

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Final Examinations Summer 2008



June 5, 2008

BUSINESS MANAGEMENT

(MARKS 100)
(3 hours)

Q.1 The sponsors of Seaside Resorts Limited (SRL) are considering to set up a major project on the sea coast at a distance of 85 kilometers east of Karachi. The project would have facilities of guest houses, swimming pools, golf courses, tennis and squash courts and scuba diving. It would also have modern facilities of conference rooms and auditoriums for holding business meetings, training courses, conferences and symposia.

This first-of-its-kind project in Pakistan would involve substantial capital investment and also require well-planned physical facilities and selection of state-of-the-art specialized equipment. A cadre of highly trained and dedicated work force having diversified skills would be crucial for the successful operations of the project. The sponsors who were seized with these overwhelming problems were considering acquiring the services of an expatriate executive to implement this project and operate it in the initial years. However, the uncertainties associated with the hiring of an individual on contract basis and entrusting him with such far-reaching authorities and responsibilities was a source of grave apprehension for the sponsors.

In the meantime, Oriental Resorts Inc, a Thailand-based company with experience of managing of similar high profile luxury resort projects in several far-eastern countries has approached SRL and offered to provide guidance and expertise for implementation and operation of the proposed project under a franchise arrangement.

Explain what is a Franchise Arrangement? Also identify **four** advantages that would accrue to SRL by entering into a Franchise Arrangement with Oriental Resorts Inc. (09)

Q.2 East-West Centre of Diabetes (EWCD), a non-profit organization has recently received substantial donations from a group of overseas Pakistani philanthropists. EWCD has ambitious plans to develop the institution into an absolutely world-class research and teaching university-cum-hospital in the country. The Hospital would provide infrastructure facilities and medical care by a team of highly reputable consultants. It is envisaged to provide treatment for diabetes which is growing at an alarming rate and adversely affecting the health of a large segment of the population in all age groups. The University would also help to produce qualified doctors who would specialize in the treatment of patients suffering from this highly debilitating disease.

You are required to prepare a Mission Statement for EWCD stating its purpose and identifying its core values. The Mission Statement should be brief, simple and clearly highlight the important purpose, intent and aspirations of EWCD. (06)

Q.3 What do you understand by Code of Ethics in the context of a business organization? State **four** advantages which in your opinion are important for adopting a Code of Ethics? (07)

- Q.4 As a Senior Manager in the Human Resources Department of Apex Bank Limited, you have been entrusted with the task of conducting a Disciplinary Enquiry against Mr. Hameed Khan, an Assistant Manager in the Bank Square Branch. The Branch Manager, who is a highly respected senior officer with considerable experience, has leveled charges of aggressive attitude and gross misbehavior against the Assistant Manager in dealings with his colleagues. What steps would you take to ensure that the Disciplinary Enquiry is conducted in a fair and impartial manner and the final outcome is based on principles of equity? (12)
- Q.5 All leading global business organizations possess certain distinctive marketing capabilities and competitive advantages which set them apart from those companies whose operations are confined within their limited geographical areas.
Describe **five** core capabilities which are observed in leading global organizations regardless of special lines of business. (10)
- Q.6 In the current economic scenario, business organizations are under continuous stress to achieve economies in their production and operating costs. The pressures for cost reduction emanate from the management as well as the competitors and customers. Identify **eight** operational and strategic areas which must be scanned continuously by an industry leader to achieve cost economies and maintain its competitive advantage. (08)
- Q.7 (a) Lazzat Foods Limited is engaged in the business of manufacture of packaged masalas, jellies and jams. The Company's sales have been stagnant since the past two years due to intense competition and aggressive promotion by the competitors in the domestic market. The Management has proposed to explore new markets abroad and has suggested that the Company consider participation in a Trade Fair to be held in Colombo. Give **four** advantages which are expected to be achieved by the Company's participation in the Trade Fair. (04)
- (b) State **six** reasons why companies enter into international alliances. Give **two** examples of industries in which international alliances are most common and identify a logical reason for such an alliance. (08)
- Q.8 (a) Narrate important points that should be considered in the decision making process. (03)
- (b) Union Group of Companies has diversified interests in fertilizer, sugar, cement and steel industries. Each entity operates as a strategic business unit and executives in the individual companies have powers to take **all** decisions at the **operational** level and only **limited** decisions at the **tactical** level. The Group Management Team which monitors and controls the performance of the different strategic business units has retained for itself the powers to make **all strategic** decisions.
Describe the distinguishing features of decision making process at Operating, Tactical and Strategic levels. (09)
- Q.9 Tameer Construction Company, a UAE-based entity, has ambitious plans to develop major real estate projects in Pakistan through a subsidiary company. The parent company's principal office in Dubai is largely managed by expatriate executives who are committed to a policy of highly centralized control of the Company's financial resources and are reluctant to delegate financial powers to the overseas subsidiary.
As the Chief Executive Officer of the subsidiary, you are required to advise the parent company of the disadvantages of pursuing a highly centralized financial policy. Identify **four** disadvantages of pursuing such a centralized policy. (06)

(3)

- Q.10 (a) The governments generally promulgate comprehensive laws for health, safety and security of the workers. State **five** objectives which are expected to be achieved through these laws. (05)
- (b) Safety Engineers are convinced that industrial accidents are attributable to inadequate Human, Environmental and Mechanical/Technical security factors. How can responsible management effectively reduce the risks of accidents in each of these categories? (09)
- Q.11 What do you understand by transfer pricing in the context of multinational companies. List **two** advantages of adopting market-based transfer pricing policies. (04)

(THE END)