Transaction level.* These are as follows:

- (i) **Configuration:** Configuration refers to the way a software system is set up. When any software is installed, values for various parameters should be set up (configured) as per policies and business process work-flow and business process rules of the enterprise. The various modules of the

enterprise such as Purchase, Sales, Inventory, Finance, User Access etc. must be configured. Configuration will define how software will function and what menu options are displayed. Some examples of configuration are Mapping of accounts to front end transactions like purchase and sales, User activation and deactivation, User Access and privileges - Configuration and its management and Password Management.

- (ii) **Masters:** Masters refer to the way various parameters are set up for all modules of software, like Purchase, Sales, Inventory, and Finance etc. These drive how the software will process relevant transactions. The masters are set up first time during installation and these are changed whenever the business process rules or parameters are changed. Examples are Vendor Master, Customer Master, Material Master, Accounts Master, Employee Master etc. Any changes to these data have to be authorized by appropriate personnel and these are logged and captured in exception reports. The way masters are set up will drive the way software will process transactions of that type. Like Customer Master will have the credit limit of the customer. When an invoice is raised, the system will check against the approved credit limit and if the amount invoiced is within the credit limit, the invoice will be created, if not the invoice will be put on “credit hold” till proper approvals are obtained.
- (iii) **Transactions:** Transactions refer to the actual transactions entered through menus and functions in the application software, through which all transactions for specific modules are initiated, authorized, or approved. Like Sales transactions, Purchase transactions, Stock transfer transactions, Journal entries and Payment transactions.

(Q.N. 52) You are required to prepare a brief description on the Financial Accounting Module stating its key features.



Answer: Financial Accounting Module is one of the most important modules of the ERP system which also connects different modules to each other. *Key features of this module are:*

- (i) Tracks and integrates financial & accounting data across the organisation.
- (ii) Creation of organisational structure (like defining company, company codes, business areas, functional areas etc.)

- (iii) Financial accounting global setting (like setting fiscal year, posting period, document types etc.)
- (iv) Tax configuration and creation and maintenance of house of banks.
- (v) Accounting of assets & liabilities.
- (vi) Accounting of accounts payable.
- (vii) Accounting of accounts receivables.

(Q.N. 53) Mr. A is a System Administrator of the company who must ensure the protection of Operating System used in information system of the company. How can this purpose be achieved?



Answer: Some of the ways through which the operating system protection can be achieved are as follows:

- **Automated terminal identification:** This will help to ensure that a specified session could only be initiated from a certain location or a computer terminal.
- **Terminal log-in procedures:** A log-in procedure is the first line of defence against unauthorized access. When the user initiates the log-on process by entering user-id and password, the system compares the ID and password to a database of valid users and accordingly authorizes the log-in.
- **Access Token:** If the log-in attempt is successful, the operating system creates an access token that contains key information about the user including user-id, password, user group and privileges granted to the user.
- **Access Control List:** This list contains information that defines the access privileges for all valid users of the resource. When a user attempts to access a resource, the system compares his user-id and privileges contained in the access token with those contained in the access control list. If there is a match, the user is granted access.
- **Discretionary Access Control:** The system administrator usually determines who is granted access to specific resources and maintains the access control list. However, in distributed systems, resources may be controlled by the end-user.
- **User identification and authentication:** The users must be identified and authenticated in a fool-proof manner. Depending on risk assessment,

more stringent methods like Biometric Authentication or Cryptographic means like Digital Certificates should be employed.

- **Password management system:** An operating system could enforce selection of good passwords. Internal storage of the password file should not be accessible to users.

(Q.N. 54) List some of the tasks that can be performed by the XBRL software. APC Ltd. is a garment manufacturing company established in the year 2000. For so long, the company has been successfully running its business. With sustainability at the forefront, APC Ltd. is now focusing more on meeting increasing customer demands with recycled, biodegradable, and bio-based materials. The company speculates that with this new initiative, the company may face business risks that may lead to serious loss of profits. Explain various business risks that company may face.



Answer: XBRL makes reporting more accurate and efficient. Some of the tasks performed by XBRL are:


- People can publish report with confidence that information provided in the report will be used and analyzed correctly.
- People can use information provided in report with confidence that data provided to them are as per the pre-defined rules and definitions.
- Through XBRL, people can use the information in the way that best suits their needs like different language, currency etc.

Various Business Risks that APC Ltd. may face are as follows:

- **Strategic Risks:** These are the risks *that would prevent an organization from accomplishing its objectives*. Like risks related to strategy, political, economic relationship issues with suppliers and global market conditions; reputation risk, leadership risk, brand risk, and changing customer needs.
- **Financial Risks:** Financial risks are those risks that could result in a *negative financial impact to the organization*. Like volatility in foreign currencies, interest rates, and commodities, credit risk, liquidity risk, and market risk.
- **Regulatory (Compliance) Risks:** This includes risks that could expose the organization to fines and penalties from a regulatory agency due to non-compliance with laws and regulations. Like violation of laws or regulations

governing areas such as environmental, employee health and safety, lack of due diligence, protection of personal data in accordance with laws.

- **Operational Risks:** Operational risks include those risks that *could prevent an organization from operating in the most effective and efficient manner* or be disruptive to other operations due to inefficiencies or breakdown in internal processes, people & systems. Like loss resulting from inadequate or failed internal processes, product/service failure etc.
- **Hazard Risks:** Hazard risks include *risks that are insurable*, such as natural disasters, impairment of physical assets, terrorism etc.
- **Residual Risks:** This includes any risk remaining even after the counter measures are analyzed and implemented. Even when safeguards are applied, there is probably going to be some residual risk.

(Q.N. 55) During the job interview, an interviewer asked Mr. Suresh to explain the Procure to Pay business process and risks and control objectives of Procure to Pay (P2P) business process at the Masters level that an organisation should consider. Prepare an appropriate draft reply. 

Answer: The various risks and control objectives associated with the Procure to Pay (P2P) business process are as follows:

S.N.	Risk	Control Objective
1.	System access to supplier master not restricted to authorized users only	System access to supplier master restricted to authorized users only
2.	Supplier master not upto date	Supplier master are upto date
3.	Invalid changes made to the supplier master	Only valid changes made to the supplier master
4.	Changes made to supplier master not correct	Changes made to supplier master are correct
5.	All valid changes in supplier master not input or processed	All valid changes in supplier master are input & processed
6.	Changes to supplier master delayed or not processed in the timely manner	Changes to supplier master are processed in timely manner.

(Q.N. 56) State the main reasons that why separate front-end and back-end is needed in the software.



Answer: Reasons of having separate front end & back end in the software are as follows:

Reasons	Explanation
Domain Expertise	Front end part of the software is meant <i>for dealing with the users</i> . Back end is meant for storing and processing of data.
Presentation	Front End is capable of presenting the information in <i>proper format, colours, fonts etc</i> . Back End is not meant for it.
User Experience	Front end <i>provides user interface to the user through which he can interact with the software</i> and thereby providing great user experience. Front end handles processed data while back end handles raw data.
Speed	Using single software for both the aspects would increase the load and slow down the speed. <i>Separate back end software is used for handling data only</i> . This reduces the load and increases speed of operations.
Language	Front end <i>speaks in the language which could be understood by the user and understands language spoken by the Backend</i> . Back end <i>speaks in technical language not understood by a layman</i> . Front end can speak in both the languages, user's language and technical language.

(Q.N. 57) Write a short note on the risk and controls in the loans and advances process. Nowadays, CBS become a mandatory requirement to provide a range of services demanded by customers and the competitive banking environment. All the Front -end and Back-end applications of CBS relate to the Central server. Briefly discuss various Back-End applications of CBS whose related transactions are interfaced with central server.



Answer: Risk & key controls loans and advances process flow are as follows:

S.N.	Risk	Key Controls
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1.	Credit line setup is unauthorized and not in accordance with the bank's policy	The credit team shall check the financial ratios, net worth and other factors before offering the credit line to the client.
2.	Credit lines set up in CBS is unauthorized	Access rights to authorize the credit limit should be restricted to authorized persons only
3.	Breach of credit line set up	Transactions cannot be made if aggregate limit of outstanding amount exceeds the credit limit assigned to the customer.
4.	Customer master defined in CBS is not in accordance with pre-disbursement certificate	Access rights to authorize the customer master in CBS should be restricted to authorized persons only.
5.	Inaccurate interest or charges being calculated	Interest or charges should be calculated automatically in the CBS software as per the defined rules and masters.
6.	Lower interest or commission charged	Loan or other credit facility will be restricted by CBS if interest or commission is charged is lower than what has been defined in the Customer Master in CBS.

Various Back-End applications of Core Banking System (CBS) whose related transactions are interfaced with central server are as follows:

- **Back Office:** The Back Office is the portion of a company *made up of administration and support personnel*, who are not client-facing. Back-office functions include settlements, clearances, record maintenance, regulatory compliance, accounting and IT services. Back Office professionals may also monitor employees' conversations to make sure they are not trading forbidden securities on their own accounts.
- **Data Warehouse:** Data warehouses take care of the difficult data management like digesting large quantities of data and ensuring accuracy and make it easier for professionals to analyze data.
- **Credit-Card System:** Credit card system provides customer management, credit card management, account management, customer information

management and general ledger functions; provides the online transaction authorization and service of the bank card in each transaction channel of the issuing bank; support in the payment application; and at the same time, the system has a flexible parameter system, complex organization support mechanism and product factory based design concept to speed up product time to market.

- **Automated Teller Machines (ATM):** An ATM is an electronic banking outlet that allows customers to complete basic transactions without the aid of a branch representative. Anyone with a credit card or debit card can access ATMs. ATMs are convenient, allowing consumers to perform quick, self-serve transactions like deposits, withdrawals, bill payments etc.

(Q.N. 58) Discuss various Commercial Laws that govern e-Commerce or m-Commerce transactions in India.



Answer: Various commercial laws are applicable to e-commerce and m-commerce transactions in India are as follows:

- **Income Tax Act, 1961:** Income Tax Act contains provisions regarding the taxation of income of companies engaged in the e-commerce and m-commerce business in India.
- **Companies Act, 2013:** As most of the merchants in e-commerce / m-commerce business are companies, the companies Act is directly applicable on them.
- **Foreign Trade (Development and Regulation) Act, 1992:** This is an act to provide for the development and regulation of foreign trade by facilitating imports into and exports from India.
- **The Custom Act, 1962:** This act defines import and export of goods or services from India and provides for levy of customs duty.
- **The Goods and Services Tax Act, 2017 (GST):** This Act requires e-commerce/m-commerce merchants to comply with various provisions like uploading invoices, filing return, payment of tax etc.
- **Consumer Protection Act, 1986:** This law protects the consumer rights in the e-commerce and m-commerce transactions.

(Q.N. 59) Write a short note on the general ledger process and list the various steps involved in it.



Answer: General Ledger is the *process of recording the transactions in the system to finally generating the financial reports* like Balance Sheet, Profit and Loss Account, Cash Flow Statement etc. The input for the General Ledger Process Flow is the financial transactions and the outputs are various types of financial reports. **The steps in the general ledger process flow are as follows:**

- (i) Entering financial transactions into the system
- (ii) Reviewing Transactions
- (iii) Approving Transactions
- (iv) Posting of Transactions
- (v) Generating Financial Reports

(Q.N. 60) Internal controls must be integrated in the IT solution implemented at the bank's branches to mitigate risks. State few examples indicating the internal controls in banks.




Mr. Rajesh has a saving bank account in DEF co-operative bank since December 2017. He wants to setup his new business venture and therefore he applied for the loan of ₹5 lakhs in his bank. Discuss various risks that should have been controlled by Core Banking System (CBS) of DEF co-operative bank before disbursing the loan and advances to Mr. Rajesh.

Answer: Some of the internal controls that could be adopted by the Bank or Bank Branch are:

- Work of one staff to be verified by another staff (maker-checker principle).
- System of job rotation exists for staff.
- Fraud-prone items such as currency, demand draft, deposit receipts etc. should be in the custody of at least two officials.
- Financial & administrative powers of officials should be fixed & communicated to all concerned person.
- Branch manager must *send periodic compliance report* to his controlling authority.
- All books should be periodically balanced and balancing should be confirmed by authorized officials.


Various risks that should have been controlled by CBS of DEF Co-operative bank before disbursing the loan and advances to Mr. Rajesh are as follows:

- Credit Line setup is unauthorized and not in line with the bank's policy.
- Credit Line setup is unauthorized and not in line with the bank's policy.
- Masters defined for the customer are not in accordance with the re-Disbursement Certificate.
- Credit Line setup can be breached in Loan disbursement system/CBS.
- Lower rate of interest/ Commission may be charged to customer.
- Facilities/Loan's granted may be unauthorized/in- appropriate.
- Inaccurate interest / charge being calculated in the Loan disbursal system.

(Q.N. 61) E-commerce business is subject to various risks and it is necessary to protect it from those risks. As an IT consultant, you are required to give some tips to an aspiring e-commerce vendor so that his business can be protected from intrusion. 

Answer: Some of the tips to protect any e-Commerce business from intrusion are as follows:


- **Viruses** – Entity should protect itself from viruses as viruses may cause loss of valuable data.
- **Hackers** – Entity should regularly assess its capability to protect itself from hackers.
- **Regular software updates** – Website of the e-commerce vendor should be up to date with the latest security software.
- **Passwords** – Ensure that password are changed at regular intervals & password used by former employee are made ineffective.
- **Sensitive data** – Use encryption software & other security software to protect sensitive data.

(Q.N. 62) List the various vouchers used in the inventory module of the accounting software and also mention their uses. 

Answer: The various vouchers used in the inventory module and their uses are as follows:

S.N.	Voucher Name	Module	Uses
I.	Purchase Order	Inventory	For recording <i>purchase order raised on</i> vendor.

II.	Sales Order	Inventory	For recording <i>sales order received</i> from customer.
III.	Stock Journal	Inventory	For recording <i>physical movement of stock</i> from one location to another.
IV.	Physical Stock	Inventory	For making <i>corrections in stock after physical counting</i> .
V.	Delivery Note	Inventory	For recording <i>physical delivery of goods sold</i> to a customer.
VI.	Receipt Note	Inventory	For recording <i>physical receipt of goods purchased</i> from vendor.

(Q.N. 63) ERP implementation is the difficult task as the organization which is in the process of implementing ERP should keep abreast of latest technological development. Describe the different risks associated with technology while implementing ERP. 

Answer: The organizations implementing ERP system should be updated about the latest technological developments. The associated risks and related controls are as follows:

Aspect	Associated Risk	Control Required
Software Functionality	ERP system may have many functions and features all of which may not be needed by the entity.	Entity should <i>choose only those features & functions that it actually requires</i> and also ensuring support of additional features that might be needed by it in the future.
Technological Obsolescence	As technology evolves, the ERP system in use of the entity may become obsolete.	Entity need to select the latest technologies and architectures for the ERP system and also ensure the timely upgradation of it.
Enhancement and Upgrades	ERP system are not kept up to date and upgraded as necessary or patches or	Entity should <i>carefully choose vendors & properly signed the updation and support contracts</i> with them.

	updates are not installed properly.	
Application Portfolio Management	As the business expands, entity might need new applications & business modules to fulfil business needs and deliver new projects.	The Entity should carefully manage the need of applications and business modules to reduce the duplication & complexity.

(Q.N. 64) What is Segregation of Duties. Also mention any three Segregation of Duties Controls to be considered by the organisation.



(OR) Discuss the concept of Segregation of Duties (SoD) with example.

Answer: Segregation of Duties (SOD) ensures that *single individuals do not possess excess privileges that could result in unauthorized activities such as fraud or the manipulation of sensitive data*. Some of the SOD controls organisation should consider are as follows (Examples of SOD Controls):

- **Transaction Authorization:** Information systems can be programmed to require two or more persons to approve certain transactions. Like in banking industry there is the signatory requirement by a senior level manager also when transaction value exceeds certain limit.
- **Split custody of high-value assets:** High value assets can be protected using split custody. Like Banks do this for central vaults, where a vault combination is split into two or more pieces so that two or more persons are required to open it. Hence through proper SOD, high value assets can be protected.
- **Periodic reviews:** IT personnel should periodically review user access rights to identify whether any segregation of duties issues exist. This review is necessary for the effective SOD mechanism.

(Q.N. 65) Do the growing reliance on technology, IT risks are becoming major security threats for the banking industry. Write a short note on the IT Controls in Bank.



Answer: Do the growing reliance on technology, IT risks are becoming major security threats for the banking industry. If left unchecked, IT risks can lead to

serious consequences for the banks and adversely impact its business. Sample list of IT related controls are:

- System to maintain the record of all log-ins and log-outs.
- System access to be available only during stipulated hours and days.
- There should be a user time-out system where if no activity is performed from a logged-in account for a certain period, user will be automatically logged-out.
- Once end-of-the day process are over, ledger can be opened only with a supervisory level password.
- If transaction wants to post something in the in-operative or dormant account, it can be done only with a supervisory level password.
- Users can access only specified data and files and access rights should be given on 'need to know' basis based on their role in organisation.
- All exception situations like limit excess, reactivating dormant account etc. can be done only with a supervisory level password.

(Q.N. 66) List some of the questions that a Chartered Accountant should ask during the ERP system audit of BRD Ltd.



Answer: Some of the questions that Mr. Sarvan should ask during the ERP system audit of BRD Ltd. are as follows:

- Is there an ERP system administrator with clearly defined responsibilities?
- Does the system process data according to Indian GAAP and generally accepted auditing standards?
- Does it meet the regulatory and organizational reporting needs?
- Does system protect confidentiality and integrity of information assets?
- Does system protect the information assets from unauthorized access and uses?
- Have entity adopted a role-based access control?


(Q.N. 67) Database Management System (DBMS) provides the facility to create and maintain a well organised database for any enterprise.



Describe the various advantages of Database Management System used in an organization.

Answer: Major advantages of Database Management System (DBMS) are:

- **Permitting Data Sharing:** One of the main advantages of a DBMS is that the same information can be made available to different users.
- **Minimizing Data Redundancy:** In a DBMS, duplication of information is controlled and reduced i.e. there is no need to repeat the same data again and again. It reduces cost of data storage on storage devices.
- **Integrity can be maintained:** Data integrity is maintained by having accurate, consistent, and up-to-date data. Updates and changes to the data only must be made in one place in DBMS ensuring Integrity.
- **Program and File consistency:** Using a DBMS, file formats and programs are standardized. The level of consistency across files and programs makes it easier to manage data when multiple programmers are involved as same rules & guidelines apply across all types of data.
- **User-friendly:** DBMS makes the data access and manipulation easier for the user. DBMS also reduces the reliance of users on computer experts to meet their data needs.
- **Improved security:** DBMS allows multiple users to access the same data resources securely. Using passwords, DBMS can be used to restrict data access to only those who should see it.

(Q.N. 68) The management of the company PQR wants to get audit of its Logical Access controls that are implemented in the company's infrastructure and information systems. As an IS Auditor, determine the checklist while Auditing User Access Logs. 

Answer: The IS auditor needs to determine what events are recorded in access logs. He needs to understand the capabilities of the system being audited and determine if right events are being logged or not.

- **Centralized access logs:** IS auditor should determine if organization's access logs are centrally managed or stored in individual systems.
- **Access log protection:** The auditor needs to determine if access logs can be altered, destroyed, or attacked to cause the system to stop logging events. For sensitivity environments, he needs to determine if logs should be written to media that is unalterable like optical WORM media.
- **Access log review:** The IS auditor needs to determine if there are policies, processes, or procedures for *access log review* & how it is functioning.

- **Access log retention:** The IS auditor should determine how long access logs are retained by the organization and if they are back up.

(Q.N. 69) List any seven risks associated with E-Commerce. **(OR)**



Though the e-commerce industry has grown exponentially, every e-commerce business has unique rules and regulations to follow, and cybersecurity is a top priority to ensure all data stored online is protected and vulnerable to online security breaches and cyberattacks. As an e-commerce business owner, you have unique challenges compared to brick-and-mortar shop owners. Discuss various risks associated in an e-business environment.

Answer: Some of the risks associated with e-commerce transactions are:


- Quality issues** - Delivered product may be different from the actually ordered or the delivered product may be of inferior quality.
- Privacy & Security** - In e-commerce transactions as data is needed to be transacted online, privacy & security of data is a major concern. Also, there is threat of theft, copy or duplication of data.
- Hidden Costs** - Particularly in case of goods ordered from other countries, there may be hidden costs imposed by the company.
- Need of Internet Connectivity** - To conduct e-commerce transaction, stable internet connectivity is a prime requirement.
- Lack of Infrastructure** - Growth of e-commerce needs not only digital infrastructure but also physical infrastructure like roads, railway etc. In developing countries, this is a major challenge.
- Non-Recognition of e-transaction** - If e-transaction & digital signature is not recognised as evidence in the court, e-commerce can never grow.
- Problem of privacy** - If intellectual property are transacted through e-commerce platform, there are very high risk of its privacy.

(Q.N. 70) A renowned travel agency ABC Private Ltd. wishes to implement an automated Grievance Management System at its workplace to manage and handle the problems with an aim of solving them. Determine the major benefits that will be drawn out of automating this Grievance related business process.



Answer: The major benefits that will be drawn out of automating the Grievance related business process and implementing the Grievance Management System are as follows:

- **Time Saving:** As repetitive processes are automated, it saves lot of employee's time.
- **Reduced Costs:** Manual tasks are performed at slower rate than an automated task and consumes more time and resources. Automation results in cost saving.
- **Reduced Turnaround Times:** Automation of process reduces the associated time and streamlines the entire process. This helps in reducing the turnaround time.
- **Improves Operational Efficiency:** Automation of processes helps in reducing errors and mistakes associated with manual process. This helps in the smooth running of the system and improves operational efficiency.
- **Quality & Consistency:** Task performed by automated system produces identical result every time which results in high quality and consistency.
- **Visibility:** As automated processes are controlled and operated within a specified range, it gives better visibility of the process status to the entity.

(Q.N. 71) To improve the efficiency and reduce the overall time, AB Ltd. wishes to automate its purchase order generation process. Prepare a list of various steps that are required to be taken while automating the purchase order generation process & explain each of the steps briefly. 

Answer: Various steps involved in the automation of the purchase order generation process are as follows:

Step 1: Define why we plan to go for a BPA? - The first step is AB Ltd. needs to justify the reasons of automation. Some of the issues due to which it wants to go for BPA may be:

- *Non-availability of critical raw material*
- *Situation of stock out*
- *Delay in the manual processing of purchase order etc.*
- *Cancellation of orders by the customers*
- *Imposition of fines and penalties*

Step 2: Understand the rules/regulation which needs to comply with - AB Ltd. should consider the applicable rules or regulations, if any, in the automation of the purchase order generation process by it. AB Ltd. should also consider its internal corporate policies and industry practices, if any.

Step 3: Document the process, it wishes to automate - AB Ltd. should properly document its present process of purchase order generation. While documenting the present process, it should clearly mention all the steps involved in the existing process, its order etc.

Step 4: Define the objectives to be achieved by implementing BPA - The objective which AB Ltd. is trying to achieve through the process automation task should be established. Objective should be SMART.


Step 5: Engage the business process consultant - AB Ltd. should engage the process consultant after considering his reputation, experience etc.

Step 6: Calculate the ROI for project - The company should calculate the ROI from the BPA project. For calculating the ROI, entity should determine the cost involved in the BPA exercise and the expected benefits from the BPA. *The benefits include:*

- Reduction in stock-out situation.
- Elimination of delays occurring in production
- Increase in profit due to increased sales
- Reduction of fines & penalties etc.

Step 7: Developing the BPA - Once top management allows, consultant develops necessary BPA for the purchase order generation process.

Step 8: Testing the BPA - Before making the process live, it should be thoroughly tested.

(Q.N. 72) Executive managers are the chief leaders and policymakers in the organisation. They set objectives and work directly with the organization's senior management. What are the major job titles in this area? 

Answer: The major job titles in this area are as follows:

- (i) **CIO (Chief Information Officer):** They are the topmost leaders in the IT field of the organisation.
- (ii) **CTO (Chief Technical Officer):** Responsible for entity's overall technology strategy.
- (iii) **CSO (Chief Security Officer):** Responsible for all aspects of security like information security, physical security etc.
- (iv) **CISO (Chief Information Security Officer):** Responsible for all aspects of data-related security. It includes incident management, disaster recovery, vulnerability management etc.
- (v) **CPO (Chief Privacy Officer):** Responsible for the protection and use of personal information and mostly found in the organizations that collect & store sensitive information for large numbers of persons.

(Q.N. 73) An E-commerce site has the following cash back offers.



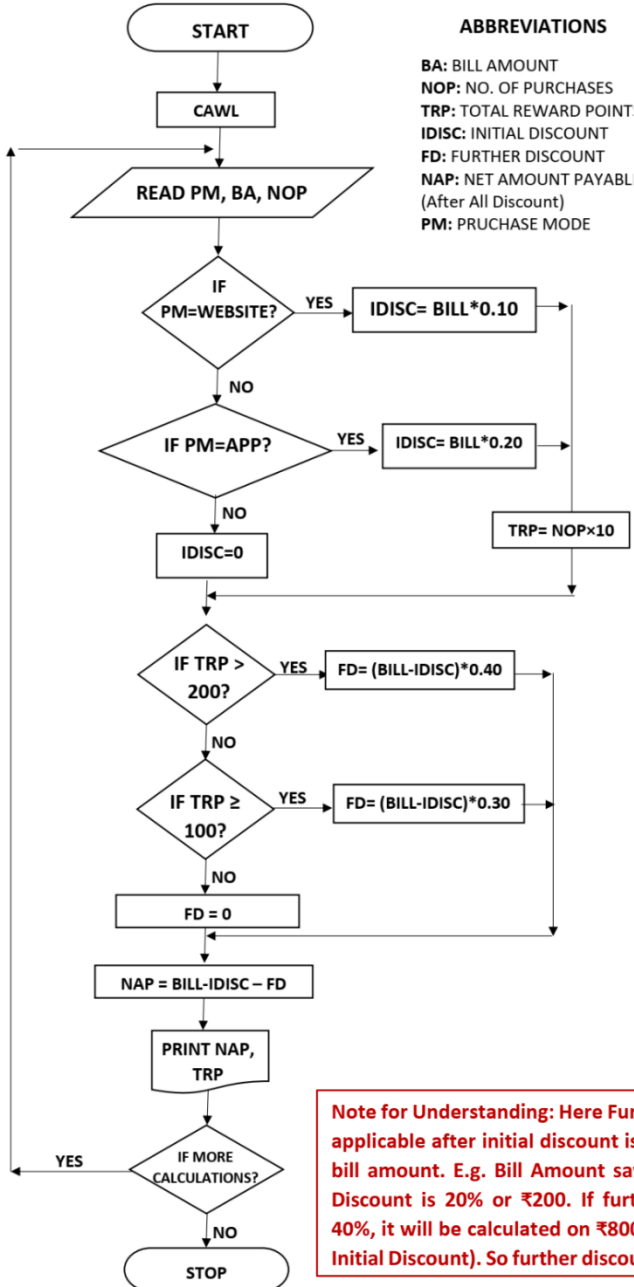
- If the purchase mode is via website, an initial discount of 10% is given on the bill amount.
- If the purchase mode is via phone app. An initial discount of 20% is given on the bill amount.
- If done via any other purchase mode, no discount.

Every purchase eligible to discount is given 10 reward points.

- If the reward points are between 100 and 200 points, the customer is eligible for a further 30% discount on the bill amount after initial discount.
- If the reward points exceed 200 points, the customer is eligible for a further 40% discount on the bill amount after initial discount.

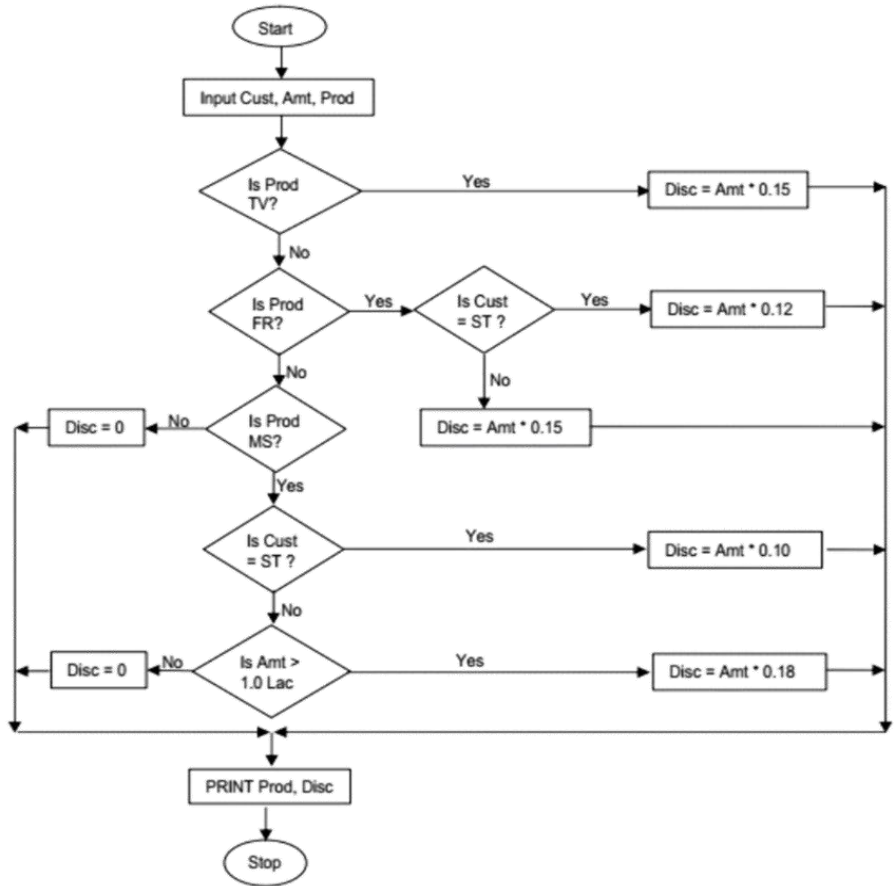
Taking purchase mode, bill amount and number of purchases as input draw a flowchart to calculate and display the total reward points and total bill amount payable by customer after all the discount calculation.

Answer:



Note for Understanding: Here Further Discount is applicable after initial discount is applied on the bill amount. E.g. Bill Amount say ₹1,000. Initial Discount is 20% or ₹200. If further discount is 40%, it will be calculated on ₹800 (Bill Amount – Initial Discount). So further discount will be ₹320.

(Q.N. 74) Frame the problem for which the given flowchart has been drawn. Abbreviations are: Cust: Client, Prod: Product, Amt: Amount, Disc: Discount, TV: Television, FR: Fridge, MS: Music system, and ST: Student.



Answer: In the given case the company is the dealer of the consumer electronic products which sells many different consumer electronic items. Its discount policy depends on the type of product, type of client and amount of purchase. We are required to develop a flowchart for the company which will take type of product, type of client and amount of purchase as input and it will print type of product and discount amount considering the following considerations:


- (i) If the product is Television, a discount of 15% shall be allowed irrespective of the type of the client or the amount of purchase.
- (ii) If the product is fridge, a discount of a 12% shall be allowed to the client if he is student irrespective of the amount of purchase. For other types of clients, a discount of 15% shall be allowed irrespective of the amount of purchase.
- (iii) In the product is music system then a discount of 10% shall be allowed to the client if he is student irrespective of the amount of purchase and for other types of clients, a discount of 18% shall be allowed if the amount of purchase exceeds ₹1 Lakh.
- (iv) For any other type of product, no discount is applicable.

(Q.N. 75) Write a short note on audit trail and also mention the objectives of audit trail.




Answer: Audit Trails are logs that can be designed to record activity at the system, application, and user level. When properly implemented, audit trails acts as an important detective control. *Audit trails can be used to support security objectives in three ways:*

- **Detecting Unauthorized Access:** Detecting unauthorized access can occur in real time or afterwards. The primary objective of real-time detection is to protect the system from outsiders who are attempting to breach system controls and monitoring the changes in system performance due to virus or worm. However real-time detection can degrade system's performance.
- **Reconstructing Events:** Audit trails can be used to reconstruct the steps that led to events such as system failures, security violations or errors. Knowledge the conditions that existed at the time of a system failure can be used to fix responsibility and avoid similar situations in future. Audit trail also plays important role in accounting. Like by maintaining a record of all changes to account balances, audit trail can be used to reconstruct accounting data files that were corrupted by a system failure.
- **Personal Accountability:** Audit trails can be used to monitor user activity in detail. This acts as preventive control that can be used to influence behaviour. Individuals are less likely to violate an organization's security policy if they know that their actions are recorded in an audit log.

(Q.N. 76) Share & Care is a multinational FMCG company having various branches in different cities across the country. The company used a centralized Data warehouse to store data of all branches at its headquarters in Mumbai. Elaborate the benefits of Data Warehouse that may be availed by it. 

Answer: Benefits of Data Warehouse are as follows:

- The process of developing a data warehouse forces an organization to better understand the data that it is currently collecting and, equally important, what data is not being collected.
- A data warehouse provides a centralized view of all data being collected across the enterprise and provides a means for determining data that is inconsistent.
- Once all data is identified as consistent, an organization can generate one version of the truth. This is important when the company wants to report consistent statistics about itself, such as revenue or number of employees.
- By having a data warehouse, snapshots of data can be taken over time. It helps to create a historical record of data, which helps in analysis of trends.
- A data warehouse provides tools to combine data, which can provide new information and analysis.

(Q.N. 77) Though Business Process Automation (BPA) provides many advantages to diverse businesses in various forms, however, every business is not suitable for automation. Each business needs a valid reason before it goes for automation. Discuss some examples of business processes that are best suited to automation. Also write the factors that affect the success of Business Process Automation. 

Answer: The examples of business processes that are best suited to automation are as follows:

- **Processes involving high-volume of tasks or repetitive tasks:** Many business processes such as making purchase orders involve high-volume of repetitive tasks. Automating these processes results in cost and work effort reductions.
- **Processes requiring multiple people to execute tasks:** A business process which requires multiple people to execute tasks often results in waiting

time that can lead to increase in costs. E.g. help desk services. Automating these processes results in reduction of waiting time and in costs.

- **Time-sensitive processes:** Business process automation results in streamlined processes and faster turnaround times. The streamlined processes eliminate wasteful activities and focus on enhancing tasks that add value. Time-sensitive processes are best suited to automation. Like online banking system, aircraft operating and control systems etc.
- **Processes involving need for compliance and audit trail:** With business process automation, every detail of a particular process is recorded. These details can be used to demonstrate compliance during audits. Like invoice issue to vendors.
- **Processes having significant impact on other processes and systems:** Some processes are cross-functional and have significant impact on other processes and systems. In cross functional processes, different departments within the same company work hand in hand to achieve a common goal, e.g., marketing department may work with sales department. Automating these processes results in sharing information resources and improving efficiency & effectiveness of business processes.

The factors that affect the success of BPA are as follows:

- Confidentiality
- Integrity
- Availability
- Timeliness.

(Q.N. 78) Write a short note on IS Auditing. What are the need for Audit of Information Systems? **(OR)**



Computers are used extensively to process data and provide information for decision-making. However, uncontrolled use of computers can have a widespread impact on a society. Because computers play a large part in assisting us to process data and make decisions, it is significant that their use is in controlled manner. Discuss various factors that influence an organization towards control and audit of its computer-based information systems.

Answer: IS Auditing is defined as the process of:

- attesting objectives performed by external auditor that focus on asset safeguarding & data integrity
- management objectives performed by internal auditor that focus on system effectiveness & efficiency.

An organisation should have IS Audit mechanism due to the following reasons:

- (i) **Organizational Costs of Data Loss:** Data is a critical resource of an organization and no organization can bear the cost of data loss.
- (ii) **Cost of Incorrect Decision Making:** In the absence of proper controls, possibility of data and system compromises increases and incorrect data and compromised system may lead to incorrect decision making.
- (iii) **Costs of Computer Abuse:** Unauthorized access and uses of computer resources may lead to the abuse of these resources thus causing significant damage to the organisation.
- (iv) **Value of Computer Hardware, Software and Personnel:** These are very critical resources of an organization, which has a significant impact on its survival and success.
- (v) **Costs of Computer Error:** Any error relating to data input, processing, communication, output etc. can lead to significant damage.
- (vi) **Maintenance of Privacy:** Organisations are legally bound to protect the private data of the users collected by them and in case of any failure, they can be in legal trouble.

(Q.N. 79) Differentiate between Primary and Secondary Memory?



Answer: The major differences are:

Aspect	Primary/Main Memory	Secondary Memory
Basic	Primary memory is directly accessible by CPU.	Secondary memory is not directly accessible by CPU.
Data	Instructions or data to be currently executed are copied to main memory (RAM).	Data to be permanently stored is kept in secondary memory.
Volatility	Primary memory is <i>usually volatile</i> .	Secondary memory is non-volatile.
Formation	Primary memories are made of semiconductors.	It is made of magnetic and optical material.

Access Speed	Accessing data from primary memory is faster.	Accessing data from secondary memory is slower.
Access	Primary memory is accessed by the <i>data bus</i> .	Secondary memory is accessed by input-output channels (cables).
Size	Computer has a small primary memory.	Computer has a larger secondary memory.
Expense	Primary memory is costlier than secondary memory.	It is cheaper than primary memory.

(Q.N. 80) What are the types of access rights that can be granted to different employees with respect to the master data, transaction data and reports of the organisation? Mr. Alok is the HR Manager of Bharat Tools Ltd., a manufacturing company. According to you what kinds of access rights that can be granted and what access rights that can be denied to Mr. Alok.



Answer: Considering the role of the user in the organization, user can be granted the following types of access rights with respect to the master data, transaction data and reports:

- (i) **Create** – Allows user to create data.
- (ii) **Alter** – Allows user to alter (change/manipulate) data.
- (iii) **View** – Allows users to only view the data.
- (iv) **Print** – Allows user to print data.

As Mr. Alok is the HR Manager of the organisation, he may be granted all kinds of access rights like creation, alter, view & print of HR related data from all kinds of files (Master, Transaction & Report). *However he may be denied all other kinds of access rights other than the HR related data.*

(Q.N. 81) What is Bring Your Own Device (BYOD)? Also list some of the advantages of BYOD.



Answer: BYOD refers to the business policy where companies allows employees to bring and use their own preferred computing devices like smartphone laptop, tablet etc. for the business or office related work. *The main advantages of the BYOD Policy are:*

- (i) **Happy Employees:** Employees feel more comfortable in using their own devices at the workplace.
- (ii) **Increased employee efficiency:** As employees use their own computing devices, their efficiency and productivity increases.
- (iii) **Lower IT budgets:** As employees use their own computing devices, companies are not required to incur money on the acquisition of such devices thereby lowering the IT budgets.
- (iv) **Reduced IT support requirement:** IT department does not have to provide end user support and Maintenance Services.
- (v) **Early adoption of new Technologies:** Employees are usually proactive in adopting new technologies, in this way organisations also get the benefits of latest technologies.

(Q.N. 82) Write a short note on configuration in the context of CBS software.



Answer: In the context of CBS software, *configuration refers the way a software system is set-up*. Whenever a software is installed, value of different parameters has to be configured as per the policies of the bank and rules applicable in the banking industry. Configuration will define how software will function and what menu options will be displayed. The various modules of the bank such as advances, deposits, treasury etc. have to be configured. Some examples of configuration (task performed at configuration level) are:

- Password management
- User access and privileges configuration
- User activation and de-activation
- Creation of customer type, deposit type, financial year etc.
- Defining access rules from different devices.

(Q.N. 83) Ms. Neha is the owner of a consultant company named JKL Ltd. On Diwali, she decided to offer Brass bottle as Diwali gift to each staff member. She placed an order of 20 bottles from online portal. Explain the different steps involved in this e-commerce transaction in buying the bottles.



Answer: The different steps involved in any e-commerce transaction are:

- (i) **Customers' login:** Customer will login to the e-commerce merchant website.

- (ii) **Product / Service Selection:** Customer selects products / services from available options.
- (iii) **Customer Places Order:** Order is placed for selected product / service by customer. This step leads to next important activity Payment Gateway.
- (iv) **Payment Gateway:** The customer selects the payment method. In case payment method is other than Cash on Delivery (COD), the merchant gets the update from payment gateway about payment realisation from customer. In case of COD, e-commerce vendor may do an additional check to validate customer.
- (v) **Dispatch and Shipping Process:** This process may be executed at two different ends. First if product/service inventory is managed by e-commerce vendor, then dispatch shall be initiated at merchant warehouse. Second, many e-commerce merchants allow third party vendors to sale through merchant websites.
- (vi) **Delivery Tracking:** Another key element denoting success of e-commerce business is timely delivery. Merchants keep a track of this. All merchants have provided their delivery staff with hand-held devices, where the product / service delivery to customers is immediately updated.
- (vii) **COD tracking:** If products are sold on COD payment mode, merchants need to have additional check on matching delivery with payments.

(Q.N. 84) Write a short note on Machine Learning. Also list any five application areas of Machine Learning. Also discuss the process of authorization of any Credit Card used by any customer.



Answer: Machine Learning is a type of Artificial Intelligence (AI) that provides *computers with the ability to learn without being explicitly programmed*. Some of the application areas of Machine Learning are as follows:

- Autonomous vehicles like drones, self-driving cars etc.
- Solving mathematical problems
- Graphics software like adobe photoshop
- Search engines like Google search
- Online assistants like Apple Siri, Amazon Alexa etc.

The process of authorization of Credit Card Facility is as under:

- (i) Customer will swipe the credit card for the purchase made by him on the Point of Sale (PoS) machine at merchant's shop.
- (ii) PoS will process the transaction only once the same is authenticated.
- (iii) The PoS will send the authentication request to the merchant's bank which will then send the transaction authentication verification details to the credit card network such as VISA. from which the data will be validated by the credit card issuing bank.
- (iv) Once the transaction is validated, the approval message is received from credit card issuing bank to the credit card network which then flows to the merchant's bank and approves the transaction in the PoS machine.
- (v) The receipt of the transaction is generated, and the sale is completed. The transaction made is charged during the billing cycle of that month.

(Q.N. 85) Briefly explain the Section 43 along with Section 66 of Information Technology Act, 2000 related to penalty & compensation for damage to computer & computer system.



Answer: Any person without permission do any of following to a computer, computer system or computer network:

- Accesses or secures access (i.e. hacking)
- Download, copy or extracts any data or information including from any removable storage devices
- Introduces or causes to be introduced any computer virus
- Damage or causes to be damaged
- Disrupts or causes disruption
- Denies or causes the denial of access to the person authorized to access
- Provides any assistance to any person in respect of the unauthorized access
- Destroys, deletes or alters any data or information
- Steals, conceals, destroys or alters or cause any person to steal, conceals, destroy or alter any computer source code
- Charges the services availed by one person to the account of another person shall be liable to pay damage by the way of compensation to the person affected.

As per Section 66, he shall be punishable with:

- Imprisonment upto three years and/or
- Fine upto ₹5 Lakh.

(Q.N. 86) Write a short note on offences made by companies or body corporate under the Prevention of Money Laundering Act (PMLA), 2002.



Answer: Section 70 of Prevention of Money Laundering Act (PMLA), 2002 contains provisions about offences committed by companies or other body corporates under the Prevention of Money Laundering Act (PMLA), 2002. *The provisions of Section 70 are as follows:*

(1) Where a person committing a contravention of any of the provisions of this Act, rule, direction or order made there under is a company, *every person who, at the time the contravention was committed, was in charge of, and was responsible to the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished:*

Provided that nothing contained in this sub-section shall render any such person liable to punishment if he proves that the contravention took place

- without his knowledge or
- he exercised all due diligence to prevent such contravention.

(2) Notwithstanding anything contained in sub-section (1), where a contravention has been committed by a company and it is proved that the

- contravention has taken place with the consent of, or
- is attributable to any neglect on the part of any director, manager, secretary or other officer of any company,

such director, manager, secretary or other officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.

(Q.N. 87) Differentiate between the Strategy Formulation and Strategy Implementation.



Answer: The major differences are:

Strategy Formulation	Strategy Implementation
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It is an entrepreneurial activity.	It is an administrative task.
It deals with formulating appropriate strategies for entity.	It is the process of putting the strategy formulated into actions.
It is primarily on intellectual process.	It is primarily on operational process.
It needs sound knowledge and analytical skills.	It needs strong motivational and leadership skills.
It focuses on effectiveness.	It focuses on efficiency.
It requires coordination among few individuals.	It requires organization wide coordination.

(Q.N. 88) Write the advantages of simple organisational structure. How it results in competitive advantage compared to larger rivals?



Bunch Pvt Ltd. is dealing in multiproduct like electronics and FMCG and are having outlets in different cities and markets across India. Due to scale of operation, it is having technical difficulty in dealing with distinct product line and markets especially in coordination and control related problems. Identify and suggest an ideal organizational structure for Bunch Pvt Ltd in resolving the problem?

Answer: Main advantages of simple organisational structure are:

- (i) Very easy to build & operate.
- (ii) Least expensive organizational structure.
- (iii) Communication is frequent & direct.
- (iv) Very little rules and formalization is involved.


Simple organisational structure results in competitive advantage compared to larger rivals *due to following reasons:*

- Owner is directly involved in everything.
- Easy change management.
- Has Greater flexibility.
- Rapid response to changing environment.

To deal with the problems facing by the Bunch Pvt Ltd., Multi divisional structure is best suited. Multidivisional (M-form) structure is composed of

operating divisions *where each division represents a separate business* to which the corporate officer delegates responsibility for day-to-day operations and business unit strategy to division managers. By such delegation, he is responsible for formulating and implementing overall corporate strategy and manages divisions through strategic and financial controls.

This structure was developed in the 1920s, in response to coordination and control-related problems in large firms. Functional departments often had difficulty dealing with distinct product lines and markets. Costs were not allocated to individual products, so it was not possible to assess an individual product's profit contribution. Top managers became over-involved in solving short-run problems and neglected long-term strategic issues.

(Q.N. 89) Define the term strategy. Is strategy substitute of management? Jeff Inc., a leading USA based Mobile company decides to make India a hub for the company's Android Mobile having largest storage memory to be manufactured in collaboration with the Desi Group, a leading Indian mobile manufacturer. The production is to be exported to the company's home market as well as to other European countries. What is this growth strategy called? Point out the most important advantages both the companies expect from such strategy/collaboration. 

Answer: Strategy is defined as the long-term blue print of an organization's:

- desired image
- direction and
- destination
- Strategy determines
- Where an organization wants to be
- What an organization wants to do
- Where it wants to go.

As the Business environment is very dynamic, uncertain and complex, it is essential for the business organization to have a well-crafted strategy. Well-crafted strategy helps the management of the organisation to better deal with environment and convert the opportunities in the favour of the organization.

To Survive and Succeed, entity needs well-crafted strategy but strategy is not the substitute or replacement of a sound and alert Management System.


Strategy no matter how well-crafted it may be, it can never be perfect, flawless & optimal. The continuous changes taking place in the environment will make even the most perfect strategies irrelevant. Hence it is the duty of the management to continuously monitor the business environment and review the strategy to make the necessary changes as needed in the strategy.

Jeff Inc. of USA and Desi group of India opted for strategic alliance as their growth strategy. A strategic alliance is a relationship between two or more businesses that enables each to achieve certain strategic objectives which neither would be able to achieve on its own. Strategic alliances are often formed in the global marketplace between businesses that are based in different regions of the world.

Advantages of Strategic Alliance - Strategic alliance usually is only formed if they provide an advantage to all the parties in the alliance. These advantages can be broadly categorised as follows:

- (i) **Organizational:** Strategic alliance helps to learn necessary skills and obtain certain capabilities from strategic partners. Strategic partners may also help to enhance productive capacity, provide a distribution system, or extend supply chain. Having a strategic partner who is well-known and respected also helps add legitimacy and creditability to a new venture.
- (ii) **Economic:** There can be reduction in costs and risks by distributing them across the members of the alliance. Greater economies of scale can be obtained in an alliance, as production volume can increase, causing the cost per unit to decline.
- (iii) **Strategic:** Rivals can join together to cooperate instead of competing with each other. Vertical integration can be created where partners are part of supply chain. Strategic alliances may also be useful to create a competitive advantage by the pooling of resources and skills. This may also help with future business opportunities and the development of new products and technologies. Strategic alliances may also be used to get access to new technologies or to pursue joint research and development.

(iv) **Political:** Sometimes strategic alliances are formed with a local foreign business to gain entry into a foreign market either because of local prejudices or legal barriers to entry.

(Q.N. 90) Do you agree with the statement that “Strategic Management concepts are of no use to Government organizations and Medical organizations”? Explain with reasons. What benefits accrue by following a strategic approach to managing? 

Answer: Organizations may be classified into commercial (for profit) and non-commercial (NGOs) on the basis of interest they have. Compared to the for-profit organisations, not-for-profit organisations usually *dependent upon charity, donation and other similar sources* for their financing needs. It is very important for medical organizations & government organisations to use concepts of strategic management while running their operations.

With the advancement of computers and internet technologies the entire medical system has undergone significant changes. Medical organizations needs to be very efficient in their working. Strategic Management concepts are playing significant role in making the hospitals more efficient and competitive.

Through Strategic Management concepts, hospitals can:

- *Generate sufficient fund for meeting their objectives*
- *Provide better quality services*
- *Offer Medical facilities to a large number of people*
- *Develop more advanced medicines*
- *Have deep collaborates with expert doctors, health experts etc.*

Government agencies and departments uses the tax payer’s money hence they should be very efficient in their working. Government Agencies and departments *works with less autonomy compared to private firms*. However with the proper use of strategic management tools and concepts, government agencies and departments can:

- *Become more efficient and effective.*
- *Better compete with private sector.*
- *Provide better career opportunities to their employees.*

The following are the benefits of strategic approach to managing:

- Strategic management helps organisations to be more proactive instead of reactive.
- Strategic management provides framework for all the major decisions of an enterprise such as decisions on businesses, products, markets, manufacturing facilities, investments and organisational structure.
- Strategic management seeks to prepare the corporation to face the future and act as pathfinder to various business opportunities. Organisations are able to identify the available opportunities and identify ways and means as how to reach them.
- Strategic management serves as a corporate defence mechanism against mistakes and pitfalls. It help organisations to avoid costly mistakes in product market choices or investments.
- Strategic management helps organisation to evolve certain core competencies and competitive advantages that assist in its fight for survival and growth.

(Q.N. 91) It is considered that business policy is the starting point in the evolution of strategic management. How Business Policy evolved into Strategic Management? Explain briefly.



Answer: Prior to the Year 1908, Business was conducted on adhoc basis with very little or no formal planning. In the year 1908 Harvard Business School (HBS) Started using interactive case studies to teach the students about Management and planning.

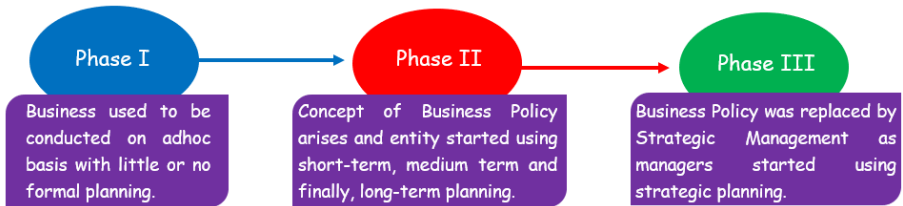
In the Year 1911, HBS formally introduced a course to create and enhance the general management capabilities of the Students. This was the time when the concept of “Business Policy “established. In the Year 1959, Business policy was formally introduced in Academics.

In the Year 1969, American Assembly of Collegiate Schools of Business (AACSB) made it mandatory to have a course on Business Policy for the recognition of Business Schools in USA.

There was further evolution of Business Policy as Managers started having long term planning instead of day to day planning or short-term planning and finally

moved to Strategic Planning for managing the business and strategic management came into existence.

As the Business environment become more and more uncertain, dynamic and complex, Business Policy evolved and finally replaced by Strategic Management. So practically, today business organisation uses the concepts of strategic management for managing their businesses.



(Q.N. 92) Define strategic management. Also discuss the limitations of strategic management.



Answer: The term ‘strategic management’ refers to the managerial process of *developing a strategic vision, setting objectives, crafting a strategy, implementing and evaluating the strategy, and initiating corrective adjustments where deemed appropriate.*

Limitations of Strategic Management - The presence of strategic management cannot counter all hindrances and always achieve success as there are limitations attached to strategic management. These are as follows:

- **Environment is highly complex and turbulent.** It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future. The organisational estimate about its future shape may go wrong and shake all strategic plans.
- **Strategic management is a time-consuming process.** Organisations spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact the routine business.
- **Strategic management is a costly process.** Strategic management adds a lot of expenses to an organization. Expert strategic planners need to be engaged. These can be really costly for organisations with limited

resources particularly when small and medium organisation create strategies to compete.

- **Competition is unpredictable.** In a competitive scenario, where all organisations are trying to move strategically, it is difficult to clearly estimate the competitive responses to the strategies.

(Q.N. 93) Explain the differences between three levels of strategy formulation.



Answer: The major differences are:

Basis	Corporate Level Strategy	Business Level Strategy	Functional Level Strategy
Formulated by	CEO, Board of Directors & Senior Executives of the Organisation.	Business or Divisional Managers	Functional Managers
Time period	These strategies are usually for long term.	These strategies are usually for medium term.	These strategies are usually for short term.
Range	These are the broadest strategies covering the organisation as a whole.	These are the strategies that are specific to the particular business or division.	These strategies are <i>specific to the functions like HR, Finance etc.</i> of a business or division of the organisation.
Risk Involved	High Risk	Moderate Risk	Low Risk
Example	Strategy for Alphabet Inc. as a company.	Strategies for different divisions of Alphabet Inc. like YouTube, Search, Android.	For YouTube, strategies like Human Resource, R&D, Finance etc. of YouTube.

(Q.N. 94) “Supply Chain Management is conceptually wider than Logistic Management”. Explain.



Answer: Supply Chain Management is *considered as an extension of the logistics management*. Logistics management is mainly concerned with the management of in-bound and out-bound logistics, its transportation, warehousing, material handling, order fulfilment etc. All these activities are also the part of supply chain management. But supply chain management involves lots of other aspects also. Its emphasis on delivering right product at the right time to the right customer at the right place and with the right price. Supply chain management is a *tool of business transformation*. It reduces cost of the organisation and enhances customer services. So in this way supply chain management is conceptually wider than logistic management.

(Q. N. 95) Competitive pressures operate as a composite in five areas of the overall market. Elaborate.



Answer: Competition makes organizations work harder, however, it is neither a coincidence nor bad luck. All organizations have competition and its benefit are enjoyed by the markets. The customers are able to get better products at lower costs. They get better value for their money because of competition. A powerful and widely used tool for systematically diagnosing the significant competitive pressures in a market and assessing the strength and importance of each is the Porter's five-forces model of competition. This model holds that the state of competition in an industry is a composite of competitive pressures operating in five areas of the overall market as follows:

- **Rivalry among current players:** Competitive pressures associated with the market maneuvering and jockeying for buyer patronage that goes on among rival sellers in the industry.
- **Threat of new entrants:** Competitive pressures associated with the threat of new entrants into the market.
- **Threats from substitutes:** Competitive pressures coming from the attempts of companies in other industries to win buyers over to their own substitute products.
- **Bargaining power of suppliers:** Competitive pressures stemming from supplier bargaining power and supplier-seller collaboration.
- **Bargaining power of customers:** Competitive pressures stemming from buyer bargaining power and seller-buyer collaboration.

(Q. N. 96) There has been fierce demand for both Gecko and FlyBee for the last 3 years. Gecko makes mass consumption pens while FlyBee is a notebook and diary brand - both being complementary goods of each other. But to grow further, FlyBee decided to take up competition with Gecko in pens segment and thereby launched, FlyPens. Identify and explain the growth strategy opted by FlyBee?



Answer: FlyBee is a notebook and diary brand. But to grow further, FlyBee decided to take up competition with Gecko in pens segment and thereby launched, FlyPens. FlyBee that is hitherto not into producing pens starts producing them and other similar products is following concentric diversification which is basically related diversification.

In this form of diversification, the new business is linked to the existing businesses through existing systems such as processes, 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. The most common reasons for pursuing a concentric diversification are that opportunities in existing line of business are available.

(Q.N. 97) A private Moneyload Ltd. Bank that targets high worth individuals. They offer a premium service with many additional and personal services not normally available through other banks. They charge a significant annual fee for these services. The company makes full use of information technology throughout its operations in order to minimize costs. Identify and explain the generic strategy adopted by Moneyload Ltd. Bank?



Answer: According to Michael Porter, strategies allow organizations to gain competitive advantage from three different bases namely *cost leadership*, *differentiation*, and *focus*. Michael Porter called these base generic strategies.

Moneyland Ltd. Bank targets a narrow segment of the market, offering unique and desirable products. The bank will want to keep its costs under control, but it will not reduce costs at the expenses of reducing the quality levels of the customer service it offers. By maintaining high quality levels, it will still be able to charge a premium for its services. Thus, the strategy adopted by Moneyland

Ltd. Bank is *Focused Differentiation*. A focused differentiation strategy requires offering unique features that fulfil the demands of a narrow market.

Some firms using a focused differentiation strategy concentrate their efforts on a particular sales channel, like selling over the internet only. Others target particular demographic groups. Firms that compete based on uniqueness and target a narrow market are following a focused differentiations strategy.

(Q.N. 98) Amit Ltd., a well-known manufacturing company, is preparing to draft the strategy for the next period. Its manager is advised about considering the competitive landscape of Amit Ltd. What are technology leader firms? Also list major points Manager should consider in the determination of the competitive landscape of Amit Ltd.?



Answer: Technology Leader Firms are the firms who develops new technologies and takes a lead in the R&D hence they are called Technology Leaders. This strategy involves huge risk as it causes high R&D costs and there is no surety that the ultimate product would be a commercial success. However this strategy offers the highest reward as well. *To understand the Competitive Landscape of the company, manager of Amit Ltd. should consider the following factors:*

- (i) Identify the competitor.
- (ii) Understand the competitors.
- (iii) Determine the strengths of the competitors.
- (iv) Determine the weaknesses of competitors.
- (v) Put all of the information together.

(Q.N. 99) Discuss the challenges faced by public sector units while designing for their organisations.



Answer: Public sector units face the following challenges while designing strategies for their organizations:

- Operating with less strategic autonomy.
- Cannot diversify into unrelated businesses or merge with other firms.
- Strategists usually enjoy little freedom while altering the organization's mission or redirecting objectives when needed.

- Legislators and politicians control over major decisions and resources.
- Fear of media debate over the strategic issues.
- Chances of politicization of issues resulting fewer strategic choice.

(Q.N. 100) Explain briefly the key areas in which the strategic planner should concentrate his mind to achieve desired results.



Answer: A strategic manager *defines the strategic intent of the organisation and take it on the path of achieving the organisational objectives.* They commonly establish long-term objectives in seven areas as follows.

- Profitability.
- Productivity.
- Competitive Position.
- Employee Development.
- Employee Relations.
- Technological Leadership.
- Public Responsibility.

(Q.N. 101) Explain the steps for initiating strategic change. You are appointed as a manager of a company where you find that the company's culture is out of sync with what is needed for strategic success. Discuss steps you would initiate to tackle the problem.



Answer: The changes in the environmental forces often require businesses to make modifications in their existing strategies and bring out new strategies. Strategic change is a complex process that involves a corporate strategy focused on new markets, products, services and new ways of doing business. *Three steps for initiating strategic change are:*

- Recognise the need for change** - The first step is to diagnose which portions of the present corporate culture are strategy supportive and which are not.
- Create a shared vision to manage change** - Objectives of both individuals and organisation should coincide. There should be no conflict between them. This is possible if management and employees have a shared vision.
- Institutionalise the change** - This is an *action stage* which requires the implementation of the changed strategy. Creating and sustaining a


different attitude towards change is essential to ensure that the firm does not slip back into old ways of doing things.

Changing problem cultures is very difficult. It takes concerted management action over a period of time to replace an unhealthy culture with a healthy culture or to root out certain unwanted cultural obstacles and instil ones that are more strategy-supportive.

- The first step is to diagnose which facets of the present culture are strategy supportive and which are not.
- Then, managers have to talk openly to all concerned about those aspects of the culture that have to be changed.
- The talk has to be followed swiftly by visible, aggressive actions to modify the culture actions that everyone will understand are intended to establish a new culture more in tune with the strategy.

The culture-changing actions includes

- revising policies and procedures,
- altering incentive compensation,
- recruiting and hiring new managers and employees,
- replacing key executives,
- communication on need and benefit to employees and so on.

(Q.N. 102) Mr. A is having a medium size factory in Agra manufacturing hardware items. He has a staff of more than 220 in his organisation. One of the leading brand of Hardware seller in India is rebranding and selling the material from his factory. Mr. A believes in close supervision and takes all major and minor decisions himself. Do you think He should take all decisions himself? What should be the nature of decisions that should be taken by him. 

(OR) Mr. Batra is working in Apex Corporation, a leading manufacturer of electronic products, is considering whether to enter the fitness trackers and smartwatches market. The market is growing rapidly, but the competition is fierce. Mr. Batra and his team has to decide whether to invest in R&D for fitness trackers and smartwatches technology or to focus on their core products. The decision could have significant implications for the company's

future growth & profitability. Where will you place Mr. Batra in organisational hierarchy? What are the dimensions of the decisions being taken by him?

(OR) "Strategic decisions are different in nature than all other decisions." In the light of this statement explain major dimensions of strategic decisions.

Answer: Decision making is a managerial process of selecting the best course of action out of several alternative courses for the purpose of accomplishment of the organisational goals. Decisions may be operational, i.e., which relate to general day-to-day operations. They may also be strategic in nature.

As owner manager at the top level in the company, Mr. A should concentrate on strategic decisions. These are higher level decisions having organisation wide implications. The major dimensions of strategic decisions are as follows:

- Strategic decisions require top-management involvement as they involve thinking in totality of the organisation.
- Strategic decisions involve significant commitment of organisational resources.
- Strategic decisions necessitate consideration of factors in the firm's external environment.
- Strategic decisions are likely to have a significant impact on the long-term prosperity of the firm.
- Strategic decisions are future oriented.
- Strategic decisions usually have major multifunctional or multi-business consequences.

(Alternate Question) As the decisions taken by Mr. Batra have organisation wide impact, involves large commitments and have implication on the future, he is at the top level in organisational hierarchy. These characteristics also indicate that he is taking strategic decisions in the organisation. The major dimensions of strategic decisions are as follows (discussed above).

(Q.N. 103) State the factors of human resource that have influence on employee's competence. Redefinition of business is involved in both "Expansion" and "Retrenchment" strategy, however, method involved in their execution is completely different. Explain.



Answer: Human resource management has been accepted as a strategic partner in formulation of organization's strategies and in the implementation of such strategies through human resource planning, employment, training, appraisal and reward systems. *The following points should be kept in mind as they can have a strong influence on employee competence:*

- (i) **Recruitment and selection:** The workforce will be more competent if a firm can successfully identify, attract & select highly competent applicants.
- (ii) **Training:** The workforce will be more competent if employees are well trained to perform their jobs properly.
- (iii) **Appraisal of performance:** The performance appraisal is to identify any performance deficiencies experienced by employees due to lack of competence. Such deficiencies, once identified, can often be solved through counselling, coaching or training.
- (iv) **Compensation:** A firm can usually increase the competency of its workforce by offering pay, benefits and rewards that are not only attractive than those of their competitors but also recognizes merit.

Expansion strategy is implemented by redefining the business by adding the scope of business substantially increasing the efforts of the current business. On the other hand, Retrenchment strategy involves redefinition of business by divesting a major product line or market.

Expansion is a promising and popular strategy that tends to be equated with dynamism, promise and success. Retrenchment or retreat becomes necessary for coping with hostile and adverse situations in the environment and when any other strategy is likely to be suicidal. Expansion may take the Entity in relatively unknown and risky paths, full of promises and pitfalls.

(Q.N. 104) ABC Ltd is a company that has grown eleven times its size in last five years. With the increase in size, the company is facing difficulty in managing things. Many a times functional level is not in sync with the corporate level. What will you like to advise to the company and why?



Answer: The higher-level corporate strategies need to be segregated into viable plans and policies that are compatible with each other and communicated down the line. The higher-level strategies need to be broken

into functional strategies for implementation. These functional strategies, in form of marketing, finance, human resource, production, research and development help in achieving the organisational objective. The reasons why functional strategies are needed can be enumerated as follows:

- Functional strategies lay down clearly what is to be done at the functional level. They provide a sense of direction to the functional staff.
- They are aimed at facilitating the implementation of corporate strategies and the business strategies formulation at the business level.
- They act as basis for controlling activities in the different functional areas of business.
- They help in bringing harmony and coordination as they are formulated to achieve major strategies.
- Similar situations occurring in different functional areas are handled in a consistent manner by the functional managers.

(Q.N. 105) Why is Strategic Control important for organizations? Discuss briefly 4 types of strategic control that can be implemented to achieve the enterprise goals.




Answer: Strategic control is an important process that keeps organisation on its desired path. It involves evaluating strategy as it is formulated and implemented. It is directed towards identifying problems and changes in premises and making necessary adjustments. Strategic control focuses on the dual questions of whether:

- the strategy is being implemented as planned; and
- the results produced by the strategy are those intended.


There are four types of strategic control:

- **Premise control:** A strategy is formed on the basis of certain assumptions or premises about the environment. Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built.
- **Strategic surveillance:** Strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy.

- **Special alert control:** At times, unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, unexpected merger/acquisition by competitors, industrial disasters etc. may trigger an immediate and intense review of strategy.
- **Implementation control:** Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results.

(Q.N. 106) GL Ltd. is about to go through a significant restructuring. The strategic change involves moving from a decentralized to a centralized structure. This will help GL Ltd. avoid duplication of support activities and lower its costs. The management have held the first staff briefing in which they went to great lengths to explain that the change was necessary to equip the company to face future competitive challenges. Identify and explain the current stage of GL Ltd. from the Lewin's three-stage model of change? 

Answer: GL Ltd. is currently in the 'unfreezing' stage, where management is attempting to explain the need for change in an attempt to maximize buy-in by employees and reduce the amount of resistance. The process of unfreezing simply makes the individuals aware of the necessity for change and prepares them for such a change. Lewin proposes that the changes should not come as a surprise to the members of the organization. Sudden and unannounced change would be socially destructive and morale lowering. The management must pave the way for the change by first "unfreezing the situation", so that members would be willing and ready to accept the change.

Unfreezing is the process of breaking down the old attitudes and behaviours, customs and traditions so that they start with a clean slate. This can be achieved by making announcements, holding meetings and promoting the new ideas throughout the organization. 

(Q.N. 107) Write a short note on SWOT analysis.

Answer: SWOT analysis is a tool used by organizations for evolving strategic options for the future. The term SWOT refers to the analysis of strengths, weaknesses, opportunities and threats facing a company. Strengths and

weaknesses are identified in the internal environment, whereas opportunities and threats are located in the external environment.

- (a) **Strength:** Strength is an inherent capability of the organization which it can use to gain strategic advantage over its competitor.
- (b) **Weakness:** A weakness is an inherent limitation or constraint of the organisation which creates strategic disadvantage to it.
- (c) **Opportunity:** An opportunity is a favourable condition in the external environment which enables it to strengthen its position.
- (d) **Threat:** An unfavourable condition in the external environment which causes a risk for, or damage to the organisation's position.

The major purpose of SWOT analysis is to enable the management to create a *firm-specific business model* that will best align, fit or match an organisational resources & capabilities to the demands for environment in which it operates.

(Q.N. 108) General public is discerning from buying air conditioning units due to rising prices. Consequently, Nebula Pvt. Ltd, a manufacturer of evaporation coils used in air conditioning units has faced significant loss in working capital due to sharp fall in demand. The company conducted financial assessment and developed a workable action plan based on short and long term financial needs. But for immediate needs, an emergency plan has been implemented. It includes selling scrap, asset liquidation and overheads cost reduction. Further, to avoid any such untoward event in future, they plan to diversify into newer business areas along with its core business. Identify and explain the strategy opted by M/s. Nebula Pvt. Ltd.? **(OR)**



ABC Inc. a successful company in the healthcare industry, was facing a decline due to outdated technology and lack of innovation. The company was losing market share and struggling to retain customers. In an effort to reverse the trend, the management decided to implement a strategy. They hired new talent, invested in research and development, and streamlined their operations to increase efficiency. Through these efforts, ABC Inc. was able to introduce new products and services, reposition themselves in the market, and eventually regain their competitive edge. The company's revenue and profits increased, and they were once again on the path to success. Discuss the strategy which has been implemented by the management of ABC Inc.

Answer: M/s. Nebula Pvt Ltd has opted Turnaround Strategy as the company while facing serious working capital crunch persistently conducted an assessment of current problem and developed a workable action plan based on short and long term financial needs and strategic issues. A workable action plan for turnaround would involve:

Stage One – Assessment of current problems: In the first step, assess the current problems and get to the root causes and the extent of damage.

Stage Two – Analyze the situation and develop a strategic plan: Identify major problems and opportunities, develop a strategic plan with specific goals and detailed functional actions.

Stage Three – Implementing an emergency action plan: If the organization is in a critical stage, an appropriate action plan must be developed to stop the bleeding and enable the organization to survive.

Stage Four – Restructuring the business: If the core business is irreparably damaged, then the outlook for the entire organization may be bleak. Efforts to be made to position the organization for rapid improvement.

Stage Five – Returning to normal: In the final stage of turnaround strategy process, the organization should begin to show signs of profitability, return on investments and enhancing economic value-added.

Alternate Question


The management of ABC Inc. implemented turnaround strategy which is a highly-targeted effort to return ABC Inc. to profitability and increase positive cash flows to a sufficient level. Organizations those have faced a significant crisis that has negatively affected operations require turnaround strategy. Once turnaround is successful the organization may turn to focus on growth.

Conditions for turnaround strategies - When firms are losing their grips over market, profits due to several internal and external factors, and if they have to survive under the competitive environment they have to identify danger signals as early as possible and undertake rectification steps immediately. These conditions may be cash flow problems, lower profit margins, high employee turnover and decline in market share, capacity underutilization, low


morale of employees, recessionary conditions, mismanagement, raw material supply problems and so on.

Action plan for turnaround strategy

- Stage One – Assessment of current problems
- Stage Two – Analyze the situation and develop a strategic plan
- Stage Three – Implementing an emergency action plan
- Stage Four – Restructuring the business
- Stage Five – Returning to normal

(Q.N. 109) ‘Speed’ is a leading retail chain, on account of its ability to operate its business at low costs. The retail chain aims to further strengthen its top position in the retail industry. The Chief executive of the retail chain is of the view that to achieve the goals they should focus on lowering the costs of procurement of products. Highlight and explain the core competence of the retail chain. 

Answer: A core competence is a unique strength of an organization which may not be shared by others. Core competencies are those capabilities that are critical to a business achieving competitive advantage. In order to qualify as a core competence, the competency should differentiate the business from any other similar businesses. A core competency for a firm is whatever it does is highly beneficial to the organisation. ‘Speed’ is the leader on account of its ability to keep costs low. The cost advantage that ‘Value for Money’ has created for itself has allowed the retailer to price goods lower than competitors. The core competency in this case is derived from the company’s ability to generate large sales volume, allowing the company to remain profitable with low profit margin.

(Q.N. 110) What is strategic decision making? What tasks are performed by a strategic manager? 

Answer: Decision making is a managerial process of selecting the best course of action out of several alternative courses for the purpose of accomplishment of the organizational goals. Decisions may be operational i.e., which relate to general day-to-day operations. They may also be strategic in nature. According to Jauch and Glueck “Strategic decisions encompass the definition of the

business, products to be handled, markets to be served, functions to be performed and major policies needed for the organisation to execute these decisions to achieve the strategic objectives.”

The primary task of the strategic manager is conceptualizing, designing and executing company strategies. For this purpose, his tasks include:

- Defining the mission and goals of the organization.
- Determining what businesses it should be in.
- Allocating resources among the different businesses.
- Formulating and implementing strategies that span individual businesses.
- Providing leadership for the organization.

(Q.N. 111) Discuss three methods for reassigning new patterns of behaviour as proposed by H.C. Kellman.



Answer: H.C. Kellman proposed *three methods for reassigning new patterns of behaviour*. These are compliance, identification and internalisation.

- **Compliance:** It is achieved by strictly enforcing the reward and punishment strategy for good or bad behaviour. Fear of punishment, actual punishment or actual reward seems to change behaviour for the better.
- **Identification:** Identification occurs when members are psychologically impressed upon to identify themselves with some given role models whose behaviour they would like to adopt and try to become like them.
- **Internalization:** Internalization involves some internal changing of the individual's thought processes in order to adjust to a new environment. They have given freedom to learn and adopt new behaviour in order to succeed in the new set of circumstances.

(Q.N. 112) “A strategic vision is a road map of a company's future.”

Comment. Draft a strategic vision statement of any well-known national level Educational Institution you know. Mission statement of a company focuses on the question: ‘who we are’ and ‘what we do’. Explain briefly.



Answer: A Strategic vision is a roadmap of a company's future providing specifics about

- the technology and customer focus,

- the geographic and product markets to be pursued and
- the kind of company that management is trying to create.

The vision of ICAI is ‘World’s leading accounting body, a regulator and developer of trusted and independent professionals with world class competencies in accounting, assurance, taxation, finance and business advisory services’.

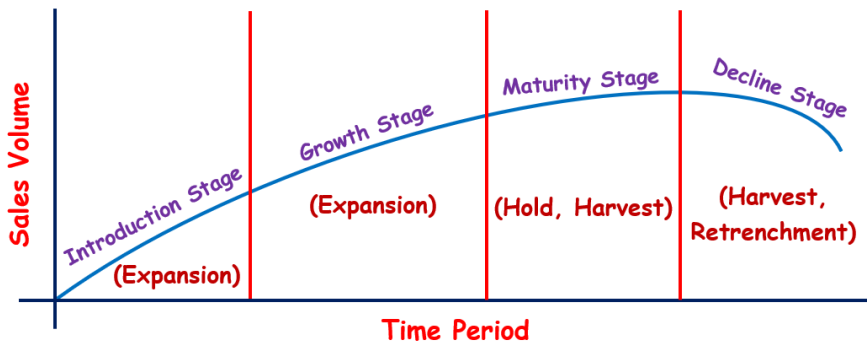
A company’s mission statement is focused on its present business scope “who we are & what we do”. Mission statements broadly describe an organizations present capabilities, customer focus activities and business makeup. An organisation’s mission states what customers it serves, what need it satisfies, and what type of product it offers.

It is an *expression of the growth ambition of the organisation*. It helps organisation to set its own special identity, business emphasis and path for development. Mission amplifies what brings the organisation to this business or why it is there, what existence it seeks and what purpose it seeks to achieve as a business organisation. The mission serves as a justification for the firm’s very presence and existence. It legitimizes the firm's presence.

(Q.N. 113) How product life cycle can be used in the diagnoses of a portfolio of product or business? Explain.



Answer: Product life cycle is a “S” shaped curve which represents the relationship of sales of the product with respect to time as product passes through its life cycle. There are four phases in product life cycle. These are:



- (i) **Introduction phase** – This is the first phase in the product life cycle where the product is introduced in the Market. Demand and competition remain low as the customer and competitions are unaware about the product. In this phase, prices remain high.
- (ii) **Growth phase** – In this phase, Market starts expanding due to which demand and sales increases. Competition also increases due to which prices start falling.
- (iii) **Maturity phase** – In this phase competition becomes Very intense due to which demand does not grow and sales become stagnant.
- (iv) **Decline phase** – This is the last phase of the product life cycle where there is a real decline in the product demand and sale falls sharply.

The biggest advantage of product life cycle is that entity can get a significant insight about the product and depending upon the insight, appropriate strategic decision can be taken. Like it a business or product is in their introduction/initial or growth phase, Expansion should be the favourable approach. For matured business or product, Hold or Harvest are the best option and for the declining business or product, Harvest or Retrenchment are best option.

(Q.N. 114) How Business Process Reengineering differs from the other process improvement methods? Explain briefly. India's luxurious domestic airline Indijet in an attempt to retain its leadership in aviation sector has hired J S Dutta as its Chief Executive. Mr Dutta wishes to reorient company to make it a domestic discount carrier. He desires to introduce no frills business model by offering extremely low fares and improve margins by cutting down traditional amenities such as reclining seats and complimentary meals. At the same time setting the stage for a new air revolution, he wishes to brand itself as on-time airlines having proper systems in place and removing additional and wasteful activities and processes. What steps will you advise to Mr Dutta?



Answer: Business Process Reengineering (BPR) differs from the other process improvement methods in the following Manner:

- Re-engineering works on fundamental rethinking and does not have any scope for any partial modification or marginal improvement. At the core of

BPR is the concept of discontinuous thinking. It challenges the existing rules & procedures and discards them to evolve new processes.

- BPR recognises the potential of IT for efficient redesign of processes. BPR uses IT to evolve new processes instead of automating the existing process.
- BPR views the organisation from cross-functional perspective and disregards the constraints of departmental boundaries.
- BPR may require massive organisation change & re-structuring. BPR causes not just the change in the process but also changes in many other areas too.

Mr Dutta should adopt business process reengineering (BPR). It is an approach to unusual improvement in operating effectiveness through the redesigning of critical business processes and supporting business systems. It is revolutionary redesign of key business processes that involves examination of the basic process itself. BPR refers to the analysis and redesign of workflows and processes both within the organization and between the organization and the external entities like suppliers, distributors, and service providers. The orientation of redesigning efforts involves total rethinking of business process. BPR involves the following steps:

- Determining objectives:** Objectives are the desired end results of the redesign process. Entity should be very clear about the objectives it wishes to achieve through BPR.
- Identify customers and determine their needs:** The process designers have to understand customers. The purpose is to redesign business process that clearly provides value addition to the customer.
- Study the existing processes:** The study of existing processes will provide an important base for the process designers. The purpose is to gain an understanding of the 'what', and 'why' of the targeted process.
- Formulate a redesign process plan:** Formulation of redesign plan is very crucial. *Customer focussed redesign concepts* are identified & formulated. In this step alternative processes are considered and the best is selected.
- Implement the redesigned process:** Implementation of the redesigned process and application of other knowledge gained from the previous steps is key to achieve dramatic improvements.

(Q.N. 115) Define the term benchmarking. Also briefly explain the steps involved in the benchmarking process.



Answer: A benchmark may be defined as a standard or a point of reference against which things may be compared. Benchmarking is an approach of setting goals & measuring performance based on best industry practices.

Benchmarking process involves following steps:

- (i) **Identifying the need for benchmarking:** The first step is to understand the needs of benchmarking. Here objectives of the benchmarking are determined.
- (ii) **Understanding existing business processes:** To make benchmarking exercise successful, entity must be aware of its existing processes.
- (iii) **Identify best processes:** Now entity should identify best practices & processes for benchmarking.
- (iv) **Compare own processes with others:** From the selected best processes or benchmarks, entity should compare its own processes. Then gaps in performance is analyzed.
- (v) **Prepare report & implement necessary steps:** A report on the Benchmarking initiatives containing recommendations is prepared and steps are taken to fulfil the performance gaps.
- (vi) **Evaluation:** Organization should evaluate the results of the benchmarking process it undertook in terms of improvements achieved compared to the objectives established.


(Q.N. 116) Explain the three major R&D approaches to implement strategic decisions.



Answer: There are at least three major R&D approaches for implementing strategies. These are as follows:

- (i) **Be the leader:** The first strategy is to be the first firm to market new technological products. This is a glamorous and exciting strategy but also a dangerous one. Firms such as 3M and General Electric have been successful with this approach, but many other pioneering firms have fallen, with rival firms seizing the initiative.

- (ii) **Be an innovative imitator:** A second R&D approach is to be an innovative imitator of successful products, thus minimizing the risks and costs of start-up. This approach entails allowing a pioneer firm to develop the first version of the new product and to demonstrate that a market exists. Then, laggard firms develop a similar product. This strategy requires excellent R&D personnel and an excellent marketing department.
- (iii) **Be a low cost producer:** A third R&D strategy is to be a low-cost producer by mass-producing products similar to but less expensive than products recently introduced. As a new product accepted by customers, price becomes increasingly important in the buying decision. Also, mass marketing replaces personal selling as the dominant selling strategy. This R&D strategy requires substantial investment in plant and equipment, but fewer expenditures in R&D than the two approaches described earlier.

(Q.N. 117) The CFO of a sick company manufacturing various electrical home appliances seeks your advice for an appropriate retrenchment strategy. It has huge accumulated losses which have eroded its net worth. What will be your advice and why? 

Answer: A sick company is a company which has huge accumulated losses which have eroded its net worth. Electric home appliance is a sick company and is evaluating retrenchment strategy. Retrenchment strategy is followed when an organization wants to substantially reduce the scope of its activity. *The various kinds of retrenchment strategy are:*

- (i) **Turnaround Strategy:** Retrenchment may be done either internally or externally. For internal retrenchment to take place, emphasis is on improving internal efficiency, known as turnaround strategy. Through turnaround strategy, organisation focus on ways to reverse the process of decline. It may try to reduce costs, eliminate unprofitable outputs, generate revenue, improve coordination, better control, and so on. It may also involve changes in top management and reorienting leadership.
- (ii) **Divestment Strategy:** Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU. Divestment is usually a part of restructuring plan and is adopted when a turnaround has been attempted but has proved to be unsuccessful.

(iii) **Liquidation Strategy:** In retrenchment, the most extreme and unattractive is liquidation strategy. It involves closing down a firm and selling its assets. It is considered as the last resort because it leads to serious consequences such as loss of employment for workers. Liquidation strategy may be unpleasant as a strategic alternative but when a "dead business is worth more than alive", it is a good proposition.

The appropriate retrenchment strategy will depend on the circumstances and goals of the company.

(Q.N. 118) Entrepreneur & Intrapreneur are the buzzing words today. Differentiate between Entrepreneur & Intrapreneur.



Answer: The main differences are:


Basis	Entrepreneur	Intrapreneur
Meaning	Entrepreneur refers to a person who starts his own business with a new idea.	Intrapreneur is an employee who promotes innovation within the organisation.
Dependency	An entrepreneur is independent in his operations.	An intrapreneur is dependent on the entrepreneur (owner).
Fund raising	Entrepreneur starts his business by raising the funds himself.	Intrapreneur is not required to raise funds himself & he is funded by the employer.
Ownership	Entrepreneur has the ownership of his business.	He may not be the owner of the business. He is usually an employee or manager.
Risk	Entrepreneur bears the risk associated with the business.	Intrapreneur does not fully bear the risk involved.
Profits	Entrepreneur is entitled to the profits associated with business.	Intrapreneur is usually entitled for the fixed salary and bonus (if any).

(Q.N. 119) List the issues which are to be considered in the strategy implementation.



Answer: Given below are the issues which are to be considered in the strategy implementation:

- (i) Programme Implementation
- (ii) Projects Implementation
- (iii) Procedural Implementation
- (iv) Resource allocation
- (v) Structural Implementation
- (vi) Leadership Implementation
- (vii) Behavioural Implementation

(Q.N. 120) There are two prominent leadership style namely  Transactional Leadership and Transformational Leadership style. Differentiate between them. Anshuman was a CEO at a struggling company. Despite the challenges, he believed in the potential of his team and was determined to turn the company around. He started by communicating his vision to his employees. He encouraged them to think outside the box, take risks and be creative. He also invested in training programs to help employees develop new skills. He regularly recognized and rewarded employees for their hard work, which increased their job satisfaction and commitment. As a result, the company began to see positive changes. Identify and discuss the leadership style adopted by Anshuman?


Answer: The major differences are:

Transactional Leadership	Transformational Leadership
This is the formalized approach of leadership.	This is the informalized approach of leadership.
This leadership style is suitable for: <ul style="list-style-type: none"> • Matured organisations • Organisations performing well • Organisations working in stable environment 	This leadership style is suitable for: <ul style="list-style-type: none"> • Organisations in initial stage • Poor performing entities • Entities facing unstable environment
This leadership style is appropriate when the organization wants to continue existing system without going for any major change.	This leadership style is appropriate when the organization wants to adopt some major changes.

This leadership style uses top-down approach.	This leadership style uses bottom-up approach.
This leadership style provides the scope of only one leader at a time.	This leadership style provides the scope of more than one leader at a time.

Being a CEO of a struggling company, Anshuman has adopted transformational leadership style. The style uses charisma and enthusiasm to inspire people to exert them for the good of the organization. Transformational leaders offer excitement, vision, intellectual stimulation and personal satisfaction. Such a leadership motivates followers to do more than originally affected to do by stretching their abilities and increasing their self-confidence, and also promote innovation throughout the organization.

Anshuman believed in the potential of his team. He started by communicating his vision to his employees. He encouraged them to think outside the box, take risks and be creative. He also invested in training programs to help employees develop new skills. He regularly recognized and rewarded employees for their hard work, which increased their job satisfaction and commitment.

(Q.N. 121) Mr. Vicky Verma, a Gwalior based entrepreneur, has entered into an exclusive-retail deal with an Italian company selling ‘Fantasy-3D’,  a Hologram LED Fan, which is being used for advertising at public places. Mr. Verma procured a total of 500 units of the product and paid upfront as per the seller’s policy. This resulted in blocking of his working capital significantly and the shipment is expected in a month. Meanwhile his continued efforts of establishing relations with the marketing heads of corporates resulted in a series of meetings, where he demonstrated his specialist product knowledge by changing the hologram images to personalise basis specifications of the customer. The management of a big automotive company was impressed with the quality and adaptability of the product, and awarded a contract of 125 units to be displayed in the auto-maker’s showrooms. Identify and explain the product promotion strategy adopted by Mr. Verma. Also state the objectives that must be kept in mind while designing a pricing strategy of a new product?


Answer: Mr. Vicky Verma established personal contacts with potential buyers of the product and persuaded the marketing department over several physical

meetings & was finally able to make sales. The personal relation establishment and physical demonstration, indicates that *Mr. Verma used the Personal Selling method of Promotion*. Modern marketing is highly promotional oriented and include personal selling, advertising, publicity and sales promotion. Personal selling involves face to face interaction of sales persons with the prospective customers and provides a high degree of personal attention. It involves working with one customer at a time and hence not cost effective. The intention of oral communication is sale.

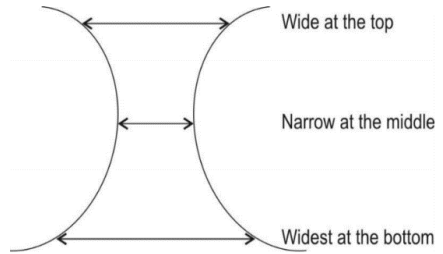
For a new product pricing strategies for entering a market needs to be designed. In pricing a really new product at least three objectives must be kept in mind:

- (i) Making the product acceptable to the customers.
- (ii) Producing a reasonable margin over cost.
- (iii) Achieving a market that helps in developing market share.

For a new product an organization may either choose to *skim or penetrate the market*. In skimming prices are set at a very high level. The product is directed to those buyers who are relatively price insensitive. In penetration pricing firm keeps a temptingly low price for a new product which itself is selling point. A very large number of the potential customers may be able to afford and willing to try the product.

(Q.N. 122) Delta is an organization specializing in Information Technology enables Services (ITeS) and Communications business.  Previous year the organization had successfully integrated an Artificial Intelligence (AI) tool named 'Zeus' into the existing ERP system. The AI tool using Deep Learning technique provided a digital leap transformation in various business processes and operations. It has significantly diminished the role played by specialist managers of the middle management. This technological tool in addition to saving organisational costs by replacing many tasks of the middle management, has also served as a link between top and bottom levels in the organization and assists in faster decision making. The skewed middle level managers now perform cross-functional duties. Which type of organisational structure is the company transitioning into?

Answer: The company Delta is transitioning into the Hourglass organization structure because it has used technological tools to transform various business processes and operations and has significantly diminished the role played by specialist managers of the middle management.



The technological tool in addition to savings organisational costs by replacing many tasks of the middle management has also served as a link between top and bottom levels in the organization and assists in faster decision making. The skewed middle level managers now perform cross-functional duties. All these factors indicate towards Hourglass organization structure.

(Q.N. 123) How would you argue that R&D Personnel are important for effective strategy implementation in the organisation.



Answer: Research and Development (R&D) personnel can play an integral part in strategy implementation. These individuals are generally charged with developing new products and improving old products in a way that will allow effective strategy implementation.

R&D employees and managers perform tasks that include transferring complex technology, adjusting processes to local raw materials, adapting processes to local markets, and altering products to particular tastes and specifications. Strategies such as product development, market penetration, and concentric diversification require that new products be successfully developed and that old products be significantly improved. But the level of management support for R&D is often constrained by resource availability.

(Q.N. 124) Differentiate between the Cost Leadership Strategy and Differentiation Strategy. Also explain in brief the various basis of differentiation strategy.



Answer: The major differences are

Cost Leadership Strategy	Differentiation Strategy
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It is one of the generic strategies specified by Michael Porter.	It is one of the generic strategies specified by Michael Porter.
Cost leadership strategy means having the <i>lowest cost of operation, production, procurement, storage and distribution in the industry.</i>	In differentiation strategy, entity tries to <i>develop a product or service with unique features or attributes that are different from the competitors.</i>
This strategy is directed towards <i>the price-sensitive buyers.</i>	This strategy is particularly applicable for the buyers who are <i>relatively price insensitive.</i>
Through cost leadership strategy, organisation tries to undercut its competitors through the prices.	Successful differentiation strategy allows firm to charge a premium price for its product and services and to gain customer loyalty.
To achieve cost leadership, entity needs tight cost control, proper supervision, intolerance towards waste, very high efficiency etc.	Differentiation strategy needs strong innovation & research capabilities, rapid product innovations, increase brand image and value etc.
The risk of pursuing cost leadership strategy is that <i>competitors may recognise the successful cost leadership strategy and copy it.</i>	Major risk associated with differentiation strategy is that <i>customers may not value the differentiating features offered by the company and may not pay the premium prices</i> thus causing failure of differentiation strategy.

There are three basis of differentiation, as follows:

- (i) **Product:** Innovative products that meet customer needs can be an area where a company has an advantage over competitors. However, the pursuit of a new product offering can be costly R&D, as well as production and marketing costs can all add to the cost of production and distribution.
- (ii) **Pricing:** Companies that differentiate based on product price can either determine to offer the lowest price or can attempt to establish superiority through higher prices.

(iii) **Organisation:** Organisational differentiation is yet another form of differentiation. *Maximizing the power of a brand* or using the specific advantages that an organization possesses can be instrumental to a company's success. Location advantage, name recognition and customer loyalty all also ways for an Entity to differentiate itself from competition.

(Q.N. 125) Do you think that competition is always bad for organisations? Explain Porter's five forces model as to how businesses can deal with the competition.



Answer: Although competition makes organizations work harder, intense competition is neither a coincidence nor bad luck. All organizations faces competition. To gain a deep understanding of a company's industry and competitive environment, managers do not need to gather all the information they can find and waste a lot of time digesting it. Rather, the task is much more focused. A powerful and widely used tool for systematically diagnosing the significant competitive pressures in a market and assessing the strength and importance of each is the Porter's five-force model of competition. This model holds that the state of competition in an industry is a composite of competitive pressures operating in five areas of the overall market. These are:

- (i) Threat of new entrants.
- (ii) Bargaining power of customers.
- (iii) Bargaining power of suppliers.
- (iv) Rivalry among current players.
- (v) Threats from substitutes.

(Q.N. 126) What are acquisitions? Discuss with example of two companies resorting to this strategy?



Answer: Acquisition of existing concern is a means of achieving the growth and expansion. Apart from the urge to grow, acquisitions and mergers are resorted to for purposes of achieving a measure of synergy between the parent and the acquired enterprises. Synergy may result from the physical facilities, technical and managerial skills, distribution channels, research and development and so on. Some of the popular acquisition are:

- Tata Steel's acquisition of Corus.

- Tata Motor's acquisition of British Jaguar Land Rover.
- Mittal Steel's takeover of Arcelor.
- Google's acquisition of Android, YouTube etc.
- Walmart Acquisition of Flipkart.

(Q.N. 127) The Audit Committee of Theta Ltd on observing a sluggish growth has advised a radical internal digital transformation. A strategy audit was proposed to identify problem areas and correct the strategic approaches that have not been effective so far. The strategy auditor while measuring organisational performance has identified gaps in flow between order booking by the sales department and the dispatch of product by the delivery department, which amounts to success of one department means failure for another. With reference to Richard Rumelt's criteria for strategy audit, identify and explain the correct evaluation criteria to be adopted. **(OR)**



What is Strategy Audit? Explain briefly the criteria for strategy audit given by Richard Rumelt's.

Answer: A strategy audit is an examination and evaluation of areas affected by the operation of a strategic management process within an organization. Richard Rumelt's criteria for strategy audit proposes four criteria namely,

- (i) **Consistency:** A strategy should not present inconsistent goals & policies which can lead to organizational problems and conflicts. Inconsistencies in strategy are indicated if:
 - (a) the cause of organizational problems is issue based;
 - (b) success for one department implies failure for another;
 - (c) the top management is expected to resolve policy problems and issues every time.
- (ii) **Consonance:** Consonance refers to the need for strategists to examine sets of trends in auditing strategies. The difficulty is that most trends are the result of interactions among other trends. A strategy must represent an adaptive response to the external environment and to the critical changes occurring within it.
- (iii) **Feasibility:** A strategy must neither overtax available resources nor create unsolvable sub-problems.

- (iv) **Advantage:** A strategy must provide for the creation and/or maintenance of a competitive advantage in a selected area of activity. The advantage may reflect superiority in any one or combination of: resources, skills and position.

In the present scenario, the strategy auditor while measuring organisational performance has identified a gap which amounts to success of one department means failure for another. This can be clearly identified as a consistency criterion as the current organisational strategies are inconsistent. *Three guidelines help determine if organizational problems are due to inconsistencies in strategy:*

- If managerial problems continue despite changes in personnel and if they tend to be issue-based rather than people-based, then strategies may be inconsistent.
- If success for one organizational department means, or is interpreted to mean, failure for another, then strategies may be inconsistent.
- If policy problems and issues continue to be brought to the top for resolution, then strategies may be inconsistent.

(Q.N. 128) What are the three major research and development approaches for implementing strategies?



Answer: There are *three major research and development approaches* for implementing strategies.

- (i) **Technology Leaders:** These are the firms who develops new technologies. These firms take a lead in R&D hence they are called Technology Leaders. This strategy involves huge risk as it causes high R&D costs and there is no surety that the ultimate product would be a commercial success. However this strategy offers the highest reward as well. E.g. Nokia, Apple, BMW, Boeing etc.
- (ii) **Technology Imitator / Innovative Imitator:** These are the firms who do not take lead in R&D but imitates the successful products and services based on the new technologies. These kinds of firms must have a very innovative and capable R&D Team who can successfully imitate the new

technologies on timely basis. Here risks and rewards are less compared to technology leader firms.

- (iii) **Lower End Technology Followers:** These are the low-cost producers who mass produce products similar to but significantly less expensive than the products of technology leaders or technology imitator firms. These firms are not required to make high R&D investments but need high investment in plant and machineries to mass produce the product.

(Q.N. 129) Differentiate between the Concentric Diversification and Conglomeratic Diversification.



Answer: The major differences are:

Concentric Diversification	Conglomeratic Diversification
If the new business opted by the entity is linked with its existing business through <i>process, market or technology</i> , it is called concentric diversification.	If the new business opted by the entity is totally disjoint or unrelated with its existing business, it is called conglomeratic diversification.
It is also called related diversification.	It is also called unrelated diversification.
For example, if a school book publishing company enters into the business of school stationery and school uniform, it is concentric diversification.	For example, if a school book publishing company enters into the business of stock broking, it is known as horizontally integrated diversification.

(Q.N. 130) Kamal Sweets Corner, a very popular sweets shop in Ranchi, was facing tough competition from branded stores of packaged sweets and imported goods. The owners realised that their business reduced by 50% in the last six months, and this created a stressful business environment for them. To find a solution, they consulted a business consultant to help them develop a strategy to fight competition and sustain their century old family business. The business consultant advised them to innovate a new snack for the public and market it as a traditional snack of the region. The owners liked the idea and developed a new snack called Dahi Samosa, which very quickly



became popular amongst the public and it helped regain the lost business of Kamal Sweets Corner.

One of the very crucial importance of strategic management was used by the business consultant to help the owners of Kamal Sweets Corner. Which one could it be? Also, was this strategy Reactive or Proactive? According to you who are more beneficial in general parlance?

(OR) "A business organization cannot always plan all their strategies in advance and often need to blend planned strategies with reactive strategies." Do you agree with the statement? Give reasons.

Answer: The strategy used here was of developing a competitive advantage via product which helped Kamal Sweets Corner regain their lost business. This is also one of the major importance cum advantage of strategic management, that is helps to develop core competencies and competitive advantages to overcome competition.

This strategy was a Reactive strategy. Wherein, the owners saw their business fall to 50% of revenue and then seeking a strategic advisory. They did not plan proactively as to when the new shops were already opening. They reacted only when the business started to lose up.

Generally, it is always beneficial to develop strategies proactively, so that the dip in businesses is small and manageable, and even if they are huge, the management has ample time to fix it.

(Alternate Question) Yes, a business organization cannot always plan all their strategies in advance and often need to blend planned strategies with reactive strategies. In planned strategy, Entity will analyse possible environmental scenarios and create strategic framework after proper planning and work on these strategies in a pre-determined manner. However, no company can forecast both internal & external environment exactly. Everything cannot be planned in advance. It is not possible to anticipate moves of rival firms, consumer behaviour, evolving technologies and so on.

There can be significant deviations between what was planned & what actually happens. There can be significant changes in the environment. Reactive

strategy is triggered by the changes in the environment and provides ways to cope with the negative factors or take advantage of emerging opportunities.

(Q.N. 131) Differentiate between Divestment and Liquidation strategy.



Answer: Following are the differences between Divestment and Liquidation strategy:

Divestment Strategy	Liquidation Strategy
Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit center or SBU.	It involves closing down a firm and selling its assets.
Divestment is a part of rehabilitation or restructuring plan and is adopted when a turnaround has been attempted but has proved to be unsuccessful. Option of a turnaround may even be ignored if it is obvious that divestment is the only answer.	Liquidation becomes only option in case of severe and critical conditions where either turnaround or divestment are not seen as solution or have been attempted but failed.
Efforts are made for the survival of organization.	Liquidation as a form of retrenchment strategy is considered as the most extreme and unattractive.
Survival of organization helps in retaining personnel, at least to some extent.	There is loss of employment with stigma of failure.

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(Q.N. 132) B Ltd. is considering entering into the automobile industry.



As competition is very intense, the management is reluctant to take any quick decision about the expansion. You as a consultant are required to explain what is key factor in the context of an industry.

Answer: An industry's Key Success Factors (KSFs) are *factors that affects the industry members' ability to prosper in the market*. KSFs are so important that all firms in the industry must pay close attention to them. The *answers to three questions* help identify an industry's KSFs:

- On what basis do customers choose between the sellers?
- What resources & capabilities seller needs to be competitively successful?
- What does it take for the sellers to develop those resources & capabilities?

Understanding the industry key success factors should be the top most priority of the managers and if they misunderstood these factors, they may end up crafting a misleading strategy. *Any industry usually has at most three or four key success factors at a time* & these factors vary from industry to industry.

(Q.N. 133) B Ltd. wants to implement supply chain management in its organisation. List the steps involved in implementing the Supply Chain Management System.



Answer: Implementing the supply chain management system will involve the following steps:

- Product Development:** Organisation must work with the customers and suppliers in product development process. Active involvement of them is necessary as it will help the company to bring the exact product the market demands and that too in a shorter duration.
- Procurement:** Procurement requires careful planning, identifying sources, negotiation, order placement, inbound transportation and storage of raw material. Organizations should have effective procurement mechanism in place.
- Manufacturing:** Companies should adopt flexible manufacturing process to quickly respond to market changes. Manufacturing should be done on the basis of just-in-time (JIT) and keep the inventory as low as possible

- (iv) **Physical Distribution:** Availability of the products at the right place at right time is essential for the success of organization. It should ensure that there does not remain any unsatisfied demand.
- (v) **Outsourcing:** As competition is increasing, companies all over the world are focusing on their core competencies and performing only those tasks internally on which they are best and outsourcing all other tasks to outside parties who can perform those tasks at a lower cost.
- (vi) **Customer Services:** Customers are the king and companies must serve them properly to win their loyalty. Organisations should ensure proper after sale services to their customers.
- (vii) **Performance Measurement:** Performance is measured in different parameters like costs, customer service, productivity and quality.

(Q.N. 134) Briefly explain forward linkage & backward linkage in the context of strategy formulation & implementation.



Answer: Forward Linkages refers the situation where entity formulates a strategy it will pursue in future but with the formulation of new strategy many changes have to be made in the organization like organizational Structure, Culture, Leadership etc. may have to be modified according to the new strategies. So in this way, the formulation of the strategy have the forward linkage with the implementation. Forward linkage is most suited if entity wants to change or modify its strategies as per the changing market situations.

Backward Linkage refers the situation where entity finds it very difficult implement new strategies as new strategies might require changes in existing structure, culture etc. Hence entity tends to adopt those strategies which can be implemented with the help of existing culture, structure and other resources. This approach is known as backward integration. Here entity makes incremental improvements to achieve its strategies. This approach is suitable for those entities who wants to continue with the existing strategy without making any major changes.

(Q.N. 135) Write a short note on Strategic Group Mapping and explain the procedure for constructing a strategic group map.



Answer: Strategic Group mapping is a *tool for comparing the market positions of rival firms*. A strategic group consists of those rival firms with similar competitive approaches and positions in the market. Companies in the same strategic group may be due to having comparable product-line, price range, distribution channels etc. Procedure for constructing a strategic group map is:

- Identify the competitive characteristics that differentiate firms in the industry. General variables could be price range; product-line breadth etc.
- Plot the firms on a two-variable map using pairs of these differentiating characteristics.
- Assign firms having the same strategic approach to same strategic group.
- Draw circles around each strategic group.

(Q.N. 136) Write a short note on vertically integrated diversification explaining Forward Integration and Backward Integration.



Answer: In vertically integrated diversification strategy, the entity opts to engage in businesses that one related to the existing business of the firm. The firm remains vertically with in same product value chain moving either forward or backward in the chain and enters in to new business areas.

Vertically integrated diversification could be in the firm of *Forward Integration* or *Backward Integration*.

In backward integration, entity enters in to the business of the input provider or supplier with the intention to create an effective supply chain. Through backward integration, entity gets a better control over the input and manages its quality, availability and cost by itself. Like a super market chain can acquire the dairy farm business to get fresh supply of milk and other related products.

On the other hand, in forward integration, entity moves forward in the value chain and enters in to the business that uses the existing product of the entity (its customers). Through forward integration, entity gets better control over the distribution chain of the product.


(Q.N. 137) 'Coffee Beans' is a coffeehouse chain that operates across the globe in different countries. 'Coffee Beans' has adopted a strategy to build business by establishing product uniqueness or qualities and gain




competitive advantage based on features of its offerings in coffee business. Which type of strategy 'Coffee Beans' has adopted?

Answer: According to Michael Porter, strategies allow organizations to gain competitive advantage from three different bases namely cost leadership, differentiation, and focus. Porter called these as generic strategies.

Based on the facts given in the question, *Coffee Beans has opted differentiation strategy*. Its products are designed *having unique features & qualities that are different from the competitors*. Highly differentiated & unique products enable Coffee Beans to charge premium prices for its products hence making higher.

(Q.N. 138) Zumba Robots, an electronic robot manufacturing company  is a leader in its business segment. Over a period of time, it started losing its grip on the market as its overall position started to weaken. Discuss the type of audit that you would like to suggest to analyse the situation of the company?

Answer: The audit of management performance with regard to its strategies helps 'Zumba Robots' identify problem areas and correct the strategic approaches that have not been effective so far. A strategy audit is a review of a company's business plan and strategies to identify weaknesses and shortcomings and enable a successful development of the company. An assessment of the external environment shows where changes happen and where organization's strategic management no longer match the demands of the marketplace. Based on such analysis, Zumba Robots can improve its business performance significantly by periodically conducting such an audit.

(Q.N. 139) Kewal Kapadia is the MD of KK Ltd. located in Kanpur. In a review meeting with the CFO Kuldeep Khaitan, he said that in the first five years of last decade the company grew @ 8-10% every year, then the growth rate started falling and in previous year the company managed 1%. Kuldeep replied that the company is facing twin issues, one the strategy is not being implemented as planned; and two the results produced by the strategy are not in conformity with the intended goals. There is mismatch between strategy formulation and implementation. Kewal disagreed and stated that he takes personal care in implementing all strategic plans. You have been hired as a strategy consultant by the KK Industries. Advise the way forward for the KK 

Ltd. by identifying the problem areas and correct the strategic approaches that have not been effective.

Answer: Considering the facts of the case, the company needs to conduct strategy audit. Strategy audit is needed under following conditions:

- (i) When performance indicators reflect that a strategy is not working properly or is not producing desired outcomes.
- (ii) When the goals & objectives of the strategy are not being accomplished.
- (iii) When a major change takes place in the external environment of the organization.
- (iv) When the top management plans:
 - to fine-tune existing strategies and introduce new strategies &
 - to ensure that a strategy that has worked in the past continues to work despite the internal and external changes that may have occurred.

Strategy Audit includes three basic activities:

- (a) Examining the underlying bases of a firm's strategy,
- (b) Comparing expected results with actual results, and
- (c) Taking corrective actions to ensure performance conforms to plans.

(Q.N. 140) Value for Money' is a leading retail chain, on account of its ability to operate its business at low costs. The retail chain aims to further strengthen its top position in the retail industry. Marshal, the CEO of the retail chain is of the view that to achieve the goals they should focus on lowering the costs of procurement of products. Highlight and explain the core competence of the 'Value for Money' retail chain.



Answer: A core competence is a *unique strength of an organization which may not be shared by others*. Core competencies are those capabilities that are critical to a business in achieving competitive advantage. Considering the facts of the case, 'Value for Money' is the leader on account of its ability to keep costs low. The cost advantage that 'Value for Money' has created for itself has allowed it to price goods lower than competitors. The core competency in this case is derived from its ability to generate large sales volume because of its low-cost, allowing the entity to remain profitable even with low profit margin.

(Q.N. 141) Rohit is having a small chemist shop in the central part of Ahmedabad. What kind of competencies Rohit can build to gain competitive advantage over online medicine sellers?



Answer: Capabilities that are *valuable, rare, costly to imitate, and non-substitutable* are core competencies. A small chemist shop has a local presence and functions within a limited area. Still it can build its own competencies to gain competitive advantage. Rohit can build competencies in the areas of:

- (a) Giving personal attention to the customers.
- (b) Providing home delivery with no additional cost.
- (c) Providing speedy home delivery.
- (d) Having extended working hours.
- (e) Providing easy credit or a system of monthly payments.

(Q.N. 142) Define the term industry along with some examples of industry. Also list few factors that can be considered as the dominant economic features of the Industry.



Answer: Industry is a group of *similar firms whose products or services having similar features and attributes & they compete for the same buyers*. Like Real Estate Industry, Auto Mobile Industry, Telecom Industry etc. Some of the factors that can be considered as the dominant economic features of the Industry are as follows:

- (i) Size and Nature of market
- (ii) Scope of competitive rivalry (local, regional, national, global)
- (iii) Growth rate of the market
- (iv) Life cycle of the market
- (v) No. of buyers and their size
- (vi) Capital requirements

(Q.N. 143) What do you understand by the term core processes? Explain along with some examples of core processes from different industries.



Answer: There are *some processes which are extremely critical for the success and survival of the entity*. These processes are called core processes. Core

processes if properly managed, enhances the capabilities of the organisation and provides it competitive advantage. Some of the core processes are:

- In FMCG sector, marketing is a core process.
- In electronics and semi-conductor industry, the new product development is core process.
- In insurance industry, premium charged from customer and profit earned by company after settlement of claim is a core process.
- In automobile industry, car assembly is a core process.

(Q.N. 144) Mr. Shridhar Khanna who is running a medium size cloth manufacturing business in Panipat wishes to understand the driving forces that trigger change. He has sought advice from you and wishes to know common driving forces. Briefly explain.



(OR) Write a brief note on 'Driving Forces' that affect an industry.

Answer: Industry in which entity operates change due to new trends and developments taking place in the environment. The most dominant forces are called driving forces as they have the biggest influence on what kinds of changes will take place in industry. *Some of the examples of drivers are:*

- Internet and e-commerce
- Globalization
- Mobilization of resources
- Product innovation
- Marketing innovation
- Laws, rules, regulations etc
- Entry or exit of major forms.

(Q.N. 145) Rahul is MD of T Ltd. which is manufacturing trucks. He is worried about the entry of new businesses. What kind of barriers will help Rahul against such a threat? **(OR)**



What are the common barriers that are faced by new entrants when an existing firm earns higher profits?

Answer: A firm's profitability tends to be higher when other firms are blocked from entering the industry. New entrants can reduce industry profitability.

Barriers to entry represent economic forces that slow down or prevents entry by other firms. **Common barriers to entry include:**


- **Capital Requirements** - When a large amount of capital is required to enter an industry, firms lacking funds are effectively barred from the industry, thus enhancing the profitability of existing firms in the industry.
- **Economies of Scale** - A large firm that enjoys economies of scale can produce high volumes of goods at successively lower costs. This tends to discourage new entrants.
- **Product Differentiation** - Production differentiation refers to the physical or perceptual differences, or enhancements, that make a product special or unique in the eyes of customers. Differentiation works to reinforce entry barriers because the cost of creating genuine product differences may be too high for the new entrants.
- **Switching Costs** - To make a switch, buyers may need to test a new firm's product, negotiate new purchase contracts, and train personnel to use the equipment, or modify facilities for product use. When such switching costs are high, buyers are often reluctant to change.
- **Brand Identity** - New entrants often encounter significant difficulties in building up the brand identity, because to do so they must commit substantial resources over a long period.
- **Access to Distribution Channels** - The unavailability of distribution channels for new entrants is another significant entry barrier. Despite the growing power of internet, many firms may continue to rely on their control of physical distribution channels.
- **Possibility of Aggressive Retaliation** - Sometimes the mere threat of aggressive retaliation by incumbents can deter entry by other firms into an existing industry. For example, introduction of products by a new firm may lead existing firms to reduce their product prices and increase their advertising budgets.

(Q.N. 146) M Ltd. used to earn high profit compared to the industry average & one of the reasons was it was able to create competitive advantage by integrating resources & capabilities properly. But gradually its performance declined & it fallen into losses. What are the factors on which the sustainability of competitive advantage depends?



Answer: The sustainability of competitive advantage and a firm's ability to earn profits from its competitive advantage *depends upon four major characteristics or factors of resources and capabilities:*

- (i) **Durability:** The period over which a competitive advantage is sustained depends on the rate at which a firm's resources and capabilities deteriorate. In industries where the rate of product innovation is fast, the rate of deterioration is high.
- (ii) **Transferability:** Even if the resources and capabilities on which a competitive advantage is based are durable, it is likely to be eroded by competition from rivals. The ability of rivals to attack position of competitive advantage relies on their gaining access to the necessary resources and capabilities. The easier it is to transfer resources and capabilities between companies, the less sustainable will be the competitive advantage which is based on them.
- (iii) **Imitability:** If resources and capabilities cannot be purchased by the competitors, then they must be built from the scratch. How easily and quickly can the competitors build the resources and capabilities on which a firm's competitive advantage is based affects the sustainability of the competitive advantage.
- (iv) **Appropriability:** It refers to the ability of the firm's owners to appropriate the returns on its resource base. Even where resources and capabilities are capable of offering sustainable advantage, there is an issue as to who receives the returns on these resources.

(Q.N. 147) VL Ltd., was started as a textile company to manufacture cloth. Currently, they are in the manufacturing of silk cloth. The top management desires to expand the business of the cloth manufacturing. To expand they decided to purchase more machines to manufacture cotton cloth. Identify and explain the strategy opted by the top management of VL Ltd. 

Answer: Based on the facts given in the question, VL Ltd. is currently manufacturing silk cloth and its top management has decided to expand its business by manufacturing cotton cloth. Both the products are similar in nature within the same industry. The diversification strategy that the top management of VL Ltd. has opted is *concentric in nature*. They were in business

of manufacturing silk and now they will manufacture cotton as well. Concentric diversification amounts to related diversification. In concentric diversification, the new business is linked to the existing businesses through process, technology or marketing.

(Q.N. 148) Mr. Raj runs a charitable organisation for promotion of sports in the country. His organisation conducts regular free training camps for youths interested in sports. Raj noticed that with success of IPL (Cricket) tournament there is an increasing trend to extend similar format in other sports as well. He wishes to know how the development is going help sports and to which industries it will offer opportunities and threats.



Answer: An opportunity is a favourable condition in the environment which enables the organisation to strengthen its position. While threat is an unfavourable condition in environment which causes a risk to its position. It will offer opportunity and threats to the following:

Opportunities

- Stadium and sports grounds
- Manufacturers of sports goods
- Sports channels, advertisers

Threats

- Entertainment industry engaged in TV serials, cinema, theatres etc.
- Event Management organisation engaged in non-sports events.

(Q.N. 149) Briefly explain about market penetration and market development in the context of Ansoff's Product Market Growth Matrix. Sky chemical industry intends to grow its business. Advise the company on the available options using Ansoff's product market growth matrix.



Answer: Market Penetration is the most common expansion strategy is market penetration or concentration. In this strategy, firm uses its existing products and markets and sells it in the larger quantity to achieve growth. Entity can do the following to increase its market share in the market penetration strategy:

- Increase product usage

- Increase the frequency used
- Increase the quantity used
- Find new uses for the current users

Market Development consists of marketing present products to customers in new markets. Market development can be done through like expanding in new geographical markets.

The Ansoff's product market growth matrix (proposed by Igor Ansoff) is a useful tool that helps businesses decide their product and market growth strategy. With the use of this matrix, a business can get an idea about how its growth depends upon its markets in new or existing products in both new and existing markets. The Ansoff's product market growth matrix is as follows:

	Existing Products	New Products
Existing Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

Sky chemical can adopt market penetration, product development, market development or diversification simultaneously for its different products.

- **Market penetration** refers to a growth strategy where the business focuses on selling existing products into existing markets by making more sales to present customers without changing products in any major way.
- **Market development** refers to a growth strategy where the business seeks to sell its existing products into new markets. It is a strategy for company growth by identifying and developing new markets for the existing products of the company.
- **Product development** refers to a growth strategy where business aims to introduce new products into existing markets. It is a strategy for company growth by offering modified or new products to current markets.
- **Diversification** refers to a growth strategy where a business markets new products in new markets. It is a strategy by starting up or acquiring businesses outside the company's current products and markets.

(Q.N. 150) Write a short note on Expanded Marketing Mix.



Answer: Typically, all organizations use 4 P's of marketing mix made of Product, Price, Place & Promotion but this is not exhaustive in nature. It is important to discuss a few more elements that may form part of an organizational marketing mix strategy. They have got more significance in recent years and growth of services has a major role for the inclusion of newer elements in marketing mix. A few new Ps are:

- **People:** All human element who play a part in delivery of the market offering and thus influence buyer's perception like the firm's employees.
- **Process:** Actual procedures, methods & flow of activities by which product or service is delivered.
- **Physical evidence:** The environment in which the market offering is delivered and where the firm and customer interact.



(Q.N. 151) Write a short note on Typologies of Strategies. Domolo is a premium cycle and cycling equipments brand which targets high spending customer with a liking for quality and brand name. Their cycles range from ₹15,000 to ₹1 lakh. The recent trend of fitness through cycling has created humongous demand for cycles and peripherals like helmets, lights, braking systems, fitness applications, etc. The customer base has grown 150% in the last three months. Mr. Vijay, who is an investor wants to tap in this industry and bring about cheaper options to people who cannot spend so much. Which business level strategy would best suit for Mr. Vijay's idea and what are the major sub-strategies that can be implemented to capture maximum market?



Answer: To survive and succeed in this competitive marketplace, entity adopts various strategies for its different business levels, stage of business life cycle

or product life cycle and also the competitive situation in the market. The various strategies an organisation may adopt are as follows:

Basis	Types
Organisational Level	Corporate Level Business Level Functional Level
Stages of Business Life Cycle	Introduction Stage - Market Penetration Strategy Growth Stage - Growth/Expansion Strategy Maturity Stage - Stability Strategy Decline Stage - Retrenchment/ Turnaround Strategy
Competition	Competitive Strategies - Cost Leadership, Differentiation, Focus Collaboration Strategies - Joint Venture, Merger & Acquisition, Strategic Alliance

The Best Cost Provider strategy *would ensure a better reach* to the not so affluent customers and provide them with good quality cycles and equipments, thus tapping in on the increasing trend of cycling. Two sub-strategies that can be implemented are:

- (i) Offering lower prices than rivals for the same quality of products.
- (ii) Charging same prices for better quality of products.

The idea of Mr. Vijay is to provide almost same quality of products in terms of functionality if not so in terms of branding, to customer who do not have huge sums of money to pay. Thus, sub-strategy number one, offering lower prices for almost same quality should be implemented to become the best cost provider of cycles and related equipments in the market.

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