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SUGGESTED SOLUTION

CA INTERMEDIATE

SUBJECT- EIS AND SM

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PART – A
SECTION – A

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

SECTION – B

ANSWER -1

ANSWER –A

The Corporate Governance Framework consists of:

- explicit and implicit contracts between the company and the stakeholders for distribution of responsibilities, rights, and rewards;
- procedures for reconciling the sometimes-conflicting interests of stakeholders in accordance with their duties, privileges and roles; and
- procedures for proper supervision, control, and information-flows to serve as a system of checks-and-balances.

(3*1 = 3 Marks)

ANSWER –B

Some of the applications area of Internet of Things (IoT) are as follows:

- All home appliances to be connected and that shall create a virtual home.
 - Home owners can keep track of all activities in house through their hand-held devices.
 - Home security CCTV is also monitored through hand held devices.
- Office machines shall be connected through internet.
 - Human resource managers shall be able to see how many people have had a cup of coffee from vending machine and how many are present.
 - How many printouts are being generated through office printer?
- Governments can keep track of resource utilizations/extra support needed. For example- under SWACHH mission, government can tag all dustbins with IoT sensors. They (dustbins) generate a message once they are full. Being connected to wi-fi, they can intimate the cleaning supervisor of Municipal Corporation so that BIN can be emptied.

- As a research study, individuals have got themselves implanted with electronic chips in their bodies. This chip allows him/her to connect to home/office wi-fi. Once connected person can enter home/office and perform designated function. This chip becomes individual's authentication token.
- Washing machines with Wi-Fi networking capabilities can connect themselves to home Wi-Fi. Once these machines are so connected they can be controlled through machine manufacturer mobile APP from anywhere in the world.
- India's living legend of cricket appearing in an Advertisement for water purifier informs that, the water purifier is Wi-Fi enabled. When the purifying agents deplete in the machine, it connects to home Wi-Fi and informs the service agents of the company.

(2 Marks)

ANSWER -2

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

Internet Banking Channel Server (IBCS): IBCS (Internet Banking Channel Server) software stores the name and password of the entire internet banking customers. IBCS server also contains the details about the branch to which the customer belongs. The Internet Banking customer would first have to log into the bank's website with the user name and password.

Internet Banking Application Server (IBAS): The Internet Banking Software which is stored in the IBAS (Internet Banking Application Server) authenticates the customer with the login details stored in the IBCS. Authentication process is the method by which the details provided by the customer are compared with the data already stored in the data server to make sure that the customer is genuine and has been provided with internet banking facilities.

(4 Marks)

ANSWER -3

ANSWER –A

Limitations of Mobile Computing are as follows:

- ◆ **Insufficient Bandwidth:** Mobile Internet access is generally slower than direct cable connections using technologies such as General Packet Radio Service (GPRS) and Enhanced Data for GSM (Global System for Mobile Communication), 3G and more recently 4G networks. These networks are usually available within range of commercial cell phone towers. Higher speed wireless LANs are inexpensive but have very limited range.
- ◆ **Security Standards:** When working mobile, one is dependent on public networks, requiring careful use of Virtual Private Network (VPN). Security is a major concern while concerning the mobile computing standards on the fleet. One can easily attack the VPN through a huge number of networks interconnected through the line.
- ◆ **Power consumption:** When a power outlet or portable generator is not available, mobile computers must rely entirely on battery power. Combined with the compact size of many mobile devices, this often means unusually expensive batteries must be used to obtain the necessary battery life. Mobile computing should also consider Greener IT in such a way that it saves the power or increases the battery life.
- ◆ **Transmission interferences:** Weather, terrain, and the range from the nearest signal point can all interfere with signal reception. Reception in tunnels, some buildings, and rural areas is often poor.
- ◆ **Potential health hazards:** People who use mobile devices while driving are often distracted from driving and are thus assumed more likely to be involved in traffic accidents. Cell phones may interfere with sensitive medical devices. There are allegations that cell phone signals may cause health problems.
- ◆ **Human interface with device:** Screens and keyboards tend to be small, which may make them hard to use. Alternate input methods such as speech or handwriting recognition require training.

(6*1 = 6 Marks)

ANSWER –B

Key benefits of a Customer Relationship Management (CRM) module of ERP are as under:

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

(4 Marks)

ANSWER -4

ANSWER –A

IT risks need to be mitigated by implementing the right type and level of controls in the automated environment. Sample list of IT related controls in Banks are as follows:

- The system maintains a record of all log-ins and log-outs. If the transaction is sought to be posted to a dormant or inoperative account, the processing is halted and can be proceeded with only with a supervisory password.
- The system checks whether the amount to be withdrawn is within the drawing power.

- The system flashes a message if the balance in a lien account would fall below the lien amount after the processing of the transaction.
- Access to the system is available only between stipulated hours and specified days only.
- Individual users can access only specified directories and files. Users should be given access only on a 'need-to-know basis' based on their role in the bank. This is applicable for internal users of the bank and customers.
- Exception situations such as limit excess, reactivating dormant accounts, etc. can be handled only with a valid supervisory level password.
- A user timeout is prescribed that means that after a user logs-in and there is no activity for a pre-determined time, the user is automatically logged out of the system.
- Once the end-of-the-day process is over, the ledgers cannot be opened without a supervisory level password.

(6 Marks)

ANSWER –B

Major benefits of automating Business Processes are as follows:

- **Quality and Consistency:** Ensures that every action is performed identically - resulting in high quality, reliable results and stakeholders will consistently experience the same level of service.
- **Time Saving:** Automation reduces the number of tasks employees would otherwise need to do manually. It frees up time to work on items that add genuine value to the business, allowing innovation and increasing employees' levels of motivation.
- **Visibility:** Automated processes are controlled and consistently operate accurately within the defined timeline. It gives visibility of the process status to the organization.
- **Improved Operational Efficiency:** Automation reduces the time it takes to achieve a task, the effort required to undertake it and the cost of completing it successfully. Automation not only ensures systems run smoothly and efficiently, but that errors are eliminated and best practices are constantly leveraged.
- **Governance & Reliability:** The consistency of automated processes means stakeholders can rely on business processes to operate and offer reliable processes to customers, maintaining a competitive advantage.
- **Reduced Turnaround Times:** Eliminate unnecessary tasks and realign process steps to optimize the flow of information throughout production, service, billing and collection. This adjustment of processes distills operational performance and reduces the turnaround times for both staff and external customers.
- **Reduced Costs:** Manual tasks, given that they are performed one-at-a-time and at a slower rate than an automated task, will cost more. Automation allows us to accomplish more by utilizing fewer resources.

(4 Marks)

ANSWER -5

ANSWER –A

Various Network Access Controls by means of which the protection can be achieved against harmful elements in an organization are as follows:

- **Policy on use of network services:** An enterprise wide policy applicable to internet service requirements aligned with the business need for using the Internet services is the first step. Selection of appropriate services and approval to access them should be part of this policy.
- **Enforced path:** Based on risk assessment, it is necessary to specify the exact path or route connecting the networks; e.g., internet access by employees will be routed through a firewall and proxy.
- **Segregation of networks:** Based on the sensitive information handling function; say a Virtual Private Network (VPN) connection between a branch office and the head-office, this network is to be isolated from the internet usage service
- **Network connection and routing control:** The traffic between networks should be restricted, based on identification of source and authentication access policies implemented across the enterprise network facility.
- **Security of network services:** The techniques of authentication and authorization policy should be implemented across the organization's network.
- **Firewall:** A Firewall is a system that enforces access control between two networks. To accomplish this, all traffic between the external network and the organization's Intranet must pass through the firewall that will allow only authorized traffic between the organization and the outside to pass through it. The firewall must be immune to penetrate from both outside and inside the organization.
- **Encryption:** Encryption is the conversion of data into a secret code for storage in databases and transmission over networks. The sender uses an encryption algorithm with a key to convert the original message called the Clear text into Cipher text. This is decrypted at the receiving end.
- **Call Back Devices:** It is based on the principle that the key to network security is to keep the intruder off the Intranet rather than imposing security measure after the criminal has connected to the intranet. The call-back device requires the user to enter a password and then the system breaks the connection. If the caller is authorized, the call back device dials the caller's number to establish a new connection. This limits access only from authorized terminals or telephone numbers and prevents an intruder masquerading as a legitimate user.

(5 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.

(5 Marks)

PART - B

SECTION – A

ANSWER -6

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

SECTION – B

ANSWER -7

Gautam wishes to diversify in a business that is not related to their existing line of product and can be termed as conglomerate diversification. He is interested in acquiring another industrial unit located in Faridabad manufacturing stationery items such as permanent markers, notebooks, pencils and pencil sharpeners, envelopes and other office supplies, which is not related to their existing product. In conglomerate diversification, the new businesses/products are disjointed from the existing businesses/products in every way; it is a unrelated diversification. In process/ technology/ function, there is no connection between the new products and the existing ones. Conglomerate diversification has no common thread at all with the firm's present position.

On the other hand, Siddhartha seeks to move forward in the chain of existing product by adopting vertically integrated diversification/ forward integration. The cloth being manufactured by the existing processes can be used as raw material of garments manufacturing business. In such diversification, firms opt to engage in businesses that are related to the existing business of the firm. The firm remains vertically within the same process and moves forward or backward in the chain. It enters specific product/process steps with the intention of making them into new businesses for the firm. The characteristic feature of vertically integrated diversification is that here, the firm does not jump outside the vertically linked product-process chain.

Both types of diversifications have their own risks. In conglomerate diversification, there are no linkages with customer group, customer marketing functions and technology used, which is a risk. In the case of vertical integrated diversification, there is a risk of lack of continued focus on the original business.

(5 Marks)

ANSWER -8

ANSWER –A

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

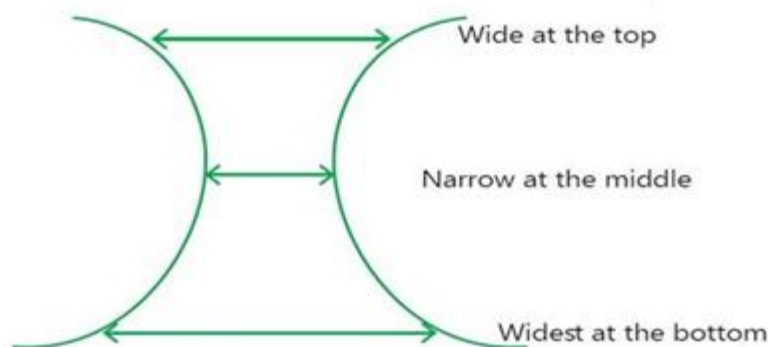
The orientation of redesigning efforts involves total deconstruction and rethinking of business process BPR involves the following steps:

- i. **Determining objectives:** Objectives are the desired end results of the redesign process. They will provide the required focus, direction, and motivation for the redesign process and help in building a comprehensive foundation for the reengineering process.
- ii. **Identify customers and determine their needs:** The process designers have to understand customers. The purpose is to redesign business process that clearly provides value addition to the customer.
- iii. **Study the existing processes:** The study of existing processes will provide an important base for the process designers. The purpose is to gain an understanding of the 'what', and 'why' of the targeted process.
- iv. **Formulate a redesign process plan:** Formulation of redesign plan is the real crux of the reengineering efforts. Customer focussed redesign concepts are identified and formulated. In this step alternative processes are considered and the best is selected.
- v. **Implement the redesigned process:** It is easier to formulate new process than to implement them. Implementation of the redesigned process and application of other knowledge gained from the previous steps is key to achieve dramatic improvements.

(5 Marks)

ANSWER –B

Information technology and communications have significantly altered the functioning of organizations. The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools. Hourglass organization structure consists of three layers with constricted middle layer. The structure has a short and narrow middle-management level. Information technology links the top and bottom levels in the organization taking away many tasks that are performed by the middle level managers. A shrunken middle layer coordinates diverse lower level activities. Contrary to traditional middle level managers who are often specialist, the managers in the hourglass structure are generalists and perform wide variety of tasks. They would be handling cross-functional issues emanating such as those from marketing, finance or production.



Hourglass structure has obvious benefit of reduced costs. It also helps in enhancing responsiveness by simplifying decision making. Decision making authority is shifted close to the source of information so that it is faster.

(5 Marks)

ANSWER -9

ANSWER –A

It is true that the strategic management is not a panacea for all corporate ills. This is on account of complex multiple forces acting on business organization and limiting its success.

(1 Mark)

These limitations are on account of following factors:

- ◆ **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 organizational estimate about its future shape may awfully go wrong and jeopardise all strategic plans.
- ◆ **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 – particularly to small and medium organizations. Expert strategic planners need to be engaged, efforts are made for analysis of

external and internal environments devise strategies and properly implement.

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

(4 Marks)

ANSWER –B

Mota shoes is trying to use differentiation. This 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. Because of differentiation, the business can charge a premium for its product.

A differentiation strategy has definite advantages as it may help to remain profitable even with rivalry, new entrants, suppliers' power, substitute products, and buyers' power.

- Rivalry:** Brand loyalty acts as a safeguard against competitors. It means that customers will be less sensitive to price increases, as long as the firm can satisfy the needs of its customers.
- Buyers:** They do not negotiate for price as they get special features and also they have fewer options in the market.
- Suppliers:** Because differentiators charge a premium price, they can afford to absorb higher costs of supplies and customers are willing to pay extra too.
- New entrants:** Innovative features are expensive to copy. So, new entrants generally avoid these features because it is tough for them to provide the same product with special features at a comparable price.
- Substitutes:** Substitute products can't replace differentiated products which have high brand value and enjoy customer loyalty.

(5*1 = 5 Marks)

ANSWER -10

ANSWER –A

According to C.K. Prahalad and Gary Hamel, major core competencies are identified in three areas - competitor differentiation, customer value, and application to other markets.

- ◆ **Competitor differentiation:** The company can consider having a core competence if the competence is unique and it is difficult for competitors to imitate. This can provide a company an edge compared to competitors. It allows the company to provide better products or services to market with no fear that competitors can copy it.
- ◆ **Customer value:** When purchasing a product or service it has to deliver a fundamental benefit for the end customer in order to be a core competence. It will include all the skills needed to provide fundamental benefits. The service or the product has to have real impact on the customer as the reason to choose to purchase them. If customer has chosen the company without this impact, then competence is not a core competence.

- ◆ **Application of competencies to other markets:** Core competence must be applicable to the whole organization; it cannot be only one particular skill or specified area of expertise. Therefore, although some special capability would be essential or crucial for the success of business activity, it will not be considered as core competence, if it is not fundamental from the whole organization's point of view. Thus, a core competence is a unique set of skills and expertise, which will be used through out the organization to open up potential markets to be exploited.

(5 Marks)

ANSWER –B

Objectives with strategic focus relate to outcomes that strengthen an organization's overall business position and competitive vitality. Objectives, to be meaningful to serve the intended role, must possess the following characteristics:

- ◆ Objectives should define the organization's relationship with its environment.
- ◆ Objectives should be facilitative towards achievement of mission and purpose.
- ◆ Objectives should provide the basis for strategic decision-making.
- ◆ Objectives should provide standards for performance appraisal.
- ◆ Objectives should be understandable.
- ◆ Objectives should be concrete and specific.
- ◆ Objectives should be related to a time frame.
- ◆ Objectives should be measurable and controllable.
- ◆ Objectives should be challenging.
- ◆ Different objectives should correlate with each other.
- ◆ Objectives should be set within constraints.

(5 Marks)

ANSWER -11

ANSWER –A

A manager as a strategic leader has many different leadership roles to play: visionary, chief entrepreneur and strategist, chief administrator, culture builder, resource acquirer and allocator, capabilities builder, process integrator, crisis solver, spokesperson, negotiator, motivator, arbitrator, policy maker and so on. Managers have five leadership roles to play in pushing for good strategy execution:

1. Staying on top of what is happening, closely monitoring progress, working through issues and obstacles.
2. Promoting a culture that mobilizes and energizes organizational members to execute strategy and perform at a high level.
3. Keeping the organization responsive to changing conditions, alert for new opportunities and remain ahead of rivals in developing competitively valuable competencies and capabilities.
4. Ethical leadership and insisting that the organization conduct its affairs like a model

corporate citizen.

5. Pushing corrective actions to improve strategy execution and overall strategic performance.

(5*1 = 5 Marks)

ANSWER –B

Prominent areas where the Human Resource Manager can play strategic role are as follows:

1. **Providing purposeful direction:** The human resource manager leads people and the organization towards the desired direction involving people. He can ensure harmony between organizational objectives and individual objectives.
2. **Creating competitive atmosphere:** In the present business environment, maintaining competitive position or gains is an important objective of any business. Having a highly committed and competent workforce is very important for getting a competitively advantageous position.
3. **Facilitation of change:** The human resource manager will be more concerned about furthering the organization not just maintaining it. He can devote more time to promote acceptance of change rather than maintaining the status quo.
4. **Managing workforce diversity:** In a modern organization, management of diverse workforce is a great challenge. Workforce diversity can be observed in terms of male and female, young and old, educated and uneducated, unskilled and professional employee and so on. Motivation, maintaining morale and commitment are some of the key tasks that a HR manager can perform.
5. **Empowerment of human resources:** Empowerment involves giving more power to those who, at present, have little control on what they do and little ability to influence the decisions being made around them.
6. **Building core competency:** The human resource manager has an important role to play in developing core competency of the firm . A core competence is a unique strength of an organization which may not be shared by others. Organization of business around core competence implies leveraging the limited resources of a firm.
7. **Development of works ethics and culture:** A vibrant work culture will have to be developed in the organizations to create an atmosphere of trust among people and to encourage creative ideas by the people.

(5 Marks)