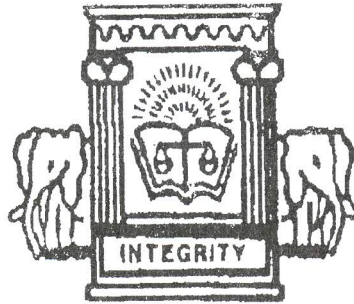


**THE INSTITUTE OF CHARTERED  
ACCOUNTANTS (GHANA)**



**NOVEMBER 2009 EXAMINATIONS  
(PROFESSIONAL)**

**PART 2**

**STRATEGIC MANAGEMENT  
(Paper 2.7)**

**Attempt question one (1) and any  
other three (3) from Section B**

**TIME ALLOWED: 3 HOURS**

## SECTION A: CASE STUDY

### QUESTION 1

**Read the following carefully and answer ALL the questions that follow:**

#### SEUVAS LTD

Seuvas Ltd was incorporated in Ghana under the Companies Code, 1963 (Act 179) three decades ago. Its principal business is processing of fruit drinks using fruit-flavoured concentrated syrups.

The company which started with an initial workforce of 16 now has a total workforce of 200. It has qualified staffs who occupy all the core functional areas.

Seuvas Ltd imports about 90% of its raw materials. The depreciation of the cedi against the major foreign currencies in recent years has had negative effect on the company's cash management.

Following the trade liberalisation policy of the government, a number of local and foreign companies have entered the market with imported fruit-based drinks. Seuvas Ltd faces stiff competition since its rivals have adopted various tactics to capture a significant part of the market. All this while, Seuvas Ltd did not do any aggressive promotion of its products. The company has limited its activities to only the southern sector of the country.

At the just ended financial year, the management of Seuvas Ltd observed little decline in the company's performance as revealed by the following financial statement.

	2009 GH¢'000	2008 GH¢'000
Turnover	4,130.00	3,577.40
Cost of sales	<u>2,957.20</u>	<u>2,608.00</u>
Gross profit	<u>1,172.80</u>	<u>969.40</u>
<u>Current assets</u>		
Stocks	238.00	218.00
Debtors (Note 1)	801.80	694.80
Short-term investment	8.40	37.60
Cash at Bank and in hand	<u>96.40</u>	<u>96.00</u>
	<u>1,144.60</u>	<u>1,046.40</u>

Creditors amount falling due within one year (Note 2)	98.20	70.60
Loans and overdrafts	124.00	93.40
Corporate taxes	38.40	28.60
Dividend	<u>741.40</u>	<u>648.00</u>
	<u>1,002.00</u>	<u>840.60</u>
Net current assets	<u>142.60</u>	<u>205.80</u>

Notes:	2009 GH¢'000	2008 GH¢'000
Trade Debtors	659.60	570.80
Trade Creditors	472.40	421.60

The Board of Directors is discussing the possibility of changing the company's product mix in response to the public's desire for natural fruit drinks. The company can depend on its 200-acre pineapple and citrus plantation for the supply of raw materials.

They are also considering other options that they could use to maintain the company's market share.

The Financial Director of the company has presented a three year financial plan which can serve as the basis for the company to maintain its position in the industry. According to him the capital expenditure can be financed through both operating cashflow of the business and cashflow from money and capital markets including existing lines of credit.

The company is mindful of its social responsibilities and the importance of the contribution that it makes to the communities within which it operates. It promotes this through its statement of business principles.

Seuvas Ltd has been a subject of takeover but its management has resisted any proposal for merger or acquisition.

Seuvas Ltd has so far not experienced any industrial dispute and has a low labour turnover with very committed employees.

The human resource manager of the company is of the view that the company can maintain its sustained drive for superior business achievement by establishing a strong performance culture throughout the company.

The company needs professional advice to help solve its problems in the light of the keen competition it faces.

**Required:**

- (a) Conduct a SWOT analysis for Seumas Ltd. *(8 marks)*
- (b) Discuss **three (3)** intensive strategies that you would recommend to the management of Seumas Ltd. *(12 marks)*
- (c) Explain **three (3)** techniques which the management of Seumas Ltd might have used to maintain a committed workforce. *(8 marks)*
- (d) Using relevant ratios analyse the company's liquidity and performance situation and comment on your results. *(12 marks)*

**(Total: 40 marks)**

## SECTION B

Answer any three (3) questions from this Section

### QUESTION 2

(a) Explain **five (5)** critical tasks in the strategic management process. *(12 marks)*

(b) Discuss **four (4)** benefits organisations can derive from strategic management. *(8 marks)*

**(Total: 20 marks)**

### QUESTION 3

a) Describe the relationship among organisational resources, capabilities and competitive advantage.

*(8 marks)*

b) Explain each of the following terms and discuss how it is used in the successful implementation of strategy.

i. Policies

*(4 marks)*

ii. Short-term objectives

*(4 marks)*

iii. Functional tactics

*(4 marks)*

**(Total: 20 marks)**

#### QUESTION 4

a) Explain 'Strategy Evaluation and Choice' as a key step in the strategic management process.

*(5 marks)*

b) Discuss the following criteria for evaluating strategy:

- Feasibility
- Consistency
- Acceptability

*(15 marks)*

**(Total: 20 marks)**

#### QUESTION 5

a) What is strategic management?

*(5 marks)*

b) Identify and explain the **three (3)** levels of strategy.

*(15 marks)*

**(Total: 20 marks)**