

CA Intermediate – Group II (New Scheme)
SM SAMPLE TEST PAPER 4
Strategic Choices

Course: CA Intermediate

Paper: 6B

Total Marks: 50

Name:

Reg. No.:

Date:

Attempt all the questions.

Answer to all the questions is to be given only in English.

PART 1: MCQs

(10 MARKS)

- Retrenchment/ turn-around strategy is used in which of the following stages of business life cycle?**
 - Growth stage
 - Maturity stages
 - Entry stage
 - Decline stage
- Which of the following is not a collaboration strategy?**
 - Merger and acquisition
 - Joint venture
 - Focus
 - Strategic alliance
- Only the firms with modest growth objective will opt for _____ strategy.**
 - Expansion
 - Retrenchment
 - Stability
 - Divestment
- In _____, the firm engages in businesses that are related to its existing business.**
 - Vertical Integration
 - Horizontal Integration
 - Concentric Diversification
 - Conglomerate Diversification
- Which of the following is the main reason to form Strategic Alliances?**
 - To create synergy by pooling resources and sharing expertise
 - To reduce/share risk
 - To gain access to new markets
 - All of the above
- Arrange the following strategy of turnaround action plan in correct sequence.**
 - Assessment of current problem
 - Implementing an emergency action plan
 - Analyze the situation and develop a strategic plan

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iv. Returning to normal

v. Restructuring the business

- A. (i), (iii), (ii), (v), (iv)
- B. (i), (ii), (iii), (iv), (v)
- C. (i), (v), (ii), (iii), (iv)
- D. (i), (iii), (ii), (iv), (v)

7. Which of the following could be labeled as a political advantage of strategic alliance?

- A. It might provide a company with goods and services that complement thereby creating a synergy.
- B. It might reduce the risk of local prejudices or legal barriers to entry.
- C. Rivals can join together to co-operative that to compete.
- D. Greater economics of scale can be achieved, creating additional value.

8. What is a key consideration in restructuring the business in terms of finance mix?

- A. Ignoring core business problems.
- B. Preparing cash forecasts and analyzing financial functions.
- C. Focusing solely on increasing debt.
- D. Ignoring profits and losses.

9. Conglomerate diversification is another name for which of the following?

- A. Related diversification
- B. Unrelated diversification
- C. Portfolio diversification
- D. Acquisition diversification.

10. If suppliers are unreliable or too costly, which of these strategies may be appropriate?

- A. Horizontal integration
- B. Backward integration
- C. Market penetration
- D. Forward integration

PART 2: Case Based Questions

(25 Marks)

Question 1:

Swift Insurance is a company engaged in the business of providing medical insurance maintaining a market share of 25 to 30 per cent in last five years. Recently, the company decided to enter into the business of auto insurance by having foreign collaboration.

Identify the strategy being followed by the Swift Insurance with its advantages.

(5 marks)

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Question 2:

With the global economic recession Soft Cloth Ltd. incurred significant losses in all its previous five financial years. Currently, they are into manufacturing of cloth made of cotton, silk, polyester, rayon, lycra and blends. Competition is also intense on account of cheap imports. The company is facing cash crunch and has not been able to pay the salaries to its employees in the current month.

Suggest a grand strategy that can be opted by Soft Cloth Ltd.

(5 marks)

Question 3:

Mini theatre Ltd. was a startup venture of three young IIM graduates. They developed an application to watch web-based content like web series, TV Shows, theatre shows, etc. after purchasing their exclusive rights. They were successful in getting many consumers enrolled with them. After a certain span of time, the company realized that some regional content like 'bangla movies', 'Gujarati shows' etc. were having high cost and less viewership. The leadership team of Mini theatre Ltd. decided to sell the rights and curtail any further content development in these areas.

Identify and explain the corporate strategy adopted by the leadership team of Mini theatre Ltd.

(5 marks)

Question 4:

Gautam and Siddhartha two brothers are the owners of a cloth manufacturing unit located in Faridabad. They are doing well and have substantial surplus funds available within the business. They have different approaches regarding corporate strategies to be followed to be more competitive and profitable in future. Gautam is interested in acquiring another industrial unit located in Faridabad manufacturing stationery items such as permanent markers, notebooks, pencils and pencil sharpeners, envelope and other office supplies. On the other hand, Siddhartha desires to start another unit to produce readymade garments.

Discuss the nature of corporate strategies being suggested by two brothers and risks involved in it.

(5 marks)

Question 5:

Leatherite Ltd. was started as a leather company to manufacture footwear. Currently, they are in the manufacturing of footwears for males and females. The top management desires to expand the business in the leather manufacturing goods. To expand they decided to purchase more machines to manufacture leather bags for males and females.

Identify and explain the strategy opted by the top management of Leatherite Ltd.

(5 marks)

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PART 3: Descriptive Questions

(15 Marks)

Question 1: Distinguish between related and unrelated diversification.

(5 marks)

Question 2: What strategic option is available to the management of a sick company dealing in an electric home appliance? Give reasons for your answer.

(5 marks)

Question 3: Justify the statement "Stability strategy is opposite of Expansion strategy".

(5 marks)



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