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**TEST SERIES**  
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**SUGGESTED SOLUTION**

**CA INTERMEDIATE NOV'19**

**SUBJECT- EIS AND S.M.**

**Test Code - CIM 8407**

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## ANSWERS

### MULTIPLE CHOICE QUESTIONS

1. A
2. B
3. B
4. A
5. C
6. D
7. B
8. D
9. C
10. A

### DESCRIPTIVE QUESTIONS

#### ANSWER -1

#### ANSWER -A

**Data Warehouse:** Usually this is a module that can be accessed by an organizations customers, suppliers and employees. Data warehouse is a repository of an organization's electronically stored data. Data warehouses are designed to facilitate reporting and analysis. This classic definition of the data warehouse focuses on data storage. However, the means to retrieve and analyze data, to extract, transform and load data, and to manage the data dictionary are also considered essential components of a data warehousing system. An expanded definition for data warehousing includes business intelligence tools, tools to extract, transform, and load data into the repository, and tools to manage and retrieve metadata. In contrast to data warehouses are operational systems which perform day-to-day transaction processing. The process of transforming data into information and making it available to the user in a timely enough manner to make a difference is known as data warehousing.

(3 Marks)

#### ANSWER -B

The key technology components of Core Banking System (CBS) are as follows:

- Database Environment
- Application Environment
- Web Environment
- Security solution
- Connectivity to the Corporate Network and the Internet
- Data Centre and Disaster Recovery Centre
- Network Solution architecture to provide total connectivity
- Enterprise Security architecture
- Branch and Delivery channel environment
- Online Transaction monitoring for fraud risk management

**ANSWER -2****ANSWER -A**

**Non-Master Data:** It is a **data which is expected to change frequently, again and again and not a permanent data.** E.g. Amounts recorded in each transaction shall be different every time and expected to change again and again. Date recorded in each transaction is expected to change again and again and will not be constant in all the transactions.

**Master Data:** Master data is relatively permanent data that is not expected to change again and again. It may change, but not again and again. In accounting systems, there may be following types of master data.

- a. **Accounting Master Data – This includes names of ledgers, groups, cost centres, accounting voucher types, etc.** E.g. Capital Ledger is created once and not expected to change frequently. Similarly, all other ledgers like, sales, purchase, expenses and income ledgers are created once and not expected to change again and again. Opening balance carried forward from previous year to next year is also a part of master data and not expected to change.
- b. **Inventory Master Data – This includes stock items, stock groups, godowns, inventory voucher types, etc.** Stock item is something which bought and sold for business purpose, a trading goods. E.g. If a person is into the business of dealing in white goods, stock items shall be Television, Fridge, Air Conditioner, etc. For a person running a medicine shop, all types of medicines shall be stock items for him/her.
- c. **Payroll Master Data – Payroll is another area connecting with Accounting Systems. Payroll is a system for calculation of salary and recoding of transactions relating to employees.** Master data in case of payroll can be names of employees, group of employees, salary structure, pay heads, etc. These data are not expected to change frequently. E.g. Employee created in the system will remain as it is for a longer period of time, his/her salary structure may change but not frequently, pay heads associated with his/her salary structure will be relatively permanent.
- d. **Statutory Master Data – This is a master data relating to statute/law.** It may be different for different type of taxes. E.g. Goods and Service Tax (GST), Nature of Payments for Tax Deducted at Source (TDS), etc. This data also shall be relatively permanent. We don't have any control on this data as statutory changes are made by Government and not by us. In case of change in tax rates, forms, categories, we need to update/change our master data.

All business process modules must use common master data.

(6 Marks)

**ANSWER -B**

Various benefits of an e-commerce transaction to Customer / Individual / User are as follows:

- ◆ **Convenience:** Every product at the tip of individual's fingertips on internet.
- ◆ **Time saving:** Number of operations that can be performed both by potential buyers and sellers increase.

- ◆ **Various Options:** There are several options available for customers which are not only being easy to compare but are provided by different players in the market.
- ◆ **Easy to find reviews:** There are often reviews about a site or product from the previous customers which provides valuable feedback.
- ◆ **Coupon and Deals:** There are discount coupons and reward points available for customers to encourage online transaction.
- ◆ **Anytime Access:** Even midnight access to the e-commerce platforms is available which brings in customer suitability.

**(4 Marks)**

### **ANSWER -3**

### **ANSWER -A**

Business Intelligence (BI) is a technology-driven process for analysing data and presenting actionable information to help corporate executives, business managers and other end users make more informed business decisions.

- BI encompasses a wide variety of tools, that enable organizations to collect data from internal systems and external sources, prepare it for analysis, develop and run queries against the data, and create reports, dashboards and data visualizations to make the analytical results available to corporate decision makers as well as operational workers.
- BI systems can also help companies identify market trends and spot business problems that need to be addressed.
- Business Intelligence uses data from different sources and helps to find answers to various questions as shown on right hand side of above image.
- BI data can include historical information, as well as new data gathered from source systems as it is generated, enabling BI analysis to support both strategic and tactical decision-making processes.
- Initially, BI tools were primarily used by data analysts and other IT professionals who ran analyses and produced reports with query results for business users. Increasingly, however, business executives and workers are using BI software themselves, thanks partly to the development of self-service BI and data discovery tools.
- Business Intelligence combines a broad set of data analysis applications, including ad hoc analysis and querying, enterprise reporting, Online Analytical Processing (OLAP), mobile BI, real-time BI, operational BI, cloud and software as a service BI, open source BI, collaborative BI and location intelligence.
- BI technology also includes data visualization software for designing charts and other info - graphics, as well as tools for building BI dashboards and performance scorecards that display visualized data on business metrics and key performance indicators in an easy-to-grasp way.
- BI applications can be bought separately from different vendors or as part of a unified BI platform from a single vendor.
- BI programs can also incorporate forms of advanced analytics, such as data mining, predictive analytics, text mining, statistical analysis and big data analytics. In many cases, though, advanced analytics projects are conducted and managed by separate teams of data scientists, statisticians, predictive

modelers and other skilled analytics professionals, while BI teams oversee more straightforward querying and analysis of business data.

- Business Intelligence data in terms of unstructured data, log files, sensor data and other types of big data are stored in a data warehouse or smaller data marts that hold subsets of a company's information. Before it's used in BI applications, raw data from different source systems must be integrated, consolidated and cleansed using data integration and data quality tools to ensure that users are analyzing accurate and consistent information.

(6 Marks)

### ANSWER -B

The success of any Business Process Automation shall only be achieved when BPA ensures the following:

- ◆ **Confidentiality:** To ensure that data is only available to persons who have right to see the same;
- ◆ **Integrity:** To ensure that no un-authorized amendments can be made in the data;
- ◆ **Availability:** To ensure that data is available when asked for; and
- ◆ **Timeliness:** To ensure that data is made available in at the right time.

To ensure that all the above parameters are met, BPA needs to have appropriate internal controls put in place.

(4 \*1 = 4 Marks)

### ANSWER -4

### ANSWER -A

**Business Reporting** is defined as the public reporting of operating and financial data by a business enterprise, or the regular provision of information to decision-makers within an organization to support them in their work. This reporting process involves querying data sources with different logical models to produce a human readable report - for example, a computer user must query the Human Resources databases and the Capital Improvements databases to show how efficiently space is being used across an entire corporation.

Through reporting, organizations communicate with their stakeholders about:

- mission, vision, objectives, and strategy;
- governance arrangements and risk management;
- trade-offs between the shorter- and longer-term strategies; and
- financial, social, and environmental performance (how they have fared against their objectives in practice).

### The need of Business Reporting is for following reasons:

- Effective and transparent business reporting allows organizations to present a cohesive explanation of their business and helps them engage with internal and external stakeholders, including customers, employees, shareholders, creditors, and regulators.

- High-quality business reporting is at the heart of strong and sustainable organizations, financial markets, and economies, as this information is crucial for stakeholders to assess organizational performance and make informed decisions with respect to an organization's capacity to create and preserve value.
- Many organizations are increasingly complex, and have larger economic, environmental, and social footprints. Thus, various stakeholder groups require ESG (Environmental, Social and Governance) information, as well as greater insight into how these factors affect financial performance and valuations.
- High-quality reports also promote better internal decision-making. High-quality information is integral to the successful management of the business, and is one of the major drivers of sustainable organizational success.

(6 Marks)

### ANSWER -B

The most suitable choice is **Community Cloud** which is the cloud infrastructure provisioned for exclusive use by a specific community of consumers from organizations that have shared concerns (eg. mission security requirements, policy, and compliance considerations). It may be owned, managed, and operated by one or more of the organizations in the community, a third party or some combination of them, and it may exist on or off premises. In this, a private cloud is shared between several organizations. This model is suitable for organizations that cannot afford a private cloud and cannot rely on the public cloud either.

#### Advantages of Community Cloud are as follows:

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

The **limitation of the Community Cloud** is that the autonomy of the organization is **lost and some of the security features** are not as good as the private cloud. It is not suitable in the cases where there is no collaboration.

(4 Marks)

### ANSWER -5

### ANSWER -A

The Human Resources (HR) Life Cycle refers to human resources management and covers all the stages of an employee's time within a specific enterprise and the role the human resources department plays at each stage. Typical stage of HR cycle includes the following:

- (a) **Recruiting and On-boarding: Recruiting** is the process of hiring a new employee. The role of the human resources department in this stage is to assist in hiring. This might include placing the job ads, selecting candidates whose resumes look promising, conducting employment interviews and administering assessments such as personality profiles to choose the best applicant for the position. **On boarding is the process of getting the successful applicant set up in the system as a new employee.**

- (b) **Orientation and Career Planning:** Orientation is the process by which the employee becomes a member of the company's work force through learning her new job duties, establishing relationships with co-workers and supervisors and developing a niche. Career planning is the stage at which the employee and her supervisors work out her long-term career goals with the company. The human resources department may make additional use of personality profile testing at this stage to help the employee determine her best career options with the company.
- (c) **Career Development:** Career development opportunities are essential to keep an employee engaged with the company over time. After an employee, has established himself at the company and determined his long-term career objectives, the human resources department should try to help him meet his goals, if they're realistic. This can include professional growth and training to prepare the employee for more responsible positions with the company. The company also assesses the employee's work history and performance at this stage to determine whether he has been a successful hire.
- (d) **Termination or Transition:** Some employees will leave a company through retirement after a long and successful career. Others will choose to move on to other opportunities or be laid off. Whatever the reason, all employees will eventually leave the company. The role of HR in this process is to manage the transition by ensuring that all policies and procedures are followed, carrying out an exit interview if that is company policy and removing the employee from the system. These stages can be handled internally or with the help of enterprises that provide services to manage the employee life cycle.

(6 Marks)

#### ANSWER -B

The IS auditor needs to determine what events are recorded in access logs. The IS auditor needs to understand the capabilities of the system being audited and determine if the right events are being logged, or if logging is suppressed on events that should be logged.

- ◆ **Centralized access logs:** The IS auditor should determine if the organization's access logs are aggregated or if they are stored on individual systems.
- ◆ **Access log protection:** The auditor needs to determine if access logs can be altered, destroyed, or attacked to cause the system to stop logging events. For especially high-value and high-sensitivity environments, the IS auditor needs to determine if logs should be written to digital media that is unalterable, such as optical WORM (write once read many) media.
- ◆ **Access log review:** The IS auditor needs to determine if there are policies, processes, or procedures regarding access log review. The auditor should determine if access log reviews take place, who performs them, how issues requiring attention are identified, and what actions are taken when necessary.
- ◆ **Access log retention:** The IS auditor should determine how long access logs are retained by the organization and if they are back up.

(4 Marks)

## ANSWERS

### MULTIPLE CHOICE QUESTIONS

#### ANSWER -1

(15\*1 = 15 MARKS)

1. A
2. D
3. D
4. C
5. A
6. A
7. C
8. D
9. C
10. B
11. D
12. B
13. C
14. D
15. D

### DESCRIPTIVE QUESTIONS

#### ANSWER -2

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

(5 Marks)

#### ANSWER -3

#### ANSWER -A

The presence of strategic management cannot counter all hindrances and always achieve success as there are limitations attached to strategic management. These can be explained in the following lines:

- ◆ Environment is **highly complex and turbulent**. It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future. The organisational estimate about its future shape may awfully go wrong and



jeopardize all strategic plans. The environment affects as the organization has to deal with suppliers, customers, governments and other external factors.

- ◆ Strategic Management is a **time-consuming process**. Organizations spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact the routine business.
- ◆ Strategic Management is a **costly process**. Strategic management adds a lot of expenses to an organization. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments devise strategies and properly implement. These can be really costly for organizations with limited resources particularly when small and medium organization create strategies to compete.
- ◆ In a competitive scenario, where all organizations are trying to move strategically, it is difficult to clearly estimate the competitive responses to the strategies.

(5 Marks)

### ANSWER -B

Strategy implementation is missing in HQ. It is concerned with the managerial exercise of putting a chosen strategy into action. It deals with the managerial exercise of supervising the ongoing pursuit of strategy, making it work, improving the competence with which it is executed and showing measurable progress in achieving the targeted results.

Strategic implementation is concerned with translating a strategic decision into action, which presupposes that the decision itself (i.e., the strategic choice) was made with some thought being given to feasibility and acceptability. The allocation of resources to new courses of action will need to be undertaken, and there may be a need for adapting the organization's structure to handle new activities as well as training personnel and devising appropriate systems.

It is crucial to realize the difference between the formulation and implementation because they both require very different skills. Also, a company will be successful only when the strategy formulation is sound and implementation is excellent.

(5 Marks)

### ANSWER -4

### ANSWER -A

Rohit Bhargava needs to break higher level strategies into functional strategies for implementation. These functional strategies, in form of Marketing, Finance, Human Resource, Production, Research and Development help in achieving the organisational objective. The reasons why functional strategies are needed can be enumerated as follows:

- Functional **strategies lay down clearly what is to be done at the functional level. They provide a sense of direction to the functional staff.**
- They are **aimed at facilitating the implementation of corporate strategies and the business strategies formulation at the business level.**
- They act as **basis for controlling activities in the different functional areas of business.**

- They help in **bringing harmony and coordination as they are formulated to achieve major strategies.**

Similar situations occurring in different functional areas are handled in a consistent manner by the functional managers.

(5 Marks)

### ANSWER -B

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

**Gennex has opted differentiation strategy.** Its products are designed and produced to give the customer value and quality. They are unique and serve specific customer needs that are not met by other companies in the industry. Highly differentiated and unique hardware and software enables Gennex to charge premium prices for its products hence making higher profits and maintain its competitive position in the market.

**Differentiation strategy is aimed at broad mass market and involves the creation of a product or service that is perceived by the customers as unique.** The uniqueness can be associated with product design, brand image, features, technology, dealer network or customer service.

(5 Marks)

### ANSWER -5

### ANSWER -A

**Decision making is a managerial process of selecting the best course of action out of several alternative courses for the purpose of accomplishment of the organizational goals.**

Decisions may be operational, i.e., which relate to general day-to-day operations. They may also be strategic in nature.

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

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

(5 Marks)

## ANSWER -B

**Implementation control:** Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results associated with incremental steps and actions.

Strategic implementation control is not a replacement to operational control. Strategic implementation control, unlike operational controls continuously monitors the basic direction of the strategy. The two basic forms of implementation control are:

- (i) **Monitoring strategic thrusts:** Monitoring strategic thrusts help managers to determine whether the overall strategy is progressing as desired or whether there is need for readjustments.
- (ii) **Milestone Reviews.** All key activities necessary to implement strategy are segregated in terms of time, events or major resource allocation. It normally involves a complete reassessment of the strategy. It also assesses the need to continue or refocus the direction of an organization.

(5 Marks)

## ANSWER -6

### ANSWER -A

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

Companies should always be looking to the future. Businesses that use the Ansoff matrix can determine the best strategy. The matrix can help them to decide how to do this by demonstrating their options clearly, breaking them down into four strategies, viz., *Market Penetration, Market Development, Product Development, Diversification*. Determining which of these is best for their business will depend on a number of variables including available resources, infrastructure, market position, location and budget.

(5 Marks)

### ANSWER -B

Supply chain management is an extension of logistic management. However, there are differences between the two. Logistical activities typically include management of inbound and outbound goods, transportation, warehousing, handling of material, fulfillment of orders, inventory management and supply/demand planning. Although these activities also form part of supply chain management, the latter is much broader. Logistic management can be termed as one of its part that is related to planning, implementing, and controlling the movement and storage of goods, services and related information between the point of origin and the point of consumption.

Supply chain management is an integrating function of all the major business activities and business processes within and across organisations. Supply Chain Management is a systems view of the linkages in the chain consisting of different channel partners – suppliers, intermediaries, third-party service providers and customers. Different elements in the chain work together in a collaborative and coordinated manner. Often it is used as a tool of business transformation and involves delivering the right product at the right time to the right place and at the right price.

**(5 Marks)**