



Business Management

Final Examination
Summer 2014
Module E

5 June 2014
100 marks - 3 hours
Additional reading time - 15 minutes

- Q.1 (a) Companies prepare formal mission statements which purport to define their unique characteristics and set them apart from other organisations. However, it is observed that mission statements of a number of companies do not have much bearing and relevance with their overall corporate culture and values, aspirations of their employees and actual achievements.
- Identify and explain briefly **four** factors which may be responsible for the variances in the objectives stated in the mission statements of these companies and their culture, values and performance levels. (06)
- (b) Allcom Limited (AL) has been established recently to provide internet services. AL has received numerous complaints of the poor quality of services of the company's customer care personnel. State what measures AL's management should adopt to improve the performance of its front-line customer care staff. (04)
- Q.2 Strategic Management is a long-term planning process undertaken to achieve the organisational goals during a period ranging between 3-5 years. Describe the important stages involved in the Strategic Management process of major business organisations. (09)
- Q.3 (a) Briefly explain the reasons why certain organisations prefer to outsource functions concerning recruitment of new employees to private employment agencies and professional recruiters rather than to handle these functions themselves. (08)
- (b) Interviews are a widely accepted method of the recruitment process and often play a major role in the decision whether to accept or reject a candidate for a particular position. However, the results of these interviews may not always be reliable due to the weaknesses in the process of the interviews which may result in erroneous recruitment outcomes.
- Describe **four** shortcomings in the interview process which, in your opinion, may result in erroneous recruitment outcomes. (06)
- Q.4 (a) Sigma Corporation Limited (SCL) is engaged in the business of manufacturing assorted range of components and parts for different types of original equipment manufacturing and assembling units. SCL wants to implement high performance work systems in the different stages of the manufacturing processes.
- State the practices that SCL must adopt to achieve high performance work systems in all their manufacturing processes. (06)
- (b) Various types of Benchmarking are used as points of reference or standards against which performances of organisations are measured. State the difference between Internal Benchmarking and Functional Benchmarking. Give **one** example **each** of Internal Benchmarking and Functional Benchmarking. (05)

- Q.5 (a) Aggressive marketing and promotional campaigns of consumer products through repetitive TV advertisements, eye-catching displays on large-sized billboards reinforced by appealing slogans and attractive advertisements in prominent newspapers and magazines are launched by marketeers to attract customers.

Explain briefly the different objectives of these aggressive marketing and promotional campaigns on which substantial expenses are incurred by the manufacturers of consumer products. (06)

- (b) What is meant by the term Test Marketing? (03)

- Q.6 Identify the business strategy/policy/definition which is most appropriate in each of the following situations:

(i) A leading manufacturer of textile products is considering acquiring an existing fast-food chain which has outlets throughout the country. It is pursuing a policy of _____.

(ii) Fortune Bank Limited envisages adding 50 new branches to its existing network of 450 branches in the country. The bank is launching a policy of _____.

(iii) Sunrise Juices Limited manufactures an assorted line of juices, jams and pickles. The company is in the process of acquiring a fully developed 500 acre fruit and vegetable farm to meet a significant proportion of its raw material requirements. Sunrise Juices is pursuing a policy of _____.

(iv) Super Sports is engaged in the manufacture and export of hand-stitched footballs and pays salaries to its employees according to the number of units stitched during the course of a week. The employees are paid _____ salaries.

(v) The favourable impact which a well-entrenched brand has on customers perceptions of quality of the product and would contribute to the future high earnings potential of the company is known as _____.

(vi) A multinational company follows a policy of manufacturing products and adapting its marketing strategies to the local environments in the different countries in which it operates. This multinational company is pursuing a policy of _____.

(vii) Tests designed to evaluate the skills and competency levels of candidates to perform the jobs actually required of these individuals are called _____.

(viii) The cumulative pool of education, knowledge, skills, expertise and training of the individual workers in an organisation is known as _____.

(ix) A competitor who aggressively pursues a policy of undermining the status of the market leader is called a _____.

(x) A process by which a multinational company having a number of subsidiaries in different countries may make adjustments of foreign currency transactions/balances among the different subsidiaries is called _____. (10)

- Q.7 (a) Narrate (with brief comments) the different types of promotional strategies which are adopted for marketing of consumer goods in the following stages of their Product Life Cycles:

- (i) Introduction stage
- (ii) Growth stage
- (iii) Maturity stage
- (iv) Declining stage

(06)

- (b) State what is meant by the term **Brand**. What brand attributes are important for creating a successful image of the brand in the market? (05)

Q.8 Discuss the relevant competitive environment in the context of Michael Porter's **Five-Forces Model of Competition** in each of the three scenarios presented below. Substantiate your answer by stating the significant characteristics of competitive environment facing the organisations in each of the scenarios.

- (i) Ocean Ship Breaking Company is located in a country which has access to skilled low-cost manpower, convenient berthing/ship-dismantling facilities, liberal tax incentives and an expanding domestic market for sale of steel scrap. Despite the above favourable factors, very few entrepreneurs have interest in this so called 'dirty and demanding' business. On the other hand, the shipping industry is facing a surplus of unserviceable vessels. These vessels have to be scrapped as early as possible due to their high maintenance costs and port charges.
- (ii) Two companies have developed genetically modified rice seeds after intensive research at a considerable cost. These companies have also made substantial investments in physical facilities for producing the seeds. These seeds have resulted in unprecedented increase in per acre yields in the three countries in which these seeds have been marketed to-date.

Both the companies expect phenomenal increase in their revenues and earnings after they launch their products in other rice growing countries due to the envisaged demand in these countries.

- (iii) In Country PQR there are six cement manufacturers of similar strength and resourcefulness. These manufacturers share among themselves 90 percent of the aggregate market which is expected to remain stagnant due to lack of demand for new housing and absence of plans for major infrastructure projects in the country in the foreseeable future. (09)

Q.9 (a) Purex Limited (PL) has considerable experience in its particular line of business and is considering making direct foreign investments in an African country. Besides the political risks, state what other factors PL should consider while making a decision regarding direct foreign investment in that country. (05)

- (b) Nova Cosmetics Limited (NCL) considers that there are favourable business opportunities for its assorted line of cosmetic products due to rise in income levels in a number of countries. NCL realises that tax considerations can have far reaching impact on its policies related to international business operations. List the types of decisions relating to international business operations where NCL is likely to be influenced by tax considerations.

Note: List the types of decisions only – explanations are not required. (04)

Q.10 Explain briefly the reasons why certain global corporations consider it essential to pursue highly centralised decision making strategies to achieve their overall global objectives. (08)

(THE END)



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Winter 2013
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5 December 2013
100 marks - 3 hours
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Q.1 Marketing policies relating to five different types of businesses/products/services are presented in the following table:

| | | -----Policies----- | | |
|------|---|---|---|---|
| | Businesses/Products | Price | Place | Promotion |
| i) | Fast food restaurant | Skimming pricing | Proximity to exclusive restaurants | Prestigious business magazines |
| ii) | High-end ladies beauty parlour | Discounted prices for large groups | Highly affluent areas of the city | Both beauty and elite social magazines |
| iii) | Branded pickles and jams | Prices substantially lower than competitors | Sold at company owned outlets | Limited promotion in national newspapers/TV and cooking shows |
| iv) | Uniforms for students in government schools | Extreme price competition | Through distributors in leading shopping malls | Live cricket matches on TV |
| v) | Locally manufactured refrigerators and air-conditioners | Higher than imported brands | Located at a distance from main markets of similar products | Advertisements in local newspapers |

You are required to identify the policies which you consider to be **inappropriate** along with brief reasons to support your point of view.

Note: Policies which are considered to be appropriate may **not** be discussed. (11)

Q.2 Peak Corporation Limited (PCL) has acquired your services as an HR Consultant for preparation of employee disciplinary procedures to be implemented in the organisation. The draft procedures would be presented to the management for approval and inclusion in the Employee Handbook, copies of which would be provided to all the employees.

State the important aspects of the guidelines that you would cover in the draft of employee disciplinary procedures in PCL. (08)

Q.3 (a) Eastern Company Limited (ECL) is located in Country A and its assorted line of fast-moving consumer goods are well accepted in the domestic market. ECL is presently considering to expand its operations and establish manufacturing facilities in three overseas countries.

List **four** different types of factors/influences which would form the basis for determining whether ECL should adopt policies of product standardisation vis-a-vis policies of product customisation, in the market environments in different countries. (06)

(b) Give **two** examples **each** of products which are usually marketed as:

- standardized products
- customized products

(02)

- Q.4 (a) Define the term Consumerism. Identify the inherent rights of consumers in the prevailing business environment. (06)
- (b) While formulating its marketing strategy, a manufacturer must decide whether it intends to pursue a pull marketing strategy or a push marketing strategy. State the salient features of a pull marketing strategy and a push marketing strategy and indicate the situations in which each of these strategies would yield optimal results. (07)
- Q.5 Zest Pharmaceutical Company Limited (ZPCL) had assigned some of the most talented individuals in the organisation to formulate the company's strategic plan. The strategic plan was considered and approved by the top management, including the board of directors. However, ZPCL's actual performance was rather disappointing and the company was not able to achieve the objectives envisaged in the strategic plan due to shortcomings in the various stages of implementation of the strategic plan.
- As an external consultant, identify and explain **six** critical factors in the strategy implementation process which may have been responsible for the poor performance of ZPCL. (12)
- Q.6 (a) Long-life Concrete Limited (LCL) is a manufacturer of pavement blocks and enjoys a sustainable cost-leadership position in its line of business. Recently, a number of competitors have posed serious challenges to the favourable cost-leadership advantage enjoyed by LCL over its rivals.
- State the different strategies and tactics that LCL should pursue to sustain its cost-leadership advantage over its competitors. (06)
- (b) Innovative companies allocate dedicated resources to identify and explore opportunities for developing new products. List the basic attributes which are essential to make a new product viable and worthwhile for expending further time and effort on its consideration. (04)
- Q.7 (a) Governments in all countries consider it their responsibility to promulgate and implement laws and policies concerning health, safety and security of workers.
- State **five** objectives which governments seek to achieve by making these laws and ensuring their compliance. (05)
- (b) Give **three** reasons why multinational companies often enter into agreements of collaboration with partners in foreign countries to seize certain advantages instead of operating entirely on their own in these foreign countries. (06)
- Q.8 Most companies prefer to achieve their objectives of expansion through organic/internal growth.
- Give any **four** reasons why a company may prefer to achieve expansion through internal growth and not through acquisition of other entities. (06)
- Q.9 State what is meant by the term 'Employee Attitude Survey'. How an Employee Attitude Survey is conducted and what are the different purposes for conducting the survey? (05)

Q.10 Goodhope Enterprises had implemented several employee incentive schemes with the expectations that they would raise the level of motivation amongst the employees and improve their overall performance. However, the incentive schemes failed to yield the desired results and the company's management has initiated enquiries to determine the reasons for the lack of success of the incentive schemes.

Identify and explain **three** factors which in your opinion may have contributed to the lack of success in the implementation of the incentive schemes. (06)

Q.11 Briefly state what is meant by the following terms:

- (i) Human resource management
- (ii) Offshore manufacturing
- (iii) Behavioural interviews
- (iv) Competency-based salary system
- (v) Tax havens

(10)

(THE END)



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Q.1 Grand Shipping Company Limited (GSCL) operates a fleet of container ships and plies on some of the busiest sea routes. To render efficient services in a competitive business environment, it is critical for GSCL to develop and retain a trained and motivated workforce comprising of onboard crew, staff at the ports and office personnel. GSCL makes concerted efforts to implement high-performance systems in all spheres of its operations in which the human resources are of vital importance.

Describe the human resource policies and practices which may have contributed towards GSCL's success in achieving high-performance systems in its operations. (09)

Q.2 Markets are often demarcated into different segments on the basis of their unique characteristics and attributes. The different market segments may be classified as:

- | | |
|-------------------------------------|------------------------------------|
| (i) Geographic or location segments | (ii) Demographic segments |
| (iii) Time segments | (iv) Usage or consumption segments |

Appropriate pricing strategies must be adopted for each of these market segments to achieve the desired objectives.

Explain and illustrate with appropriate examples the pricing strategies which may be pursued for **each** of the above market segments to achieve specific objectives. (10)

Q.3 (a) Various studies show that in the present business environment, strategies of vertical expansion are pursued less frequently than the other strategies of business growth.

Explain briefly the reasons why firms do not always consider it advantageous to pursue strategies of vertical expansion vis-à-vis the other strategies of business growth. (08)

(b) Mission of an organisation, articulated and clearly defined in its mission statement, is a combination of the inspiration and description of the road ahead for the organisation.

State the essential elements which a progressive organisation would want to capture and propagate amongst its employees in a well-crafted mission statement. (05)

Q.4 (a) State the advantages of pursuing a policy of congenial human relations management in a large-sized industrial organisation having several divisions/departments. (05)

(b) In the course of selection process, candidates are administered various kinds of tests to ascertain their suitability for the positions. These tests must show a high degree of Reliability and Validity.

State what is meant by Reliability and Validity of these tests and why these concepts are considered important in the selection process. (05)

- Q.5 Identify the business strategy/policy/definition which is most relevant in each of the following situations:
- (i) The process through which representatives of management and workers union negotiate a labour agreement is known as _____
 - (ii) Promotion of a firm's brand status and acceptability by increasing customer perception of its superiority over other brands of similar products is _____
 - (iii) A form of promotion that links a brand of a consumer product to cultural, social, sports or other activities of high public interest is known as _____
 - (iv) A company's obligation to be sensitive to the needs of all its stakeholders and create an overall positive impact on the society is known as _____
 - (v) The approach in which a multinational company assigns the best employees to key positions in its worldwide operations regardless of their nationalities is _____
 - (vi) The activities of two or more businesses when brought together create value that is greater than the value which they can achieve individually is due to the effect of _____
 - (vii) The protection granted by law to intangible assets such as patents, copyrights, trade marks and authors of books is called _____
 - (viii) Purchase of all or part of a business from its owners by its managers is called _____
 - (ix) Potential changes in political conditions in a country that may cause a company's operating performance or financial position to deteriorate are called _____
 - (x) Implementation of measures to reduce electricity, petrol/diesel and gas consumption by efficient control and management and also to protect the natural environment is called _____ **(10)**
- Q.6 (a) Fine Foods Limited, a recognised name in the packaged food industry, intends to launch its new line of cereal-fruit based products for infants.
- State the important information which should be presented/contained in the labels on the new line of products. **(04)**
- (b) State how manufacturing companies find and develop new product ideas. **(04)**
- Q.7 (a) The magnitude of Foreign Direct Investments has increased significantly in recent times and the momentum of its expansion continues as an ongoing process.
- Describe any **five** factors which in your opinion have contributed to the expansion of foreign direct investments in recent times. **(7.5)**
- (b) State **three** advantages of market-value based transfer pricing transactions among inter-group companies. **(4.5)**
- Q.8 Products of leading multinational companies have firm footholds in the markets in several countries around the world.
- State **six** strategic factors which contribute towards the success of these companies in such highly diversified business conditions and market environments. **(09)**

- Q.9 (a) What are the different types of entry barriers which may discourage entrants from establishing new manufacturing units in spite of substantial demand/supply gap for products in any industry? **(07)**
- (b) Identify the various steps involved in the Delphi Technique of decision making. **(05)**

Q.10 Mercury Telecom Limited (MTL) recognises the need for developing a cadre of trained management staff to provide efficient services to its customers. You have been engaged by MTL as an external consultant to prepare and implement a Training and Development Program for its new management trainees.

Describe the essential steps you may take to develop a comprehensive Training and Development Program which would meet the management training objectives of MTL. **(07)**

(THE END)



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6 December 2012
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- Q.1 A sound system of Environment Scanning is of critical importance in the formulation of Strategic Plans of any progressive company operating in a fast-changing and competitive business environment.
- Hawk Engineering Limited (HEL) is engaged in the business of manufacturing of small motors which are installed in printers. HEL has made substantial investments in manufacturing facilities and R&D and has developed its own in-house technology and manufacturing processes. This gives HEL competitive advantage over its rivals in terms of meeting the stringent requirements of its quality conscious customers. Important customers of HEL are the original equipment manufacturers of precision laser printers. Although motors account for a nominal proportion of the cost of the laser printers, their efficient and reliable performance are of crucial importance for HEL's customers who provide performance guarantees for their products. HEL is one of the few firms who manufacture these types of small motors. It is able to achieve high profit margins and returns on its investments because of the superior quality of its products for which its customers are willing to pay premium prices.
- Identify and explain briefly **four** factors which HEL should monitor closely to anticipate the emerging business environment in which it operates and its impact in the formulation of its Strategic Plans. (10)
- Q.2 (a) Sitara Limited is a well-known manufacturer of a wide range of chromium plated sanitary fittings in Pakistan. The company has recently negotiated several long-term contracts for export of various items of sanitary fittings. Consequently, the work force would have to be increased significantly in a short period to expand the production. Prior to recruiting the new workers, Adnan Khan, the Human Resources Manager, intends to prepare a HR Skills Information Database of the existing employees.
- Briefly discuss the purpose, usefulness and relevance of compilation of HR Skills Information Database in the areas of recruitment, training and development and succession planning of Sitara Limited (06)
- (b) A number of firms prefer to conduct Performance Appraisal of their skilled workers on a quarterly basis rather than as an annual exercise.
- Identify **three** advantages of pursuing this policy of quarterly Performance Appraisal of skilled workers. (03)
- (c) Although companies experiencing high rate of employee turnover are in a position to recruit new workers quickly to replace the outgoing employees, most of them are not aware of the real costs of the high rate of turnover of their employees.
- Briefly describe the different types of costs which are associated with high rate of turnover of employees. (04)
- Q.3 (a) What is meant by the term Customer Database? (02)
- (b) Why, in your opinion, it is useful for a commercial bank planning to launch its credit card marketing scheme to create, maintain and update the database of its existing and prospective customers? (07)

Q.4 Identify the strategies/policies/objectives which are being pursued in each of the following cases:

- (i) Poshak Fashions (PF) are designers and manufacturers of superfine cotton garments and have their two outlets in Karachi and Lahore. PF produces only limited quantities of their exclusive designs of garments for the narrow niche market of the most fashion-conscious customers. PF introduces new designs of garments for the coming season and the unsold inventory at the end of the previous season is sold at lower prices to other retailers in the country after removing PF's prestigious labels.

PF is pursuing a _____ market strategy.

- (ii) Super Beverages believes that the world is one big market for its products and its various subsidiaries and divisions pursue a uniform marketing strategy for sale of its products in different countries.

Super Beverages has adopted a _____ strategy for marketing its products in different countries.

- (iii) Sarmad Group is a pioneer in the textile industry in the country. The second generation entrepreneurs of this Group have ambitious plans to launch new ventures in telecommunications, electronic media and real estate development.

The Group is now seeking to follow _____ strategy.

- (iv) To press for their demands, employees of Citizens Bank Limited have decided to work strictly according to the terms of their contract of employment and refuse to perform any extra tasks, resulting in slow down of banking services and causing inconvenience to customers.

The employees of Citizens Bank Limited are pursuing _____ policy.

- (v) Good Meats has recently established several retail outlets to sell selected cuts of choice meats and establish its own brand name in a high growth market before new competitors enter this market and set up their business on similar lines.

Good Meats wants to seize the _____ advantage of this market.

- (vi) Neptune Chemicals, a manufacturer of industrial chemicals, has established independent units who would be responsible for development of their own marketing strategies within the company's overall market and customer focus to be able to serve the needs of the various categories of customers more efficiently.

The independent units are _____ of Neptune Chemicals.

(06)

- Q.5 (a) HR Managers often deal with delinquent employees and encourage them to change their attitude and behaviour and adopt a positive approach towards their responsibilities to the organisation. Consequently, HR Managers have to exercise considerable discretion and provide proper guidance to the employees, rather than resort to immediate extreme punitive measures.

Identify and explain briefly the various stages of dealing in a fair and equitable manner with employees involved in wrongful behavior/actions.

(08)

- (b) The trend of outsourcing of certain activities by business firms to external entities has gained considerable momentum in the past few years.

Identify **four** advantages which, in your opinion, these firms expect to derive from outsourcing of selected business activities to external entities.

(04)

- Q.6 (a) Explain briefly the factors which have contributed to the creation and significant expansion of Global Markets during the preceding 20-25 years.

(06)

- (b) Briefly explain the salient features of the terms which are usually incorporated in a typical Franchising Agreement. Give **one** example of a Franchise Relationship between an international company and a Pakistani enterprise.

(05)

- Q.7 (a) Progressive business organizations, which have substantial share of the market, are continuously engaged in the planning of their marketing strategies to achieve specific objectives in their existing markets and also to identify and seize opportunities in new markets.
- Explain briefly the various objectives which these organizations aim to achieve through their marketing strategies in their existing markets as well as in the new markets. (07)
- (b) Successful companies make concerted efforts to retain their competitive advantages vis-à-vis their competitors as an ongoing exercise encompassing all spheres of their business operations.
- Narrate **six** measures which these companies usually take to retain and further consolidate their competitive advantages. (06)
- Q.8 (a) Blue Transport Company (BTC) operates a fleet of 150 buses which provides inter-city transport services. The company takes considerable pride in the superior quality of its services. BTC accords a high degree of importance to the human relationship management of its employees, comprising of the ticketing staff, drivers and maintenance crew as it believes that the commitment of its staff is a critical factor for the success of its business.
- Describe the benefits that BTC expects to derive by pursuing a well-conceived policy of good human relations management between the employer and the employees. (05)
- (b) What is meant by Competency-based Job Descriptions? (03)
- Q.9 Zest Dairy Company Limited intends to launch a new line of frozen fruit yogurts in the major cities which would cater to the tastes of the customers for packaged food products. Assume that you are their advertising media advisor and have to give a presentation on the advantages and disadvantages/limitations of placing advertisements for the new yogurt products on each of the following media channels:
- (i) Television
(ii) Widely Circulated Newspapers and
(iii) Billboards (Hoardings)
- Identify and list **three** advantages and disadvantages/limitations of placement of advertisements of **each** of these different types of media. Explanations and illustrations are **not** required. (08)
- Q.10 (a) Eagle Limited (EL) is a large conglomerate. The company is planning to establish a joint venture in Centralia, a country which has several untapped sectors. EL foresees attractive opportunities for development of its business in Centralia. EL is therefore, keen to pursue corporate and business policies which would be perceived favourably, not only by the joint venture partner but also by the government and other stakeholders. Adoption of these policies would facilitate EL to expand its business in future.
- Briefly describe **four** policies which, in your opinion, EL may pursue for achieving its long term business objectives. (06)
- (b) State the main reasons why leading companies obtain cross-border financing including equity, debt and bank financing in different countries. (04)

(THE END)



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Summer 2012
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7 June 2012
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Q.1 Fintex Company Limited (FCL) is in the advanced stage of implementing facilities for manufacture of home textile products such as curtain draperies, sofa cloth, bed linen, towels, table covers, etc.

FCL intends to market its products to customers through 20 company-owned retail outlets to be established in the major cities. FCL's Institutional Marketing Division (IMD) would sell the company's products, as well as workers uniforms to be procured from external vendors, to institutional customers such as hotels, hospitals, industrial companies and government organisations.

FCL's principal corporate objectives are to create a sustainable competitive advantage and obtain a firm foothold in the substantial and fast growing target market of middle class customers. These customers are keen shoppers who want quality products at affordable prices. FCL's IMD also wants to aggressively pursue marketing strategies to cater to the requirements of the institutional customers who are a source of repeat business.

Identify and explain briefly **four** Critical Success Factors which in your opinion would create sustainable long-term competitive advantage for FCL. *(10 marks)*

Q.2 According to the Boston Consulting Group Matrix, business organisations which have multi-divisions and compete in different industries pursue separate strategies for their various business divisions. The BCG Matrix describes the characteristics of the markets and the relative competitive position of the various business divisions as **Stars**, **Cash Cows** and **Dogs**.

Explain the distinctive characteristics of each of these types of business divisions in terms of their relative market positions. Also mention the types of business strategies which should be pursued by each of these types of business divisions. *(09 marks)*

Q.3 (a) Employee Training is an important function of Human Resource Department of Apollo Engineering Limited, a company which considers workers skills at the factory floor level to be critical for achieving the overall strategic objectives. The HR Department classifies the factory employees in 3 categories as follows:

- (i) Competent to perform in the present position.
- (ii) More than competent to perform in the present position.
- (iii) Not **yet** competent to perform in the present position.*

Note: These employees are **not incompetent*

Briefly discuss the Training Needs of employees in each of the above categories and explain how they would help Apollo Engineering Limited to improve motivation amongst the employees at all levels. *(08 marks)*

(b) Appropriate Employee Compensation and Reward Packages are central to a healthy and enduring relationship between the employer and the employees. These Compensation and Reward Packages comprise of salaries and fringe benefits, pleasant working environment, career growth opportunities, challenging work, self-respect and sense of achievement, etc.

What principal objectives should an employer seek to achieve through a well-formulated Employee Compensation and Reward system for a service-oriented company operating in a competitive business environment? *(06 marks)*

- Q.4 (a) What is Wilful Misconduct? State why acts of Wilful Misconduct are considered as serious offences by employers. Identify **four** situations in which an employee may be guilty of Wilful Misconduct. *(04 marks)*
- (b) Sona Sugar Mills is being established in the outskirts of a small rural town. The management has engaged a Chief Security Officer to plan for the security of the employees and plant facilities.

State **five** measures which the Chief Security Officer should adopt to meet the objectives of security of employees and physical facilities of Sona Sugar Mills. *(05 marks)*

Q.5 Consumer Products are classified by marketers in different categories as follows:

- (i) **Convenience Products** detergents, packaged milk, newspapers, soft drinks, etc
- (ii) **Shopping Products** readymade clothes, furniture, carpets, shoes, etc
- (iii) **Speciality Products** televisions, refrigerators, branded watches, etc

The marketing mix of each category of Consumer Products comprises of the following ingredients:

| | |
|--|--|
| <p>Price</p> <ul style="list-style-type: none"> • expensive • low price • high price | <p>Customer Buying Behaviour</p> <ul style="list-style-type: none"> • less frequent purchase/keen comparison of price, quality and style • special purchase effort/brand loyalty • frequent purchase/less planning |
| <p>Distribution</p> <ul style="list-style-type: none"> • distribution in few outlets • widespread distribution at convenient locations • outlets in specialised markets/shopping malls | <p>Promotion</p> <ul style="list-style-type: none"> • advertising and personal selling by producer/resellers • mass promotion/advertising by producer • carefully targeted promotion by producer/resellers |

You are required to identify the most appropriate characteristics of each ingredient of the marketing mix for the above categories of Consumer Products. *(09 marks)*

Q.6 All leading global business organisations possess certain distinctive capabilities and competitive advantages which set them apart from those companies whose operations are confined within their limited geographical areas.

Describe at least **six** core capabilities which are observed in leading global organisations regardless of their special lines of business. *(09 marks)*

Q.7 (a) Research in a number of organisational settings shows that efforts to introduce major changes for achieving the objectives of corporate turn-around and improvements invariably meet with strong resistance from employees at various levels.

Identify the reasons why employees offer strong resistance to major organisational changes and prefer to continue with the existing status. *(05 marks)*

(b) Explain the term Business Ethics and discuss its increasing significance in the present business environment. *(05 marks)*

- Q.8 (a) In the past two decades a number of Mergers and Acquisitions have been witnessed between some of the most prestigious and financially strong international corporations in a wide range of businesses such as pharmaceutical and automobile manufacturing companies, financial institutions, supermarkets, etc.

Narrate the principal objectives behind the mergers and acquisitions of companies which are considered to be financially sound and well-established in their own spheres of business.

(05 marks)

- (b) Differentiate between the characteristics of Strategic Decisions and Tactical Decisions.

(04 marks)

- Q.9 Firms ranking in second and third positions in highly competitive industries demonstrate significant business strengths and hold a sizeable share of the aggregate market. Often these firms have to make strategic marketing decisions whether to challenge the Market Leader to achieve the top position or to continue to hold on to their Market Follower status.

Discuss the concepts of Market Challenger Strategy and Market Follower Strategy and briefly explain the circumstances in which a firm would prefer to pursue a particular market strategy.

(10 marks)

- Q.10 (a) Multinational Corporations (MNCs) which have widely dispersed operations in several countries often prefer to centralise their cash management functions and conduct all their major cash operations from pools located in internationally recognised financial centres. This policy requires each subsidiary to retain minimum cash for its own transaction purposes and remit all excess funds to a central cash depository.

Explain the advantages which MNCs seek to achieve through centralised cash management policies and pooling of all excess cash balances at prominent international financial centres.

(06 marks)

- (b) Give **five** reasons why the process of Globalization has assumed great importance in the present business environment.

(05 marks)

(THE END)



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Winter 2011
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8 December 2011
100 marks – 3 hours
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- Q.1 Sound Health Pharmaceuticals Limited (SHPL) is a reputable international company engaged in the business of manufacture of a wide range of medicines with facilities located in several countries. SHPL's products have been developed after long periods of research at considerable costs and are prescribed by medical consultants for patients suffering from life-threatening diseases. As Director of Human Resources, you have to recruit Director Public Relations and Media Affairs to replace the incumbent official who is expected to retire shortly.

Identify and explain briefly **eight** critical skills and competencies you would seek in the prospective candidates for this high-profile position in SHPL's senior management hierarchy. **(08 marks)**

- Q.2 Explain briefly the following types of Growth Strategies pursued by Business Organisations. Give **one** example of **each** of these types of strategies.

- (a) Horizontal Integration Strategy **(04 marks)**
 (b) Forward Integration Strategy **(04 marks)**
 (c) Conglomerate Growth Strategy **(04 marks)**

- Q.3 (a) Business firms, at times, place excessive emphasis on Cost Reduction and Austerity policies to achieve their profit objectives. These policies may be in conflict with the interests of customers, employees and the society as a whole.

Identify any **three** adverse effects of introduction of stringent Cost Reduction and Austerity policies on **each** of the above stakeholders. **(4.5 marks)**

- (b) What is meant by the term Corporate Social Responsibility? **(3.5 marks)**
 (c) State **five** important factors which should be included in developing an effective Accident Prevention and Reporting System for a company involved in heavy mechanical and engineering operations. **(05 marks)**

- Q.4 (a) Accurate Engineering Limited is engaged in the business of manufacturing precision earth drilling tools used by the oil exploration industry. The Company employs a high proportion of skilled and experienced workers for the smooth and efficient manufacture of its quality-sensitive high-value products. Recently, the company has been facing an unusually High Rate of Employee Turnover which is a matter of serious concern for the management.

Identify **five** disadvantages which Accurate Engineering Limited would experience due to the unusually High Rate of Employee Turnover. **(05 marks)**

- (b) (i) Briefly explain what is meant by a Differentiation Strategy. **(02 marks)**
 (ii) List **six** types of skills and resources which are critical for the pursuance of a successful Differentiation Strategy. **(03 marks)**

- Q.5 (a) Explain what is meant by Scenario Planning. *(03 marks)*
- (b) In highly competitive business environments dominated by relatively few equally powerful players, the participants make concerted efforts to implement effective Marketing Intelligence Systems.
- (i) What is meant by the term Marketing Intelligence System? *(03 marks)*
- (ii) List **five** different sources which help in the creation of an effective Marketing Intelligence System. *(05 marks)*

- Q.6 (a) Explain what is meant by Geocentric Orientation in the context of global business companies. *(05 marks)*
- (b) Alpha Equipments is a Taiwanese manufacturer of various types of photocopiers and has recently decided to export its products to Pakistan. Alpha Equipments is considering to appoint a Single Distributor in Pakistan who would represent the exporter and would be responsible for the entire marketing operations in this country.

State **six** different advantages that Alpha Equipments would achieve through the appointment of a Single Distributor for import and distribution of its products in Pakistan. *(06 marks)*

- Q.7 (a) Foresight Electronics is a knowledge-based company and is known for its ability to manufacture innovative and new-to-the-market electronic products and sell them in specifically identified niche markets. The company follows a Market Skimming Strategy to achieve its profitability objectives.

Narrate **four** conditions which are essential for Foresight Electronics to be able to successfully adopt its Market Skimming strategy. *(06 marks)*

- (b) Household Furniture Co. are manufacturers of a wide range of furniture products used primarily by customers in the middle income group.

Identify **four** different types of conditions in which it would be advantageous for the firm to pursue Market Penetration Strategy. *(04 marks)*

- Q.8 Horizon Limited (HL) is engaged in the business of manufacturing and marketing of a wide range of consumer durable products. The company's products are in different stages of their Product Life Cycles. Consequently, HL pursues different promotional strategies for products depending on the stage of their Product Life Cycles.

State the types of Promotional Strategies which HL may pursue for marketing of its wide range of products in the (i) Introduction, (ii) Growth, (iii) Maturity and (iv) Declining stages of their Product Life Cycle. *(07 marks)*

- Q.9 (a) In your opinion what important factors have led leading Japanese companies to establish automobile assembling/manufacturing plants in selected developing countries?

Identify **five** factors and substantiate them with brief explanations. *(05 marks)*

- (b) Describe briefly the Political Factors which should be taken into consideration by a multinational corporation while evaluating a decision to make substantial direct investment in a foreign country. *(03 marks)*

Q.10 Selection and recruitment of candidates requires careful assessment of the diversified attributes of the prospective candidates. Besides interviews, different types of tests are administered to ascertain the suitability of candidates for the positions for which they are being considered for appointment.

- (a) Explain briefly the purpose of each of the following types of tests which are administered to candidates in the selection process.
- (i) Intelligence Tests
 - (ii) Proficiency Tests
 - (iii) Aptitude Tests
- (03 marks)*
- (b) State **two** qualities of a well-conceived Selection Test and indicate why they are important.
- (02 marks)*
- (c) Identify the different situations in which it may be considered necessary for an organisation to dismiss an employee.
- (05 marks)*

(THE END)



Business Management

Final Examinations
Module E – Summer 2011

Reading time – 15 minutes

June 9, 2011
100 marks – 3 hours

- Q.1 (a) A leading manufacturer of automobiles attaches high degree of importance to the competencies and skills of its front-line operational managers in the manufacturing and assembly lines.
- Identify and briefly explain the **different types of competencies and skills** required for effective performance by these managers. *(05 marks)*
- (b) Employee Participation is often considered to be vital for the growth and development of individuals and teams to enable them to make effective contribution towards achievement of the goals of the organisation. List **five** advantages which employers seek to achieve by encouraging Employee Participation in the affairs of the organisation. *(05 marks)*
- Q.2 (a) Identify the force of competition which is relevant in the context of Michael Porter's **Five Forces Model of Competition** in each of the scenarios presented below. Substantiate your answer by highlighting the salient features of the Model of Competition selected by you in each of these scenarios.
- (i) Four companies of similar size and strength are engaged in the manufacture of detergent powder for washing clothes. These companies are key market players and jointly share 95% of the aggregate market which is not expected to witness any significant growth in the foreseeable future.
- (ii) Soundhealth Pharmaceuticals and Goodcare Pharmaceuticals are manufacturers of two new medicines for treatment of cancer. The medicines have been developed after a long period of research at a very substantial R&D cost and are highly effective.
- Both the existing manufacturers are earning exceptionally high profits in a market which is expected to witness growth in the future.
- (iii) Lucky Coal Mines Limited is the sole supplier of coal to a cement plant located in close proximity to the mines. The cement plant requires substantial quantities of coal for firing of its kilns. Quality of this coal is most suitable for the cement plant and also cost-effective due to low transportation costs. Lucky Coal Mines has several buyers who are willing to purchase the coal because of its high calorific value. *(09 marks)*
- (b) Unique Textile Mills are leaders in the designing and manufacturing of cotton fabrics for ladies fashion clothing. Identify **four** Strategic Objectives which in your opinion may be included in the strategic planning process of Unique Textile Mills. *(03 marks)*
- Q.3 Symco Bank Limited has introduced significant changes in its organizational structure and downsized its operations so that it may be able to provide more efficient services to its customers and meet intense competition from other banks.
- (a) Define Downsizing and very briefly describe its impact on the Bank's organizational structure. *(03 marks)*
- (b) List the important considerations which should be kept in perspective by the HR Manager of the bank while pursuing a policy of downsizing. *(05 marks)*

- Q.4 (a) What is meant by Market Research? (02 marks)
- (b) Give **four** basic reasons why companies conduct market research. (04 marks)
- Q.5 You have recently been appointed as Human Resource Manager of Fine Electrical Company Limited (FECL), a leading manufacturer of a wide range of household appliances. The company has over 800 employees working in the various departments involved in the manufacture of its different product lines. You have observed that FECL does not have a system of Formal Succession Planning Scheme in the company.
- Required:**
- (a) Explain briefly what is meant by Formal Succession Planning. (03 marks)
- (b) Briefly explain to the management of FECL the advantages of introducing a Formal Succession Planning Scheme in the company. (05 marks)
- Q.6 (a) What is Market Penetration Policy? Identify the conditions in which Market Penetration Policy may be pursued to achieve optimum results. (06 marks)
- (b) Explain briefly what you understand by the term Market Segmentation. State the criteria which are essential for classification of markets in different segments. (05 marks)
- Q.7 Highly Creative Strategic Planners in progressive organizations have innovative mindsets and do not merely project past strategies in the future but are continuously engaged in “out of the box” thinking to explore new opportunities beyond the existing strategy framework.
- Identify the distinguishing characteristics of organizations which pursue innovative corporate strategies. (09 marks)
- Q.8 (a) Distinguish between a global business strategy and a multi-domestic/adaptive business strategy. Identify a real life example of each strategy and give reason for your choice. (06 marks)
- (b) What are the key financial decisions which should be made by the management while contemplating direct investment in a foreign country by formation of a subsidiary company? (05 marks)
- Q.9 A multinational company which has its headquarters in the UK pursues a strategy of exercising very close control and centralization of all important decision-making processes of all of its four overseas subsidiary companies.
- Identify **four** factors which in your opinion may have influenced the MNC’s strategy of implementing highly centralized decision making policies for its subsidiary companies. (10 marks)
- Q.10 List **ten** responsibilities/obligations which employers must fulfill to ensure that the issues of Health and Safety are addressed adequately in a manufacturing environment. (05 marks)
- Note: Explanations are not required*
- Q.11 Briefly discuss the following:
- (a) Business Ethics (2.5 marks)
- (b) Environmental Scanning (2.5 marks)
- (c) Tactical Planning (2.5 marks)
- (d) Backward Integration Strategy (2.5 marks)

(THE END)



Business Management

Final Examinations – Winter 2010
Module E

December 9, 2010
100 marks - 3 hours

- Q.1 (a) Dental Equipments Limited (DEL) is engaged in the business of manufacture of a wide range of equipments used by private dentists as well as leading hospitals. The Company strives hard to achieve sustainable growth and meet the requirements of highly demanding dentists who want the “very best and the latest” equipments to serve their patients.

DEL has recently observed a trend of unethical practices followed by its sales representatives. The sales representatives who are not able to meet their targets, book fictitious sales at year ends and later record them as sales returns. They also share a portion of their commissions with the purchase representatives of the major hospitals.

State what policy measures should DEL adopt to eliminate the unethical practices of the sales representatives. *(06 marks)*

- (b) State the situations in which an MNC would prefer to operate in a foreign country as a branch instead of establishing a subsidiary company. *(04 marks)*

- Q.2 List and explain briefly **four** factors which in your opinion create **Exit Barriers** and prevent existing participants from quitting a loss-incurring industry. *(08 marks)*

- Q.3 Identify the business strategy/policy/tool which an organisation is pursuing in each of the following situations:

- (a) In 1990, Sony launched the first High Definition (HD) TV in the market at a price of \$43,000 per set. These TV sets were purchased by customers who could afford to pay the high price for the new technology. After reaping the maximum profits and recovery of the sunk R&D costs, the price was gradually reduced in 1993 to \$ 6,000 for a 28” TV set to attract new customers. This strategy is called _____.
- (b) The management tool that enables a firm to classify its range of products according to their current market share and expected growth is called _____.
- (c) The assessment tool used to compare and identify the variance between a firm's current market coverage and potential market opportunities for its products is called _____.
- (d) A company which has capabilities to manufacture a complete line of superior quality ball bearings for a wide range of original equipment manufacturers and industrial users is pursuing a strategy of _____.
- (e) If a company engaged in the textile manufacturing business acquires majority holdings in a sugar mill, a motor car manufacturing plant and a private airline; it is pursuing a _____ strategy.
- (f) The chief executive officer who makes alternative plans to deal with emergencies or unexpected situations prior to their occurrence is pursuing a _____ strategy.
- (g) A firm uses different brands of essentially the same product to target different market segments is pursuing a _____ strategy.
- (h) A bank which strives to develop better understanding of the customer’s needs and satisfy them to create customer loyalty is adopting a policy of _____.
- (i) A method of demand forecasting in which a firm markets its new products in a limited geographical area to ascertain consumer response and from this sample develops projections of the size of market over a larger area is called _____. *(09 mark)*

- Q.4 (a) Recruitment of the right type of staff is of critical importance for the short term as well as the long-term success of an organisation. Induction of unsuitable employees creates difficulties for an organization in the achievement of its goals, undermines the morale of other employees and has adverse effects on the individuals themselves as they are misfit and unable to make worthwhile contribution towards the organization.

Briefly describe qualities that a skilled recruiter should possess in order to be able to evaluate prospective candidates for recruitment in a performance-oriented organization. **(06 marks)**

- (b) A leading hospital which has a network of facilities at several locations in Karachi and also in other cities intends to invite applications for the posts of Laboratory Technicians at its various facilities.

List **six** important items that should be contained in an advertisement to be placed by the hospital in a newspaper having wide circulation in several cities in the country. **(03 marks)**

- Q.5 (a) List the following methods of payment for the imported products which are most advantageous from the perspective of an importer in descending order.

- (i) Open Account
- (ii) Sight Letter of Credit
- (iii) Consignment
- (iv) Usance Letter of Credit **(02 marks)**

- (b) State **six** constraints which in your opinion act as impediments towards attracting foreign investments in an underdeveloped country. **(03 marks)**

- (c) List **four** advantages of adopting market-based transfer pricing policies. **(04 marks)**

- Q.6 (a) A well-established and successful Chinese company engaged in the business of manufacturing of a wide range of home appliances such as refrigerators, washing machines, microwave ovens and assorted juicers and blenders intends to launch its products in Pakistan. The Company's management is of the opinion that its products have significant cost and quality advantages and can capture 4-5 percent share of Pakistan's market in 5 years.

Identify and list at least **twelve** key parameters which should be considered by the company for an objective evaluation of the Export Market Potential. **(06 marks)**

Note: Only list the key parameters – explanations are not required.

- (b) Some companies enter into Licensing arrangements with the overseas companies as an alternative to direct exporting. Identify the advantages that such companies seek to achieve by following this strategy. **(05 marks)**

- Q.7 (a) Explain the meaning of Brand Equity. **(02 marks)**

- (b) Silkfinish Paints Limited (SPL) are manufacturers of a wide variety of superior quality paints which are used in interior and exterior finishing of residential, commercial and industrial buildings. SPL intends to launch an aggressive "Pull Strategy" to counter competition from new entrants who are offering lucrative margins to the retailers to promote their products which are inferior in quality and priced much below the prices of SPL's products.

- (i) What is meant by Pull Strategy? **(02 marks)**
- (ii) Explain briefly what advantages SPL is seeking to achieve by launching an aggressive Pull Strategy. **(03 marks)**

- Q.8 (a) The role of Human Resource Managers in companies which have a very large workforce has assumed increasing importance and they are now more closely involved and proactive in the Formulation and Implementation of Strategies at the corporate level.

State the areas of specific responsibilities which fall in the domain of a Senior Human Resource Manager involved in the Formulation and Implementation of overall Corporate Strategy of an integrated textile mill having over 15,000 employees in various cadres.

(10 marks)

- (b) What is meant by a Strategic Business Unit (SBU)? *(03 marks)*

- Q.9 Management has to expend considerable efforts in devising business strategies to achieve corporate objectives and goals effectively.

- (a) Why do companies accord importance to the pursuance of a formal Strategic Planning Process? *(06 marks)*

- (b) Explain the different steps which the management has to undertake in the formulation and implementation of a well-considered business strategy. *(09 marks)*

- Q.10 One common factor which distinguishes well-managed and highly profitable service-oriented companies from their competitors is the competence and commitment of their human resources. The top companies assign very high priority towards the training and development of their staff and genuinely consider their human resources as their “key strategic assets.” In these companies, training and up-gradation of the quality of human resources, at all levels, is a continuous endeavour with active involvement of the senior management.

Explain what competitive advantages these service-oriented companies expect to derive by committing resources towards training and development of a competent and committed workforce. *(09 marks)*

(THE END)



June 10, 2010

BUSINESS MANAGEMENT

(MARKS 100)

(3 hours)

Q.1 Dandy Candies Limited (DCL) are manufacturers of a wide range of chocolates, candies and sweets catering primarily to the market segment comprising of children in the age group of 6-15 years. DCL's products are well accepted in the market in Karachi and its adjoining metropolitan areas and two of its main brands are quite popular in the middle class segment of the market.

The management has now realized that in spite of substantial capital investment in fixed assets and good quality of its products, DCL has not been able to exploit the full potential of the rapidly growing size of the market and achieve high level of operating capacity.

The Board has recently appointed a new Marketing Director and has given him a target to increase DCL's annual sales from the current level of Rs. 600 million approximately in each of the preceding 2 years to Rs. 1200 million in the next 3 years. Achievement of this target would launch DCL in the league of key market players and also significantly increase its profitability. The incoming Marketing Director has a track record of good performance in the consumer goods industry and achieving high sales targets by pursuing aggressive marketing policies through deep insight of the market dynamics. The Marketing Director is confident that he would be able to achieve the sales target set by the Board of DCL.

Briefly explain the Marketing Penetration Strategies which the Marketing Director should pursue to achieve the sales target set by the Board. (10)

Q.2 (a) Identify the important functions which have to be performed by the Human Resources Department of a commercial bank which has a strength of 17,500 employees deployed in a network of 800 branches located throughout the country. The commercial bank is a well-reputed organization known for its fair business policies, progressive outlook and concern for development of a competent and well motivated cadre of employees. (06)

(b) Research Studies by Human Resource experts have shown that successful organizations create internal work environments in which the employees are able to operate at their optimal levels of productivity.

What are the important Human Resource Management practices which, in your opinion, contribute towards workforce optimization in a manufacturing plant with several integrated workshops and departments? (09)

Q.3 (a) Identify and explain briefly **six** factors which have contributed to the significant increase in importance of International Trade in the preceding 3-4 decades. (09)

(b) According to Michael Porter the nature of competitiveness in any industry is a composite of Five Forces. The Competitive Analysis model developed by Porter is widely followed for formulating business strategies in many industries. List the **five** Competitive Forces stated by Michael Porter. (05)

Q.4 Fine Sugar Mills Limited (FSML) owns and operates a sugar cane crushing plant for manufacture of refined sugar. The affairs of FSML are looked after by a team of professional management and the company ranks third amongst all the sugar mills in the country in terms of its sales and profitability. The Company has developed an extensive network of growers spread over a wide area who deliver cane at the factory site which is then crushed in the minimum possible time to achieve high rates of sucrose recoveries.

Identify the key stakeholders of FSML and explain briefly why you consider each of these constituent stakeholders to be of vital importance for the sustainable and long-term profitable operations of the Company. (09)

Q.5 (a) What are the **four** main types of information that a properly designed Job Application Form is expected to provide to the recruiter in the preliminary process of screening of a prospective candidate? (04)

(b) State **five** different situations in which it would be advisable for a firm to pursue policies of Unrelated Diversification. (05)

Q.6 In any market of significant size for products which have a widely diversified and dispersed customer base there are a large number of firms, each, competing for its respective share of the market by pursuing different competitive marketing strategies. In such a market environment, an individual firm has to identify its distinctive role and positioning which then determines the type of marketing strategy which it would pursue to achieve its objectives.

You are required to list the distinctive characteristics of a firm which pursues Competitive Marketing Strategies of:

- (a) A Market Leader
- (b) A Market Challenger
- (c) A Market Follower and
- (d) A Niche Marketer. (09)

Q.7 Management of Business Organizations are invariably seized with numerous problems and expend a considerable proportion of their energy and time in making decisions to solve these problems.

Explain briefly the various stages involved in the Decision Making Process. (09)

Q.8 (a) Accurate Engineering Limited is a company located in Europe and is engaged in the business of manufacturing a wide range of high precision metallurgical components for the automobile, medical equipment and miscellaneous engineering industries. The Company's customers are sensitive to quality and require components conforming to most stringent tolerance standards. The Company is presently incurring high labour costs and is considering a proposal to locate a portion of its facilities in Asia to achieve cost economies.

Narrate at least **six** different types of Political Risks which should be considered by Accurate Engineering Limited while evaluating an investment involving substantial capital with long-term implications. (06)

(3)

- (b) A Multinational Corporation has subsidiaries in several developing countries with majority shareholdings in each of them. The MNC pursues a policy of centralized financial decision making and the subsidiary companies are required to retain only minimum balances to meet their immediate operating requirements and transfer surplus funds to the parent company.

List various advantages the MNC seeks to achieve by pursuing such a centralized financial decision making policy. **(06)**

Q.9 (a) Describe briefly the following methods of selection of candidates:

- (i) Group/Panel Interview
- (ii) Structured Interview **(05)**

(b) State **two** advantages of each of the above methods of interviews. **(04)**

Q. 10 List **eight** Health and Safety hazards which are often faced by workers in a typical manufacturing environment. **(04)**

(THE END)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN



Final Examinations Winter 2009

December 10, 2009

BUSINESS MANAGEMENT

(MARKS 100)

(3 hours)

- Q.1 Red Balloon Clothing Limited (RBCL) is engaged in the business of manufacturing a wide range of children clothing since the past six years. The Company has built a reputation for good quality products of latest designs and its brand name is very popular in the middle class segment of the market. The Company strongly believes in a policy of giving “value for the customers money.” At present, RBCL markets its products through a widely dispersed network of independent retailers who sell the company’s brands along with the products of other manufacturers.
- RBCL is considering a proposal of forward integration and establishing its own chain of retail outlets for sale of its products. RBCL would however, continue to sell its products through the network of existing retailers also.
- You are required to identify and explain briefly the different factors which RBCL should examine while evaluating the proposal for establishing its own network of retail outlets. **(10)**
- Q.2 Although Strategies of Cost Leadership and Product/Service Differentiation appear to be highly attractive, many companies are often not able to achieve much success because they lack the necessary capabilities to implement these strategies successfully.
- (a) Explain what do you understand by the term Cost Leadership Strategy. **(02)**
- (b) What is meant by Product/Service Differentiation Strategy? **(02)**
- (c) In your opinion what kind of capabilities are of crucial importance for the successful implementation of a Product/Service Differentiation Strategy? **(04)**
- Q.3 (a) List and explain briefly any **four** important **packaging features** which would influence the decision of a consumer to purchase an edible consumer product. **(06)**
- (b) Market researchers often place reliance on external databases as the information can be obtained readily with minimum of effort and at a low cost. However, experienced market researchers are aware of the limitations of the external databases and use them discreetly on a selective basis realizing fully the shortcomings of the information.
- (i) State **four** limitations of using external databases.
- (ii) Identify one specific situation in which it may not be advisable to use external databases. Give reason for your selection of the particular example. **(06)**
- Q.4 It is observed that work-related stress often pose a heavy burden in organizations and is manifested by frequent absenteeism, late-coming, accidents and decline in the ability of employees to perform in an efficient manner. In these situations, Employee Counseling can help to create a secure and an enabling environment for mitigating the adverse effects of stress on employees and enabling them to perform at peak levels of efficiency.
- Identify the scope of Employee Counseling and explain briefly how such counseling sessions can help employees to reduce work stress. **(08)**

(2)

- Q.5 (a) Why mission-oriented business strategists do not view the Short-termism approach favourably? (02)
- (b) Give **two** examples of typical business situations to highlight the defects of pursuing a policy of short-termism. (03)

Q.6 Superb Engineering Limited (SEL) manufactures parts and components for assembly/manufacture of automobiles. During the past few years, the company has witnessed phenomenal growth in its product lines and sales revenues have registered significant growth. However, the overall profitability has not shown a corresponding increase. SEL considers that a substantial proportion of the efforts and energies of the management and staff at various levels are expended in handling a very wide range of diversified activities. SEL is, therefore, examining the feasibility of outsourcing certain activities of its operations to outside parties.

You are required to identify **four** advantages and disadvantages **each** of Business Process Outsourcing in the above situation for SEL. (06)

Q.7 Strategic Planning and Management is an exercise undertaken at the highest levels of the management hierarchy and involves decisions concerning formulation, implementation and evaluation of cross-functional activities which would enable an organization to achieve its stated objectives. In spite of the cumulative skills and considerable experience of the senior management team, it has been observed that a number of organizations are not able to achieve significant success and the actual performance often falls short of the set goals.

Explain the key factors, which in your opinion, are responsible for the management's inability to achieve all of the goals envisaged in the Strategic Plans. (09)

Q.8 In your opinion, what types of complexities are generally encountered by parent companies in the planning and control of operations of their foreign subsidiaries? (06)

Q.9 Excel Chemicals Limited (ECL) owns and operates facilities for the manufacture of industrial chemicals, including various types of highly corrosive acids. The Company's operations involve processes of procurement, production, packaging, storage and transportation of chemicals which can result in serious fire, physical injuries and other environmental and health hazards in the event of any lapses in the safety procedures.

Identify and explain briefly **six** safety steps which should be adopted and implemented by the management of ECL as a responsible employer. (06)

Q.10 The pursuit of goals of achieving cost economies and operating with lean and more flat organizational structures has resulted in creation of an environment in which the staff at the managerial levels are required to perform with greater business competencies and responsibilities. Consequently, managers at various levels have to acquire all-round competencies of external business environment awareness as well as deep understanding of the concepts of internal business management to be able to fulfill their responsibilities and perform in an intensely challenging and rapidly changing business environment.

You are required to identify **four** different types of competencies **each** of external business environment and internal business management which in your opinion are most important for the present-day managers to enable them to perform successfully in the prevailing corporate environment. (08)

Q.11 Capital Bank Limited is a leading financial institution and is well-known for its strength in rendering highly efficient professional services to its customers and keeping ahead of the competitors. The Bank follows a policy of recruiting staff at the entry level after careful evaluation of the qualifications of the candidates, their potential for advancement, professional aptitude and career objectives. The staff is groomed and entrusted with increasing responsibilities after careful career-path planning for each employee. The Bank operates in a highly competitive environment where the skills, knowledge and commitment of its human resources are of critical importance for the success of its business. The competitors are always on the lookout to identify professional staff and hire them at more attractive compensation packages.

Required:

(a) What do you understand by the term Employee Compensation Package? (02)

(b) List and explain the essential steps involved in the formulation and implementation of a well-conceived Employee Compensation Strategy which the Bank should incorporate in developing its overall HR strategy. (09)

Q.12 (a) List the following steps involved in the operation of a typical Letter of Credit in their logical order of sequence.

(i) The exporter's bank endorses the documents (bill of lading/airway bill) and delivers them to the importer's bank.

(ii) The importer's bank pays the proceeds to the exporter's bank.

(iii) The importer obtains the bank's promise to pay the specified amount on behalf of the importer.

(iv) The exporter ships the goods and obtains the Bill of Lading/Airway Bill.

(v) The exporter delivers the documents to his banker.

(vi) The importer's banker promises the exporter to pay the specified amount on behalf of the importer. (06)

(b) Identify **five** advantages which a multinational corporation expects to achieve by establishing manufacturing facilities in foreign countries. (05)

(THE END)



June 4, 2009

BUSINESS MANAGEMENT

(MARKS 100)
(3 hours)

- Q.1 Pan Pacific Steel Mills Limited was established in 1960 to manufacture steel products such as iron bars, wire rods, girders and steel sheets. In 2006, a team of professional management assumed charge of the Company's operations. The new management team made ambitious plans to increase the rated capacity, diversify the product-mix and upgrade the quality of the products to bring the Company's operations at par with the leading players in the country's steel industry. In spite of formulation of Corporate and Business Strategy on sound lines by the multi-disciplinary management team, the Company is experiencing serious problems in achieving its objectives due to lack of cohesion between the formulation of strategic plans and their actual implementation.
- (a) Explain the relationship between Strategy Formulation and Strategy Implementation.
(b) What essential elements should the management of Pan Pacific Steel Mills Limited consider for creating an environment of good relationship between Strategy Formulation and Strategy Implementation? (10)
- Q.2 Euro Motors Limited is engaged in the business of manufacturing and marketing of an extended line of motor cars catering to the varied needs of a wide segment of the automobile market. The Company operates in a dynamic market environment dominated by four well-entrenched and strong companies competing aggressively to achieve leadership status and expand their respective share of the market.
- List **six** performance indicators, which in your opinion, would help to measure the success of marketing strategy of Euro Motors Limited. (06)
- Q.3 Apollo Mining Company Limited owns and operates integrated facilities of mining of coal and iron ore along with power generation and distribution facilities. Although these facilities have been developed at a substantial investment cost, the management has been indifferent to the conditions of its workforce of 1500 employees. A major accident in the coal mines, which occurred recently, resulting in the death of 120 workers, has triggered wide-spread resentment and agitation among the workers due to the poor safety conditions and they have demanded strict compliance with the Mine Safety Rules and Regulations. Due to the aggressive attitude of the striking workers and to safeguard its assets, the Company has deployed private armed guards at a considerable cost. After 28 days of complete closure of all mining and other business activities due to stand-off and strikes, the management and the Workers' Union have agreed to enter into negotiations through a process of collective bargaining.
- (a) State **four** factors which, in your opinion, are responsible for the indifferent attitude of the management of Apollo Mining Company Limited towards its workers.
(b) Briefly describe **five** different measures that the management should take to satisfy the demands of the workers and help to achieve a conducive working environment. (09)

- Q.4 Companies which seek expansion of business can achieve their objectives either through organic/internal expansion or by pursuing acquisition strategies.
- (a) Explain the key differences between strategies of expansion by organic/internal growth and by acquisition. (06)
 - (b) Give any **four** reasons why organizations generally prefer to achieve expansion through internal growth and not through policies of acquisition. (06)
- Q.5 (a) Rapidly changing economic, technology and social environment along with the pressures to produce more value-added products and services at lower costs compel organizations to adopt measures to utilize their resources in the most efficient manner. Although Human Resources are not reflected as assets in the Financial Statements, they play a critical role in the achievement of the Company's business strategies.
- Explain how sound Human Resource Management and Planning policies can play an important role to enable a Company to successfully achieve its business objectives. (08)
- (b) Although managers at various levels are frequently involved in the Performance Appraisal of their subordinates, there are certain weaknesses in this process. Knowledgeable Human Resource Managers are aware of these weaknesses and take measures to minimize their adverse impact.
- In your opinion what kind of limitations should be kept in perspective by Human Resource Manger while reviewing Performance Appraisal Reports? (06)
- Q.6 You have been entrusted with the task of hiring an individual for the position of General Manager Marketing for Good Health Dairies Limited. The company has been established recently and is in the process of establishing marketing network for distribution of its products throughout the country.
- Identify and explain briefly, what kinds of managerial competencies would you examine and seek in the prospective candidates for the position. (09)
- Q.7 Companies which pursue market-driven business strategies consider that sponsorship of high profile and attractive events are communication techniques to create awareness and affiliation of their companies and brands with the target market. These companies enter into agreements and provide financial and non-financial support for social, cultural, literary and sports events to a group, organization or an individual celebrity in anticipation of creation of a lasting awareness of the company's name or its brand among the audience. Sponsorship by leading companies, as a promotional alternative, has gained world-wide prominence in recent years.
- Briefly describe **six** main objectives which are envisaged to be achieved through sponsorship of such high profile and attractive events? (09)
- Q.8 In the preceding five decades, a significant number of companies have pursued well-conceived strategies of Globalization in order to seize the immense business opportunities by operating on a worldwide basis. These companies have achieved notable success in the expansion of their business globally and have manufacturing facilities and marketing networks spread in several countries.
- State and briefly explain **six** significant objectives of multinational companies in pursuing policies of Globalization. (09)

Q.9 Competition for attracting direct foreign investments among countries has always been intense. Countries such as Singapore, Malaysia and Cyprus have been able to satisfactorily fulfill the requirements of the foreign investors and achieve significant growth through these investments. However, a large number of third world countries have not been so successful in attracting direct foreign investments mainly due to the high level of Political Risks perceived by the prospective investors.

- (a) Explain what is meant by the term Political Risk in the above context.
- (b) What are the different types of Political Risks which have to be considered by a prospective investor while evaluating opportunities of direct foreign investment in a third world country?

(07)

Q.10 According to Maslow's Theory of Hierarchy of Human Needs, all human beings have different kinds of needs. Competent marketing managers must have insight in the Hierarchy of Needs to be able to create appropriate promotional strategies for successful marketing of their products.

In the context of Maslow's Theory of Human Needs, which type of human needs would be satisfied by the following:

- | | |
|--|---|
| (i) health insurance | (ii) cosmetics |
| (iii) flowers for a sick friend | (iv) tandoori nan |
| (v) burglar alarm system in a bungalow | (vi) rare and expensive work of art |
| (vii) membership of an exclusive golf club | (viii) wages received by a daily worker |
| (ix) sponsoring of a charitable hospital | (x) a luxury car |

(05)

Q.11 Briefly explain the following concepts:

- Business Ethics
- Pull Strategy of Promotion
- Licensing
- Benchmarking

(10)

(THE END)



December 4, 2008

BUSINESS MANAGEMENT

(MARKS 100)

(3 hours)

- Q.1 Orient Cement Limited (OCL) aspires to be included in the category of a select group of progressive companies in the country and is considering a proposal for introducing significant changes in its labour welfare policies which would offer tangible benefits to the workers. This would include construction of a housing colony, provision of medical benefits, subsidized canteen facilities, besides payment of partial fees for dependent children of the employees.

In your opinion what important benefits would accrue to OCL by introducing welfare-oriented labour policies? (06)

- Q.2 It is widely realized that companies pass through various stages of growth during the different periods of their existence. State **four** dominant characteristics which would be apparent in a company which is in:

- (a) the start-up or initial stage of its business;
(b) the rapid and dynamic growth stage of its existing business. (06)

- Q.3 Shakeel Ahmed, a competent and hard working young officer, is at the initial stage of his professional career in a leading insurance company. He has an ambitious goal to reach senior management position within a period of seven years. He intends to plan his career path well in advance and pursue a Personal Development Plan (PDP) with a high degree of zeal and commitment.

- (a) What do you understand by Personal Development Plan? (03)
(b) What are the principal advantages of adopting and pursuing a well-formulated Personal Development Plan? (04)

- Q.4 New Age Automobile Company Limited intends to diversify its operations by establishing a separate division for manufacture of a less-expensive brand of tractors. The tractors would be used primarily by agriculturists having small farm-holdings. The Management is contemplating whether to promote personnel from the automobile division for certain middle-level technical positions in the tractor division and induct new entry level personnel in the automobile division, or alternatively recruit foremen level personnel from external sources for the tractor division by advertising for the positions in the news media.

Narrate and explain briefly the advantages and disadvantages of internal promotion and transfer of foremen level personnel for the tractor division from the automobile division. (10)

Q.5 (a) What are the distinctive ingredients of Vision and Mission Statements? (03)

- (b) It has been observed that certain companies adopt, with minor modifications and changes in emphasis, the basic ingredients of Vision and Mission Statements of the more successful rival companies in an attempt to achieve similar results.

Describe the drawbacks of adopting such an approach in formulation of Vision and Mission Statements. (04)

Q.6 Corporate and Business Strategies of marketing-focused organizations operating in different product lines pursue entirely different approaches depending on **customer**, **competitor** and **inter-functional** orientations. The features of each of the different types of orientations are:

| | |
|--|--|
| <i>Customer Orientation:</i> | Entire focus on customer e.g. Jeweler boutique selling expensive designer jewelry to a select niche market. |
| <i>Competitor Orientation:</i> | Emphasis on plans and actions of competitors as only few competitors dominate the market e.g. branded edible oil. |
| <i>Inter-functional Coordination:</i> | Marketing is considered to be an all-encompassing company-wide responsibility and all the departments are geared to contribute towards the marketing efforts e.g. a shipyard manufacturing ocean-going vessels for major foreign buyers. |

List **four** characteristics which, in your opinion, would determine the direction of marketing policies and efforts in each of the above three types of business orientations. (09)

Q.7 (a) Currently, a large number of progressive companies are in the various stages of adopting policies of Corporate Social Responsibility. Explain what do you understand by the term Corporate Social Responsibility. (03)

- (b) In your opinion what are the major concerns which prevent organizations from adopting and implementing comprehensive policies of Corporate Social Responsibility? (05)

Q.8 (a) Governments in developing countries are often concerned that global companies with substantial financial and technical resources are in a position to exploit the opportunities in a manner which are detrimental to the interests of the host countries. It is also feared that the domestic industries which are in the infant stages of their development may face grave problems due to the highly aggressive policies of the global companies.

Identify and briefly explain **six** types of policy decisions which governments in the developing countries may take to meet the threats from the global companies. (09)

- (b) Multinational Enterprises are classified as Ethnocentric, Polycentric and Geocentric companies depending on the strategies and policies pursued by their top management.

List the distinguishing characteristics of each of the above types of international companies. (06)

- Q.9 Paragon Polyester Company Limited (PPCL), a Korean company, is considering a proposal for a substantial investment to establish a polyester plant in a foreign country. PPCL has considerable technology and expertise in its particular line of business which is available in only a few countries. PPCL is examining the pros and cons of setting the project as a wholly-owned subsidiary company or entering into a joint venture with one of the local entrepreneurs.

In your opinion, what are the distinctive advantages and disadvantages of undertaking overseas manufacturing operations through a wholly-owned subsidiary company? **(08)**

- Q.10 Strategists involved in the marketing of Fast Moving Consumer Goods (FMCG) keep a close watch on the various stages of the Life Cycle of their products and adjust their strategies accordingly.

List the type of marketing-mix strategies of Products, Pricing, Distribution and Sales Promotion which should be pursued to meet the requirements of the products which are in the **introduction, growth, maturity** and **decline** stages of their product life cycle. **(12)**

- Q.11 Briefly explain the following:

- (a) Business Ethics
- (b) Core Competence
- (c) Environment Management
- (d) Job Description

(12)

(THE END)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN



Final Examinations Summer 2008

June 5, 2008

BUSINESS MANAGEMENT

(MARKS 100)
(3 hours)

- Q.1 The sponsors of Seaside Resorts Limited (SRL) are considering to set up a major project on the sea coast at a distance of 85 kilometers east of Karachi. The project would have facilities of guest houses, swimming pools, golf courses, tennis and squash courts and scuba diving. It would also have modern facilities of conference rooms and auditoriums for holding business meetings, training courses, conferences and symposia.

This first-of-its-kind project in Pakistan would involve substantial capital investment and also require well-planned physical facilities and selection of state-of-the-art specialized equipment. A cadre of highly trained and dedicated work force having diversified skills would be crucial for the successful operations of the project. The sponsors who were seized with these overwhelming problems were considering acquiring the services of an expatriate executive to implement this project and operate it in the initial years. However, the uncertainties associated with the hiring of an individual on contract basis and entrusting him with such far-reaching authorities and responsibilities was a source of grave apprehension for the sponsors.

In the meantime, Oriental Resorts Inc, a Thailand-based company with experience of managing of similar high profile luxury resort projects in several far-eastern countries has approached SRL and offered to provide guidance and expertise for implementation and operation of the proposed project under a franchise arrangement.

Explain what is a Franchise Arrangement? Also identify **four** advantages that would accrue to SRL by entering into a Franchise Arrangement with Oriental Resorts Inc. **(09)**

- Q.2 East-West Centre of Diabetes (EWCD), a non-profit organization has recently received substantial donations from a group of overseas Pakistani philanthropists. EWCD has ambitious plans to develop the institution into an absolutely world-class research and teaching university-cum-hospital in the country. The Hospital would provide infrastructure facilities and medical care by a team of highly reputable consultants. It is envisaged to provide treatment for diabetes which is growing at an alarming rate and adversely affecting the health of a large segment of the population in all age groups. The University would also help to produce qualified doctors who would specialize in the treatment of patients suffering from this highly debilitating disease.

You are required to prepare a Mission Statement for EWCD stating its purpose and identifying its core values. The Mission Statement should be brief, simple and clearly highlight the important purpose, intent and aspirations of EWCD. **(06)**

- Q.3 What do you understand by Code of Ethics in the context of a business organization? State **four** advantages which in your opinion are important for adopting a Code of Ethics? **(07)**

- Q.4 As a Senior Manager in the Human Resources Department of Apex Bank Limited, you have been entrusted with the task of conducting a Disciplinary Enquiry against Mr. Hameed Khan, an Assistant Manager in the Bank Square Branch. The Branch Manager, who is a highly respected senior officer with considerable experience, has leveled charges of aggressive attitude and gross misbehavior against the Assistant Manager in dealings with his colleagues. What steps would you take to ensure that the Disciplinary Enquiry is conducted in a fair and impartial manner and the final outcome is based on principles of equity? (12)
- Q.5 All leading global business organizations possess certain distinctive marketing capabilities and competitive advantages which set them apart from those companies whose operations are confined within their limited geographical areas.
Describe **five** core capabilities which are observed in leading global organizations regardless of special lines of business. (10)
- Q.6 In the current economic scenario, business organizations are under continuous stress to achieve economies in their production and operating costs. The pressures for cost reduction emanate from the management as well as the competitors and customers. Identify **eight** operational and strategic areas which must be scanned continuously by an industry leader to achieve cost economies and maintain its competitive advantage. (08)
- Q.7 (a) Lazzat Foods Limited is engaged in the business of manufacture of packaged masalas, jellies and jams. The Company's sales have been stagnant since the past two years due to intense competition and aggressive promotion by the competitors in the domestic market. The Management has proposed to explore new markets abroad and has suggested that the Company consider participation in a Trade Fair to be held in Colombo. Give **four** advantages which are expected to be achieved by the Company's participation in the Trade Fair. (04)
- (b) State **six** reasons why companies enter into international alliances. Give **two** examples of industries in which international alliances are most common and identify a logical reason for such an alliance. (08)
- Q.8 (a) Narrate important points that should be considered in the decision making process. (03)
- (b) Union Group of Companies has diversified interests in fertilizer, sugar, cement and steel industries. Each entity operates as a strategic business unit and executives in the individual companies have powers to take **all** decisions at the **operational** level and only **limited** decisions at the **tactical** level. The Group Management Team which monitors and controls the performance of the different strategic business units has retained for itself the powers to make **all strategic** decisions.
Describe the distinguishing features of decision making process at Operating, Tactical and Strategic levels. (09)
- Q.9 Tameer Construction Company, a UAE-based entity, has ambitious plans to develop major real estate projects in Pakistan through a subsidiary company. The parent company's principal office in Dubai is largely managed by expatriate executives who are committed to a policy of highly centralized control of the Company's financial resources and are reluctant to delegate financial powers to the overseas subsidiary.
As the Chief Executive Officer of the subsidiary, you are required to advise the parent company of the disadvantages of pursuing a highly centralized financial policy. Identify **four** disadvantages of pursuing such a centralized policy. (06)

(3)

- Q.10 (a) The governments generally promulgate comprehensive laws for health, safety and security of the workers. State **five** objectives which are expected to be achieved through these laws. (05)
- (b) Safety Engineers are convinced that industrial accidents are attributable to inadequate Human, Environmental and Mechanical/Technical security factors. How can responsible management effectively reduce the risks of accidents in each of these categories? (09)
- Q.11 What do you understand by transfer pricing in the context of multinational companies. List **two** advantages of adopting market-based transfer pricing policies. (04)

(THE END)



December 6, 2007

BUSINESS MANAGEMENT

(MARKS 100)
(3 hours)

Q.1 Super Candy Company Limited is engaged in the manufacture of sweets, candies, chocolates and bubble gums consumed by children. The Company has achieved phenomenal growth in the preceding 3-4 years. This growth is attributable to the highly aggressive marketing and promotional efforts launched by the incoming Marketing Director who has considerable experience in the confectionary industry. During this period, the strength of the employees has increased from 250 to 500. It is envisaged to induct 300 more workers during the next 24 months. The Human Resource Management functions have been largely neglected and are not capable of addressing the needs of a large-sized company aspiring to be the “industry leader.”

As the newly appointed General Manager, Human Resources, identify **six** functions of HR management which would receive your urgent attention. Give brief reasons for considering these functions important for the sound planning and development of HR practices in the company.

(12)

Q.2 A large number of business organizations pursue **Related** and **Unrelated Diversification Strategies** to increase their share of the market and also their overall profitability. Explain what do you understand by the terms “Related Diversification” and “Unrelated Diversification”?

(05)

Q.3 (a) Explain the difference between “strategic objectives” and “financial objectives”.
(b) Give two examples each of strategic and financial objectives of a company engaged in the manufacture of fast moving consumer goods.

(04)

(04)

Q.4 Explain what do you understand by Corporate Social Responsibility (CSR)? What are the essential features of CSR-conscious organizations?

(06)

Q.5 Define Product Life Cycle. What characteristics of Sales, Costs, Profits and Competition are dominant during the different stages of the Product Life Cycle?

(10)

Q.6 All progressive organizations have formal Employee Performance Appraisal (EPA) systems and considerable time and effort is spent periodically in the compilation, processing and review of the EPA information.

Identify **four** main reasons for giving EPA function high importance in Human Resource Management.

(08)

- Q.7 Explain the following concepts:
- Branded Merchandise
 - Competitive Advantage
 - Global Company
 - Contract Manufacturing
- (12)**
- Q.8 (a) It is observed through various empirical studies that employee motivation holds the key to the success of leading organizations in widely diversified business situations.
- Identify **six** factors which in your opinion would contribute towards achievement of high levels of motivation. **(06)**
- (b) Explain the concept of benchmarking. Why do firms undertake benchmarking exercises? **(06)**
- Q.9 Briefly explain what are the different entry barriers which make it difficult for prospective new comers to make investment in any particular industry. **(06)**
- Q.10 (a) The last two decades have witnessed significant growth in all spheres of international business operations and this trend continues to gain further momentum. In your opinion, what are the advantages which global companies seek to achieve by pursuing international operations? **(09)**
- (b) Identify any **five** constraints which in your opinion act as impediments towards attracting foreign investments in a typical underdeveloped country. **(05)**
- Q.11 Space Age Game Technologies Ltd has developed an entirely new line of electronic game cube for playing video games for children between the ages of 10-15 years. This new game cube has been developed after considerable market research and at a very high initial R&D cost. The company has created awareness of the unique features of this new product through selective promotion campaigns, including physical demonstrations at prestigious electronic stores. After careful evaluation of the various pricing options, the management has decided to launch the new product by pursuing a “market-skimming strategy.”
- (a) Briefly state what is meant by market-skimming strategy.
- (b) In your opinion what are the factors which could have contributed to the management’s decision to select this pricing strategy? **(07)**

(THE END)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN



Final Examinations Summer 2007

June 7, 2007

BUSINESS MANAGEMENT

(MARKS 100)

(3 hours)

- Q.1 (a) What do you understand by the terms Primary Data and Secondary Data? (04)
(b) What are the advantages of using Secondary Data in Market Research? (02)
(c) Give at least four sources in Pakistan from which Secondary Data regarding business and industry can be obtained. (03)

- Q.2 Branding plays a critical role in the marketing of Fast Moving Consumer Goods (FMCGs) and companies incur substantial expenditures for promotion of their brands.
(a) Explain what is meant by Branding? (03)
(b) Under what conditions do companies pursue aggressive Branding Strategies for marketing of their FMCGs? (06)

- Q.3 GMP Pharmaceuticals Limited is engaged in the manufacture of a wide range of pharmaceutical products. The company has a highly qualified and skilled professional cadre of employees whose competence and ability to work in a team-environment are vital for the manufacture of top quality products. The company has well-defined Rules of Service and expects strict adherence to these rules by its employees at all levels.

Required:

Describe briefly the various stages of Disciplinary Actions which GMP Pharmaceuticals may take against employees who violate the rules and regulations of the company. Identify the situations in which a certain type of Disciplinary Action is considered to be appropriate.

(10)

- Q.4 A UK-based group of overseas Pakistani investors intends to make substantial investment in a new cement project in Pakistan and has engaged you as a consultant to undertake an industry and competitive analysis on their behalf. The investors have mentioned that the proposed cement plant of latest EU technology and manufacturing process is based on most efficient fuel consumption and environment-friendly parameters and it would be the first plant of its kind in Pakistan. Since fuel efficiency is a critical success factor for the cement industry, the proposed unit would offset the advantages accruing to the competitors who had set up their units earlier at significantly lower capital costs. Moreover, the new cement project would be completed within an extremely tight implementation period of one year as compared to the units of the competitors which were set up in 3-4 years and involved higher financial costs.

The proposed cement unit would involve a significant investment decision with far-reaching consequences.

Required:

Identify what strategic factors relating to the industry and competitive outlook for cement industry in Pakistan would you consider in your report to enable your client to reach a sound investment decision.

(12)

(2)

- Q.5 (a) What are the distinguishing characteristics of a company which pursues a Strategy of Globalization? (04)
(b) What are the main advantages of adopting an aggressive Global Strategy? (04)
- Q.6 (a) Explain what is Distinctive Competitive Advantage? (03)
(b) What are the factors which contribute towards the creation of Distinctive Competitive Advantage? (05)
- Q.7 The success of even the well-formulated Strategic Plans depends to a considerable extent on their implementation. What are the factors that make the organizational environment conducive for successful implementation and achievement of the objectives conceived in the Strategic Plan? (09)
- Q.8 In Pakistan, the Mobile Telephone companies are promoting their products to meet the various **Social Needs** of different segments of the market. Identify five types of social needs that the Mobile Telephone companies are targeting in their promotion campaigns? (05)
- Q.09 In all well-managed organizations, Performance Appraisal is an important Human Resource Management function. What are the objectives of undertaking Performance Appraisal exercises at regular intervals? (10)
- Q.10 BNG Textile Mills Limited operates an integrated textile mill having spinning, weaving and finishing facilities. It has a work force of 2,000 employees. Approximately 90% of the workers are deployed in the spinning, weaving and finishing departments where the work is of a strenuous and repetitive nature.
- In your opinion, what kind of **work environment** should BNG Textile Mills adopt and promote to attract and retain a dedicated and stable work force committed to achieve its business goals? (09)
- Q.11 (a) An increasing number of firms have entered into International Contract Manufacturing arrangements in the past few years. Explain what do you understand by International Contract Manufacturing arrangement? (03)
(b) List **three** advantages of entering into such arrangements. (03)
- Q.12 At present a significant volume of international trade is facilitated by use of Documentary Credit. Briefly explain what do you understand by Documentary Credit? (05)

(THE END)



BUSINESS MANAGEMENT

(MARKS 100)

Module E

(3 hours)

Q.1 (a) What do you understand by the concept of **Ethical Marketing**? (02)

What possible ethical issues do you see in the following areas?

- Fixing of prices in collaboration with competitors.
- Premium pricing for brands versus unbranded generic products.
- Advertising.

(06)

(b) Employees are important stakeholders and responsible organizations lay down appropriate rules/principles to govern their conduct towards the employees. Give any four examples which you consider important for inclusion in the Code of Ethics relating to employer and employee relationship. (08)

Q.2 Sterling Corporation is an integrated manufacturing and marketing concern dealing in industrial chemicals. The company employs a large number of staff which is mainly engaged in manufacturing, office support services and outdoor sales. The occupational health and safety record of the company has been quite poor with regular incidents occurring across the organisation. Typical incidents reported are:

- Factory Floor: Inhalation of toxic fumes; cuts & burns in handling machines; slips and falls due to poor housekeeping.
- Office: Ergonomic ailments due to poorly designed furniture; eyesight impairment due to extended hours of computer work.
- Road Travel: Road accidents and resulting injuries.

The management has woken up to the need to improve health and safety performance of its employees. It wants to champion zero-tolerance for unsafe and unhealthy work practices and understands that this requires joint ownership of responsibility by management and employees.

You are assigned to:

- Draft a Corporate **Health & Safety Policy** statement stating the management's vision and everyone's responsibilities. (03)
- Recommend some safety measures to be undertaken by the company for the employees to help reduce accidents. (03)
- Suggest some measures, against which to monitor safety performance in the following three areas:

- Factory Floor
- Office
- Road Travel

(06)

Q.3 Despite the proven advantages of specialisation in terms of gaining comparative advantage, many countries actively try to avoid specialising their economies. What might be some of the arguments against pursuit of **specialisation**? **(08)**

Q.4 Marketing Research is a powerful tool that helps in improving the quality of marketing decisions. There are different approaches available to pre-test a marketing idea or strategy. Some of these **pre-testing tools** are:

- Motivational Research
- Laboratory Tests
- Ratings Tests
- Test Marketing
- Simulated Store Technique
- Controlled Test Marketing

Describe any four of the above types of pre-tests. **(08)**

Q.5 (a) What is meant by forecasting and why is it done by business managers? **(02)**

(b) What may be the most common reasons for failures in forecasting? **(03)**

Q.6 (a) Why, in your opinion, are properly designed Job Application Forms important and what is their main purpose? **(03)**

(b) What are the main objectives of undertaking Performance Appraisal exercises at regular intervals? **(06)**

Q.7 Ahmer and Company manufactures and markets motor cycles in Pakistan. It has started facing severe price competition from some of the new entrants in the industry. Some of the competitors' prices are very low according to the company. These new entrants are mostly local companies which operate with Chinese collaboration. They are attempting to change the rules of the game by bringing in new model of business focusing on 'Best Cost Strategy'. Ahmer, the owner of the company is quite concerned about this situation. It is putting pressure on both profitability and market share of his company. He can manage some cost reduction by better negotiation with his existing vendors and component manufacturers but these do not seem sufficient to fight against the new competition. He is of the opinion that he cannot compromise on quality to the extent that it earns his brand a bad name in the market.

(a) Please make a brief assessment of the above situation highlighting the importance of cost management as an on going activity of organizational strategic fit. **(03)**

(b) What other options do you think Ahmer has, to fight the new competition? Please present a case to Ahmer for strategic cost management to make a breakthrough. **(08)**

Q.8 Research proves that most successful companies have 'Purpose Beyond Profit' which give them better return on investment and shareholder value.

(a) Explain your understanding of the concept of 'Purpose Beyond Profit'. **(03)**

(b) Give three examples of purpose beyond profit which a business organization could have. **(03)**

(3)

- Q.9 Many top executives believe in 'Constant Re Invention', as they remark, "the minute you have developed a new business model, it's extinct, because somebody is going to copy it". Hence, the organizations should develop Sustainable Competitive Advantage (SCA).
- (a) What do you understand by Sustainable Competitive Advantage? Explain. **(03)**
 - (b) How can product innovation and technology up gradation result in developing an SCA? **(03)**
 - (c) In the context of product development, list the different types of 'new products'? **(03)**
 - (d) List various sources of 'new products'. **(03)**
 - (e) While bringing a new product in the market, what important marketing considerations should be taken into account to make it successful? Explain briefly. **(03)**
- Q.10 What are global (multi-national) companies? What are the different threats and opportunities these companies face? Please explain briefly. **(10)**

(THE END)



June 08, 2006

BUSINESS MANAGEMENT

(MARKS 100)
(3 hours)

- Q.1 Keeping in view the fast changing environmental factors, please comment on the viability of the following statements:
- (a) Strategic management is solely a top management job. (03)
- (b) Organizations should go for highly challenging goals rather than following normal growth. (03)
- (c) Organizations should pursue only those objectives which match their internal capabilities. (03)
- Q.2 (a) “Strategic vision (core purpose) of an organization should never change. What can change are operating procedures, cultural norms and business strategies”. Do you agree with this statement? Kindly explain your view point and also discuss the various strategic aspects related to the core values of a company. (06)
- (b) Strategic Planning and Control Cycles are meant to go hand-in-hand. What do you understand by the term control in the context of planning? Why is control important? (05)
- Q.3 Many public sector organizations in Pakistan have recently been privatised or are in the process of being sold to private entrepreneurial sector. These include banks, utility companies, large scale manufacturing firms etc. The privatisation process will be followed by huge changes within the organizations to which the employees will have to adjust and adapt.
- (a) What different types of organizational changes do you see taking place in these enterprises? (04)
- (b) It is expected that the employees may resist the impending change. In what way do you think change may affect individuals in these organizations, leading to their resistance? (06)
- (c) You are a consultant appointed to facilitate introduction of change in one of these organizations. What factors would you bear in mind in dealing with resistance to change with respect to the following:
- Pace
 - Manner
 - Scope of change (04)

Q.4 (a) Describe the following branding strategies with real life example from your observation.

- Family branding
- Brand extension
- Multi-branding

(06)

(b) Market Segmentation is based on the recognition of the diverse needs of potential buyers. From your personal observation, what basis of market segmentation do you see being used whilst marketing the following:

- soaps
- financial services
- newspapers / publications

Elaborate with at least 2 examples each

(06)

Q.5 On January 01, 2004 Sherry was appointed as General Manager, Marketing and Sales of the consumer products division in Neon International, a company having its headquarters in Germany. Sherry spent a couple of weeks taking inventory of the situation. He made the following assessments:

- Sales of consumer division has been stagnant over the last four years which was around Rs.1.2 billion with the quantitative turn over of 40 million pieces per annum.
- Market size was estimated at 120 million pieces per annum which means the company commanded around 33% market share. Research findings have confirmed that market growth has slowed down in urban market whereas rural market is growing by 10%.
- The company had a good distribution infrastructure in urban towns whereas rural market penetration was extremely poor.
- Competitive environment was becoming very aggressive. Local competition was focusing on the strategy of 'profit through cost management' and market prices (both trade and consumer) remained constant over the last several years confirming 'price erosion' in the industry.
- Price differential between company's brand and that of competition was as high as 15%.
- With lower market prices, competitors were able to capture a big chunk of the rural market.

Sherry concluded that times ahead will be quite difficult and the company has to revisit its core as well as operational direction. He therefore decided to discuss the overall scenario with the Marketing and Sales team before preparing a presentation for the executive committee of the company.

Some of the key recommendations received from the Marketing and Sales team were:

- Prices must be brought at par with competition.
- Advertising budget must be increased from 1.5% to at least 5% of the total turnover.
- Low cost brands should be introduced in the rural market to fight competition.
- Trade margins shall be increased to keep our brand attractive to trade partners.
- Distribution channels shall be pushed to improve distribution efficiency.

While Sherry was still thinking where to begin for the proposed presentation, news came from the Regional Headquarters that one of the closest international rivals has announced entry into Pakistani market and it was quite obvious that their initial target would be urban markets.

- (a) Make an objective assessment of the situation and bring out key threats being faced by the company. (04)
- (b) What should be the new strategic direction that Sherry should propose to the Executive Committee? (05)
- (c) Please suggest key operational strategies that should be immediately adopted by the company to salvage this situation. (06)

Q.6 What is dumping? Why do countries impose anti-dumping measures? Give some examples of anti-dumping measures used by countries. (05)

Q.7 In selecting candidates for employment, interviews are often supplemented by Tests. Briefly describe the different types of tests that are available, and the advantages and shortcomings of using them. (10)

Q.8 (a) What do you think are some of the reasons for companies to venture outside their home markets through exporting or making overseas investment? (08)

(b) Many foreign fast-food companies have come to Pakistan by appointing local franchisees. These franchisees have license to use the franchisor's brand name and are supported by the franchisor in all the business processes through training and transfer of know-how. As a result, the quality of service remains up to the franchisor's international standards.

What in your opinion are the likely advantages to the franchisor in such an arrangement? What are some of the potential pitfalls? (06)

Q.9 Organizations particularly Fast Moving Consumer Goods companies should strike a balance between push and pull strategies to successfully achieve their sales and distribution goals. Those who overdo push and do not well balance it with pull, come into serious problems.

(a) Differentiate between push and pull strategies. (04)

(b) What problems do you think a company might face if they overdo push and do not balance it with the desired level of consumer pull? (06)

(THE END)