

# Accountant CIMA-SCS

## Strategic Case Study Exam

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## Question: 1

there are two strong dividend signals:

- 1) a reduction in the dividend per share signals that the company is in financial difficulties
- 2) a failure to pay a dividend at all signals that the company is very close to receivership

The company must take great care in setting dividend levels and ensure that the market is kept fully informed of future prospects

- A. Signalling effect
- B. M&m dividend irrelevancy theory
- C. Clientele effect
- D. The bird in the hand argument

**Answer: A**

## Question: 2

\*Availability- maximise biz hours

\*Confidentiality- protection from unauthorised access- passwords & encryption

\*Integrity of data- reliability of data

\*Integrity of processing- protection against improper use

- A. Porters Generic Strategies - how to gain competitive advantage
- B. Scrip dividend
- C. AICPA reporting framework (cyber security objectives)
- D. Clientele effect

**Answer: C**

## Question: 3

1) Where to compete- which markets, which products

2) how to compete- what should be the basis for our competitive advantage eg cost leader or differentiator

3) which investment vehicle to use- organic growth, acquisition, JV, merger, strategic alliance

- A. Signalling effect
- B. Strategic Options
- C. Sensitive Information

D. Scrip dividend

**Answer: B**

### Question: 4

- 1) what dividend are the shareholders expecting?
- 2) the cash needs of the company
- 3) the dividend payout last year
- 4) is there cash available to pay out a dividend
- 5) do we have a minimum gearing ratio imposed on the company as a financial covenant?
- 6) tax impact for paying dividends
- 7) what investment opportunities does the company have?
- 8) how difficult/expensive is it to raise external finance
- 9) what has been the gains/loss in the share price over the last year

- A. Factors that determine what dividend policy is followed
- B. Porters Generic Strategies - how to gain competitive advantage
- C. Ansoff- the product/market growth framework
- D. Dividend Policies

**Answer: A**

### Question: 5

Personal - causing damage or distress to individual eg telephone number, credit card details/bank details

Company - affecting share price rep eg customer lists, internal reporting

Legal - official s of legislation eg Classified info , GDPR

- A. Signalling Effect
- B. Sensitive Information
- C. Emotional Engagement
- D. Clientele Effect

**Answer: B**

### Question: 6

- Differentiator- persuading customers that the product is superior to that offered by competitors
- Cost Leader - lowest cost provider compared to competitors
- Focus- aimed at a segment of the market

- A. Strategic Options
- B. AICPA reporting framework (cyber security objectives)
- C. Clientele effect
- D. Porters Generic Strategies - how to gain competitive advantage

**Answer: D**

### Question: 7

Five forces examines an organisations industry

- \*New entrants- barriers to entry?
- \*Power of suppliers- industry is dominated by few suppliers
- \*Substitutes- satisfy the same need
- \*power of buyers- high when there is a concentration of buyers
- \*Rivalry amongst competitors

Conclusion: desirable situation is where there is weak suppliers and buyers, few substitutes, high barriers to entry and little rivalry

- A. Five Forces Model
- B. Ansoff- The Product/market Growth Framework
- C. Porter's Five Forces
- D. The Bird In The Hand Argument

**Answer: C**

### Question: 8

commonly used model for analysing the possible strategic direction that an organisation can follow

\*Market penetration

increase market share using existing products in existing markets:

- advertising, promotions, quantity discounts

\*product development

new product to existing markets

- dealings with known customers and consumer base

increase sales by taking the present product to new markets or new segments

\*market development

\*Diversification - related and unrelated

The risky option. New products to new markets. It can spread risk by broadening the portfolio and lead to 'synergy based benefits'

- A. Signalling effect
- B. The bird in the hand argument
- C. Clientele effect

D. Ansoff- the product/market growth framework

**Answer: D**

### Question: 9

The pattern of the dividend payout should be irrelevant. As long as the companies continue to invest in positive NPV projects, the wealth of the shareholders should increase whether or not the company makes a dividend payment this year.

\*investors are indifferent between dividends and capital gains so the dividend policy that the company pursues should be irrelevant

- A. Clientele effect
- B. The bird in the hand argument
- C. M&M dividend irrelevancy theory
- D. Signalling effect

**Answer: C**

### Question: 10

\*shareholders are offered bonus shares as an alternative to a cash dividend

\*share price and EPS are likely to fall due to the increase in shares in issue, however the value of the shareholder's shares and future earnings are unchanged

- A. Scrip dividend
- B. Signalling effect
- C. Clientele effect
- D. Strategic Options

**Answer: A**

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