CIMA INTERIM ASSESSMENT

Enterprise Strategy

November 2011

Paper E3

Time allowed
Reading and planning: 10 minutes
Writing: 1½ hours

This exam only contains Section B style questions and as such is half the length of the real exam.
BOTH questions are COMPULSORY

Do NOT open this paper until instructed by the supervisor.

You are allowed 10 minutes reading time before this examination begins during which you should read the question paper and, if you wish, highlight and/or make notes on the question paper. However, you will not be allowed, under any circumstances, to open the answer book and start writing or use your calculator during this reading time.

This question paper must not be removed from the examination hall.

Kaplan Publishing/Kaplan Financial

KAPLAN PUBLISHING

MATHS TABLES AND FORMULAE

PRESENT VALUE TABLE

Present value of $1, i.e. $(1 + r)^{-n}$,where r = interest rate; n = number of periods until payment or receipt

Periods (n)	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751
4	0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.708	0.683
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621
6	0.942	0.888	0.837	0.790	0.746	0.705	0.666	0.630	0.596	0.564
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386
11	0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.388	0.350
12	0.887	0.788	0.701	0.625	0.557	0.497	0.444	0.397	0.356	0.319
13	0.879	0.773	0.681	0.601	0.530	0.469	0.415	0.368	0.326	0.290
14	0.870	0.758	0.661	0.577	0.505	0.442	0.388	0.340	0.299	0.263
15	0.861	0.743	0.642	0.555	0.481	0.417	0.362	0.315	0.275	0.239

Periods (n)	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833
2	0.812	0.797	0.783	0.769	0.756	0.743	0.731	0.718	0.706	0.694
3	0.731	0.712	0.693	0.675	0.658	0.641	0.624	0.609	0.593	0.579
4	0.659	0.636	0.613	0.592	0.572	0.552	0.534	0.516	0.499	0.482
5	0.593	0.567	0.543	0.519	0.497	0.476	0.456	0.437	0.419	0.402
6	0.535	0.507	0.480	0.456	0.432	0.410	0.390	0.370	0.352	0.335
7	0.482	0.452	0.425	0.400	0.376	0.354	0.333	0.314	0.296	0.279
8	0.434	0.404	0.376	0.351	0.327	0.305	0.285	0.266	0.249	0.233
9	0.391	0.361	0.333	0.308	0.284	0.263	0.243	0.225	0.206	0.194
10	0.352	0.322	0.295	0.270	0.247	0.227	0.208	0.191	0.176	0.162
11	0.317	0.287	0.261	0.237	0.215	0.195	0.178	0.162	0.148	0.135
12	0.286	0.257	0.231	0.208	0.187	0.168	0.152	0.137	0.124	0.112
13	0.258	0.229	0.204	0.182	0.163	0.145	0.130	0.116	0.104	0.933
14	0.232	0.205	0.181	0.160	0.141	0.125	0.111	0.099	0.088	0.078
15	0.209	0.183	0.160	0.140	0.123	0.108	0.095	0.084	0.074	0.065

CUMULATIVE PRESENT VALUE OF 1.00 UNIT OF CURRENCY PER ANNUM

Receivable or payable at the end of each year for n years. $\frac{1-(1+r)^{-n}}{r}$

Periods (n)	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909
2	1.970	1.942	1.913	1.886	1.859	1.833	1.808	.1783	1.759	1.736
3	2.941	2.884	2.829	2.775	2.723	2.673	2.624	2.577	2.531	2.487
4	3.902	3.808	3.717	3.630	3.546	3.465	3.387	3.312	3.240	3.170
5	4.853	4.713	4.580	4.452	4.329	4.212	4.100	3.993	3.890	3.791
6	5.795	5.601	5.417	5.242	5.076	4.917	4.767	4.623	4.486	4.355
7	6.728	6.472	6.230	6.002	5.786	5.582	5.389	5.206	5.033	4.868
8	7.652	7.325	7.020	6.733	6.463	6.210	5.971	5.747	5.535	5.335
9	8.566	8.162	7.786	7.435	7.108	6.802	6.515	6.247	5.995	5.759
10	9.471	8.893	8.530	8.111	7.722	7.360	7.024	6.710	6.418	6.145
11	10.37	9.787	9.253	8.760	8.306	7.887	7.499	7.139	6.805	6.495
12	11.26	10.58	9.954	9.385	8.863	8.384	7.943	7.536	7.161	6.814
13	12.13	11.35	10.63	9.986	9.394	8.853	8.358	7.904	7.487	7.103
14	13.00	12.11	11.30	10.56	9.899	9.295	8.745	8.244	7.786	7.367
15	13.87	12.85	11.94	11.12	10.38	9.712	9.108	8.559	8.061	7.606

Periods (n)	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833
2	1.713	1.690	1.668	1.647	1.626	1.605	1.585	1.566	1.547	1.528
3	2.444	2.402	2.361	2.322	2.283	2.246	2.210	2.174	2.140	2.106
4	3.102	3.037	2.974	2.914	2.855	2.798	2.743	2.690	2.639	2.589
5	3.696	3.605	3.517	3.433	3.352	3.274	3.199	3.127	3.058	2.991
6	4.231	4.111	3.998	3.889	3.784	3.685	3.589	3.496	3.410	3.326
7	4.712	4.564	4.423	4.288	4.160	4.039	3.922	3.812	3.706	3.605
8	5.146	4.968	4.799	4.639	4.487	4.344	4.207	4.078	3.954	3.837
9	5.537	5.328	5.132	4.946	4.772	4.607	4.451	4.303	4.163	4.031
10	5.889	5.650	5.426	5.216	5.019	4.833	4.659	4.494	4.339	4.192
11	6.207	5.938	5.687	5.453	5.234	5.029	4.836	4.656	4.586	4.327
12	6.492	6.194	5.918	5.660	5.421	5.197	4.988	4.793	4.611	4.439
13	6.750	6.424	6.122	5.842	5.583	5.342	5.118	4.910	4.715	4.533
14	6.982	6.628	6.302	6.002	5.724	5.468	5.229	5.008	4.802	4.611
15	7.191	6.811	6.462	6.142	5.847	5.575	5.324	5.092	4.876	4.675

FORMULAE

Annuity

Present value of an annuity of $1 per annum, receivable or payable for n years, commencing in one year, discounted at r% per annum:

$$PV = \frac{1}{r}\left(1 - \frac{1}{(1+r)^n}\right)$$

Perpetuity

Present value of $1 per annum, payable or receivable in perpetuity, commencing in one year, discounted at r% per annum:

$$PV = \frac{1}{r}$$

You May contact QQ:139169828 MSN: q7jw00001@hotmail.com For More Information !

(SECTION A – there is no section A question in this assessment)

SECTION B: ANSWER BOTH QUESTIONS

1 THE CLOTHING SUPPLY COMPANY

The Clothing Supply Company (CSC) is seen as a market leader in the design and manufacture of garments such as knitwear and weatherproof clothing for outdoor sports. The company is over a hundred years old, and is based in the rural islands of Scotland where it originally used to make and supply hill farmers with outdoor working clothes. CSC prides itself on the use of traditional fabric designs, the craftsmanship of its garment workers, and the fact that it buys much of its cloth from local weavers, so supporting the local economy.

In recent years, CSC has achieved a degree of dominance over other specialist Scottish clothing manufacturers. The CSC product range now enjoys an international reputation based not only on design and the quality of hand-made tailoring, but also on the attractive and well-known brand name, which is perceived to be associated with the country lifestyle of wealthy society leaders. CSC garments are distributed to and sold at premium prices through the best department stores in London, New York and Tokyo, and are especially popular with overseas tourists visiting the United Kingdom.

CSC had been a family-owned business until 1997 when it was sold to the KZ Corporation, a Pacific Rim based multinational conglomerate involved in shipbuilding, construction and consumer electronics. The KZ Corporation is keen to maximise what it sees as the global brand potential of CSC, and to justify what some KZ managers see as the excessively high price paid to the owner's family for their controlling shares in CSC.

To address these issues, the vice president of global operations at KZ has commissioned a strategy study to identify ways in which CSC can be integrated into the KZ Corporation.

Required:

(a) Using an appropriate framework for analysing national competitive advantage, examine the extent to which international location might determine the competitive position of the Clothing Supply Company.

(10 marks)

(b) The initial review of the vice president's strategy study has identified two possibilities in particular. These are not seen as mutually exclusive. Evaluate the risks and opportunities presented by each of the following:

(i) The strategy study was concerned at the relatively high production cost of CSC clothing products, and believed that costs could be substantially reduced by moving production to South East Asia. (7 marks)

(ii) The study suggested achieving brand synergies by making the CSC brand available worldwide, to be used by other divisions within KZ. (8 marks)

(Total: 25 marks)

2 STILLS BEVERAGES PLC

Stills Beverages plc (Stills) is a major European producer of non-alcoholic drinks. It was formed by the merger of two rival companies in 1992, and now has an overall market share of approximately twelve per cent of the European soft drinks market. The main products of Stills are shown in the table below, together with information relating to the market position of each.

Sector	***Stills product (market share %)***	***Main sector rival(s) (market share %)***	***Market sector conditions***
Children (uncarbonated)	Jolly Juice (18)	Spring Fresh (25) Junior Juice (12)	Growing quickly
Children (carbonated)	Sparkles (24)	Fizzy Delight (19)	Declining
Adults (uncarbonated)	Baltic Spring (8)	Go-Juice (26) Fruit Fresh (18) Good Day (9)	Declining slowly
Adult (carbonated, low sugar)	Diet Jazz (22)	Lazy-B Lite (21) Diet Mexx (17)	Growing quickly
Adult (carbonated, full sugar)	Jazz (22)	Lazy-B (19) Mexx (15)	Declining slowly

Required:

(a) Briefly explain the use of the Boston Consulting Group (BCG) matrix in product strategy formulation. (5 marks)

Note: **You should not draw, or describe in detail, the BCG matrix in your answer to part (a).**

(b) Produce a BCG matrix for the products of Stills, as described above, and recommend an appropriate strategy for each product, and for the product portfolio as a whole. You should identify any possible risks to the strategies you have proposed. (20 marks)

(Total: 25 marks)