



**Pakistan Institute of  
Public Finance Accountants**

# **Model Solutions**

**Management Strategy  
Summer Exam-2024**

# **MODEL SOLUTIONS – DISCLAIMER**

## **INTRODUCTION**

The Model Solutions are provided to students for clear understanding of relevant subject and it helps them to prepare for their examinations in organized way.

These Model Solutions are prepared only for the guidance of students that how they should attempt the questions. The solutions are not meant for assessment criteria in the same pattern mentioned in the Model Solution. The purpose of Model Solution is only to guide the students in their future studies for appearing in examination.

The students should use these Model Solutions as a study aid. These have been prepared by the professionals on the basis of the International Standards and laws applicable at the relevant time. These solutions will not be updated with changes in laws or Standards, subsequently. The laws, standards and syllabus of the relevant time would be applicable. PIPFA is not supposed to respond to individual queries from students or any other person regarding the Model Solutions.

## **DISCLAIMER**

The Model Solutions have been developed by the professionals, based on standards, laws, rules, regulations, theories and practices as applicable on the date of that particular examination. No subsequent change will be applicable on the past papers solutions.

Further, PIPFA is not liable in any way for an answer being solved in some other way or otherwise of the Model Solution nor would it carry out any correspondence in this regard.

PIPFA does not take responsibility for any deviation of views, opinion or solution suggested by any other person or faculty or stake holders. PIPFA assumes no responsibility for the errors or omissions in the suggested answers. Errors or omissions, if noticed, should be brought to the notice of the Executive Director for information.

If you are not the intended recipient, you are hereby notified that any dissemination, copying, distributing, commenting or printing of these solutions is strictly prohibited.

## **Summer Exam-2024**

### **Solutions – Management Strategy**

**Q.1.** The disadvantages of outsourcing are as follows:

**a**

- (i) Confidential information is exposed to outsiders which carries significant risk.
- (ii) NIP will lose control over the system and any deterioration in level of service or controls may be very damaging.
- (iii) Once all or most of the staff leave, NIP may not be in a position to revert to the existing situation if it is not satisfied with the IT firm. Re-establishing the department may require significant costs and time.
- (iv) Those working for the IT firm on NIP's assignment may not be as loyal as NIP's own staff and hence NIP's interests may be compromised.
- (v) NIP would be exposed to serious problems if due to any reason, the IT firm is dissolved or leaves business suddenly.
- (vi) NIP may not know about any problems in systems, controls or processing, till the matter becomes out of control.
- (vii) In case of expansion in NIP, the IT firm may not be in a position to allocate additional resources.
- (viii) IT specialists of the firm are not likely to have much knowledge about NIP's business and its strategic considerations.

**Q.1.** The matters which should be kept into consideration, while selecting the IT firm are as follows:

**b**

- (i) Firm's experience and standing in the market.
- (ii) The firm's existing clients; whether they include reputable organizations and number of years of association of the firm with such clients.
- (iii) Qualification, experience and ages of the top management of the firm.
- (iv) The number and level of staff available with the firm.
- (v) The firm's financial stability

**Q.1.** The matters should be kept into consideration, while finalizing the agreement for outsourcing are as follows:

**c**

- (i) The number, qualification and experience of staff to be deployed for NIP's work should be clearly stated.
- (ii) Completion schedule for different tasks should be clearly mentioned.
- (iii) The fee to be charged and how would it be determined, especially in case of increase / decrease in work, should be clearly stated.
- (iv) What measures the firm would take to ensure confidentiality of information should be clearly stated.
- (v) Where and how NIP's systems and data would be saved and safeguarded.
- (vi) Who would own of the systems subsequently developed, should be clearly agreed and stated.
- (vii) The method of communication between NIP and the firm should be clearly defined.
- (viii) The firm should commit that it would communicate to NIP on immediate basis, in case of any fault, error or compromise of information.

## **Summer Exam-2024**

### **Solutions – Management Strategy**

- (ix) Firm's staff should be required to sign Non-disclosure agreements.
- (x) NIP's right to terminate the agreement at short notice should be clearly stated.
- (xi) NIP's right to take back custody of its systems and information should be clearly agreed and stated.

**Q.2.** The key differences between the marketing strategies of NM 99 and NM 999 models are as follows:

	<b><u>Model 99</u></b>	<b><u>Model 999</u></b>
1.	Market penetration strategy may be followed by keeping the costs as low as possible and offering lower prices.	More unique features may be added, if possible, without significant increase in costs.
2.	Lower prices should be highlighted in advertisements.	Unique features, design and style should be highlighted.
3.	Digital marketing should be preferred in order to keep the costs low.	A combination of digital, electronic and print media advertising may be used.
4.	Low income customers may be targeted in advertisements.	Middle and high income customers should be targeted.
5.	There may be limited options as regards color, designs, etc.	More options of color, design, etc. may be offered.

**Q.3.** The reasons why employees resist change are as follows:

1. Change in processes requires the employees to learn new skills and new ways of doing a job, which in turn requires significant efforts on their part and most employees do not like to change as they feel comfortable with the existing situation.
2. The employees fear that they would not be able to perform well in the new situation and may lose their jobs.
3. When there is a change, many employees lose their existing authorities and status which the employees resist.
4. The employees do not like to change their existing routines and relationships and therefore resist changes where they would be required to work with different set of employees and supervisors.
5. The employees fear that a major automation would make them redundant.

The management should take the following steps to manage employees' resistance to the change:

1. There should be timely communication of the change to all the relevant employees.
2. The management should apprise the employees about why the change is necessary and how the employees may benefit from such a change.
3. The employees should be given proper training in carrying out the changed processes and procedures.

## **Summer Exam-2024**

### **Solutions – Management Strategy**

4. Those employees who adopt to the change in a good way should be encouraged by giving them appropriate benefits such as monetary rewards, promotions and recognitions.
5. As far as possible, the existing employees should be retained.

**Q.4.** Transaction processing system is a system which records and summarizes the basic / routine transactions which an organisation carries out on a daily or regular basis.

**a**

#### **Examples of Transaction Processing systems**

- (i) Sales invoicing system
- (ii) Payment processing system
- (iii) General ledger system
- (iv) Inventory control system
- (v) Payroll system

**Q.4.** **Advantages of a real time processing system as compared to a batch processing system**

**b**

- (i) It provides updated information instantaneously.
- (ii) Information can be accessed from such systems by multiple users, at the same time.
- (iii) They have facilitated businesses by enabling them to transact business round the clock.

#### **Disadvantages of a real time processing system as compared to a batch processing system**

- (i) It is quite complex in nature and therefore development of such a system involves much higher costs.
- (ii) Due to the complexities involved, it requires costly hardware and greater processing capacity.
- (iii) Since most such systems are accessible round the clock and from remote locations, they are more prone to cyber-attacks.

**Q.5.** The Primary Activities forming part of the Value Chain of a manufacturing organization are as follows:

#### **Inbound Logistics**

These activities include receiving, handling and storage of raw material or other goods used in productions. Activities such as transporting material into the factory and inventory management and control also form part of Inbound Logistics.

#### **Operations**

This includes activities involved in production i.e. conversion of raw material into finished products. The process of testing, quality control and maintenance of the plant also form part of this activity.

## **Summer Exam-2024**

### **Solutions – Management Strategy**

#### **Outbound Logistics**

This includes storage of finished goods till they are sold, handling and delivery of finished goods to the customers.

#### **Marketing and Sales**

It includes steps taken to identifying and attracting customers to buy the company's products. Advertising, launching of promotional schemes, collecting customer related data and Customer Relationship Management also form part of this activity.

#### **Services**

It includes all activities which are performed after completion of sales to customers such as installation at client's premises, after sales services, warranties, etc.

#### **Q.6. Proactive Change**

Proactive change is a change which is planned well in advance such as change in production process, opening of a branch, introduction of a new product, etc.

#### **Reactive Change**

Reactive change is a change which is not planned in advance but is undertaken in response to any other internal or external change. For example, reduction in price of a product in response to a similar action by a competitor, any change made in response to a change in law, etc.

- Q.7.** In cloud accounting, all the accounting tasks are performed by an organization's staff as usual; the only difference being that the software and data used for the purpose of accounting are stored on remote servers which are maintained by cloud service providers. Such data and systems are accessed by the staff authorized in this regard, from any location.

**a**

#### **Q.7. Advantages of Cloud Accounting**

**b**

1. The requirement for capital expenditure is reduced significantly.
2. The cost related to hosting of servers i.e. office space, security arrangements, fire safety and air-conditioning requirements, etc. are reduced significantly.
3. Systems and data are more secured as the cloud service providers specialize in these services and are responsible for updating the software and for hosting and securing data and systems.
4. The organizations using cloud accounting do not have to worry about disaster recovery issues as all these issues are handled by the service providers.
5. There is a lot of flexibility as regards costs of storing and processing data and systems as the organisation can increase or reduce its requirements as and when needed.

#### **Q.8. Advantages of purchasing BRW:**

**a**

- (i) NAL would be able to start production without loss of time in setting up the factory.

## **Summer Exam-2024**

### **Solutions – Management Strategy**

- (ii) NAL would benefit from being able to sell to BRW's customers.
- (iii) Time and cost required in hiring of staff would be saved.
- (iv) BAL would be able to benefit from the brand image of BRW's products.
- (v) It would restrict other competitors who might have improved their competitive position by purchasing BRW.
- (vi) It would enable NAL to obtain better terms as suppliers of both companies would compete to retain business.

#### **Disadvantages of purchasing BRW:**

- (i) The plant would be old and hence may be less efficient.
- (ii) The plant would be based on relatively old technology, as compared to new plant.
- (iii) There may be cultural differences between the staff of the two companies, as a result of which some good staff may leave.
- (iv) There may be some hidden weaknesses which may not become known until NAL takes over the ownership of BRW.

**Q.8.** The matters should NAL consider in deciding whether to purchase BRW or not are as follows:

**b**

- (i) How much are the accumulated losses and how have they impacted the company's operating capacity.
- (ii) Age and condition of the plant and its remaining useful life.
- (iii) Major agreements of BRW and their possible impact on future business dealings.
- (iv) Whether the existing owner's claim that losses have arisen because of the death of key member of the owner's family is correct or are there other reasons which might be difficult to fix.
- (v) Recoverability of the trade debts of BRW.
- (vi) Contingent liabilities of BRW.
- (vii) Value of intangible assets of BRW, such as patents, trademarks and brands.
- (viii) Sustainability of the liquidity position of the company.
- (ix) How much additional investment may be needed after the purchase, if any.
- (x) Difference between HR policies and salaries of the two companies and how NAL plans to bridge at least the major differences.

**Q.9.** Too much emphasis on short-term benefits may lead the management to ignore the importance of long-term sustainability.

#### **Examples**

1. Investment in research and development is necessary for long-term sustainability of any organisation but does not bring any immediate or short term benefit. Hence, any compromise on such expenditure would hurt the long term prospects of a business.

**Summer Exam-2024**  
**Solutions – Management Strategy**

2. A bank's profitability may increase in the short-term if it relaxes the policy for assessing the clients before offering them loans and advances. However, such policy may prove very damaging for its long-term prospects.

\*\*\*\*\*