Test Series: May, 2020

MOCK TEST PAPER 1

INTERMEDIATE (NEW): GROUP – II

PAPER – 7: ENTERPRISE INFORMATION SYSTEMS AND STRATEGIC MANAGEMENT

SECTION – A: ENTERPRISE INFORMATION SYSTEMS

ANSWERS

Division A: MULTIPLE CHOICE QUESTIONS (Answers 1-4 based on Case Scenario)

1. **(a)** Helps to take action needed to measure quality

2. **(c)**

3. **(c)** Database Analyst

4. **(b)** Section 66-C

5. **(b)** Buyer Aggregator

6. **(a)** Application Layer

7. **(a)** Internet Banking Channel Server

8. **(b)** Section 134

9. **(a)** Contra

10. **(b)** It uses minimal memory.

Division B: DESCRIPTIVE ANSWERS

1. **(a)** **Corrective Controls** are used to correct errors, omissions or incidents once they have been detected. The main characteristics of the corrective controls are as follows:

   - Minimizing the impact of the threat;

   - Identifying the cause of the problem;

   - Providing Remedy to the problems discovered by detective controls;

   - Getting feedback from preventive and detective controls;

   - Correcting error arising from a problem; and

   - Modifying the processing systems to minimize future occurrences of the incidents.

   (b) **Credit Risk** is the risk that an asset or a loan becomes irrecoverable in the case of outright default, or the risk of an unexpected delay in the servicing of a loan. Since bank and borrower usually sign a loan contract, credit risk can be considered a form of counterparty risk.

2. **(a)** The software modules included in Enterprise Resource Planning (ERP) are as follows:

   - **Manufacturing:** Some of the functions include engineering, capacity, workflow management, quality control, bills of material, manufacturing process, etc.

   - **Financials:** Accounts payable, accounts receivable, fixed assets, general ledger and cash management, etc.

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- **Human Resources:** Benefits, training, payroll, time and attendance, etc.

- **Supply Chain Management:** Inventory, supply chain planning, supplier scheduling, claim processing, order entry, purchasing, etc.

- **Projects:** Costing, billing, activity management, time and expense, etc.

- **Customer Relationship Management (CRM):** CRM is a term applied to processes implemented by a company to handle its contact with its customers. CRM software is used to support these processes, storing information on current and prospective customers. Information in the system can be accessed and entered by employees in different departments, such as sales, marketing, customer service, training, professional development, performance management, human resource development, and compensation.

- **Data Warehouse:** 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. 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. 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.

(b) Mobile Applications are small piece of software developed specifically for the operating systems of handheld devices such as mobile phones, PDAs and Tablet computers. Mobile Apps can come preloaded on handheld devices or can be downloaded by users from the app stores over the Internet. The e-commerce architecture that will run on mobile app is via M-Commerce (Mobile Commerce) that enables users to access the Internet without needing to find a place to plug in. It has following three layers:

1. **Client / User Interface:** This layer helps the e-commerce customer connect to e-commerce merchant. It includes Web Server, Web Browser and Internet. For example: If an user buys a mobile phone from an e-commerce merchant it includes -User, Web Browser (Internet Explorer/Chrome) & Web Server.

2. **Application Layer:** Through these application's customer logs to merchant systems. This layer allows customer to check the products available on merchant's website. It includes Application Server and Back End Server. For example - E-merchant, Reseller, Logistics partner.

3. **Database Layer:** This layer is accessible to user through application layer. It includes the information store house, where all data relating to products and price is kept.

3. (a) The Benefits of Big Data Processing are as follows:

(I) Ability to process Big Data brings in multiple benefits, such as-

- Businesses can utilize outside intelligence while taking decisions.

- Access to social data from search engines and sites like Facebook, Twitter are enabling organizations to fine tune their business strategies.

- Early identification of risk to the product/services, if any

(II) Improved customer service

- Traditional customer feedback systems are getting replaced by new systems designed with Big Data technologies. In these new systems, Big Data and natural language

processing technologies are being used to read and evaluate consumer responses.

(III) Better operational efficiency

- Integration of Big Data technologies and data warehouse helps an organization to offload infrequently accessed data, this leading to better operational efficiency.

(b) The different types of documentary evidence used in Inventory Module are as follows:

- **Purchase Order**- For recording of a purchase order raised on a vendor.
- **Sales Order**- For recording of a sales order received from a customer.
- **Stock Journal-** For recording of physical movement of stock from one location to another.
- **Physical Stock**-For making corrections in stock after physical counting.
- **Delivery Note**- For recording of physical delivery of goods sold to a customer.
- **Receipt Note**- For recording of physical receipt of goods purchased from a vendor.

4. (a) The risks associated in E-Business Environment are as follows:

(i) **Privacy and Security:** There are often issues of security and privacy due to lack of personalized digital access and knowledge.

(ii) **Quality issues:** There are quality issues raised by customers as the original product differs from the one that was ordered.

(iii) **Delay in goods and Hidden Costs:** When goods are ordered from another country, there are hidden costs enforced by Companies.

(iv) **Needs Access to internet and lack of personal touch:** The e-commerce requires an internet connection which is extra expensive and lacks personal touch.

(v) **Security and credit card issues:** There is cloning possible of credit cards and debit cards which pose a security threat.

(vi) **Infrastructure:** There is a greater need of not only digital infrastructure but also network expansion of roads and railways which remains a substantial challenge in developing countries.

(vii) **Problem of anonymity:** There is need to identify and authenticate users in the virtual global market where anyone can sell to or buy from anyone, anything from anywhere.

(viii) **Repudiation of contract:** There is possibility that the electronic transaction in the form of contract, sale order or purchase by the trading partner or customer maybe denied.

(ix) **Lack of authenticity of transactions:** The electronic documents that are produced during an e-Commerce transaction may not be authentic and reliable.

(x) **Data Loss or theft or duplication:** The data transmitted over the Internet may be lost, duplicated, tampered with or replayed.

(xi) **Attack from hackers:** Web servers used for e-Commerce maybe vulnerable to hackers.

(xii) **Denial of Service:** Service to customers may be denied due to non-availability of system as it may be affected by viruses, e-mail bombs and floods.

(xiii) **Non-recognition of electronic transactions:** e-Commerce transactions, as electronic records and digital signatures may not be recognized as evidence in courts of law.

(xiv) **Lack of audit trails:** Audit trails in e-Commerce system may be lacking and the logs may be incomplete, too voluminous or easily tampered with.

(xv) **Problem of piracy:** Intellectual property may not be adequately protected when such property is transacted through e-Commerce.

(b) **Control Activities** are the actions established through policies and procedures that help ensure that management's directives to mitigate risks related to financial statement audit and to the achievement of objectives are carried out. Control activities are performed at all levels of the entity, at various stages within business processes, and over the technology environment. They may be preventive or detective in nature and may encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations and business performance reviews.

The control activities include the elements that operate to ensure transactions are authorized, duties are segregated, adequate documents and records are maintained, assets and records are safeguarded, and independent checks on performance and valuation of records. Internal auditors are also concerned with administrative controls to achieve effectiveness and efficiency objectives. Control activities must be developed to manage, mitigate, and reduce the risks associated with each business process. It is unrealistic to expect to eliminate risks completely.

5. (a) The 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 they 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 that 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:** This relates to elimination of unnecessary tasks and realignment process steps to optimize the flow of information throughout production, service, billing and collection. This adjustment of processes distils 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.

(b) Mobile Banking, Internet banking and Phone banking can be understood as follows:

• **Internet Banking** also known as Online Banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial

transactions through the financial institution's website. The online banking system offers over 250+ services and facilities that give us real-time access to our bank account. We can make and receive payments to our bank accounts, open Fixed and Recurring Deposits, view account details, request a cheque book and a lot more, while we are online.

- **Mobile Banking** is a service provided by a bank or other financial that allows its customers to conduct financial institution that allows its customers to conduct financial transactions remotely using a mobile device such as a Smartphone or tablet. Unlike the related internet banking, it uses software, usually called an app, provided by the financial institution for the purpose. Mobile banking is usually available on a 24-hour basis.

- **Phone Banking** is a functionality through which customers can execute many of the banking transactional services through Contact Centre of a bank over phone, without the need to visit a bank branch or ATM. Registration of Mobile number in account is one of the basic pre-requisite to avail Phone Banking. The use of telephone banking services, however, has been declining in favour of internet banking. Account related information, Cheque Book issue request, stop payment of cheque, Opening of Fixed deposit etc. are some of the services that can be availed under Phone Banking.

SECTION – B: STRATEGIC MANAGEMENT

SUGGESTED ANSWERS/HINTS

1. **(A)**

(1)	(2)	(3)	(4)	(5)
(c)	(c)	(c)	(c)	(a)

    (B) (c)

    (C) (b)

    (D) (a)

    (E) (d)

    (F) (d)

    (G) (d)

    (H) (b)

2. Kurt Lewin's Model of Change proposes three phases of change process to make the change lasting.

    They are Compliance, Identification and Internalization.

    For Dr. Radhika, Compliance and Identification will not a big challenge, as her father has been one of the most sort after personalities serving the ill in their district. And her return from the USA to serve her country, especially her district, will help the workforce <u>identify</u> her as a role model and there would actually be no need for <u>compliance</u>, i.e. Reward and Punishment for bringing about a change.

    However, the new lucrative E-Commerce employment opportunities will have to be fought through <u>Internalization</u>, i.e. internal changing of the individual's thought process, to give them freedom to learn and succeed. Thus, Internalization will be the most challenging phase.

3. **(a)** A strategic business unit (SBU) is any part of a business organization which is treated separately for strategic management purposes. The concept of SBU is helpful in creating an SBU organizational structure. It is discrete element of the business serving product markets with readily identifiable competitors and for which strategic planning can be concluded. It is created by adding another level of management in a divisional structure after the divisions have been grouped under a divisional top management authority based on the common strategic interests.

    Advantages of SBU are:

    ♦   Establishing coordination between divisions having common strategic interests.

    ♦   Facilitates strategic management and control on large and diverse organizations.

    ♦   Fixes accountabilities at the level of distinct business units.

    ♦   Allows strategic planning to be done at the most relevant level within the total enterprise.

    ♦   Makes the task of strategic review by top executives more objective and more effective.

    ♦   Helps allocate corporate resources to areas with greatest growth opportunities.

(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 organisational 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.

4. (a) The presence of strategic management cannot counter all hindrances and always achieve success. 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 jeopardise all strategic plans.

♦ Strategic management is a time-consuming process. Organisations spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact the routine business.

♦ Strategic management is a costly process. Strategic management adds a lot of expenses to an organization. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments devise strategies and properly implement. These can be really costly for organisations with limited resources.

♦ In a competitive scenario, where all organisations are trying to move strategically, it is difficult to clearly estimate the competitive responses to a firm's strategies.

(b) Competitive advantage is the position of a firm to maintain and sustain a favorable market position when compared to the competitors. Competitive advantage is ability to offer buyers something different and thereby providing more value for the money. It is achieved advantage over rivals when a company's profitability is greater than average profitability of firms in its industry. It is the result of a successful strategy. This position gets translated into higher market share, higher profits when compared to those that are obtained by competitors operating in the same industry. Competitive advantage may also be in the form of low cost relationship in the industry or being unique in the industry along dimensions that are widely valued by the customers in particular and the society at large.

5. **(a)** Decision-making is a managerial process and a function of choosing a particular course of action out of several alternative courses for the purpose of accomplishment of the organizational goals. Strategic decisions are different in nature than all other decisions which are taken at various levels of the organization during their day-to-day working. The major dimensions of strategic decisions are given below:

1. Strategic issues require top-management decisions. Strategic issues involve thinking in totality of the organizations and there is lot of risk involved.

2. Strategic issues involve the allocation of large amounts of company resources - financial, technical, human etc.

3. Strategic issues are likely to have a significant impact on the long-term prosperity of the firm.

4. Strategic issues are future oriented.

5. Strategic issues usually have major multifunctional or multi-business consequences.

6. Strategic issues necessitate consideration of factors in the firm's external environment.

(b) **Reasons to adopt Turnaround Strategy:**

1. Turnaround is needed when an enterprise's performance deteriorates to a point that it needs a radical change of direction in strategy, and possibly in structure and culture as well.

2. It is a highly targeted effort to return an organization to profitability and increase positive cash flows to a sufficient level.

3. It is used when both threats and weaknesses adversely affect the health of an organization so much that its basic survival is difficult.

4. The overall goal of turnaround strategy is to return an underperforming or distressed company to normalcy in terms of acceptable levels of profitability, solvency, liquidity and cash flow.

5. To achieve its objectives, turnaround strategy must reverse causes of distress, resolve the financial crisis, achieve a rapid improvement in financial performance, regain stakeholder support, and overcome internal constraints and unfavourable industry characteristics.

6. **(a)** According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Cost leadership emphasizes producing standardized products at a very low per-unit cost for consumers who are price-sensitive. Differentiation is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive.

A primary reason for pursuing forward, backward, and horizontal integration strategies is to gain cost leadership benefits. But cost leadership generally must be pursued in conjunction with differentiation. Different strategies offer different degrees of differentiation. A differentiation

strategy should be pursued only after a careful study of buyers' needs and preferences to determine the feasibility of incorporating one or more differentiating features into a unique product. A successful differentiation strategy allows a firm to charge a higher price for its product and to gain customer loyalty.

(b) Benchmarking is a process of finding the best practices within and outside the industry to which an organisation belongs. Knowledge of the best practices helps in setting standards and finding ways to match or even surpass own performances with the best performances.

Benchmarking is a process of continuous improvement in search for competitive advantage. Firms can use benchmarking process to achieve improvement in diverse range of management function such as mentioned below:

- Maintenance operations,

- Assessment of total manufacturing costs,

- Product development,

- Product distribution,

- Customer services,

- Plant utilisation levels; and

- Human resource management.