SUGGESTED SOLUTION

CA INTERMEDIATE

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Enterprise Information System

ANSWERS

MULTIPLE CHOICE QUESTIONS

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

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

(2 Marks)

ANSWER -2

ANSWER -A

<u>Non-Master Data</u>: It is a **<u>data which is expected to change frequently, again and again and not a permanent data.</u>** 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.

<u>Master Data</u>: 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. **<u>Accounting Master Data</u> – <u>This includes names of ledgers, groups, cost centres, accounting voucher types, etc.</u>** 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. **<u>Inventory Master Data</u> –** This **<u>includes stock items, stock groups, godowns, inventory voucher types, etc.</u>** 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. **<u>Payroll Master Data</u> –** Payroll is **<u>another area connecting with Accounting Systems. Payroll is a system for calculation of salary and recoding of transactions relating to employees.</u>** 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. **<u>Statutory Master Data</u> –** This is a **<u>master data relating to statute/law.</u>** 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:

- **<u>Convenience</u>:** Every product at the tip of individual's fingertips on internet.
- **<u>Time saving</u>:** Number of operations that can be performed both by potential buyers and sellers increase.
- **<u>Various Options</u>:** There are several options available for customers which are not only being easy to compare but are provided by different players in the market.
- **<u>Easy to find reviews</u>:** There are often reviews about a site or product from the previous

customers which provides valuable feedback.

- **<u>Coupon and Deals</u>:** There are discount coupons and reward points available for customers to encourage online transaction.
- **<u>Anytime Access</u>:** Even midnight access to the e commerce platforms is available which brings in customer suitability.

(4 Marks)

ANSWER -3

ANSWER -A

Stages of Money Laundering are as follows:

i. **Placement:** The first stage involves the Placement of proceeds derived from illegal activities - the movement of proceeds frequently currency from the scene of the crime to a place, or into a form, less suspicious and more convenient for the criminal.

ii. **Layering:** Layering involves the separation of proceeds from illegal source using complex transactions designed to obscure the audit trail and hide the proceeds. The criminals frequently use shell corporations, offshore banks or countries with loose regulation and secrecy laws for this purpose. Layering involves sending the money through various financial transactions to change its form and make it difficult to follow. Layering may consist of several banks to bank transfers or wire transfers between different accounts in different names in different countries making deposit and withdrawals to continually vary the amount of money in the accounts changing the money's currency purchasing high value items to change the form of money- making it hard to trace.

iii. **Integration:** Integration involves conversion of illegal proceeds into apparently legitimate business earnings through normal financial or commercial operations. Integration creates the illusion of a legitimate source for criminally derived funds and involves techniques as numerous and creative as those used by legitimate businesses.

(6 Marks)

ANSWER -B

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

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

The characteristics of information are as follows:

- **Relevant -** MIS reports need to be specific to the business area they address. This is important because a report that includes unnecessary information might be ignored.
- **Timely -** Managers need to know what's happening now or in the recent past to make decisions about the future. Be careful not to include information that is old. An example of timely information for your report might be customer phone calls and emails going back 12 months from the current date.
- **Accurate -** It's critical that numbers add up and that dates and times are correct. Managers and others who rely on MIS reports can't make sound decisions with information that is wrong. Financial information is often required to be accurate to the dollar. In other cases, it may be OK to round off numbers.
- **Structured -** Information in an MIS report can be complicated. Making that information easy to follow helps management understand what the report is saying. Try to break long passages of information into more readable blocks or chunks and give these chunks meaningful headings.

(5 Marks)

ANSWER -B

The Service Model provided by vendor XYZ to ABC university is Infrastructure as a Service (IaaS).

Characteristics of Infrastructure as a Service (IaaS) of Cloud Computing are as follows:

- **Web access to the resources:** The IaaS model enables the IT users to access infrastructure resources over the Internet. When accessing a huge computing power, the IT user need not get physical access to the servers.
- **Centralized Management:** The resources distributed across different parts are controlled from any management console that ensures effective resource management and effective resource utilization.
- **Elasticity and Dynamic Scaling:** Depending on the load, IaaS services can provide the resources and elastic services where the usage of resources can be increased or decreased according to the requirements.
- **Shared infrastructure:** IaaS follows a one-to-many delivery model and allows multiple IT users to share the same physical infrastructure and thus ensure high resource utilization.
- **Metered Services:** IaaS allows the IT users to rent the computing resources instead of buying it. The services consumed by the IT user will be measured, and the users will be charged by the IaaS providers based on the amount of usage.

(5 Marks)

ANSWER -5

ANSWER -A

When risks are identified and analyzed, it is not always appropriate to implement controls to counter them. Some risks may be minor, and it may not be cost effective to implement expensive control processes for them. Risk management strategy is explained below:

- **Tolerate/Accept the risk:** One of the primary functions of management is managing risk. Some risks may be considered minor because their impact and probability of occurrence is low. In this case, consciously accepting the risk as a cost of doing business is appropriate, as well as periodically reviewing the risk to ensure its impact remains low.
- **Terminate/Eliminate the risk:** It is possible for a risk to be associated with the use of a technology, supplier, or vendor. The risk can be eliminated by replacing the technology with more robust products and by seeking more capable suppliers and vendors.
- **Transfer/Share the risk:** Risk mitigation approaches can be shared with trading partners and suppliers. A good example is outsourcing infrastructure management. In such a case, the supplier mitigates the risks associated with managing the IT infrastructure by being more capable and having access to more highly skilled staff than the primary organization. Risk also may be mitigated by transferring the cost of realized risk to an insurance provider.
- **Treat/mitigate the risk:** Where other options have been eliminated, suitable controls must be devised and implemented to prevent the risk from manifesting itself or to minimize its effects.
- **Turn back:** Where the probability or impact of the risk is very low, then management may decide to ignore the risk.

(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.

- **<u>Centralized access logs:</u>** The IS auditor should determine if the organization's access logs are aggregated or if they are stored on individual systems.
- **<u>Access log protection</u>:** 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.
- **<u>Access log review</u>:** 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.
- **<u>Access log retention:</u>** The IS auditor should determine how long access logs are retained by the organization and if they are back up.

(4 Marks)

Strategic Management

ANSWERS

MULTIPLE CHOICE QUESTIONS

ANSWER -1 **(15*1 = 15 MARKS)**

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

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 organizational 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

As the decisions taken by Rohit Seth have organization wide impact, involves large commitments and have implication on the future, he is at the top level in organizational hierarchy. These characteristics also indicate that he is taking strategic decisions in the organization. The major dimensions of strategic decisions are as follows:

- **Strategic decisions require top-management involvement:** Strategic decisions involve thinking in totality of the organization. Hence, problems calling for strategic decisions require to be considered by the top management.
- **Strategic decisions involve commitment of organizational resources:** For example, Strategic decisions to launch a new project by a firm requires allocation of huge funds and assignment of a large number of employees.
- **Strategic decisions necessitate consideration of factors in the firm's external environment:** Strategic focus in organization involves orienting its internal environment to the changes of external environment.
- **Strategic decisions are likely to have a significant impact on the long-term prosperity of the firm:** Generally, the results of strategic implementation are seen on a long-term basis and not immediately.
- **Strategic decisions are future oriented:** Strategic thinking involves predicting the future environmental conditions and how to orient for the changed conditions.
- **Strategic decisions usually have major multifunctional or multi-business consequences:** As they involve organization in totality they affect different sections of the organization with varying degree.

(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

The most important phenomenon which often distinguishes one organization with another is its corporate culture. Corporate culture refers to a company's values, beliefs, business principles, traditions, and ways of operating and internal work environment. Every corporation has a culture that exerts powerful influences on the behavior of managers.

(i) **As a strength**: Culture can facilitate communication, decision making and control and instil cooperation and commitment. An organization's culture could be strong and cohesive when it conducts its business according to clear and explicit set of principles and values, which the management devotes considerable time to communicating to employees and which values are shared widely across the organization.

(ii) **As a weakness**: Culture, as a weakness can obstruct the smooth implementation of strategy by creating resistance to change. An organization's culture could be characterized as weak when many sub-cultures exists, few values and behavioral norms are shared and traditions are rare. In such organizations, employees do not have a sense of commitment, loyalty and sense of identity.

(5 Marks)

ANSWER -B

Strategic Control focuses on the dual questions of whether: (1) the strategy is being implemented as planned; and (2) the results produced by the strategy are those intended.

<u>There are four types of strategic control:</u>

Premise control: A strategy is formed on the basis of certain assumptions or premises about the environment. Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built.

- **Strategic surveillance**: Strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy.
- **Special alert control:** At times, unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy.
- **Implementation control:** Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results.

(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 it 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

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

i. **Recruitment and selection:** The workforce will be more competent if a firm can successfully identify, attract, and select highly competent applicants.

ii. **Training:** The workforce will be more competent if employees are well trained to perform their jobs properly.

iii. **Appraisal of performance:** The performance appraisal is to identify any performance deficiencies experienced by employees due to lack of competence. Such deficiencies, once identified, can often be solved through counselling, coaching or training.

iv. **Compensation:** A firm can usually increase the competency of its workforce by offering pay, benefits and rewards that are not only attractive than those of their competitors but also recognizes merit.

(5 Marks)