

QUESTION BANK

MBA

SEMESTER 4

Vol. II

FOR PRIVATE CIRCULATION

The Questions contained in this booklet have been prepared by the faculty of the Institute from the sources believed to be reliable. Neither the Institute nor the faculty gives any guarantee with respect to completeness or accuracy of the contents contained in the booklet and shall in no event be liable for any errors, omissions or damages arising out of use of the matter contained in the booklet. The Institute and the faculty specifically disclaim any implied warranty as to merchantability or fitness of the information for any particular purpose.

QUESTION BANK

ADVERTISING AND BRAND MANAGEMENT

MS-214

QUESTION BANK
ADVERTISING AND BRAND MANAGEMENT – MS 214
MBA II

UNIT - I

I Multiple Choice Questions:

- 1 All marketing activities that attempt to stimulate quick buyer action or immediate sales of a product are known as _____.
 - (a) Sponsorship
 - (b) Advertising
 - (c) Personal selling
 - (d) Sales promotion
 - (e) Publicity

- 2 Which one of the following is the greatest obstacle to implementing integrated marketing communications?
 - (a) Few providers of marketing communications services have the skills to execute IMC programs.
 - (b) There is a lack of interest in IMC by top management.
 - (c) The cost for implementing an IMC program is difficult to justify.
 - (d) Little can be gained by coordinating the various marketing communications elements.
 - (e) Marketing directors are essentially performing the IMC function now.

- 3 The premise underlying geodemographic targeting is that people who _____ also share demographic and lifestyle similarities.
 - (a) are in the same income category
 - (b) reside in similar areas
 - (c) are of the same age
 - (d) are of the same gender
 - (e) are of the same ethnic group

- 4 The _____ component of attitudes focuses on behavioral tendencies.
 - (a) Affective
 - (b) Instrumental
 - (c) Conative
 - (d) Cognitive

- (e) Behavioral
- 5 Marketers can enhance the consumers' ability to access knowledge structures by _____.
- (a) using loud music
 - (b) using colorful ads
 - (c) employing verbal framing
 - (d) repeating brand information
 - (e) increasing curiosity about the brand
- 6 An aggregate of people who, as individuals, have needs for products in a product class and have the ability, willingness and authority to purchase such products is called a:
- (a) Market Segment
 - (b) Target Segment
 - (c) Customer Group
 - (d) Market
- 7 The total market approach to finding a target market will probably be UNSUCCESSFUL when:
- (a) Product differentiation is used
 - (b) The firm defines the total market as its target market
 - (c) People within the market have heterogeneous needs
 - (d) People within the market have homogeneous needs
- 8 The purpose of market segmentation is to:
- (a) Differentiate among similar products
 - (b) Divide the total market to allow the marketer to develop a more precise marketing mix.
 - (c) Reduce the overall cost of marketing activities.
 - (d) Identify a single marketing mix that will satisfy market segments.
 - (e) Meet the needs of homogeneous markets.
- 9 Consequences that are commonly associated with the multisegment targeting strategy are:
- (a) an increase in sales and a decrease in total marketing costs
 - (b) the use of excess production capacity and a decrease in total marketing costs
 - (c) an increase in sales and the use of excess production capacity
 - (d) a decrease in production costs and a decrease in total marketing costs

- 10 McDonald's uses a segmentation strategy for its sandwiches based on characteristics such as age, gender and income. It is using which group of segmentation variables?
- (a) Demographic
 - (b) Psychographic
 - (c) Geographic
 - (d) Education
 - (e) Product related
- 11 If Pepsi and Coca-Cola were to use celebrities to challenge the taste of each others cola, this would be an example of _____ positioning.
- (a) Direct
 - (b) Focused
 - (c) Head-on
 - (d) Avoidance
 - (e) Parallel
- 12 Which of the following is the MAIN advantage of multivariable segmentation?
- (a) Provides more information about the individuals in each segment
 - (b) Allows the company to develop a marketing mix that will satisfy customers in a segment more precisely
 - (c) Allows the company to develop a larger number of segments
 - (d) Allows more than one variable to be used to segment markets.
- 13 To ensure the effectiveness of segmentation, the segments should be measurable, substantial, accessible, and:
- (a) Precise
 - (b) Stable
 - (c) Economic
 - (d) Reachable
- 14 An attribute of a product that is desired by customers in a target market and which competing products cannot match is termed _____
- (a) A strength
 - (b) A differential advantage
 - (c) A selling point
 - (d) A benefit
- 15 Advertising is a major promotion mix ingredient that is a
- (a) Paid form of personal communication.

- (b) Paid form of non-personal communication.
 - (c) Non-paid form of personal communication.
 - (d) Non-paid form of non-personal communication.
- 16 A Bank airs a series of radio ads that claim "We are the listening bank." This campaign would be best described as _____ advertising.
- (a) Pioneer
 - (b) Target
 - (c) Product
 - (d) Institutional
 - (e) Comparative
- 17 Advertising that promotes organizational images, ideas, and political issues is _____ advertising.
- (a) Defensive
 - (b) Product
 - (c) Competitive
 - (d) Comparative
 - (e) Institutional
- 18 A marketer uses pioneer advertising to:
- (a) Promote established brands.
 - (b) Compare brand names.
 - (c) Promote a product in the introductory stage of the life cycle.
 - (d) Introduce a competitive version of the product.
- 19 Marketer who has to increase a brand's price will try to
- (a) Keep the new price below the just noticeable difference.
 - (b) Advertise the price increase.
 - (c) Put the new price slightly above the just noticeable difference.
 - (d) Make the price increase as subliminal as possible.
- 20 Examples of products having target markets differentiated by age group are:
- (a) headache and cold remedies.
 - (b) Nostalgic products and retro toys like Sock Monkey.
 - (c) Cookies, candies, and baking goods.
 - (d) Automotive motor oil and gasoline.
 - (e) Tissue, paper towels, and plastic utensils.

- 21 As a market researcher for a cable television company seeking to determine the number of multi-dwelling buildings in a selected neighborhood, your best chance of acquiring this information quickly would be
- (a) Census information available on the Internet.
 - (b) The local Better Business Bureau.
 - (c) Interviews with neighbourhood leaders.
 - (d) The local Chamber of Commerce.
 - (e) An aerial survey of surrounding neighbourhoods.
- 22 Why marketing managers should be interested in the study of consumer behavior?
- (a) Consumers are the focus of successful marketing strategies.
 - (b) The study of consumer behaviour is firmly grounded in psychology.
 - (c) Study of consumer behaviour provides a theory of the firm.
 - (d) Competing organizations are discovering marketing.
- 23 The marketing mix elements (product, price, communication, and distribution) when developed and presented to a specially selected target market in order to achieve organizational objectives
- (a) Could not be effective without formal research.
 - (b) May be referred to as a marketing strategy.
 - (c) Will probably work in most markets.
 - (d) Reflect a focus on the competition.
- 24 Advertising directed to distributors, retailers, wholesalers etc is known as:
- (a) Trade Advertising
 - (b) Professional Advertising
 - (c) Industrial Advertising
 - (d) Consumer Advertising
- 25 Consumer research focuses on:
- (a) Sociology
 - (b) Anthropology
 - (c) Behavioural Sciences
 - (d) All of the above
- 26 Chunking serves to
- (a) Focus consumers' attention on certain stimuli.
 - (b) Increase the capacity of short-term memory.
 - (c) Facilitate spreading activation.
 - (d) increase the capacity of long-term memory

- 27 When Miller Lite was introduced, the image of regular Miller beer suffered. This is an example of
- (a) Lack of brand recognition.
 - (b) Dilution of the image of the core brand by a brand extension.
 - (c) Unsuccessful brand extension.
 - (d) The salience of core brand associations in the extension context.
- 28 Brand awareness is important because
- (a) In low-involvement contexts, brand choice may be based on brand awareness.
 - (b) In order for a brand to be chosen, it has to be in the consumer's consideration set.
 - (c) Brand awareness is a prerequisite for the formation of other brand associations.
 - (d) all of the above
- 29 One rule of thumb in advertising is "you can only say so much, so say it well." This suggests an implicit recognition of the:
- (a) Limited capacity of the cognitive system.
 - (b) Notion that much of our cognitive processing is unconscious.
 - (c) The hierarchical structure of human memory.
 - (d) Automatic nature of most cognitive processing.
- 30 Mass communications affect personal attitudes and behavior through a two-step process. Ideas often flow from radio, television, and print to opinion leaders and from these to the less_____population groups.
- (a) media
 - (b) advertising
 - (c) informed
 - (d) involved
 - (e) none of the above
- 31 The two-step flow of information challenges the notion that consumption styles are _____ influenced by a "trickle-down" or "trickle-up" effect from mass media.
- (a) secondarily
 - (b) affected
 - (c) starts with
 - (d) primarily
 - (e) originates
- 32 The_____ among communications tools explains why marketing functions need to be coordinated.
- (a) significant costs

- (b) power
 - (c) importance
 - (d) incremental costs
 - (e) substitutability
- 33 Companies must allocate the marketing communications budget over the six major modes of communication—advertising, sales promotion, public relations and publicity, events and experiences, sales force, and_____.
- (a) Incentives
 - (b) Couponing
 - (c) Integrated marketing communications
 - (d) Internet marketing
 - (e) direct marketing
- 34 Companies must consider several factors in developing their communications mix: type of product market, consumer readiness to make a purchase, and the stage in the _____.
- (a) Product life cycle
 - (b) Marketing mix
 - (c) Advertising mix
 - (d) Buying process
 - (e) None of the above
- 35 Senior managers want to know the outcomes and revenues resulting from their communications investments. Too often, however, their communications directors supply only_____ and expenses.
- (a) Inputs
 - (b) Outputs
 - (c) Measures
 - (d) Ads
 - (e) None of the above
- 36 In measuring the effectiveness of a firm's communications investment, ultimately _____ measures capture the real payoff.
- (a) Behaviour-change
 - (b) Purchases
 - (c) Action
 - (d) Inaction
 - (e) None of the above

- 37 Integrated marketing communications is a concept of marketing communications planning that recognizes the added value of a _____ plan.
- (a) integrated
 - (b) coherent
 - (c) complete
 - (d) comprehensive
 - (e) none of the above
- 38 Many companies still rely on one or two communication tools. This practice persists in spite of the fragmenting of mass markets into a multitude of mini markets, each requiring its own approach; the proliferation of new types of media; and the growing _____ of consumers.
- (a) interests
 - (b) splintering
 - (c) randomness
 - (d) time poverty
 - (e) sophistication
- 39 The starting point in planning marketing communications is an audit of all the potential _____ that customers in the target market may have with the brand and the company.
- (a) consumers
 - (b) interests
 - (c) interactions
 - (d) usages
 - (e) exposures
- 40 Another name for a company's marketing communications mix is:
- (a) The advertising program.
 - (b) the sales force.
 - (c) the image mix.
 - (d) the promotion mix.
41. Which tool of the promotional mix is defined as any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor?
- (a) advertising
 - (b) public relations
 - (c) direct marketing
 - (d) sales promotion

42. The _____ is the specific mix of advertising, personal selling, sales promotion, public relations, and direct marketing tools that the company uses to pursue its advertising and marketing objectives.
- (a) value mix
 - (b) integrated dealer mix
 - (c) marketing communications mix
 - (d) marketing control mix
43. Which tool of the promotional mix consists of short-term incentives to encourage the purchase or sale of a product or service?
- (a) advertising
 - (b) public relations
 - (c) direct marketing
 - (d) sales promotion
44. If a company wants to build a good “corporate image,” it will probably use which of the following marketing communications mix tools?
- (a) advertising
 - (b) public relations
 - (c) direct marketing
 - (d) sales promotion
45. _____ is direct communications with carefully targeted individual consumers to obtain an immediate response.
- (a) Personal selling
 - (b) Public relations
 - (c) Direct marketing
 - (d) Sales promotion
46. There is an increasing amount of commerce being done via the Internet. With respect to the promotional mix, which of the following categories would be most directly concerned with Internet commerce?
- (a) advertising
 - (b) public relations
 - (c) direct marketing
 - (d) sales promotion
47. Which of the following is NOT a requirement for setting advertising objectives?
- (a) Objectives must specify the amount of change.
 - (b) Objectives must be stated in terms of profits.

- (c) Objectives must be realistic.
 - (d) Objectives must be internally consistent.
 - (e) Objectives must be clear and in writing.
- 48 A _____ advertising objective is aimed at achieving communication outcomes that precede behavior.
- (a) Precise
 - (b) Planned
 - (c) Indirect
 - (d) Direct
 - (e) Operational
- 49 The first step of the objective-and-task method is _____.
- (a) Assessing the communications functions
 - (b) Establishing specific marketing objectives that need to be accomplished
 - (c) Determining advertising's role in the total communication mix
 - (d) Establishing specific advertising goals in terms of the levels of measurable communication response required to achieve marketing objectives
 - (e) Establish the budget based on estimates of expenditures required to accomplish the advertising goals
- 50 A clothing store that sets their advertising budget by following the major competitor and adding an additional 15 percent is using the _____ method.
- (a) Percentage-of-sales
 - (b) Arbitrary allocation
 - (c) Objective-and-task
 - (d) Competitive parity
 - (e) Affordability
- 51 The advertising budget procedure used most frequently is the _____ method.
- (a) Percentage-of-sales
 - (b) Arbitrary allocation
 - (c) Marginal cost
 - (d) Competitive parity
 - (e) None of the above.
- 52 Using sex appeal can generally _____.
- (a) Lure attention
 - (b) Enhance recall
 - (c) Evoke emotional responses

- (d) All of the above
 - (e) Only a and b
- 53 A good copy-testing system needs to provide measurements that are _____ .
- (a) Relevant to the advertising objectives
 - (b) Relevant to the advertising budget
 - (c) Relevant to the advertising media
 - (d) Relevant to the advertising script
 - (e) None of the above
- 54 A strength of radio advertising is _____ .
- (a) The ability to reach segmented audiences
 - (b) The ability to reach prospective customers on a personal and intimate level
 - (c) Low cost per thousand
 - (d) Short lead-times
 - (e) All of the above
- 55 Which of the following is NOT a problem with television advertising?
- (a) Escalating advertising costs
 - (b) Erosion of television viewing audiences
 - (c) Substantial audience fractionalization
 - (d) Clutter
 - (e) Inability to achieve impact
- 56 The concept of effective reach states that fewer exposures to advertisements are required _____ .
- (a) When humor is used
 - (b) When comparative advertising is used
 - (c) For brands with higher market shares and greater customer loyalty
 - (d) For expensive products
 - (e) For necessities
- 57 In a _____ advertising schedule, advertising is used during every period of the campaign, but the amount of advertising varies considerably from period to period.
- (a) Flighting
 - (b) Dated
 - (c) Plotted
 - (d) Pulsing
 - (e) Continuous

- 58 Family life cycle is most likely to be based on:
- (a) Buying power and gender.
 - (b) Geographic location and family size.
 - (c) Marital status and age of children.
 - (d) Occupation and marital status.
- 59 The psychographic variable that includes numerous characteristics related to people's activities, interests and opinions is:
- (a) Motive
 - (b) Social Class
 - (c) Personality
 - (d) Family life cycle
 - (e) Life style
- 60 The three psychographic dimensions most commonly used in market segmentation are:
- (a) Personality, perception and learning
 - (b) Personality, perception and behaviour
 - (c) Motives attitudes and lifestyles
 - (d) Personality, motives and lifestyles
- 61 The initial stage in the development of an advertising campaign is
- (a) Creating the message.
 - (b) Setting the budget.
 - (c) Identifying and analyzing the advertising target audience.
 - (d) Defining the advertising objectives.
 - (e) Creating the advertising platform.
- 62 Strategy can be applied at which of the following levels?
- (a) Advertising
 - (b) Corporate
 - (c) Marketing
 - (d) Communications
- 63 The main levels of organisational strategy are:
- (a) Corporate
 - (b) Tactical
 - (c) Competitive
 - (d) Functional

- 64 Target audiences should perceive communications and associated cues as:
- (a) Memorable, humorous, creative and simple
 - (b) Structured, interesting, viable and understandable.
 - (c) Detailed, realistic, manageable and measurable.
 - (d) Relevant, likeable, timely and of value.
- 65 DAGMAR stands for _____ Advertising _____ for _____ Advertising _____
- (a) Goals, Measured, Results, Defined
 - (b) Defined, Goals, Measured, Results
 - (c) Results, Defined, Goals, Measured
 - (d) Measured, Results, Defined, Goals
- 66 Advertising strategy is concerned with:
- (a) Likeability
 - (b) Communications
 - (c) Audiences
 - (d) Positioning
- 67 Which of the following activities are pre requisites for successful positioning?
- (a) Context analysis
 - (b) Target marketing
 - (c) Market segmentation
 - (d) Market research
- 68 A Pull positioning strategy targets:
- (a) Distributors
 - (b) End users
 - (c) Stakeholders
 - (d) Suppliers
- 69 Which of the following might be considered as influencing strategies?
- (a) Emotional involvement
 - (b) Persuasion
 - (c) Reinforcement
 - (d) Information

- 70 What kind of appeals to Dens and De Pelsmacker suggest as most successful in high involvement purchase situations?
- (a) Exciting
 - (b) Complex
 - (c) Informational
 - (d) Emotional

Ans. (1)(d), (2)(a), (3)(b), (4)(c), (5)(c), (6)(d), (7)(c), (8)(b), (9)(a), (10)(a), (11)(c), (12)(d), (13)(b), (14)(b), (15)(b), (16)(d), (17)(e), (18)(e), (19)(d), (20)(b), (21)(b), (22)(b), (23)(a), (24)(c), (25)(b), (26)(c), (27)(b), (28)(a), (29)(a), (30)(b), (31)(d), (32)(d), (33)(d), (34)(d), (35)(a), (36)(a), (37)(a), (38)(a), (39)(a), (40)(c), (41)(d), (42)(a), (43)(c), (44)(d), (45)(b), (46)(c), (47)(b), (48)(c), (49)(b), (50)(d), (51)(e), (52)(a), (53)(e), (54)(e), (55)(c), (56)(d), (57)(a), (58)(e), (59)(d), (60)(c), (61)(d), (62)(a), (63)(b), (64)(d), (65)(b), (66)(c), (67)(c), (68)(b), (69)(a), (70)(c)

II Short Answer Type Questions:

- 1 What is advertising and cultivation of primary demand?
- 2 Explain the AIDA model.
- 3 Product Vs Corporate Advertising.
- 4 What is the effect of advertising on prices?
- 5 Explain USP and its relevance in advertising.
- 6 Direct response Vs Delayed response advertising.
- 7 How does the reference group influence on brand choice?
- 8 What is the role of advertising in reducing cognitive dissonance?
- 9 State the limitations in commission system of payment.
- 10 How does WOM aid the advertisers?
- 11 It pays to advertise". Do you agree? Give reasons.
- 12 What does it mean when we say that advertising is intended to persuade?
- 13 How are IBP and advertising related?
- 14 Does advertising create monopolies?
- 15 Why is it important to devise the advertising strategy before executing a campaign?
- 16 How will you advertise for a tooth paste at different stages in its life cycle?
- 17 Briefly explain Integrated marketing communication.
- 18 What is Informative advertising ?
- 19 What do you mean by Unique selling proposition?
- 20 Explain Umbrella Branding in brief.
- 21 What is brand repositioning?

- 22 What do you see as the role of the Internet in building brands?
- 23 How would you evaluate the web site for a major brand for example, Nike, Disney or Levi's?
- 24 Which print ad do you feel is the best and which is the worst based on the advertising parameters?
- 25 Pick a brand. How effectively has the brand mixed and matched marketing communications?
- 26 Find an example of a good and a poor brand building promotion.

III Long Answer Type Questions:

- 1 Why do communications managers attach so much importance to integrated marketing communications? Choose a well-known brand and discuss how it uses IMC to give consistent messages.
- 2 Discuss the role of integrated marketing communication plays in relationship marketing.
- 3 What is the feasibility of mass customization of advertising and other forms of marketing communication be possible?
- 4 What are the various objectives of Advertising? Discuss the role of advertising in Integrated Marketing Communication Process of any organization.
- 5 What are the reasons for more marketers and more companies are taking an integrated marketing communications perspective in their advertising and promotional programs?
- 6 Explain in detail the IMC planning process.
- 7 Which organizations are better equipped to implement IMC and why?
 - (a) Large Vs small organizations
 - (b) Goods Vs services organizations.
- 8 What are the environmental factors which are compelling companies to adapt and adopt IMC concept?
- 9 The basic purpose of all advertising is to sell.” Discuss critically.
- 10 What is advertising? Explain the complete process of advertising.
- 11 How would the role of advertising differ when the product involved is a consumer non durable product and when it is a socially relevant message targeted at general public?
- 12 Advertisement facilitates the building up of positive attitude of Target Audience towards a brand”. Do you agree? Explain.
- 13 “Advertising starts with target audience”. What is meant by target audience? How is it defined? Illustrate with example.
- 14 Distinguish between communication objectives and marketing objectives in the context of advertising goals.
- 15 Some experts feel that the DAGMAR approach is inconsistent with the hope of obtaining a truly brilliant creative campaign. Critically comment.

- 16 What are the 'percentage of sales' and 'competitive parity' methods for setting ad budget? Why are they so widely used? Under what circumstances would they be inappropriate?
- 17 What are the different methods used for determining advertising budgets? Discuss in detail with examples the objective and task method of advertising budgeting.
- 18 What are the different approaches for setting an advertising budget? Out of them which one will you recommend?
- (a) To a new company with a new product and
- (b) To an old company with an old product
- 19 What are the various stages of the creative process? Do you agree with the notion that advertising creativity can or should follow a definitive process?
- 20 Explain what is meant by creative strategy and creative tactics in advertising.
- 21 Describe, with examples some commonly used ad appeals.
- 22 "Verbal and visual are two aspects of creative execution". In light of it discuss various aspects of creative execution in brief.
- 23 How does the knowledge of consumer attitudes affect advertising decisions. Identify from the Indian advertisement at five campaigns where an attempt to change consumer attitudes has been made.
- 24 Explain the communication objectives of advertising.
- 25 Discuss the marketing objectives of advertising.
- 26 XYZ Ltd. is a MNC, manufacturing & marketing fast moving consumer goods (FMCG). The company is in the process of deciding the next year's advertising budget. Which method of setting the advertising budget should the company use and why.
- 27 Explain why smaller can be better when selecting segments to target in marketing strategies.
- 28 Your company wants to advertise in luxury cars costing rupees twenty five lakh. What should be its target audience and how can it be selected?
- 29 What role do advertising and communication play at each of the purchase decision stages? To what extent can they influence buyer behaviour?
- 30 Explain the common methods used to attract and maintain consumer interest in advertisement.
- 31 Explain the peripheral rules to persuasion.
- 32 Explain the various segmentation strategies with examples.
- 33 Differentiate between
- (a) Advertising vs. Sales Promotion
- (b) Primary Vs. Secondary Advertising
- 34 What are the advertising goals/objectives? Explain how marketers can use DAGMAR approach in establishing objectives. Give example of use of DAGMAR approach. Are there any problems associated with the use of DAGMAR? Discuss.
- 35 Are there any guidelines available to advertising strategists involved in copywriting with respect to the following in bringing out an effective copy:

- (a) Use of appeals
- (b) Use of themes
- (c) Approaches to message writing
- (d) Use of Headlines

Discuss their significance in the context of message writing.

- 36 Explain Russell Colley's DAGMAR Model of Advertising. Do you think it is relevant in today's world of communication? Elucidate your answer citing relevant reasons.
- 37 Elaborate the different methods used for setting advertising budget of a company supported by examples?
- 38 Media planning involves a tradeoff between reach and frequency.' Discuss the statement, and mention examples when one or the other should get more emphasis.
- 39 Elaborate the different methods used for setting advertising budget of a company supported by examples?
- 40. Choose a popular event. Who sponsors it? How are they building brand equity with their sponsorship? Are they integrating the sponsorship with other marketing communications?
- 41 Pick a brand. Employ projective techniques to identify sources of its brand equity. Which measures a work best? Why?
- 42 Pick a product category. Can you profile the brand personalities of the leading brands in the category using Aaker's brand personality inventory?
- 43 Think of your brand relationships. Can you find examples of brands that fit into Fournier's different categories?
- 44 Examine and compare communication and marketing objectives of advertising.

UNIT – II

I Multiple Choice Questions:

- 1 Why should a benchmark statement be included in advertising objectives?
 - (a) The shareholders always like to see where a company is in relation to competition.
 - (b) It gives an indication of how the advertising message might best be presented.
 - (c) Without a reference point, it is difficult to determine to what degree the objectives have been accomplished.
 - (d) The objectives become more easily attainable when such a statement is included.
- 2 The most effective method of determining platform issues is to use a survey of
 - (a) Personnel with the firm.
 - (b) Individuals at the advertising agency.
 - (c) Customers.
 - (d) Marketers in the industry.

- (e) Advertising experts.
- 3 People in the marketing department are having difficulty estimating the level of effort needed to achieve advertising goals. This problem is characteristic of the _____ approach to advertising appropriation.
- (a) Reliable-appropriation
 - (b) Match-competition
 - (c) Arbitrary
 - (d) Objective-and-task
 - (e) Percent-of-sales
- 4 The final stage in the development of an advertising campaign is
- (a) Creating the advertising platform
 - (b) Developing the media plan.
 - (c) Creating the advertising message.
 - (d) Evaluating the effectiveness of advertising.
- 5 When developing an advertising campaign, benchmarks should be included in the
- (a) Campaign platform
 - (b) Evaluation of the advertising effectiveness.
 - (c) Statement of advertising objectives.
 - (d) Media plan.
 - (e) Budget.
- 6 An advertising platform consists of the
- (a) Basic issues or selling points that an advertiser wishes to include in the advertising campaign.
 - (b) Clearly defined objectives of the advertising campaign, stated in precise and measurable terms.
 - (c) Form in which the basic issues of the campaign should be presented.
 - (d) Broad objectives of the advertising campaign.
- 7 Advertising appropriations are largest for which type of product?
- (a) Industrial products
 - (b) Convenience goods
 - (c) High-priced products
 - (d) Specialty goods
 - (e) Infrequently purchased goods

- 8 Recognition and recall tests are post-test methods to evaluate advertising effectiveness based on
- (a) Mail surveys
 - (b) Memory
 - (c) Inquiries
 - (d) Customer preferences
 - (e) In-depth interviews
- 9 The _____ is the foundation upon which marketing objectives are determined and the marketing plan is developed.
- Situation Analysis
- (a) Hierarchy of effects
 - (b) DAGMAR approach
 - (c) S-shaped response curve
 - (d) Concave-upward function model
- 10 Which of the following is an example of a marketing objective?
- (a) to have press releases run in 80 percent of all of the magazines devoted to sports during the summer quarter
 - (b) to develop a new advertising campaign for soy-based ice cream by the end of April
 - (c) to increase share of the video game market by 3 percent by Dec. 31
 - (d) to develop a tie-in with the newest movie in the Ring Trilogy
 - (e) to hire three experienced salespeople within the next six months
- 11 Hindustan Lever is marketing Fair & Lovely skin whitening cream in India. In India, skin color is closely associated with caste, and it is important to many Indians to marry within their caste. The upper castes have the lighter complexion. It follows that a woman using the skin whitening cream might be able to pass herself as coming from a higher caste than she actually does. The product is selling very well in spite of protests from various religious organizations. Hindustan Lever says it will not remove the product from the market because of how quickly stores' stocks of the cream are depleted and because forecasts indicate the company's market share will continue to grow. Hindustan Lever more than likely has a _____ objective for the cream.
- (a) Sales-oriented
 - (b) Communication
 - (c) Positioning
 - (d) Image
- 12 Within the hierarchy of effects model, the stage prior to purchase is conviction. At this stage, the marketing communications have convinced consumers they should buy the

- product, but the purchase may be postponed due to some situational or psychological factor. Which of the following terms is associated with that time lag between conviction and purchase?
- (a) Spill over effect
 - (b) Wasted coverage
 - (c) Regency effect
 - (d) Primacy effect
 - (e) The carryover effect
- 13 According to the DAGMAR approach, objectives should be:
- (a) Abstract
 - (b) Qualitative
 - (c) Targeted to work with a market aggregation strategy.
 - (d) Time-specific
14. Which of the following statements about the DAGMAR approach to setting advertising objectives is true?
- (a) The DAGMAR approach has focused promotional planners on the value of using sales-oriented objectives rather than communications objectives.
 - (b) The DAGMAR approach does not rely on the hierarchy of effects model. The DAGMAR approach has focused promotional planners on the value of using sales-oriented objectives rather than communications objectives.
 - (c) The DAGMAR approach is popular because of how the objectives encourage creativity. The DAGMAR approach does not rely on the hierarchy of effects model.
 - (d) The DAGMAR approach is very simple to implement. The DAGMAR approach is popular because of how the objectives encourage creativity.
 - (e) None of the above statements about the DAGMAR approach to setting advertising objectives is true. The DAGMAR approach is very simple to implement.
- 15 To understand the inferences consumers make, marketers must primarily attend to and examine:
- (a) The knowledge structures consumers use during comprehension processes.
 - (b) The level of involvement present during consumers' comprehension processes.
 - (c) Consumers' motivation to engage in comprehension processes.
 - (d) The extent to which consumers use automatic or controlled comprehension processes.
- 16 Creative work in an advertising campaign cannot be completed without knowing which message channel will be used to convey the message to the target market. The message channel is the:

- (a) A medium
 - (b) Broadcast
 - (c) Attribute
 - (d) Appeal
 - (e) Executor
- 17 _____ is the series of decisions advertisers make regarding the selection and use of media that will optimally and cost-effectively communicate the message to the target audience.
- (a) Promotional implementation
 - (b) Marketing mix planning
 - (c) Media planning
 - (d) Media reach and frequency strategy
 - (e) Media targeted selection
- 18 _____ advertising is an arrangement under which a manufacturer pays a percentage of the advertising cost for an ad that a retailer places for the manufacturer's brand.
- (a) Competitive
 - (b) Comparative
 - (c) Institutional
 - (d) Corporate
 - (e) Cooperative
- 19 Which of the following statements about Internet and World Wide Web advertising is true?
- (a) It is easy to measure ad effectiveness with this medium.
 - (b) It is a medium that all consumers have access to.
 - (c) It is the fastest growing of all the advertising media.
 - (d) There is a long lead time required for creating Web-based ads.
 - (e) By its very nature, this medium reaches a broad, diverse audience.
- 20 One of the main advantages of _____ advertising is its extreme market selectivity.
- (a) Television
 - (b) Newspaper
 - (c) Magazine
 - (d) Radio
 - (e) Outdoor
- 21 Which of the following is NOT an advantage offered by radio to its advertisers?
- (a) Billions of listeners
 - (b) Relative low cost

- (c) Targeting power
 - (d) Ability to change spots quickly
 - (e) Ability for talk-radio hosts to add personal endorsements
- 22 Direct-response advertising is in the form of a 30-minute advertisement that resembles a TV talk show is called a(n):
- (a) Infomercial
 - (b) Extended sales pitch
 - (c) mega-mercial
 - (d) Ad expander
 - (e) Prolonged advertisement
- 23 Which of the following is NOT identified in the text as a factor that influences media selection?
- (a) Audience selectivity
 - (b) Cost per contact
 - (c) Use of cooperative advertising
 - (d) Media selectivity
 - (e) Reach
- 24 Peter's Perfumes is currently deciding how much space and/or time will be placed in each medium that the company has selected. Peter's Perfumes is determining its:
- (a) Marketing mix
 - (b) Media mix
 - (c) Promotional plan
 - (d) Advertising campaign
 - (e) Reach objectives
- 25 The manufacturer of Furry's Ferret Food estimates the product's new advertising campaign will reach 550,000 people and will cost \$800,000 if the company uses radio and newspaper and \$1.25 million if it uses television. The company's decision seems to rest on:
- (a) Flexibility
 - (b) Cost per contact
 - (c) Noise level
 - (d) Life span
 - (e) Geographic selectivity
- 26 Which of the following is a conclusion reached regarding childhood obesity?
- (a) Food advertising has not been found to influence children's food choices.

- (b) The FTC has determined that it is primarily marketers' fault that childhood obesity has increased.
 - (c) Over the decades that childhood obesity has increased, so too has the amount of advertising.
 - (d) Marketers are doing nothing to curb this problem.
 - (e) All of the above
- 27 Which of the following statements is FALSE regarding marketing practices?
- (a) Marketing practices are sometimes controversial.
 - (b) Regulating marketing activities requires a higher level of understanding of consumer behavior than does managing marketing programs.
 - (c) There are many issues where the appropriate ethical action for marketers is not clear-cut.
 - (d) Society has declared that some marketing actions are clearly inappropriate.
 - (e) There are laws and regulations that prohibit or require specific marketing actions.
- 28 Advertising's economic role has been criticized in the way it creates _____, which means people want or feel a need to buy and use a product.
- (a) desires
 - (b) demand
 - (c) motives
 - (d) markets
 - (e) Profit
- 29 The question of whether advertising creates social values rather than merely reflecting them is known as _____.
- (a) the social-versus-economic debate
 - (b) the competitive-versus-market power debate
 - (c) the personal-versus-cumulative debate
 - (d) the personal-versus-social debate
 - (e) the shape-versus-mirror debate
- 30 Misleading labeling is a form of:
- (a) deceptive pricing.
 - (b) deceptive promotion.
 - (c) deceptive packaging.
 - (d) high pressure selling.
31. The organization that fights to regulate "unfair or deceptive acts or practices" is the:
- (a) Department of Commerce.

- (b) Robinson-Patman Act.
 - (c) Environmental Protection Agency.
 - (d) Federal Trade Commission.
32. The Wheeler-Lea Act gives the Federal Trade Commission the power to regulate:
- (a) interstate commerce.
 - (b) marketing ethics.
 - (c) unfair and deceptive acts or practices.
 - (d) competitive advertising of product benefits.
33. The toughest problem the Federal Trade Commission has in regulating unfair or deceptive practices is:
- (a) defining what is deceptive.
 - (b) getting Congressional support.
 - (c) dealing with enormous lobbying efforts.
 - (d) determining appropriate penalties for guilty parties.
34. Marketers argue that most companies avoid deceptive practices because:
- (a) the company is almost always caught.
 - (b) such practices harm their business in the long run.
 - (c) such practices are difficult to cover up.
 - (d) the monetary penalty is almost always significant.
35. “Goods are sold, not bought” would be consistent with which of the following?
- (a) high pressure selling
 - (b) the marketing concept
 - (c) the societal concept of marketing
 - (d) consumer wants and needs as shown through demand
36. The personal presentation by the firm’s sales force for the purpose of making sales and building customer relationships is called:
- (a) personal selling.
 - (b) public relations.
 - (c) direct marketing.
 - (d) sales promotion.
37. Which of the following major promotional tools use press relations, product publicity, corporate communications, lobbying, and public service to communicate information?
- (a) Advertising
 - (b) Public relations
 - (c) Direct marketing
 - (d) Sales promotion

38. Which of the following major promotional tools use the telephone, mail, fax, e-mail, and the Internet to communicate directly with specific consumers?
- (a) advertising
 - (b) public relations
 - (c) direct marketing
 - (d) sales promotion
39. Promotion mix includes Sales Promotion, Personal Selling, Advertising and
- (a) Marketing
 - (b) Sales
 - (c) Publicity
 - (d) None of these
40. Copy testing is also known as
- (a) Pre Testing
 - (b) Copy writing
 - (c) Concurrent testing
 - (d) Preview
41. Consumer promotion, trade promotion and _____ are the three forms of sales promotion
- (a) Media Promotion
 - (b) Sales Force Promotion
 - (c) Core Promotion
 - (d) Media Mix
42. _____ media can give 24 hour exposure to the public eye.
- (a) Television
 - (b) Print
 - (c) Internet
 - (d) Flex Board
43. It is popularly known as free form of promotion
- (a) Advertisement
 - (b) Publicity
 - (c) Personal Selling
 - (d) Marketing
44. Which among the following is an example of Trade promotion?
- (a) Coupons
 - (b) Samples

- (c) Push Money
 - (d) None of these
45. Which among the following is a Pull Strategy?
- (a) Trade promotion
 - (b) Consumer Promotion
 - (c) Sales Force Promotion
 - (d) None of these
46. If a company gives false message to the customers, it is known as
- (a) Obscene ads
 - (b) Subliminal ads
 - (c) Deception
 - (d) None of these
47. The strategy that encourages dealers and distributors to sell a product is known as
- (a) Push
 - (b) Pull
 - (c) Combination
 - (d) Marketing
48. Creating image of product in the minds of target group is called
- (a) Marketing
 - (b) Positioning
 - (c) Branding
 - (d) Popularising
49. The process of purchasing space in a media is
- (a) Media Spacing
 - (b) Media Scheduling
 - (c) Media Purchasing
 - (d) Media Buying
50. The plan that show time, date and frequency of an advertisement is
- (a) Media Plan
 - (b) Media Schedule
 - (c) Media Time
 - (d) Media Space

51. Series of advertisement messages that share a single idea or theme is
- (a) Advertisement Campaign
 - (b) Advertisement Group
 - (c) Advertisement Cluster
 - (d) Advertisement Series
52. Point of Purchase Ads are also known as
- (a) In-Store Advertising
 - (b) Built-in Advertising
 - (c) Green Advertising
 - (d) Stock Advertising
53. The specific carrier within a medium is called
- (a) Media Carrier
 - (b) Media Bus
 - (c) Media Van
 - (d) Media Vehicle
54. Which among the following is not a mechanical test?
- (a) Psychogalvanometer
 - (b) Techistoscope
 - (c) Camera test
 - (d) Consumer dairy test
55. A series of actions that media planners take to attain the media objectives
- (a) Media Function
 - (b) Media Strategy
 - (c) Media Policy
 - (d) Media Option
56. In general, the single-voice, or synergy principle, involves selecting a specific _____ for a brand.
- (a) Positioning statement
 - (b) Marketing mix
 - (c) Pricing strategy
 - (d) Advertising budget
 - (e) None of the above

- 57 Attitudes toward a brand result from a combination of _____ attitude-formation processes.
- (a) Primary and secondary
 - (b) Linear and non-linear
 - (c) Associative and non-associative
 - (d) Central- and peripheral-route
 - (e) None of the above.
- 58 What type of advertising points out a brand's uses, features, and advantages that benefit consumers but may not be available in other brands?
- (a) Reminder Advertising
 - (b) Reinforcement Advertising
 - (c) Competitive Advertising
 - (d) Defensive Advertising
 - (e) Institutional Advertising
- 59 Brands that are promoted through comparative advertising are MOST likely to be
- (a) Market leaders.
 - (b) Brands that are attempting to compete with market leaders.
 - (c) Primarily services rather than tangible goods.
 - (d) Attempting to compete on a non-price basis.
 - (e) Competing in a less competitive market.
- 60 The intensity of feelings precipitated by the advertisement depends on
- (a) Behavability
 - (b) Budget
 - (c) Consistency
 - (d) Links to the brand
- 61 Competition can be viewed from different aspects. When an industry is defined as the set of all sellers of a product or service, this is referred to as what?
- (a) A customer perspective
 - (b) A market perspective.
 - (c) An industry perspective
 - (d) A competitive perspective
- 62 Media planning is carried out through
- (a) Research and tested formulas
 - (b) An intuitive process
 - (c) Both of the above

- (d) None of the above
- 63 The media planner's task is challenging because it must typically
- (a) Monitor all social sites
 - (b) Have knowledge of traditional as well as emerging and converging forms of media
 - (c) Know everything about newspapers
 - (d) Watch much TV
- 64 Identify one reason media choices have become more difficult in recent years
- (a) Segmentation
 - (b) Satellite radio has come on the scene
 - (c) Internet is used more frequently than any other medium
 - (d) Newspapers now use colour
- 65 The estimated number of people an advertisement reaches is called
- (a) Impressions
 - (b) Subscriptions
 - (c) Metrics
 - (d) Newsstand Purchases
- 66 Of the following, which is not a method of costing media
- (a) CPM
 - (b) CPR
 - (c) CPA
 - (d) CTR
- 67 The print medium continues to rely heavily on CPM to determine scheduling. What is CPM?
- (a) A payment received for each action
 - (b) The relative average cost to reach one thousand people
 - (c) A percentage of households tuned to TV
 - (d) A percentage of impressions that results in a click
- 68 Which of the following is not a valid statement?
- (a) It is necessary to plan for out-of-home media
 - (b) Media planning is less important than creative
 - (c) The media environment has become fiercely competitive
 - (d) Independent media buying services specialise in media planning

- 69 One significant change in the paid-for media environment is
- (a) The number of print vehicles available
 - (b) The addition of cable TV
 - (c) The presence of social media sites
 - (d) Terrestrial and satellite radio offerings
- 70 Media selections and scheduling decisions associated with delivering advertising constitute
- (a) Media Plan
 - (b) Message Weight
 - (c) Problem Solving Equation
 - (d) Media Kit

Ans. (1)(c), (2)(c), (3)(d), (4)(d), (5)(c), (6)(a), (7)(b), (8)(b), (9)(a), (10)(c), (11)(b), (12)(d), (13)(a), (14)(b), (15)(d), (16)(a), (17)(c), (18)(e), (19)(c), (20)(c), (21)(c), (22)(a), (23)(c), (24)(b), (25)(b), (26)(c), (27)(b), (28)(b), (29)(e), (30)(c), (31)(d), (32)(c), (33)(a), (34)(c), (35)(a), (36)(b), (37)(c), (38)(a), (39)(b), (40)(d), (41)(b), (42)(c), (43)(b), (44)(c), (45)(a), (46)(b), (47)(d), (48)(b), (49)(a), (50)(a), (51)(d), (52)(d), (53)(b), (54)(a), (55)(d), (56)(a), (57)(b), (58)(a), (59)(b), (60)(a), (61)(b), 62(c), 63(b), 64(a), 65(a), 66(b), 67(b), 68(b), 69(c), 70(a)

II Short Answer Type Questions:

- 1 Elucidate the trade off between reach and impact.
- 2 Explain the media micro scheduling problem.
- 3 What are the advantages of Media planning.
- 4 State the ethical aspects of advertisement.
- 5 Differentiate between Opinion and Attitude test.
- 6 Explain the concept of Agency on Record (AOR).
- 7 Elucidate the growing importance of electronic media.
- 8 What are the advantages and disadvantages of ‘Puffery’ in advertisements?
- 9 What are the factors which affect the client agency relationships?
- 10 Highlight the role of ASCI in India.
- 11 What is concept testing in advertising?
- 12 How is pretesting useful in advertising?
- 13 Why is it necessary to measure ad effectiveness?
- 14 Name five well known advertising agencies in India.
- 15 What is an in-house advertising agency?
- 16 What print media options are available to the marketers?

- 17 Compare various types of broadcast media.
- 18 Differentiate between frequency and reach.
- 19 What do you mean by cost per audience?
- 20 What is three hit theory?
- 21 What is the role of ASCI in today's marketing environment?
- 22 How can we compare the various media for broadcast?
- 23 Electronic media is of high importance in today's marketing environment. Comment.
- 24 How is an in-house advertising agency better as compared to the other options?
- 25 What is the relevance of print media in today's marketing environment?

III Long Answer Type Questions:

- 1 "Media is where 95% of the advertising budget is spent and is therefore crucial to campaign success". In light of this statement explain the process of media planning.
- 2 "Media planning involves a tradeoff between reach and frequency. Explain what this means and give examples of when reach should be emphasized over frequency and vice versa.
- 3 Explain the term 'message strategy'. Give an example of three alternative message strategies that may be adopted for an anti smoking campaign, directed at young smokers.
- 4 As a media planner your task is to develop a media plan for a new cough syrup, to be sold as a non prescription drug. Outline your media plan, explaining the criteria for media selection and media scheduling
- 5 "Advertisers can choose from a wide array of message strategy objectives as well as method of implementing these objectives". Elaborate. Use suitable examples.
- 6 Discuss the set of considerations that guide the media planner in the selection of media vehicles for an advertising campaign.
- 7 Discuss the main type of advertising media available to management in India. Select appropriate media for the following and give reasons.
 - (a) Apparels
 - (b) Automobiles
- 8 Explain what is meant by zipping and zapping and how they affect television viewing behavior. Discuss some of the ways advertisers can deal with the zapping problem.
- 9 What are the advantages of using a media buying organization.
- 10 Discuss the various procedures available for pre-testing an advertisement message prior to its full-scale launch?
- 11 Briefly discuss the various techniques used for pre and post-testing of advertising effectiveness.

- 12 Describe the various methods used to track the effectiveness of advertising execution during and after the launch of a major advertising campaign.
- 13 How will you test effectiveness of an advertising campaign in case of
- (a) Launch of a new brand of shampoo
 - (b) An advertisement promoting safe driving habits
 - (c) An advertisement for iodized version of salt
- 14 Why do companies need advertising agencies? What are the different departments in an advertising agency and how relevant they are to each other?
- 15 Describe the services rendered by an advertising agency to its clients and explain how an advertising agency gets remunerated for its services.
- 16 Write a brief note on the ethics and truths in Indian advertising.
- 17 Explain ethical and social aspects of advertising. Give examples to explain various issues.
- 18 Explain in detail the legal framework of advertising. What are the different legislations regarding the content and dissemination of advertising message?
- 19 Explain how social and ethical considerations affect the development of advertising campaign.
- 20 A common criticism of advertising is that it stereotypes women. Discuss the ways this might occur.
- 21 How will the advertising message differ when the product involved is a consumer package product instead of a consumer durable?
- 22 Compare pre-testing approach of advertising with post-testing approach.
- 23 “One of the essential steps in advertising management is to measure the effectiveness of an advertisement”. Why do some advertisers not measure ad effectiveness?
- 24 Design a suitable technique for measuring effectiveness of advertising for cars.
- 25 Discuss the functions performed by advertising agency.
- 26 Explain the various ways in which an agency earns its revenue.
- 27 Explain the need for ethics in advertising.
- 28 Describe the remedies against deceptive advertising.
- 29 Describe in brief various ways in which regulation and control can be exercised to ensure truthful and ethical advertising.
- 30 Explain methods for testing the advertising effectiveness with examples.
- 31 Write short notes on:
- (a) Social effects of advertising
 - (b) Advertising budgets
 - (c) Persuasive advertising
 - (d) Media Types
 - (e) Symbolic brand
- 32 ‘Media planning involves a trade-off between reach and frequency’. Discuss the statement and mention examples when one or the other should get more emphasis.

- 33 What are the factors affecting media planning? Discuss them in detail to develop media strategies.
- 34 What do you mean by advertising effectiveness? Explain pre and post campaign measures to evaluate effectiveness.
- 35 Outline a media plan for a new over-the-counter medicine, to be sold as a non prescription drug explaining the criteria for media selection and media scheduling.
- 36 Is it true that Advertisers can choose from a wide array of message strategy objectives as well as method of implementing these objectives? Give suitable examples.
- 37 What is meant by zipping and zapping and how they affect television viewing behavior How can advertisers deal with the zapping problem?
- 38 How can pre-testing an advertisement message prior to its full-scale launch be effective? Discuss the procedures for such testing.
- 39 Give a detailed note on ethics and truths in advertising in Indian context.

UNIT - III

I Multiple Choice Questions:

1.refers to a brands objective (functional) attributes in relation to other brands.
- (a) Brand position
 - (b) Product position
 - (c) Brand relationship
 - (d) Both a and b
2.defines what the brand thinks about the consumer, as per the consumer.
- (a) Brand attitude
 - (b) Brand positioning
 - (c) Brand relationship
 - (d) Brand image
3.includes two aspects of a brand – its associations and its personality.
- (a) Brand attitude
 - (b) Brand positioning
 - (c) Brand relationship
 - (d) Brand image

4.includes all that is linked up in memory about the brand. It could be specific to attributes , features, benefits or looks of brand.
- (a) Brand attitude
 - (b) Brand Associations
 - (c) Brand relationship
 - (d) Brand image
5.includes two visual signals of a brand – its character (e.g. Amul girl, Pillsbury doughboy) and its logo. Both are elements of brand identity.
- (a) Brand attitude
 - (b) Brand Image
 - (c) Brand Symbol
 - (d) Brand Positioning
6.can be thought of as a perceptual map of in which like products of the same company (say, toothpaste) are positioned very close to one another and compete more with one another than with brands of other companies.
- (a) Brand Comparison
 - (b) Cannibalization
 - (c) Positioning
 - (d) Brand Associations
7. At the center of a brand’s characteristics is the following:
- (a) Identity
 - (b) Image
 - (c) Value
 - (d) None of the given options
8. Brand management came into being for which of the following reasons:
- (a) Companies wanted to achieve scale economies.
 - (b) It supplemented financial management practices
 - (c) It suited production and operations personnel
 - (d) Companies wanted to differentiate their products and highlight distinctions in a competitive environment.
9. Brands like to stay contemporary because of:
- (a) Others do it
 - (b) Staying attractive
 - (c) Upholding the contract
 - (d) None of the given options

10. Features and attributes of brands translate into benefits and _____ are also fulfilled along with these benefits.
- (a) Customer values
 - (b) Brand values
 - (c) Organizational goals
 - (d) Brand associations
11. A good brand contract:
- (a) Keeps customer perspective in view
 - (b) Delivers promises made with customers
 - (c) Unearths negative promises
 - (d) All of the given options
12. Continuously renewing the difference makes your product _____.
- (a) Look superior
 - (b) Highly unacceptable
 - (c) Not conforming with market standards of evolving changes
 - (d) Conforming to the changing behavior and beliefs of customers
13. A brand-based model reveals the following:
- (a) Why customers buy the brands they buy?
 - (b) What are the underlying motives for their purchasing brands of their preference?
 - (c) Why companies keep their brands contemporary?
 - (d) All of the given options
14. The most important factor in brand management is to ensure that your _____ must be matching with consumers' perceptions.
- (a) Brand pinnacle
 - (b) Brand's persona
 - (c) Brand associations
 - (d) Brand value
15. While developing the brand picture, first of all, you envision:
- (a) Attributes
 - (b) Obsessions
 - (c) Benefits
 - (d) All of the given options

16. To have value, a brand must offer which one of the following?
- (a) A simple product range with a defined set of features
 - (b) A complex product range with a defined set of features
 - (c) Consistency, a reduced level of perceived risk for the buyer, and a range of functional and emotional attributes which are of value to buyers
 - (d) An identity through which the customer can trace the party responsible for supplying the product
17. The elasticity of sales to sales promotion is _____ that of advertising.
- (a) Less than
 - (b) Equal to
 - (c) Greater than
 - (d) Inversely proportional to
18. A mix of different communication tools has a better chance of achieving:
- (a) Objectives
 - (b) Synergy
 - (c) Efficiency
 - (d) Effectiveness
19. If two different brands are distributed by one company, it is considered under:
- (a) Wholesale
 - (b) Co-branding
 - (c) Joint venture
 - (d) Merger
20. A company's own retail outlets are meant:
- (a) To avoid the threat of distributors' power
 - (b) To own and better control the distribution channel
 - (c) Distribution, itself, is a good business
 - (d) All of the given options
21. For communication to be effective it should be:
- (a) Repetitive
 - (b) Reinforcing
 - (c) Both of the given options
 - (d) None of the given options

22. The power based on a channel member's superior knowledge and information about his products is called:
- (a) Expert power
 - (b) Legitimate power
 - (c) Coercion
 - (d) Retailer power
23. A good channel system must automatically offer_____ to the customers.
- (a) Transaction services
 - (b) After-sales services
 - (c) Both of the given options
 - (d) None of the given options
24. Advertising_____ is capable to attract consumers only if it is based on their needs.
- (a) Reach
 - (b) Copy
 - (c) Frequency
 - (d) Media
25. Marketing communication is done to achieve the objective of:
- (a) Building awareness
 - (b) Stimulate action
 - (c) Both of the given options
 - (d) None of the given options
26. _____is either the head of marketing department or a major brand and is responsible for the brand strategy and its implementation, important for complete performance of the brand.
- (a) Chief Branding Officer
 - (b) Chief Executive officer
 - (c) President of company
 - (d) Director of Company
27. _____ shows how consistent customers are in buying your brand, how long they have been buying and how long they may buy?
- (a) Customer loyalty
 - (b) Brand loyalty
 - (c) Product loyalty
 - (d) Company loyalty

- 28 The brand stature construct is equivalent to:
- (a) Esteem multiplied by knowledge
 - (b) Differentiation multiplied by knowledge
 - (c) Knowledge multiplied by relevance
 - (d) Esteem multiplied by differentiation
- 29 This pricing model offers opportunity to set different levels of pricing for different needs is known as_____.
- (a) Segment pricing
 - (b) Skim pricing
 - (c) Value-in-use pricing
 - (d) Strategic account pricing
- 30 If a company introducing a new brand under the source brand or endorsing brand strategy to gain the benefits of brand power, you again are in a position to charge a ____.
- (a) Premium price
 - (b) Skimming price
 - (c) Market based price
 - (d) Retail price
- 31 _____ is a mode of direct marketing owes to well structured communications in the form of _____ catalogs.
- (a) Telemarketing
 - (b) Sales promotion
 - (c) Advertising
 - (d) Publicity
- 32 Advertising is part of sales promotion by creating awareness and comprehension that form a level of_____.
- (a) Customer pull
 - (b) Customer push
 - (c) Customer loyal
 - (d) Customer image
- 33 _____ of ad means how many times you should expose your target customers to your message.
- (a) Frequency
 - (b) Copy
 - (c) Copy strategy
 - (d) Media

34. The image of brand is the _____ with customer.
- (a) Actual association
 - (b) Vision
 - (c) Positioning
 - (d) Personality traits
35. The process of establishing and maintaining a distinctive place in the market for an organization or its specific product offers is known as _____.
- (a) Profiling
 - (b) Profiling Segmentation
 - (c) Segmentation
 - (d) Positioning
36. A great effort in terms of time and money is required for _____; and despite the effort, results are not guaranteed.
- (a) Growth
 - (b) Profitability
 - (c) Branding
 - (d) Promotion
37. Brands are born out of the following strategies:
- (a) Segmentation and differentiation strategies
 - (b) Promotion strategies
 - (c) Good purchasing and supply chain strategies
 - (d) All of the given options
38. Brand identities is followed by _____, which is a reflection of what marketers planed to send to the public.
- (a) Brand value
 - (b) Brand image
 - (c) Advertising
 - (d) Brand personality
39. Right branding increases _____ of the product, which should be more than that of the generic product.
- (a) Consumer revolt
 - (b) Market share
 - (c) Profit
 - (d) Value

40. _____ are incurred by brands because of failures and questionable business practices that may increase costs and liabilities.
- (a) Brand assets
 - (b) Brand liabilities
 - (c) Brand equities
 - (d) Market failures
41. Introduction of more brands and extensions leads to ___ with no new benefits to consumers.
- (a) Higher cost
 - (b) Greater revenue
 - (c) Brand proliferation
 - (d) Increased competition
42. While defining the industry during the analysis, brand managers must consider:
- (a) The range of products and services offered by the industry
 - (b) A picture of the geographic scope of the industry
 - (c) Both of the given options
 - (d) None of the given options
43. The difference between company's present financial position and the financial objectives is known as:
- (a) Contribution gap
 - (b) Contribution margin
 - (c) Financial objectives' failure
 - (d) Low demand in market
44. A _____ has to answer the questions like what would be the short of market if our brand is not there.
- (a) Brand image
 - (b) Brand picture
 - (c) Brand manager
 - (d) Brand association
45. The combination of media used for advertising in a target market is
- (a) Media Mix
 - (b) Market-Media Match
 - (c) Media Advertising
 - (d) Media Option

46. Selection of most appropriate cost-effective medium in advertisement is
- (a) Media Buying
 - (b) Media Scheduling
 - (c) Media Purchasing
 - (d) Media Selection
47. Direct mail advertising sends messages through
- (a) Audio
 - (b) Video
 - (c) Mail
 - (d) None of these
48. Which of the following is more of personal medium of advertisement?
- (a) Internet Advertisement
 - (b) Broadcast Media
 - (c) Direct Mail Advertising
 - (d) Print Media
49. Independent organization of creative people for advertisement and promotional tools are called
- (a) Advertisement Makers
 - (b) Advertisement Creators
 - (c) Advertisement Developers
 - (d) Advertisement Agency
50. Which tool of the promotional mix consists of short-term incentives to encourage the purchase or sale of a product or service?
- (a) advertising
 - (b) public relations
 - (c) direct marketing
 - (d) sales promotion
51. If a company wants to build a good “corporate image,” it will probably use which of the following marketing communications mix tools?
- (a) advertising
 - (b) public relations
 - (c) direct marketing
 - (d) sales promotion

52. _____ is direct communications with carefully targeted individual consumers to obtain an immediate response.
- (a) Personal selling
 - (b) Public relations
 - (c) Direct marketing
 - (d) Sales promotion
53. Which of the following promotional forms is often described as being too impersonal and only a one-way communication form?
- (a) Advertising
 - (b) Personal selling
 - (c) Public relations
 - (d) Sales promotion
54. The promotion tool that may include coupons, contests, premiums, and other means of attracting consumer attention is best described as being which of the following?
- (a) Advertising
 - (b) Personal selling
 - (c) Public relations
 - (d) Sales promotion
55. A _____ is a promotion strategy that calls for using the sales force and trade promotion to move the product through channels.
- (a) push strategy
 - (b) pull strategy
 - (c) blocking strategy
 - (d) integrated strategy
56. Which of the following strategies is usually followed by B2C companies with respect to promotion strategy?
- (a) Push strategy
 - (b) Pull strategy
 - (c) Blocking strategy
 - (d) Integrated strategy
57. Which of the following strategies is usually followed by B2B companies with respect to promotion strategy?
- (a) Push strategy
 - (b) Pull strategy
 - (c) Blocking strategy

- (d) Integrated strategy
58. Marketing management must make four important decisions when developing an advertising program. All of the following would be among those decisions EXCEPT:
- (a) Setting advertising objectives.
 - (b) Conducting advertising culture audit
 - (c) Setting the advertising budget.
 - (d) Developing advertising strategy.
59. The first step in developing an advertising program should be to:
- (a) Set advertising objectives.
 - (b) Set the advertising budget.
 - (c) Evaluate advertising campaigns.
 - (d) Develop advertising strategy.
60. A specific communication task to be accomplished with a specific target audience during a specific period of time is called an:
- (a) Advertising campaign.
 - (b) Advertising objective.
 - (c) Advertising criterion.
 - (d) Advertising evaluation.
61. Which of the following WOULD NOT be one of the primary advertising objectives as classified by primary purpose?
- (a) to inform
 - (b) to persuade
 - (c) to remind
 - (d) to make
62. The product line can be described as:
- (a) All the products a company makes.
 - (b) All the products a company sells.
 - (c) The development of a single product over time.
 - (d) Brands that are closely related in terms of their function and benefits provided.
 - (e) The production facilities used to manufacture products.
63. Why might a company introduce a fighter brand?
- (a) To open up high quality retail outlets.
 - (b) To compete with low price substitutes while protecting existing brand reputations.
 - (c) To compete by cutting prices of existing brands.

- (d) To obtain publicity and raise awareness for a new product launch.
 - (e) To reduce stock levels by selling off old stock at reduced prices.
- 64 The strength of a brand's position in the market place is built on six elements: brand domain, brand heritage, brand assets, brand personality, brand reflection and which one of the following:
- (a) Brand ownership
 - (b) Brand packaging
 - (c) Brand price
 - (d) Brand values
 - (e) Brand advertising
- 65 Internal marketing can be described as:
- (a) Training and communicating with staff.
 - (b) Working with trade unions to solve problems.
 - (c) Encouraging staff to take up the study of marketing.
 - (d) Offering staff discounts on goods produced by the company.
 - (e) Opening factory shops to sell at a discount to staff.
- 66 Global branding can be achieved in three ways, 1. Geographic extension of existing brands, Brand alliance through joint ventures and:
- (a) Brand repositioning
 - (b) Brand promotion
 - (c) Market penetration
 - (d) Brand acquisition
 - (e) Brand values
- 67 Companies can gain a strong competitive advantage through having better-trained people. This is called _____.
- (a) product differentiation
 - (b) employee differentiation
 - (c) reputable personnel
 - (d) human resources parity
 - (e) personnel training
- 68 As part of the strategic brand management process, each company and offering must represent the _____ in the mind of the target market.
- (a) ad
 - (b) promotion
 - (c) cell

- (d) right kinds of things
 - (e) organizational concept
- 69 All marketing strategy is built on STP segmentation, targeting, and
- (a) positioning.
 - (b) performance.
 - (c) promotion.
 - (d) planning.
 - (e) product.
- 70 The result of positioning is the successful creation of _____, a cogent reason why the target market should buy the product.
- (a) a demand channel
 - (b) every-day-low-pricing
 - (c) an award winning promotional campaign
 - (d) a customer-focused value proposition
 - (e) strategic window of opportunity
- 71 Using the market approach, _____ are companies that satisfy the same customer need.
- (a) innovators
 - (b) entrepreneurs
 - (c) followers
 - (d) partners
 - (e) competitors

Ans. (1)(b), (2)(a), (3)(a), (4)(a), (5)(d), (6)(a), (7)(c), (8)(b), (9)(c), (10)(c), (11)(d), (12)(a), (13)(a), (14)(c), (15)(a), (16)(c), (17)(d), (18)(b), (19)(c), (20)(c), (21)(d), (22)(a), (23)(a), (24)(a), (25)(a), (26)(b), (27)(a), (28)(c), (29)(b), (30)(d), (31)(a), (32)(a), (33)(c), (34)(d), (35)(a), (36)(a), (37)(b), (38)(d), (39)(b), (40)(c), (41)(c), (42)(a), (43)(b), (44)(b), (45)(a), (46)(d), (47)(c), (48)(c), (49)(d), (50)(d), (51)(b), (52)(c), (53)(a), (54)(d), (55)(a), (56)(b), (57)(a), (58)(b), (59)(a), (60)(b), (61)(d), 62 (d), 63(b), 64(d), 65(a), 66(d), 67(b), 68(d), 69(a), 70(d), 71(e)

II Short Answer Type Question:

- 1 What are the disadvantages of Brand proliferation?
- 2 Which factors affect brand audit?
- 3 Explain the advantages of brand awareness.

- 4 What are the stages of brand development?
- 5 State the benefits of logos and symbols.
- 6 Enumerate the reasons for co-branding.
- 7 What is the role of brand equity measurement system?
- 8 Aided Vs unaided recall.
- 9 Holistic Vs residual methods of brand equity.
- 10 What is the difference between product and brand?
- 11 What is the difference between branded and unbranded products?
- 12 What are the criticisms against brand?
- 13 Explain the various types of branding.
- 14 What are the levels of Brand awareness?
- 15 State the relationship between brand image and associations.
- 16 Brand identity Vs brand positioning.
- 17 Why do companies pay a premium to acquire brands?
- 18 Explain brand essence through the laddering effect.
- 19 Explain the challenges faced by the brand during the growth stage.
- 20 Explain 3 C's of positioning.
- 21 What is brand pyramid?
- 22 Briefly explain the Aaker model of brand equity.
- 23 Define the term 'Brand Prism'.
- 24 What is CBBE Model?
- 25 Justify your answer to following questions in maximum 2 sentences: (1* 10)
 - a. "Observation with one eye and attention with half the mind is the maximum impact of an advertisement that an advertiser can expect from its target customers" .Do you agree?
 - b. "Distribution is the last dark continent of marketing" –do you agree?
 - c. "Milkmaid was re-positioned as the testiest milk made when there was scarcity of milk"- is such re-positioning appropriate?
 - d. "Marlboro cigarette's advertisement showing a cowboy is considered to be the advertisement of the 20th century and proves brand personality's influence on sales volume" do you agree?
 - e. "The no. of cows and dogs in a portfolio of a corporate house does not influence decision-making about investment and composition of SBU's"-correct?
 - f. "Toyota's USP is performance and conformance" is the statement correct?
 - g. "Nirma's success is based on correct positioning"-is it true?
 - h. "Brand is the most enduring asset of an organization"-is it correct?
 - i. "The space in the mental black box is available only on rent and it is not available for sale or even on 99 years lease"-do you agree?
 - j. "Co-branding includes strategic alliance"-is it untrue?

- 26 How does a mix of different communication tools have a better chance of achieving the objectives?
- 27 What kind of price can be charged by a company introducing a new brand under the source brand or endorsing brand strategy to gain the benefits of brand power?
- 28 Brands are born out of various strategies. Comment.
- 29 Why is selection of most appropriate cost-effective medium in advertisement so important?
- 30 A premium is always required to acquire a brand. Comment.

III Long Answer Type Question:

- 1 “Branding adds to the cost of an item”. Explain
- 2 In what ways can a competitor lower the brand image?
- 3 Discuss various methods to measure Brand Equity.
- 4 Explain the various issues in managing brand equity.
- 5 “Brand loyalty is an asset”. Discuss.
- 6 (a) Explain the stages of brand development
(b) Discuss the rationale behind corporate brand building exercise.
- 7 Elucidate the methods of brand valuation.
- 8 Give an elaborate framework regarding strategies for building successful service brands.
- 9 Describe how brands affect consumer behaviour.
- 10 Explain the various positioning slots for the target segments with suitable examples.
- 11 Discuss the brand asset valuator model and explain how it aids in understanding the brand equity growth process.
- 12 “Enumerate the strategic advantages of brand loyalty.
- 13 “Strategic Brand Management involves the design and implementation of marketing programs to build, measure and manage brand equity”. Explain the statement in light of the process.
- 14 Explain in detail the brand building blocks.
- 15 Describe the relationship between customer and brand equity.
- 16 Elucidate the marketing advantages of strong brands.
- 17 Briefly explain the criteria for choosing brand elements to build brand equity.
- 18 “Brand value creation begins with marketing activity by the firm”. Comment.
- 19 Explain the various trends supporting the growth of brands.
- 20 Describe the strategic functions of brands.
- 21 Enumerate the various stages of brand name development.
- 22 “Creating and enhancing brand awareness is primary goal of brand strategist”. Enumerate and explain the techniques for creating and enhancing brand awareness.
- 23 “Brand associations play an important role in creating brand value”. Elucidate and explain how association can build brand equity?

- 24 Discuss the bases for differential positioning with suitable examples.
- 25 Explain in detail the brand identity system.
- 26 What are the ways in which brand loyalty can be built?
- 27 Explain the following:
- (a) Brand Strategy
 - (b) Brand Elements
 - (c) Battle of Brands
- 28 What is a Brand? How brand Prism is used to explain the concept of Brand?
- 29 Discuss the strategic advantages of building strong corporate brands.
- 30 What is Brand Equity? How is it different from brand knowledge? Discuss various brand equity models that explain different perspectives of brand.
- 31 Explain David Aaker's model of Brand Equity. How does branding add value to firm and firm's customer's.
- 32 Explain the concept of brand personality. How is brand personality used to position the product in the mind of customers? Cite relevant examples from the industry to support your answer
- 33 Explain brand loyalty continuum. Describe strategies from non customers to customers.
- 34 What is meant by brand image? How brand image related to brand equity?
- 35 Companies differ in their approach to branding. Eastern companies seem to favour product branding while the companies in the east practice mega branding approach. Discuss the various strategies of branding giving relevant examples of each.
- 36 What is brand positioning? Critically evaluate the positioning strategies of cellular services in India.
- 37 What do you mean by 'brand equity' and also explain how do you measure brand equity?
- 38 Discuss the options available and their suitability, for a marketer in terms of marketing
- 39 Communication mix.
- 40 Bring out the economic, social and ethical aspects of advertising?
- 41 Write in detail about media scheduling.
- 42 Discuss in detail the pros and cons of measuring advertising effectiveness and highlight on the measurement difficulties.
- 43 Discuss the concept of international advertising and evaluate the scope of using a global Approach to advertising.
- 44 Bring out the importance of Branding from the perspectives of consumer and manufacturer.
- 45 "Every retailer will profit from having private labels", present your arguments with regard to the above statement
- 46 What stages are involved in Brand name development?
- 47 The relationship between customer and brand equity is very critical. Comment.
- 48 How is brand equity different from brand knowledge? How to build strong brand equity?
- 49 What are the ethical, social and economic aspects of advertising in today's business

environment?

50 How to develop a good communication mix for advertisement?

UNIT - IV

I Multiple Choice Questions:

- 1 Brand identity is followed by _____, which is a reflection of what marketers planned to send to the public.
 - (a) Brand value
 - (b) Brand image
 - (c) Advertising
 - (d) Brand personality

- 2 Right branding increases _____ of the product, which should be more than that of the generic product.
 - (a) Consumer revolt
 - (b) Market share
 - (c) Profit
 - (d) Value

- 3 _____ are incurred by brands because of failures and questionable business practices that may increase costs and liabilities.
 - (a) Brand assets
 - (b) Brand liabilities
 - (c) Brand equities
 - (d) Market failures

- 4 Introduction of more brands and extensions leads to ___ with no new benefits to consumers.
 - (a) Higher cost
 - (b) Greater revenue
 - (c) Brand proliferation
 - (d) Increased competition

- 5 While defining the industry during the analysis, brand managers must consider:
 - (a) The range of products and services offered by the industry
 - (b) A picture of the geographic scope of the industry
 - (c) Both of the given options
 - (d) None of the given options

- 6 The difference between company's present financial position and the financial objectives is known as:
- (a) Contribution gap
 - (b) Contribution margin
 - (c) Financial objectives' failure
 - (d) Low demand in market
- 7 A _____ has to answer the questions like what would be the short of market if our brand is not there.
- (a) Brand image
 - (b) Brand picture
 - (c) Brand manager
 - (d) Brand association
- 8 Brand assets include:
- (a) The name of the brand
 - (b) Reputation, relevance, and loyalty
 - (c) Less quality complaints
 - (d) All of the given options
- 9 A change in positioning may cause _____ in price.
- (a) An upward change
 - (b) A downward change
 - (c) Both of the given options
 - (d) None of the given options
- 10 _____ occurs by maintaining the brand contract while undergoing innovations and modifications to stay current.
- (a) Sustainability
 - (b) Fit
 - (c) Uniqueness
 - (d) Credibility
- 11 When we keep the same brand name of new offerings so that customers may develop an immediate familiarity, the resultant phenomenon is known as:
- (a) Leveraging
 - (b) Extension
 - (c) Diversification

- (d) Stretching
- 12 Introduction of another strength of a medicine by a pharmaceutical company is an example of:
- (a) Brand extension
 - (b) Line extension
 - (c) Brand diversification
 - (d) All of the given options
- 13 Brands are diversified because:
- (a) It is essential for brand survival
 - (b) Some brands have such a high awareness that those are perceived by customers to be in categories where they are not present.
 - (c) Cost-cutting is possible by advertising products with the same brand name
 - (d) All of the given options
- 14 The_____ relates to extra benefits that a brand offers to its customers.
- (a) Entire positioning
 - (b) Point of difference
 - (c) Definition of business
 - (d) Innovation
- 15 Benefits of having different brands include all of the following except:
- (a) Quickly respond to retailers' need
 - (b) Effectively compete in market
 - (c) Save the actual brand image
 - (d) Fill all the gaps in market
- 16 When the same brand name holds several products in different markets, it is known as the
- (a) Umbrella brand
 - (b) Source brand
 - (c) Multi-brand
 - (d) Range brand
- 17 Factors affecting the choice of distribution channel include:
- (a) Customer value
 - (b) Sales revenues
 - (c) Both of the given options
 - (d) None of the given options

- 18 _____ provides a good quality of service because of a direct interface with the customers, but it is expensive.
- (a) Direct sales
 - (b) Telemarketing
 - (c) E-marketing
 - (d) All of the given options
- 19 In a specific strategic market plan, a profit centre that is self-supporting in terms of sales, markets, production, and other resources is known as:
- (a) Profit unit.
 - (b) Strategic business unit
 - (c) Marketing unit
 - (d) Small business unit
- 20 Clarity about dimensions of brands means the clarity in:
- (a) The functions of brand
 - (b) The aspects of differentiation
 - (c) Both of the given options
 - (d) None of the given options
- 21 The drivers of change include all of the following except:
- (a) Downfall in industry
 - (b) Consumer behavior
 - (c) Market analysis
 - (d) An investment by a foreign firm in local market
- 22 Shan Foods is involved in selecting and analyzing a target market and developing a marketing mix to gain long-run competitive advantages. Based on this example, Shan Foods is creating a:
- (a) Corporate strategy
 - (b) Target design
 - (c) Mix strategy
 - (d) Marketing strategy
- 23 Which of the following is not a reason of “selling a service is difficult”?
- (a) Competitors can copy services very easily
 - (b) It is hard to summarize and communicate services
 - (c) Standardization among services is difficult
 - (d) Customer can never be satisfied with a service

- 24 Often, the direct consumers of a nonprofit organization are its:
- (a) Consumer public
 - (b) Member public
 - (c) Client public
 - (d) Nonbusiness public
- 25 A _____ organization is customer-centric, and all the decisions it makes are based on involvement of all in the organization.
- (a) Brand based
 - (b) Consumer based
 - (c) Marketing
 - (d) Competition based
- 26 Measuring your brand's performance means you are:
- (a) Managing your brand right
 - (b) Measuring your strategies
 - (c) Maintaining your brand position
 - (d) Maintaining your brand picture
- 27 Critical success factors for a firm include:
- (a) Changing lifestyles and attitudes
 - (b) Low-cost production efficiency
 - (c) Both of the given options
 - (d) None of the given options
- 28 PIA runs a series of television commercials that show its staff going out of their way to help customers. An important secondary audience for these ads is:
- (a) The civil aviation authority
 - (b) Competitors
 - (c) PIA employees
 - (d) All air travelers
- 29 Which one of the following form of asset the brand has _____?
- (a) Tangible assets
 - (b) Intangible assets
 - (c) Current assets
 - (d) Fixed assets
- 30 The functional risk of brand is related to _____.
- (a) Price

- (b) Performance
 - (c) Social image
 - (d) Our self concept
- 31 With the effort of team of professionals in a company, produce end product which is related to the_____.
- (a) Brand creation
 - (b) Idea creation
 - (c) Brand management
 - (d) Marketing management
- 32 A differentiated product may be unique in the marketplace, but it will only be successful under which of the following circumstances?
- (a) If it satisfies customers' needs
 - (b) If the price differential is minimal
 - (c) If the brand can be classed as aspirational
 - (d) Differentiated products will always be successful
- 33 Choosing a suitable international brand name is an important, but often difficult, part of the process that creates a strong and distinctive brand. Which of the following statements about choosing a name for a new soft drink is UNTRUE?
- (a) The name should be memorable and easy to pronounce
 - (b) The name must be checked by experts to ensure it doesn't infringe on another company's brand name
 - (c) The name should have positive associations with the benefits and features of the product
 - (d) The brand name must be modern and contemporary
- 34 Which of the following is the indicator of brand strength?
- (a) Brand reputation
 - (b) Patents and rights
 - (c) Perceived brand values
 - (d) Growth rate
- 35 There are lot of customers have the knowledge of brand. They are inclined to be bound into a contract. A customer bound by a contract is known as_____.
- (a) Loyal customer
 - (b) Difficult customer
 - (c) Potential customer
 - (d) Finicky customer

- 36 Which one of the following is the best example of implicit promise?
- (a) Personal computer
 - (b) Furniture
 - (c) Green tea
 - (d) Crockery
- 37 “Developing budgets and steering resources into strategy are critical areas of success,” Correlates which of the following strategy.
- (a) Crafting strategy
 - (b) Implementing strategy
 - (c) Evaluating strategy
 - (d) Performing strategy
- 38 The process of establishing and maintaining a distinctive place in the market for an organization or its specific product offers is known as _____.
- (a) Profiling
 - (b) Profiling Segmentation
 - (c) Segmentation
 - (d) Positioning
- 39 _____ shows how consistent customers are in buying your brand, how long they have been buying and how long they may buy?
- (a) Customer loyalty
 - (b) Brand loyalty
 - (c) Product loyalty
 - (d) Company loyalty
- 40 The brand stature construct is equivalent to:
- (a) Esteem multiplied by knowledge
 - (b) Differentiation multiplied by knowledge
 - (c) Knowledge multiplied by relevance
 - (d) Esteem multiplied by differentiation
- 41 In brand mantra, the process of defining the category and setting the brand boundaries is classified in dimension of
- (a) communication
 - (b) inspiration
 - (c) simplifying
 - (d) straddling

- 42 The brands attributes associations that are not unique but are similar to some other brands are classified as
- (a) points of disparity
 - (b) points of parity
 - (c) points of difference
 - (d) similar attributes
- 43 The group of firms offering a class of products and can be substitutes for one another is classified as
- (a) industry
 - (b) corporation
 - (c) organization
 - (d) subsidiary
- 44 The branding based on deep metaphors that are connected to associations, memories and stories are classified as
- (a) narrative branding
 - (b) explained branding
 - (c) potential branding
 - (d) weak branding
- 45 The benefits that customers view as essential to credible market offering are classified as
- (a) competitive points of parity
 - (b) category points of parity
 - (c) desirable points of parity
 - (d) comparative points of difference
- 46 The reliability, innovativeness and resilience are levels of
- (a) leverage differentiation
 - (b) comparative differentiation
 - (c) services differentiation
 - (d) faster differentiation
- 47 The communication, inspiration and simplification are criteria for designing
- (a) legitimate mantra
 - (b) straddle mantra
 - (c) visual mantra
 - (d) branding mantra

- 48 The differentiability, deliverability and desirability are considered as
- (a) points of references
 - (b) points of positioning
 - (c) points of association
 - (d) points of differences
- 49 The type of competitive advantage which is used as springboard to create new advantages is classified as
- (a) leverage able advantage
 - (b) non leverage advantage
 - (c) announced advantage
 - (d) inspiring advantage
- 50 The share of market, mind and customer heart are three variables to analyze
- (a) potential threats
 - (b) potential strengths
 - (c) potential opportunities
 - (d) potential weaknesses
- 51 Determining the promotion budget on the basis of financial availability of capital is characteristic of which of the following budget methods?
- (a) Affordable method
 - (b) percentage-of-sales method
 - (c) competitive-parity method
 - (d) objective-end-task method
- 52 Setting the promotion budget so as to match the budgets of the competitors is characteristic of which of the following budget methods?
- (a) Affordable method
 - (b) Percentage-of-Sales method
 - (c) competitive-parity method
 - (d) Objective-end-task method
- 53 _____are vehicles or channels through which the advertising messages are transmitted to target consumers so that the desired action may be induced at the consumer level
- (a) Advertisement media
 - (b) advertisement copy
 - (c) advertising layout
 - (d) teaser advertisements

- 54 _____ is a plan of presenting the message in a more specific and compact form within the advertising space available to the target consumers
- (a) advertisement media
 - (b) advertisement copy
 - (c) advertising layout
 - (d) teaser advertisements
- 55 All of the following methods are used for evaluating advertising effectiveness EXCEPT:
- (a) Pre- test
 - (b) Post- test
 - (c) Concurrent test
 - (d) Marginal test
- 56 All of the following methods are considered to be concurrent testing methods EXCEPT:
- (a) consumer diaries
 - (b) co-incidental surveys
 - (c) readability studies
 - (d) electronic devices
- 57 The central theme of an advertisement that motivates the consumer to make a purchase decision is?
- (a) Advertising appeal
 - (b) Advertisement script
 - (c) Slogan
 - (d) Headline
- 58 The aggregate of all the factors which arouse the needs of customers and guide them in final selection is called?
- (a) Advertising appeal
 - (b) Advertising media
 - (c) Advertisement
 - (d) Buying motive
- 59 Which among the following is not an essential of advertising appeal?
- (a) It must be conceptually sound
 - (b) It must be interesting
 - (c) It must be economical
 - (d) It must be complete

- 60 The type of appeal which is related to a person's psychological and social needs for purchasing products and services?
- (a) Rational appeal
 - (b) Emotional appeal
 - (c) Moral appeal
 - (d) Humour appeal
- 61 Aishwarya Rai Bachan endorsing L'Oreal is an example of?
- (a) Rational appeal
 - (b) Beauty appeal
 - (c) Sex appeal
 - (d) Emotional appeal
- 62 The content and context of a message contained in an advertisement is called?
- (a) Ad copy
 - (b) Script
 - (c) Body
 - (d) Advertising appeal
- 63 In brand mantra, process of defining category and setting brand boundaries is classified in dimension of
- (a) communication
 - (b) inspiration
 - (c) simplifying
 - (d) straddling
- 64 A company can create differentiation for its product with help of
- (a) channel differentiation
 - (b) image differentiation
 - (c) employee differentiation
 - (d) all of above
- 65 A company's ability to perform in more than one ways but competitor
- (a) comparative advantage
 - (b) competitive advantage
 - (c) announcing advantage
 - (d) relying advantage
- 66 Brand association which can be made with personal relevance is classified as
- (a) differentiability
 - (b) feasibility

- (c) desirability
 - (d) deliverability
- 67 Brands attributes associations that are not unique but similar to some other brands are classified as
- (a) points of disparity
 - (b) points of parity
 - (c) points of difference
 - (d) similar attributes
- 68 The aggregate of all the factors which arouse the needs of customers and guide them in final selection is called?
- (a) Advertising appeal
 - (b) Advertising media
 - (c) Advertisement
 - (d) Buying motive
- 69 Which among the following is not an essential of advertising appeal?
- (a) It must be conceptually sound
 - (b) It must be interesting
 - (c) It must be economical
 - (d) It must be complete
- 70 The type of appeal which is related to a person's psychological and social needs for purchasing products and services?
- (a) Rational appeal
 - (b) Emotional appeal
 - (c) Moral appeal
 - (d) Humour appeal

Ans. (1)(c), (2)(c), (3)(c), (4)(d), (5)(a), (6)(b), (7)(b), (8)(c), (9)(a), (10)(c), (11)(b), (12)(d), (13)(b), (14)(a), (15)(b), (16)(d), (17)(d), (18)(a), (19)(c), (20)(d), (21)(c), (22)(c), (23)(d), (24)(d), (25)(c), (26)(b), (27)(d), (28)(a), (29)(a), (30)(c), (31)(a), (32)(b), (33)(e), (34)(c), (35)(a), (36)(c), (37)(a), (38)(d), (39)(b), (40)(a) (41) (a), (42) (b), (43) (a), (44)(a), (45)(b), (46) (c), (47) (d), (48) (d), (49) (a), (50)(a), (51)(d), (52)(c), (53)(a), (54)(c), (55)(a), (56)(c), (57)(d), (58)(c), (59)(a), (60)(d), (61)(c), 62(a), 63(a), 64(d), 65(b), 66(c), 67(d), 68(d), 69(c), 70(b)

II Short Answer Type Questions:

- 1 Explain the guidelines for celebrity choice.
- 2 Differentiate between Line and category extension.
- 3 Enlist the role of online advertising.
- 4 Differentiate between Traditional and Electronic Media.
- 5 Explain the necessity for Repositioning.
- 6 “Brand positioning is a comparatively newer concept in branding”. Why do we need to position brands?
- 7 Explain the concept of internal branding.
- 8 Differentiate between a brand and marketing audit.
- 9 What factors result in repositioning of a brand?
- 10 Differentiate between a line and category extension.
- 11 Do brand extensions always add value to parent brand? Explain with suitable examples.
- 12 Differentiate between a producer and retailer brand.
- 13 Write notes on following:
 - (a) Brand Personality and Types;
 - (b) Brand Extensions can do more good than bad. Comment.
 - (c) Role of e-communities in brand management.
- 14 Explain the concept of celebrity endorsement. Do you think it is relevant strategy to lure the relevant examples?
- 15 Explain the concept of brand extension. Differentiate between line and brand extension.
- 16 What is brand revitalization?
- 17 Briefly explain some branding strategies.
- 18 In what circumstances brand repositioning is required?
- 19 Explain the term brand endorsement.
- 20 Explain the scope of online marketing in India.
- 21 How do successful brands in developed countries attain success through brand positioning?
- 22 Over-branding the products reduces the brand equity. Comment.
- 23 Celebrities may distract attention from the brand in ads. Comment.
- 24 Do mass marketing principles work on internet too?
- 25 Why are average-quality brands are seen as more credible, expert and trust-worthy?

III Long Answer Type Questions:

- 1 “Identification and selection of a positioning strategy can be difficult and complex”. Explain this statement and throw light on the process of positioning strategy.
- 2 Explain in detail the various common ways used to position brands.

- 3 “To increase the longevity of the brand, they should be revitalized”. Do you agree with this statement? Give the ways in which brands can be revitalized.
- 4 List the potential problems of celebrity endorsement. Give some examples.
- 5 “Brand extensions can do more good than bad”. Comment.
- 6 List the strategies for establishing brand extension.
- 7 Enumerate the advantages and disadvantages of brand extensions.
- 8 Elucidate the levels of brand pyramid and its significance to marketers.
- 9 Explain the role of electronic media in building brands.
- 10 Describe how branding differs across sectors.
- 11 Discuss the bases for differential positioning with suitable examples.
- 12 How do consumers make decisions whether to buy or not to buy the product and how do they arrive at their final brand decisions? Does it affect positioning and how?
- 13 “Brand extensions can come in all forms”. Explain the various strategies for establishing a brand extension.
- 14 Explain the advantages and disadvantages associated with brand extensions.
- 15 Describe how the brand extension opportunities can be evaluated.
- 16 “Positioning is the pursuit of differential advantage”. Comment and explain the various differentiating strategies.
- 17 Elucidate the challenges experienced by marketers in service branding.
- 18 Enumerate the factors heralding the growth of retail brands.
- 19 Describe some of the strategic for building strong trade brands.
- 20 India is a land of rich cultural diversity, which gives birth to positioning and incorporation of many promotional strategies for plethora of product categories. Do you agree with the above given statement? If yes, explain by selecting one state of India which has been used as a positioning and promotional platform clearly mentioning brands, product categories and advertisement to support your answer.
- 21 Some of the companies in India have undertaken a process of corporate rebranding like airtel. Why would a company invest millions of rupees in creating a symbol or sign which is ambiguous and mean little to an average mind? Explain using the identity perspective.
- 22 What is brand positioning? Critically evaluate the positioning strategies of cellular services companies in India.
- 23 What do you mean by ‘brand equity’ and also explain how do you measure brand equity?
- 24 Some of the companies in India have undertaken a process of corporate rebranding like Airtel. Why would a company invest millions of rupees in creating a symbol or sign which is ambiguous and mean little to an average mind? Explain using the identity perspective.
- 25 Answer any three out of the following:
- (a) Brand Pyramid
 - (b) 3C’s of positioning
 - (c) Aaker model of brand equity
 - (d) DAGMAR

(e) Branding Strategies

26. You are the sales executive of a company, how would you be handling the objections of your customers while personally selling the product? Explain. (Make assumptions if required)
27. Explain the “Objective and Task” method of preparing advertising budget. What are its merits and demerits?
28. What are the various components of advertising-copy? Explain structure/lay-out of the ad-copy.
29. What do you mean by DAGMAR? Explain the characteristics of advertising objectives given in the DAGMAR approach and also explain the criticism of DAGMAR.
30. What do you mean by pre testing and post testing methods of measuring ad effectiveness? Why does Advertising manager evaluate the effectiveness of advertising?
31. what are the various sales promotion techniques? Discuss them in short.
32. In what conditions should following techniques be used?
 - Sampling
 - Exchange offer
 - Frequency program
 - Trade fair and exhibitions ‘Section
33. How important is the role of electronic media in building brands?
34. Discuss the advantages and disadvantages of brand extensions as compared to other options.
35. Online marketing has huge scope in today’s Indian business environment. Discuss.
36. Examine the strategies for building brand extension.
37. Discuss how branding is different in various sectors of the industry.

QUESTION BANK

MERGERS, ACQUISITIONS AND CORPORATE RESTRUCTURING

MS 222

QUESTION BANK

MERGERS, ACQUISITIONS AND CORPORATE RESTRUCTURING - MS 222

MBA IV

UNIT - I

I Test Your Skills:

(a) State Whether the Following Statements are True or False:

- 1 Takeover is an acquisition of shares carrying voting rights in a company with a view to gaining control over the management of the company.
- 2 Main objective of takeover code is to ensure proper management not to ensure equality of treatment and opportunity to all shareholders.
- 3 As per regulation 27, no public offer, once made, shall be withdrawn except when the statutory approvals required have been refused and the sole acquirer being a natural person has died.
- 4 Proxies are not allowed to speak.
- 5 'Transferee company' does not include any company other than a company within the meaning of this Act, but 'Transferor company' includes any body corporates, whether a company within the meaning of this Act or not.
- 6 The triangular merger is that, when disappearing company is merged in to surviving company.
- 7 De-facto merger: when one corporation absorbed by another but without compliance of statutory requirements of mergers.
- 8 When two companies involved in same activities merge, then it becomes conglomerate merger.
- 9 Vertical merger takes place when both the companies have buyer and seller relationship.
- 10 Corporate restructuring includes expansion as well as the contraction in the structure of the company.
- 11 The easiest task for the managers is the integration of the two firms.
- 12 A conglomerate merger is one in which a buyer buys a closely related firm.
- 13 A vertical merger is one in which the buyer expands forward in the direction of the ultimate consumer or backward toward the source of raw material.
- 14 Two companies should consider a merger if they have complementary resources.
- 15 Diversification is a very sensible reason for two companies to merge.
- 16 Gain from mergers is defined as: $\text{Gain} = \text{PVAB} - (\text{PVA} + \text{PVB})$.
- 17 If Firm A acquires Firm B for cash, then the cost of the merger is equal to the cash payment minus B's value as a separate entity.

- 18 In the purchase method of merger accounting a new asset category called goodwill is created.
- 19 It appears that target companies capture most of the gains in hostile takeovers.
- 20 A forward triangular merger (also called a forward subsidiary merger) is an acquisition structure where one company acquires another company using a subsidiary of the acquiring company.

Ans. (1)(T), (2)(F), (3)(T), (4)(F), (5)(T), (6)(F), (7)(T), (8)(F), (9)(T), (10)(T), (11)(F), (12)(F), (13)(T), (14)(T), (15)(F), (16)(T), (17)(T), (18)(T), (19)(T), (20)(T)

(c) Multiple Choice Questions:

- 1 Which authority has any power to approve or disapprove an amalgamation or a demerger?
- SEBI
 - High court
 - NSE
 - None of the above
- 2 Company, part of whose assets and liabilities are transferred in parts to two or more companies is known as
- Resulting company
 - Demerged Company
 - Reverse merged company
 - Amalgamated Company
- 3 Company who receives the assets and liabilities are transferred in parts to two or more companies is known as
- Demerged Company
 - Resulting company
 - Reverse merged company
 - Amalgamated company
- 4 At the shareholders and creditors meeting, the resolution approving amalgamation or demerger has to be passed by
- Simple majority in terms of number and 3/4th majority in terms of value of members/creditors present and voting in person or by proxy
 - Simple majority in terms of number and 1/4th majority in terms of value of members/creditors present and voting in person or by proxy

- (c) $3/4^{\text{th}}$ in terms of number and $3/4^{\text{th}}$ majority in terms of value of members/creditors present and voting in person or by proxy
 - (d) Simple majority in terms of number and $1/2$ majority in terms of value of members/creditors present and voting in person or by proxy
- 5 Every company is required to file the order of amalgamation passed by the High Court within how many days?
- (a) 15 days
 - (b) 7 days
 - (c) 30 days
 - (d) 45 days
- 6 The date from which the assets and liabilities shall retrospectively be transferred from the books of the transferor company to the books of transferee company is known as
- (a) Effective date
 - (b) Appointed date
 - (c) Active date
 - (d) None of the above
- 7 Sec. 100 to 105 deals with the law
- (a) Governing open offer
 - (b) Tender offer
 - (c) Reduction of capital
 - (d) Buy-back
- 8 Sec. 94(1)(e) with Sec. 94(2) empowers a company to
- (a) Cancel its shares
 - (b) Cancel its issued but unsubscribed capital
 - (c) Buyback its shares upto 15%
 - (d) Buyback its shares upto 10%
- 9 Reduction of capital under sec. 100 to 104 is
- (a) Paidup amount of shares
 - (b) Face value
 - (c) Market value
 - (d) None of the above
- 10 Buyback of shares is done at price close to
- (a) Market price

- (b) Offer price
 - (c) Paid-up price
 - (d) None of the above
11. When a company has resorted to buyback of its shares it cannot make a further issue of the same kind of securities within a period of_____.
- (a) 3 months
 - (b) 6 months
 - (c) 12 months
 - (d) 8 months
12. The complete absorption of one company by another, wherein the acquiring firm retains its identity and the acquired firm ceases to exist as a separate entity, is called a:
- (a) merger.
 - (b) consolidation.
 - (c) tender offer.
 - (d) spinoff.
 - (e) edivestiture.
13. A merger in which an entirely new firm is created and both the acquired and acquiring firms cease to exist is called a:
- (a) divestiture.
 - (b) consolidation.
 - (c) tender offer.
 - (d) spinoff.
 - (e) conglomeration.
14. A public offer by one firm to directly buy the shares of another firm is called a:
- (a) merger.
 - (b) consolidation.
 - (c) tender offer.
 - (d) spinoff.
 - (e) divestiture.
15. An attempt to gain control of a firm by soliciting a sufficient number of stockholder votes to replace existing management is called a:
- (a) tender offer.
 - (b) proxy contest.

- (c) going-private transaction.
 - (d) leveraged buyout.
 - (e) consolidation.
16. A business deal in which all publicly owned stock in a firm is replaced with complete equity ownership by a private group is called a:
- (a) tender offer.
 - (b) proxy contest.
 - (c) going-private transaction.
 - (d) leveraged buyout.
 - (e) consolidation.
17. Going-private transactions in which a large percentage of the money used to buy the outstanding stock is borrowed is called a:
- (a) tender offer.
 - (b) proxy contest.
 - (c) merger.
 - (d) leveraged buyout.
 - (e) consolidation.
18. An agreement between firms to cooperate in pursuit of a joint goal is called a:
- (a) consolidation.
 - (b) merged alliance.
 - (c) joint venture.
 - (d) takeover project.
 - (e) strategic alliance.
19. An agreement between firms to create a separate, co-owned entity established to pursue a joint goal is called a:
- (a) consolidation.
 - (b) strategic alliance.
 - (c) joint venture.
 - (d) merged alliance.
 - (e) takeover project.
20. The positive incremental net gain associated with the combination of two firms through a merger or acquisition is called:
- (a) the agency conflict.

- (b) goodwill.
 - (c) the merger cost.
 - (d) the consolidation effect.
 - (e) synergy.
21. The payments made by a firm to repurchase shares of its outstanding stock from an individual investor in an attempt to eliminate a potential unfriendly takeover attempt are referred to as:
- (a) a golden parachute.
 - (b) standstill payments.
 - (c) greenmail.
 - (d) a poison pill.
 - (e) a white knight.
22. A financial device designed to make unfriendly takeover attempts unappealing, if not impossible, is called:
- (a) a golden parachute.
 - (b) a standstill agreement.
 - (c) greenmail.
 - (d) a poison pill.
 - (e) a white knight.
23. Corporate charter provisions allowing existing stockholders to purchase stock at some fixed price in the event of a hostile outside takeover attempt are called:
- (a) pac-man defenses.
 - (b) shark repellent plans.
 - (c) golden parachute provisions.
 - (d) greenmail provisions.
 - (e) share rights plans.
24. The sale of a portion of a firm's assets, operations, or divisions to a third party is referred to as a:
- (a) liquidation.
 - (b) divestiture.
 - (c) merger.
 - (d) allocation.
 - (e) restructuring.

25. The sale of stock in a wholly owned subsidiary via an initial public offering is referred to as a(n):
- (a) split-up.
 - (b) equity carve-out.
 - (c) countertender offer.
 - (d) white knight transaction.
 - (e) lockup transaction.
26. The distribution of shares in a subsidiary to existing parent company stockholders is called a(n):
- (a) lockup transaction.
 - (b) bear hug.
 - (c) equity carve-out.
 - (d) spin-off.
 - (e) split-up.
27. The division of a firm into two or more separate companies is called a(n):
- lockup transaction.
- (a) divestiture.
 - (b) equity carve-out.
 - (c) spin-off.
 - (d) split-up.
28. Which one of the following statements correctly applies to a legally defined merger?
- (a) The acquiring firm retains its identity and absorbs only the assets of the acquired firm.
 - (b) The acquired firm is completely absorbed and ceases to exist as a separate legal entity.
 - (c) A new firm is created which includes all the assets and liabilities of the acquiring firm plus the assets only of the acquired firm.
 - (d) A new firm is created from the assets and liabilities of both the acquiring and acquired firms.
 - (e) A merger reclassifies the acquired firm into a new entity which becomes a subsidiary of the acquiring firm.
29. With a merger, the individual assets of:
- (a) the acquired firm must be retitled to the name of the acquiring firm.
 - (b) the acquiring firm must be retitled to the name of the acquired firm.
 - (c) both the acquiring and the acquired firm must be retitled to the new firm's name.

- (d) both the acquiring and the acquired firm's assets must be retitled to the firm's joint name.
 - (e) neither firm have to be retitled.
30. In a merger the:
- (a) legal status of both the acquiring firm and the target firm is terminated.
 - (b) acquiring firm retains its name and legal status.
 - (c) acquiring firm acquires the assets but not the liabilities of the target firm.
 - (d) stockholders of the target firm have little, if any, say as to whether or not the merger occurs.
 - (e) target firm continues to exist as a subsidiary of the acquiring firm.
31. Which one of the following is a key disadvantage of a merger?
- (a) As a general rule, 50.01 percent of the shareholders of both the acquiring and the acquired firms must approve of the merger.
 - (b) As a general rule, at least two-thirds of the shareholders of both the acquiring and the acquired firms must approve of the merger.
 - (c) The shareholders of only the acquired firm must approve the merger.
 - (d) The shareholders of only the acquiring firm must approve the merger.
 - (e) Neither the shareholders of the acquiring nor the acquired firm have to approve of the merger.
32. An acquisition of a firm through the purchase of shares of the outstanding stock:
- I. is frequently more expensive than if the two firms had just merged.
 - II. can be accomplished without the involvement of the target firm's board of directors.
 - III. can be accomplished without having the shareholders vote on the acquisition.
 - IV. may be dependent upon the maximum amount of shares made available for sale to the acquiring firm.
- (a) I and III only
 - (b) II and IV only
 - (c) I, III, and IV only
 - (d) I, II, and III only
 - (e) I, II, III, and IV
33. Ridge Vents is acquiring all of the assets of Roofs, Inc. As a result, Roofs, Inc.:
- (a) will become a fully owned subsidiary of Ridge Vents.
 - (b) will remain as a shell corporation unless the shareholders opt to dissolve it.
 - (c) will be fully merged into Ridge Vents and will no longer exist as a separate entity.
 - (d) and Ridge Vents will both cease to exist and a new firm will be formed.

- (e) will automatically be dissolved.
34. If a roof installer acquired a shingle manufacturer they would be doing a _____
- (a) acquisition.
 - (b) horizontal
 - (c) longitudinal
 - (d) conglomerate
 - (e) vertical
 - (f) complementary resources
35. If General Electric were to acquire New Start Airways, the acquisition would be classified as a _____ acquisition.
- (a) horizontal
 - (b) longitudinal
 - (c) conglomerate
 - (d) vertical
 - (e) integrated
36. If Children's Wear were to acquire Kid's Clothing, the acquisition would be classified as a _____ acquisition.
- (a) horizontal
 - (b) longitudinal
 - (c) conglomerate
 - (d) vertical
 - (e) integrated
37. Takeovers can take which of the following forms?
- I. tender offer
 - II. merger
 - III. proxy contest
 - IV. going private transaction
- (a) I and II only
 - (b) III and IV only
 - (c) II, III, and IV only
 - (d) I, II, and III only
 - (e) I, II, III, and IV

38. Assume both firm A and firm B formally agree to each put up \$10 million to form firm C. The operations of firm C are restricted to conducting research and development activities for the benefit of both firm A and firm B. Firm C is classified as a:
- (a) joint venture.
 - (b) going-private transaction.
 - (c) conglomerate.
 - (d) subsidiary.
 - (e) leveraged buyout.
39. A small group of investors banded together and borrowed the funds necessary to acquire all of the shares of stock of a publicly-traded firm. This transaction is known as a:
- (a) proxy contest.
 - (b) management buyout.
 - (c) vertical acquisition.
 - (d) leveraged buyout.
 - (e) unfriendly takeover.
40. In a tax-free acquisition, the shareholders of the target firm:
- (a) receive income which is considered to be tax-exempt.
 - (b) gift their shares to a tax-exempt organization and therefore have no taxable gain.
 - (c) are viewed as having exchanged their shares.
 - (d) sell their shares to a qualifying entity thereby avoiding both income and capital gains taxes.
 - (e) sell their shares at cost thereby avoiding the capital gains tax.
41. Which of the following types of FDI includes creation of new assets and production facilities in the host country?
- (a) greenfield investment
 - (b) merger and acquisition
 - (c) brownfield investment
 - (d) strategic alliances
42. Which of the following Indian Conglomerates acquired the cosmetics company Yardley?
- (a) Wipro
 - (b) ITC
 - (c) Emami
 - (d) Dabur

43. Which of the following Japanese Steel corporations has entered into a strategic alliance With SAIL?
- (a) Sumitomo Corp
 - (b) Kobe
 - (c) JFE
 - (d) Nippon Steel
44. Which of the following forms of FDI is a co-operative agreement between firms?
- (a) acquisition
 - (b) strategic alliance
 - (c) merger
 - (d) joint venture
45. Novelis was acquired by which Indian group?
- (a) Reliance
 - (b) Tata
 - (c) ITC
 - (d) Birla (Hindalco)
46. Which of the following companies acquired a 25 percent stake in Sudan's Greater Nile Oil Project?
- (a) Reliance Industries
 - (b) Essar Group
 - (c) ONGC Videsh
 - (d) Tata Group
47. The first Indian joint venture abroad was in —
- (a) Nigeria
 - (b) Taiwan
 - (c) Sri Lanka
 - (d) Pakistan
48. A merger in which an entirely new firm is created and both the acquired and acquiring firms cease to exist is called a:
- (a) divestiture
 - (b) consolidation
 - (c) tender offer

- (d) spinoff
 - (e) conglomeration
49. A public offer by one firm to directly buy the shares of another firm is called a:
- (a) merger
 - (b) consolidation
 - (c) tender offer
 - (d) spinoff
 - (e) divestiture
50. The complete absorption of one company by another, wherein the acquiring firm retains its identity and the acquired firm ceases to exist as a separate entity, is called a:
- (a) merger
 - (b) consolidation
 - (c) tender offer
 - (d) spinoff
 - (e) divestiture
51. Market for corporate control includes the following:
- (I) Mergers
 - (II) Spin-offs and divestitures
 - (III) Leveraged buyouts (LBOs)
 - (IV) Privatizations
- (a) I only
 - (b) I and II only
 - (c) I, II, and III only
 - (d) I, II, III, and IV
52. The merger of J.P. Morgan and Bank One is an example of:
- (I) Cross-border merger
 - (II) Horizontal merger
 - (III) Conglomerate merger
 - (IV) Vertical merger
- (a) I only
 - (b) II only
 - (c) III only
 - (d) I and III only
53. Pfizer's acquisition of Pharmacia is an example of:
- (I) Horizontal merger

- (II) Vertical merger
 - (III) Conglomerate merger
 - (a) I only
 - (b) II only
 - (c) III only
 - (d) None of the given ones
54. Daimler-Benz's acquisition of Chrysler is an example of:
- (I) Horizontal merger
 - (II) Conglomerate merger
 - (III) Cross-border merger
 - (IV) Vertical merger
 - (a) I only
 - (b) II only
 - (c) I and III only
 - (d) IV only
55. The following reasons are good motives for mergers except:
- (I) Economies of scale
 - (II) Complementary resources
 - (III) Diversification
 - (IV) Eliminating Inefficiencies
 - (a) I only
 - (b) II only
 - (c) III only
 - (d) I, II, and IV only
56. The following are good reasons for mergers:
- (I) Surplus funds
 - (II) Eliminating inefficiencies
 - (III) Complementary resources
 - (IV) Increasing earnings per share (EPS)
 - (a) I only
 - (b) I and II only
 - (c) I, II, and III only
 - (d) IV only
57. The following are good reasons for mergers:
- (I) Economies of scale
 - (II) Economics of vertical integration
 - (III) Complementary resources

- (IV) Surplus funds
 - (V) Eliminating inefficiencies
 - (VI) Industry consolidation
 - (a) I only
 - (b) I, II, and III only
 - (c) I, III, IV, and V only
 - (d) I, II, III, IV, V, and VI
58. The following are dubious reasons for mergers:
- (I) to diversify
 - (II) increasing the earnings per share (EPS)
 - (III) lower financing costs
 - (IV) industry consolidation
 - (a) I only
 - (b) II and IV only
 - (c) III and IV only
 - (d) I, II, and III only
59. Firm A is planning to acquire Firm B. If Firm A prefers to make a cash offer for the merger it indicates that:
- (a) Firm A's managers are optimistic about the post merger value of A
 - (b) Firm A's managers are pessimistic about the post merger value of A
 - (c) Firm A's managers are neutral about the post merger value of A
 - (d) None of the above
60. A dissident group solicits votes in an attempt to replace existing management. This is called a:
- (a) Proxy fight
 - (b) Shareholder derivative action
 - (c) Tender offer
 - (d) Management freeze-out
61. Which of the following is typically the most important economy or synergy which is sought from Mergers and Acquisitions M&A activity?
- (a) Economies of scope from applying existing resources to new uses, at little additional cost.
 - (b) Revenue and marketing synergies from new, enhanced, or more efficient distribution.
 - (c) Economies of scale effects from organizational learning.

- (d) Economies of scale from doing away with duplication of function between the two firms.
62. Which of the following would be a legitimate stated reason for an acquisition?
- (a) The acquisition of critical mass.
 - (b) Hubris.
 - (c) Empire building.
 - (d) The acquisition of monopoly.
63. When British Airways merged with Iberia, the Spanish airline, what kind of merger was this?
- (a) Vertical.
 - (b) Horizontal.
 - (c) Joint venture.
 - (d) Conglomerate.
64. Which of the following would not be acquired from a target company in the event of a takeover?
- (a) Target company equity.
 - (b) Target company asset.
 - (c) Target company liabilities.
 - (d) Target company share price premium.
65. What is a leveraged buyout?
- (a) It is a type of joint venture.
 - (b) It is an acquisition in which a large acquirer has leverage through bargaining power over a small target.
 - (c) It is an acquisition which is funded from a relatively large amount of debt.
 - (d) It is an acquisition which is funded from a relatively low amount of debt.
66. The restructuring of a corporation should be undertaken if
- (a) the restructuring can prevent an unwanted takeover.
 - (b) the restructuring is expected to create value for shareholders.
 - (c) the restructuring is expected to increase the firm's revenue.
 - (d) the interests of bondholders are not negatively affected.
67. The "information effect" refers to the notion that
- (a) a corporation's actions may convey information about its future prospects
 - (b) management is reluctant to provide financial information that is not required by law.

- (c) agents incur costs in trying to obtain information.
 - (d) the financial manager should attempt to manage sensitive information about the firm.
68. In the long run, a successful acquisition is one that:
- (a) enables the acquirer to make an all-equity purchase, thereby avoiding additional financial leverage.
 - (b) enables the acquirer to diversify its asset base.
 - (c) increases the market price of the acquirer's stock over what it would have been without the acquisition.
 - (d) increases financial leverage.
69. Bidding companies often pay too much for the acquired firm. The hubris hypothesis explains this by suggesting that the bidders
- (a) have too little information to make an optimal decision.
 - (b) have big egos and this impedes rational decision-making.
 - (c) have difficulty in thinking strategically over the long-term.
 - (d) are overly influenced by the tax consequences of an acquisition.
70. A tender offer is
- (a) a goodwill gesture by a "white knight."
 - (b) a would-be acquirer's friendly takeover attempt.
 - (c) a would-be acquirer's offer to buy stock directly from shareholders.
 - (d) viewed as sexual harassment when it occurs in the workplace.

Ans: (1)(b), (2)(b), (3)(b), (4)(a), (5) (c), (6)(b). (7) (c), (8)(b), (9) (a), (10) (a), (11) (b), (12)(a), (13)(b), (14)(c), (15)(b), (16)(c), (17)(d), (18)(e), (19)(c), (20)(e), (21)(c), (22)(d), (23)(e), (24)(b), (25)(b), (26)(d), (27)(e), (28)(b), (29)(e), (30)(b), (31)(b), (32)(e), (33)(b), (34)(d), (35)(a), (36)(a), (37)(e), (38)(a), (39)(d), (40)(c), (41)(a), (42)(a), (43)(b), (44)(b), (45)(d), (46)(c), (47)(a), (48)(b), (49)(c), (50)(a), (51)(d), (52)(b), (53)(a), (54)(c), (55)(c), (56)(c), (57)(d), (58)(d), (59)(a), (60)(a), (61)(c), (62)(b), (63)(b), (64)(d), (65)(c), (66)(b), (67)(a), (68)(c), (69)(b), (70)(c)

II Short Answer Type Questions:

- 1 Corporate restructuring is a new concept. Do you agree?
- 2 Briefly discuss the scope and objectives of corporate restructuring
- 3 Illustrate the emergence of corporate restructuring in its global and national perspective.
- 4 Briefly explain the motives of restructuring.
- 5 Define briefly the various tools of corporate restructuring.
- 6 What is a merger?
- 7 Discuss the benefits emerging out of mergers and acquisitions?
- 8 What do you mean by reverse merger?
- 9 What is amalgamation?
- 10 What is pooling interest method of amalgamation?
- 11 What is an acquisition?
- 12 What do you mean by absorption?
- 13 What is the concept of takeover?
- 14 What is takeover bid?
- 15 What do you mean by escrow account?
- 16 What is bail out takeover?
- 17 Discuss the tax incentives available for mergers and acquisitions.
- 18 Discuss the various provisions relating to restructuring under Companies Act 1956.
- 19 Discuss AS 14 of Accounting Standards for amalgamation.
- 20 Distinguish between demerger & reconstruction.
- 21 Differentiate between Voluntary liquidation and takeover.
- 22 Differentiate between hostile and voluntary takeover.
- 23 What are the various forms of corporate restructuring?
- 24 How can tax benefits be a motive for a merger?
- 25 What are the major barriers for cross border M& A?
- 26 What are the major drivers for M&A activities in India?
- 27 Explain the significance of strategic perspective for Mergers and Acquisitions.
- 28 Explain the agency theory in mergers.
- 29 Explain the importance of economic perspective in M&A.
- 30 What is the linkage between financial synergy and conglomerate merger?
- 31 Explain financial leverage with examples.
- 32 Explain Operating leverage with examples.
- 33 Explain the relevance of cross border M&A activities in today's business environment.
- 34 Explain hostile takeovers with examples.
- 35 Explain bail out takeover.

III Long Answer Type Questions:

- 1 What do you mean by merger waves? What were the causes of merger waves? Explain the history of mergers with reference to five important waves.
- 2 Explain the legal regulations governing mergers in India.
- 3 Explain procedure of takeover when transferee company holds nine-tenth in value of the shares.
- 4 Explain SEBI guidelines for takeover of listed companies.
- 5 Discuss taxation aspect of takeover. Explain it with the help of a relevant case study.
- 6 Explain the legal framework for acquisitions given by SEBI.
- 7 What are the provisions of Companies Act, 1956 regarding mergers and acquisition in India?
- 8 What are the strategic issues in mergers and amalgamations?
- 9 Describe the economic aspect of mergers and acquisitions.
- 10 Explain stamp duty norms regarding mergers and acquisitions.
- 11 “Tax consideration is very important for every business man and it is a motivating factor behind mergers and amalgamations”. Explain
- 12 Explain the concept of takeover with its objective and types.
- 13 Discuss the legal aspect of takeovers in India. Are these legislations adequate to check hostile takeovers?
- 14 What are the general obligations of merchant bankers in case of takeovers?
- 15 What are the general obligations of board of directors of the target company?
- 16 Explain the legal procedure of takeover of sick industrial units of SFC under SFC Act, 1951.
- 17 Discuss the legislation applicable to mergers and takeovers in India. Are these legislations adequate?
- 18 Briefly enumerate steps in mergers.
- 19 What are the different statutory approvals the company has to obtain for mergers to take place?
- 20 Discuss the effect of a merger or an amalgamation on interest of small investors.
- 21 Mergers and Acquisitions are not risk-free strategies. Giving examples from Indian corporate world, explain the various limitations of Mergers and Acquisitions.
- 22 Explain the role of a merger/ takeover decision in an internal expansion vs. external expansion decision for a company.
- 23 Why mergers and acquisitions have become so popular in contemporary corporate world? Explain the motives behind these decisions.
- 24 Explain operating, financial and managerial synergy of mergers.
- 25 Explain the concept of value creation in horizontal, vertical and conglomerate mergers.
- 26 Discuss the significance of cultural due diligence.
- 27 What are the challenges of the due diligence process in India?

- 28 Explain the concepts of amalgamating company, amalgamated company, demerged company, resulting company, transferor company and transferee company.
- 29 Explain the concepts of and differences between divestiture, demerger and carve-out. How do they differ from each other?
- 30 Explain the various classes of growth opportunities with examples wherein Merger and acquisition route has been used.
- 31 Take an example of a recent merger and/ or acquisition. Discuss and review the success and/ or failure in light of the financial statistics thereof.
- 32 (a) What are the major strategic drivers for M&A?
(b) Explain the concept of value creation in horizontal, vertical and conglomerate mergers.
33. Discuss the relevance of conglomerate mergers in current business environment.
34. Explain the challenges of M&A activities for small business organizations.
35. Discuss the differences of demerger, divestiture and equity carve-out.
36. Discuss the importance of horizontal, vertical and conglomerate mergers in today's business environment of India.
37. What is merger? What are the various types of Mergers? Also, discuss the potential economic advantages available from mergers using examples from contemporary corporate scenario.

UNIT - II

I Test Your Skills:

(a) Multiple Choice Questions:

- 1 A reason for acquisitions is synergy. Synergy includes:
 - (a) Revenue enhancements
 - (b) Cost reductions
 - (c) Lower taxes
 - (d) All of the above
 - (e) None of the above
- 2 Daimler-Benz's acquisition of Chrysler is an example of:
 - (a) Horizontal merger
 - (b) Vertical merger
 - (c) Cross-border merger
 - (d) Both A and C
 - (e) Both B and C

- 3 The following reasons are good motives for mergers except:
- (a) Economies of scale
 - (b) Complementary resources
 - (c) Diversification
 - (d) Unused tax shields
- 4 Firm A has a value of 100 million, and B has a value of 70 million. Merging the two would allow a cost savings with a present value of 20 million. Firm A purchases B for 75 million. What is the gain from this merger?
- (a) 30 million
 - (b) 20 million
 - (c) 15 million
 - (d) 10 million
- 5 Firm A is planning to acquire Firm B. If Firm A prefers to make a cash offer for the merger it indicates that:
- (a) Firm A's managers are optimistic about the post merger value of A
 - (b) Firm A's managers are pessimistic about the post merger value of A
 - (c) Firm A's managers are neutral about the post merger value of A
 - (d) None of the above
- 6 The acquisition of stock has the advantage of:
- (a) No shareholder meeting to vote is necessary
 - (b) Minority shareholders may exist
 - (c) Opening the bidding to others
 - (d) All of the above
 - (e) None of the above
- 7 Following an acquisition, the assets of the acquired firm are added to the assets of the acquiring firm at their book value. What form of merger accounting is being used?
- (a) Consolidation
 - (b) Aggregation
 - (c) Purchase
 - (d) Pooling

- 8 The XAP Corporation with a book value of 20 million and a market value of 30 million has merged with the CDF Corporation with a book value of 6 million and a market value of 8 million at a price of 9 million. If the transaction is a pooling of interest then the total asset on the books of the new company will be:
- (a) 38 million
 - (b) 29 million
 - (c) 39 million
 - (d) 26 million
- 9 A dissident group solicits votes in an attempt to replace existing management. This is called a:
- (a) Tender offer
 - (b) Shareholder derivative action
 - (c) Proxy fight
 - (d) Management freeze-out
 - (e) None of the above
- 10 A modification of the corporate charter that requires 80% shareholder approval for takeover is called a(n):
- (a) Repurchase standstill provision
 - (b) Exclusionary self-tender
 - (c) Super majority amendment
 - (d) Tender offer
- 11 An example of a shark-repellent charter amendment is:
- (a) Supermajority
 - (b) Waiting period
 - (c) Poison pill
 - (d) Staggered board
 - (e) All of the above
- 12 As a defensive maneuver, a firm issues deep-discount bonds that are redeemable at par in the event of an unfriendly takeover. These bonds are an example of:
- (a) Greenmail
 - (b) A "scorched earth" policy
 - (c) A poison pill
 - (d) Crown jewels
 - (e) A poison put

- 13 Compensation paid to top management in the event of a takeover is called a:
- (a) Poison pill
 - (b) Golden parachute
 - (c) Self-tender
 - (d) Buyout
- 14 A conglomerate merger is one in which a buyer buys a closely related firm.
- (a) True
 - (b) False
- 15 Diversification is a sensible reason for two companies to merge.
- (a) True
 - (b) False
- 16 Bidding companies often pay too much for the acquired firm. The hubris hypothesis explains this by suggesting that the bidders
- (a) Have too little information to make an optimal decision.
 - (b) Have big egos and this impedes rational decision-making.
 - (c) Have difficulty in thinking strategically over the long-term.
 - (d) Are overly influenced by the tax consequences of an acquisition.
- 17 The "information effect" refers to the notion that
- (a) A corporation's actions may convey information about its future prospects.
 - (b) Management is reluctant to provide financial information that is not required by law.
 - (c) Agents incur costs in trying to obtain information.
 - (d) The financial manager should attempt to manage sensitive information about the firm.
- 18 Suppose that the market price of Company X is 45 per share and that of Company Y is 30. If X offers three-fourths a share of common stock for each share of Y, the ratio of exchange of market prices would be:
- (a) .667
 - (b) 1.0
 - (c) 1.125
 - (d) 1.5

- 19 Empirical evidence on acquisitions indicates excess returns on average to the shareholders of the selling company, and excess returns on average to those of the buying company.
- (a) no; no
 - (b) substantial; no
 - (c) no; substantial
 - (d) substantial; substantial
- 20 Recent accounting changes in the US.
- (a) Eliminated the purchase method, allowing only the pooling-of-interests method for mergers and acquisitions
 - (b) Eliminated the pooling-of-interests method, allowing only the purchase method for mergers and acquisitions
 - (c) Allow for both the purchase method and the pooling-of-interests method for mergers and acquisitions
 - (d) Outlawed the recording of goodwill for any merger or acquisition
- 21 Carve out is a hybrid of:
- (a) Divestiture and spin off
 - (b) Joint venture and spin off
 - (c) Spin-off and split-up
- 22 In consolidation of A Limited and B Limited into C Limited
- (a) All three companies will cease to exist
 - (b) No company will cease to exist
 - (c) A and B will cease to exist but not C.
- 23 Transfer of one business undertaking of a company while retaining the other and wherein shareholders of the company are given proportionate shares of the company to whom the business undertaking is being transferred is called:
- (a) Split-off
 - (b) Spin-off
 - (c) Split-up
- 24 The following are the examples of spin-off excepts
- (a) Abbot Laboratories and Hospira
 - (b) At &T AND Lucent
 - (c) General motors and EDS

- (d) Exxon and Mobil
- 25 In case of spin-off
- (a) Shares of the new company are given to shareholders of the parent company
 - (b) Shares of the new company are sold as public offering
 - (c) Shares of the new company are bought by borrowing or issuing junk bonds.
 - (d) None of the above
- 26 In case of carve-outs:
- (a) Shares of the new company are given to the shareholders of the parent company
 - (b) Shares of the new company are sold in a public offering
 - (c) Shares of the new company are bought by borrowing or issuing junk bonds
 - (d) None of the above
- 27 The following are examples of carve outs except:
- (a) Northwest Airlines and Pinnacle Airlines
 - (b) Sara lee and Coach
 - (c) Union Pacific and Overnite Corp.
 - (d) All of the above are example of carve-outs
28. Which of the following is required for an acquisition to be considered tax-free?
- I. continuity of equity interest
 - II. a business purpose, other than avoiding taxes, for the acquisition
 - III. payment in the form of equity shares for the acquired firm
 - IV. cash payment for the equity of the acquired firm
- (a) I and II only
 - (b) II and III only
 - (c) II and IV only
 - (d) I, II, and III only
 - (e) I, II, and IV only
29. Which one of the following statements is correct?
- (a) If an acquisition is made with cash then the cost of that acquisition is dependent upon the acquisition gains.
 - (b) Acquisitions made by exchanging shares of stock are normally taxable transactions.
 - (c) The increase in value from writing up assets is considered a taxable gain.
 - (d) Target firm shareholders demand a higher selling price when an acquisition is a non-taxable event.

- (e) Acquisitions based on legitimate business purposes are not taxable transactions regardless of the means of financing used.
30. The purchase accounting method requires that:
- (a) the excess of the purchase price over the fair market value of the target firm be recorded as a one-time expense on the income statement of the acquiring firm.
 - (b) goodwill be amortized on a yearly basis.
 - (c) the equity of the acquiring firm be reduced by the excess of the purchase price over the fair market value of the target firm.
 - (d) the assets of the target firm be recorded at their fair market value on the balance sheet of the acquiring firm.
 - (e) the excess amount paid for the target firm be recorded as a tangible asset on the books of the acquiring firm.
31. Goodwill created by an acquisition:
- (a) affects the cash flows of the acquiring firm on an annual basis for a period of years.
 - (b) must be reviewed each year to determine its current value to the firm.
 - (c) reduces the taxable income of the firm as it is expensed.
 - (d) has no effect on the reported earnings of a firm when it is expensed.
 - (e) is recorded in an amount equal to the fair market value of the assets of the target firm.
32. The pooling of interests method of accounting:
- I. creates an account called goodwill which is recorded on the balance sheet of the merged firm.
 - II. consists of simply combining the balance sheets of the acquiring and the target firm.
 - III. is no longer permitted by FASB.
 - IV. acknowledges the excess of the purchase price over the fair market value and records this amount on the balance sheet of the acquiring firm.
- (a) I and III only
 - (b) I and IV only
 - (c) II and IV only
 - (d) II and III only
 - (e) I, II, and IV only
33. The incremental cash flows of a merger can relate to changes in which of the following?
- I. revenue

II. capital needs

III. costs

IV. taxes

- (a) I and II only
- (b) II, III, and IV only
- (c) I, III, and IV only
- (d) I, II, and III only
- (e) I, II, III, and IV

34. Which of the following are examples of cost reductions which can result from an acquisition?

I. spreading overhead

II. eliminating duplicate back office functions by sharing central facilities

III. buying raw materials in larger quantities at a lower per unit cost

IV. gaining economies of scale

- (a) I and III only
- (b) II and IV only
- (c) I, II, and IV only
- (d) II, III, and IV only
- (e) I, II, III, and IV

35. A potential merger which has synergy:

- (a) should be rejected due to the projected negative cash flows.
- (b) should be rejected because synergy destroys firm value.
- (c) has a net present value of zero and thus returns the minimal required rate of return.
- (d) creates value and therefore should be pursued.
- (e) reduces the anticipated net income of the acquiring firm.

36. A proposed acquisition may create synergy by:

I. increasing the market power of the combined firm.

II. improving the distribution network of the acquiring firm.

III. providing the combined firm with a strategic advantage.

IV. reducing the utilization of the acquiring firm's assets.

- (a) I and III only
- (b) II and III only
- (c) I and IV only
- (d) I, II, and III only
- (e) I, II, III, and IV

37. Which of the following represents potential tax gains from an acquisition?
- I. a reduction in the level of debt
 - II. an increase in surplus funds
 - III. the use of net operating losses
 - IV. an increased use of leverage
- (a) I and IV only
 - (b) II and III only
 - (c) III and IV only
 - (d) I and III only
 - (e) II, III, and IV only
38. When evaluating an acquisition you should:
- (a) concentrate on book values and ignore market values.
 - (b) focus on the total cash flows of the merged firm.
 - (c) apply the rate of return that is relevant to the incremental cash flows.
 - (d) ignore any one-time acquisition fees or transaction costs.
 - (e) ignore any potential changes in management.
39. Which of the following can produce tax gains as a result of an acquisition?
- I. reduction in debt capacity
 - II. use of tax losses
 - III. use of surplus funds
 - IV. write up of depreciable assets
- and III only
- (a) II and IV only
 - (b) I, II, and III only
 - (c) II, III, and IV only
 - (d) I, II, III, and IV
40. Which one of the following statements is correct?
- (a) Acquiring firms tend to avoid firms with large net operating losses when they are seeking a target firm to acquire.
 - (b) If an acquisition increases the debt level of a firm then the tax liability of the firm tends to increase as a result.
 - (c) If either an increase or a decrease in the level of production causes the average cost per unit to increase then the firm is currently operating at its optimal size.
 - (d) Firms can always benefit from economies of scale if they increase the size of their firm through acquisitions.
 - (e) If a firm uses its surplus cash to acquire another firm then the shareholders of the

acquiring firm immediately incur a tax liability related to the transaction.

41. After completing buy back of securities, a company, except by way of bonus shares or discharge of subsisting obligations,
- (a) cannot issue any kind of securities for six months
 - (b) cannot issue equity shares for twelve months
 - (c) cannot issue same kind of securities for six months
 - (d) cannot issue same kind of securities for twelve months
42. Companies Act, 1956, does not allow
- (a) amalgamation of an Indian company with a foreign company
 - (b) amalgamation of a foreign company with an Indian company
 - (c) takeover of an Indian company by a foreign company
 - (d) takeover of a foreign company by an Indian company
43. ABS Ltd., a company registered in Bihar, is proposed to be merged with MNS Limited, a company registered in Maharashtra. The merger will have to be approved by:
- (a) Mumbai High Court alone
 - (b) Patna High Court alone
 - (c) Both Mumbai and Patna High Courts
 - (d) Supreme Court of India
44. Sections 77A, 77AA and 77B of the Companies Act, 1956, apply to:
- (a) Only private limited companies
 - (b) Only unlisted public limited companies
 - (c) Only listed companies
 - (d) All of the above
45. In case of a buy back based only on the board resolution the maximum amount that can be paid/ invested in buy-back is
- (a) ten percent of the paid-up capital and free reserves
 - (b) ten percent of the paid-up equity capital and free reserves
 - (c) ten percent of only free reserves
 - (d) whichever is the lowest out of the above three
46. In a merger the:
- (a) legal status of both the acquiring firm and the target firm is terminated.
 - (b) acquiring firm retains its name and legal status.
 - (c) acquiring firm acquires the assets but not the liabilities of the target firm.

- (d) stockholders of the target firm have little, if any, say as to whether or not the merger occurs.
 - (e) target firm continues to exist as a subsidiary of the acquiring firm.
47. One company wishes to acquire another. Which of the following forms of acquisition does not require a formal vote by the shareholders of the acquired firm?
- (a) Merger
 - (b) Acquisition of stock
 - (c) Acquisition of assets
 - (d) Consolidation
 - (e) All of the above require a formal vote.
48. Section 6 (1) stipulates that no person or enterprise shall enter into a combination which causes or is likely to cause:
- (a) an appreciable adverse effect on competition within the relevant market in India
 - (b) an appreciable adverse effect on the profitability of the acquiring firm
 - (c) an appreciable adverse effect on the profitability of the target firm
49. Acquisition (section 2 (1)) means, directly or indirectly, acquiring or agreeing to acquire:
- (a) shares, voting rights or assets of any enterprise
 - (b) control over management or control over assets of any enterprise
 - (c) both of the above
50. Which one of the following qualifies for exemption from seeking approval of the CCI (regulation 4)?
- (a) an acquisition of stock-in-trade, raw materials, stores and spares in the ordinary course of business
 - (b) an acquisition of control or shares or voting rights or assets by one person or enterprise of another person or enterprise within the same group.
 - (c) a merger involving a holding company and its subsidiary wholly owned by enterprises belonging to the same group and/ or mergers or amalgamations involving subsidiaries wholly owned by enterprises belonging to the same group.
 - (d) all of the above
51. Compensation paid to top management in the event of a takeover is called a:
- (a) Poison pill
 - (b) Golden parachute
 - (c) Self-tender
 - (d) Buyout

52. Which one of the following is most likely a good candidate for an acquisition that could benefit from the use of complementary resources?
- (a) A sports arena that is home only to an indoor hockey team.
 - (b) A hotel in a busy downtown business district of a major city
 - (c) A day care center located near a major route into the main business district of a large city.
 - (d) An amusement park located in a centralized Florida location
53. The shareholders of a target firm benefit the most when:.
- (a) An acquiring firm has the better management team and replaces the target firm's managers.
 - (b) The management of the target firm is more efficient than the management of the acquiring firm which replaces them.
 - (c) The management of both the acquiring firm and the target firm are as equivalent as possible.
 - (d) Their current management team is kept in place even though the managers of the acquiring firm are more suited to manage the target firm's situation
54. In a merger or acquisition, a firm should be acquired if it:
- (a) Generates a positive net present value to the shareholders of an acquiring firm.
 - (b) Is a firm in the same line of business, in which the acquirer has expertise.
 - (c) Is a firm in a totally different line of business which will diversify the firm
 - (d) Pays a large dividend which will provide cash pass through to the acquirer.
55. One company wishes to acquire another. Which of the following forms of acquisition does not require a formal vote by the shareholders of the acquired firm? .
- (a) Merger
 - (b) Acquisition of stock
 - (c) Acquisition of assets
 - (d) Consolidation .
56. Firm A and Firm B join to create Firm AB. This is an example of:.
- (a) A tender offer.
 - (b) An acquisition of assets.
 - (c) An acquisition of stock.
 - (d) A consolidation.
57. When the management and/or a small group of investors take over a firm and the shares of the firm are delisted and no longer publicly available, this action is known as a:
- (a) Consolidation.

- (b) Vertical acquisition.
 - (c) Proxy contest
 - (d) Going-private transaction.
58. A reason for acquisitions is synergy. Synergy includes
- (a) Revenue enhancements.
 - (b) Cost reductions.
 - (c) Lower taxes.
 - (d) All of the above.
59. Which of the following are reasons why a firm may want to divest itself of some of its assets?
- I. To raise cash.
 - II. To get rid of unprofitable operations.
 - III. To get rid of some assets received in an acquisition.
 - IV. To cash in on some profitable operations.
- (a) I and II only.
 - (b) I, II, and III only.
 - (c) I, III, and IV only.
 - (d) II, III, and IV only
60. A proposed acquisition may create synergy by:
- I. Increasing the market power of the combined firm.
 - II. Improving the distribution network of the acquiring firm.
 - III. Providing the combined firm with a strategic advantage.
 - IV. Reducing the utilization of the acquiring firm's assets.
- (a) I and III only.
 - (b) II and III only.
 - (c) I and IV only
 - (d) I, II, and III only
61. Suppose that the market price of Company X is \$45 per share and that of Company Y is \$30. If X offers three-fourths a share of common stock for each share of Y, the ratio of exchange of market prices would be:
- (a) .667
 - (b) 1.0
 - (c) 1.125
 - (d) 1.5

62. The restructuring of a corporation should be undertaken if
- (a) the restructuring can prevent an unwanted takeover.
 - (b) the restructuring is expected to create value for shareholders.
 - (c) the restructuring is expected to increase the firm's revenue.
 - (d) the interests of bondholders are not negatively affected.
63. The "information effect" refers to the notion that
- (a) a corporation's actions may convey information about its future prospects.
 - (b) management is reluctant to provide financial information that is not required by law.
 - (c) agents incur costs in trying to obtain information.
 - (d) the financial manager should attempt to manage sensitive information about the firm.
64. In the long run, a successful acquisition is one that:
- (a) enables the acquirer to make an all-equity purchase, thereby avoiding additional financial leverage.
 - (b) enables the acquirer to diversify its asset base.
 - (c) increases the market price of the acquirer's stock over what it would have been without the acquisition.
 - (d) increases financial leverage.
65. Bidding companies often pay too much for the acquired firm. The hubris hypothesis explains this by suggesting that the bidders
- (a) have too little information to make an optimal decision.
 - (b) have big egos and this impedes rational decision-making.
 - (c) have difficulty in thinking strategically over the long-term.
 - (d) are overly influenced by the tax consequences of an acquisition.
66. A tender offer is
- (a) a goodwill gesture by a "white knight."
 - (b) a would-be acquirer's friendly takeover attempt.
 - (c) a would-be acquirer's offer to buy stock directly from shareholders.
 - (d) viewed as sexual harassment when it occurs in the workplace.
67. The public sale of common stock in a subsidiary in which the parent usually retains majority control is called
- (a) a pure play.

- (b) a spin-off.
 - (c) a partial sell-off.
 - (d) an equity carve-out.
68. In the United States, goodwill charges arising from a current acquisition are generally deductible for "tax purposes" over
- (a) 15 years.
 - (b) 20 years.
 - (c) 40 years.
 - (d) no years (i.e., these goodwill charges are not deductible for "tax purposes").
69. Empirical evidence on acquisitions indicates _____ excess returns on average to the shareholders of the selling company, and _____ excess returns on average to those of the buying company.
- (a) no; no
 - (b) substantial; no
 - (c) no; substantial
 - (d) substantial; substantial
70. One means for a company to "go private" is
- (a) divestiture.
 - (b) the pure play.
 - (c) the leveraged buyout (LBO).
 - (d) the pre packaged reorganization.

Ans. (1)(d), (2)(e), (3)(c), (4)(b), (5)(a), (6)(a), (7)(d), (8)(d), (9)(c), (10)(c), (11)(e), (12)(e), (13)(b), (14)(b), (15)(b), (16)(b), (17)(a), (18)(c), (19)(b), (20)(b), (21) (a), (22) (c), (23)(b), (24) (d), (25) (a), (26) (b), (27) (d), (28)(d), (29)(c), (30)(d), (31)(b), (32)(d), (33)(e), (34)(e), (35)(d), (36)(d), (37)(c), (38)(c), (39)(d), (40)(c), (41)(c), (42)(a), (43)(c), (44)(d), (45)(b), (46)(b), (47)(e), (48)(a), (49)(c), (50)(d), (51)(b), (52)(a), (53)(a), (54)(a), (55)(b), (56)(d), (57)(d), (58)(d), (59)(d), (60)(d), (61)(c), (62)(b), (63)(a), (64)(c), (65)(b), (66)(c), (67)(d), (68)(a), (69)(b), (70)(c)

II Short Answer Type Questions:

- 1 What do you mean by vertical merger?
- 2 Discuss the different categories of mergers.

- 3 Differentiate between friendly versus hostile takeovers.
- 4 Distinguish between strategic versus financial mergers.
- 5 What are leveraged buyouts (LBO) and divestitures?
- 6 What do you mean by horizontal merger?
- 7 What do you mean by conglomerate merger?
- 8 What are the motives for mergers?
- 9 What do you mean by financial synergy?
- 10 Write a short note on operating synergy?
- 11 What is price-earning ratio?
- 12 What are the factors affecting price earning ratio?
- 13 How to calculate NAV?
- 14 Explain methods of valuation of shares in a merger or amalgamation.
- 15 What factors need to be considered before valuing a merger or acquisition?
- 16 Briefly explain expert valuation method of mergers or acquisitions?
- 17 When does valuation become a necessity?
- 18 What are the factors that influence valuation of a business?
- 19 Discuss how DCF method is applied?
- 20 Mention non-financial valuations in mergers and acquisitions?
- 21 Briefly enumerate the various types of merger activities.
- 22 Explain briefly the legal considerations at the time of a merger decision.
- 23 Explain share repurchase.
- 24 Briefly discuss the approaches to valuation of companies.
- 25 What are the salient features of the SEBI Regulations with respect to bail out takeovers?
- 26 Discuss the general obligations of the acquirer, Board of Directors and the merchant bankers.
- 27 What is the significance of DIP guidelines?
- 28 What is the significance of the Competition Act?
- 29 Explain the various types of merger activities.
- 30 What are the approaches to valuation of companies.
- 31 Explain methods of valuation of shares in a merger or amalgamation.
- 32 What are the motives for mergers?
- 33 Distinguish between strategic versus financial mergers.

III Long Answer Type Questions:

- 1 What is the rationale behind Mergers and Acquisitions?
- 2 What are key drivers that increase the merger activities?
- 3 What are conglomerate mergers? Distinguish between various types of conglomerate merger.
- 4 Explain the categories of mergers. What are the merits and demerits of mergers?

- 5 Explain evaluation and structuring the offer. How to exercise due diligence and documentation?
- 6 Define purchase consideration. State how it can be calculated.
- 7 Explain the meaning of “profit prior to incorporation.” State the various steps you would take for apportioning the profits of a company between pre and post incorporation periods.
- 8 How is the loss prior incorporation treated in the Books?
- 9 How to evaluate a business before going for the merger? Explain different methods of valuation of a business firm.
- 10 Explain various factors that you will kept in mind while framing a reconstruction scheme.
- 11 Differentiate between:
 - (a) External reconstruction and internal reconstruction.
 - (b) Cancellation of unissued shares and refunding surplus capital
- 12 Differentiate between the terms: Amalgamation by way of mergers and amalgamation by way of purchase.
- 13 State the various accounting entries to be passed in the books of the vendor company in the event of its business being taken over by another company.
- 14 Explain pooling interest method of amalgamation.
- 15 Explain how amalgamation is different from “external reconstruction”.
- 16 Give reason of success and failures of mergers and acquisition with the help of a example in Indian context.
- 17
 - (a) Differentiate between operating synergy and financial synergy.
 - (b) How cash flow method of business valuation distinguishes from balance sheet approach?
- 18 Are greenfield investments better than M&As? Justify your answer with valid reasons and examples.
- 19 Following is the balance sheet of A Ltd.

Liabilities	Rs.	Asset	Rs.
Share Capital (Rs.10)	100000	Sundry Asset	250000
Debentures	50000		
General Reserve	50000		
Creditors	50000		
	250000		

A Ltd. is to be taken over by B Ltd. each share of A Ltd has a market value of Rs 15, while that of B Ltd. has a market value of Rs. 30. The purchase consideration is to be satisfied in the form of shares to be issued by B Ltd. You are required to ascertain the amount of purchase consideration.

20. List the various provisions of Companies Act, 1956, FEMA 1999 and Income Tax Act, 1961 with respect to Mergers, Acquisitions and Amalgamations in Indian context.
21. Highlight the salient features of the Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (including amendments).
22. Explain in detail the synergy benefits to a company through the merger/ acquisition mode.
23. State and explain the various methods of accounting for Mergers and Acquisitions. List Two important features of IFRS3 relating to business combinations.
24. What are the various approaches to the valuation of a company? What are their limitations?
25. What are the various regulations relating to the minimum and maximum size of an open offer?
26. Explain various trigger points of open offer in terms of regulations 3 to 5 of SEBI Regulations.
27. Explain the concepts of voluntary and compulsory delisting of equity shares.
28. What are the powers of the High Court under sections 391 to 394 of the Companies' Act ?
29. State the legal provisions related with mergers, amalgamations and acquisitions as per Companies Act in India.
30. Distinguish between "friendly takeover" and "hostile takeover". What strategies can be adopted by the target firm in the case of a hostile takeover?
31. Explain the legal procedure of approval of merger in detail.
32. What are the various modes of financing a merger? State the impact of such modes on a company's EPS.
33. "Recent times are witnessing a surge in M&A activity across the globe". Comment on the statement.
34. Explain the concepts of voluntary and compulsory delisting of equity shares.

UNIT - III

I Test Your Skills:

(a) Multiple Choice Questions:

1. A firm that acquires another firm as part of its strategy to sell off assets, cut costs, and operate the remaining assets more efficiently is engaging in _____.
 - (a) a strategic acquisition
 - (b) a financial acquisition
 - (c) two-tier tender offer
 - (d) shark repellent

- 2 A would-be acquirer's offer to buy stock directly from shareholders is referred to as _____.
- (a) a white knight
 - (b) a joint venture
 - (c) a tender offer
 - (d) a takeover
- 3 The restructuring of a firm should be undertaken if _____.
- (a) the restructuring is expected to create value for shareholders.
 - (b) the restructuring is expected to increase earnings per share (EPS) next year.
 - (c) the restructuring is expected to increase the firm's market share power within the industry.
 - (d) the current employees will receive additional stock options to align employee interest.
- 4 Economies of scale, market share dominance, and technological advances are reasons most likely to be offered to justify a _____.
- (a) financial acquisition
 - (b) strategic acquisition
 - (c) divestiture
 - (d) supermajority merger approval provision
- 5 Suppose that the market price per share of Company A is 100 and that of Company B is 40. If A offers one-half ($1/2$) a share of common stock for each share of B, the exchange ratio with respect to market prices would be _____.
- (a) 0.40
 - (b) 0.80
 - (c) 1.25
 - (d) 2.50
- 6 A reason suggested by the authors for a divestiture, such as a sell-off or spin-off, is _____.
- (a) synergy
 - (b) reverse synergy
 - (c) hubris
 - (d) economies of scale

- 7 What is the most likely reason that a firm (who is highly profitable) might consider acquiring a firm that has had large recent losses and will continue to have losses into the near future?
- (a) Hubris.
 - (b) White knight.
 - (c) Tax-loss usage.
 - (d) Increase assets.
- 8 Richard Roll makes a case with the _____ hypothesis that takeovers are motivated by bidder pride and confidence in their abilities relative to others.
- (a) hubris
 - (b) efficient markets
 - (c) management success
 - (d) synergy
- 9 A merger that signals to the investors in the market place a change in strategy or operating efficiency that can not be conveyed in another manner is referred to as _____.
- (a) the information effect
 - (b) the wealth effect
 - (c) strategic effect
 - (d) bootstrapping effect
- 10 A firm that acquires another firm as part of its overall business strategy is engaging in _____.
- (a) a strategic acquisition
 - (b) a financial acquisition
 - (c) a two-tier tender offer
 - (d) a shark repellent
- 11 The average takeover premium a target firm has historically received is closest to which of the following percentages?
- (a) 5%
 - (b) 12%
 - (c) 30%
 - (d) 80%
- 12 What remains after we subtract operating costs and capital expenditures necessary to at least sustain cash flows from total firm revenues?
- (a) Free cash flows.

- (b) Strategic cash flows.
 - (c) Net income.
 - (d) Earnings before interest and taxes (EBIT).
- 13 How should a successful acquisition be evaluated in the long-run?
- (a) The acquisition is successful if the acquirer is able to increase its earnings per share (EPS), relative to what it would have been without the acquisition.
 - (b) The acquisition is successful if the acquirer is able to reduce its debt-to-total asset ratio, and hence risk, relative to what it would have been without the acquisition.
 - (c) The acquisition is successful if the acquirer is able to diversify its asset base and reduce its overall risk.
 - (d) The acquisition is successful if the market price of the acquirer's stock increases over what it would have been without the acquisition.
- 14 What is the landmark piece of legislation designed to promote competition by combating monopolistic behaviors through antitrust law?
- (a) The Securities Act of 1933.
 - (b) The Securities Act of 1934.
 - (c) The Antitrust Act of 1915.
 - (d) The Clayton Act.
- 15 A firm can acquire another firm _____.
- (a) only by purchasing the assets of the target firm
 - (b) only by purchasing the common stock of the target firm
 - (c) by either purchasing the assets or the common equity of the target firm.
 - (d) None of the above are methods of acquiring the target firm
- 16 Which of the following hypotheses attempt to explain the motivation behind creating barriers to receiving unsolicited takeover offers?
- (a) Only the managerial entrenchment hypothesis.
 - (b) Only the shareholders' interest hypothesis.
 - (c) Only the takeover barrier hypothesis.
 - (d) Both the first and second answers are hypotheses that attempt to explain this motivation.
- 17 What is a business organizational model that involves the large-scale outsourcing of business functions?
- (a) Virtual corporation.

- (b) Joint venture.
 - (c) Corporate liquidation.
 - (d) Equity carve-out.
- 18 A bidder that offers a higher price to the first fixed quantity of shares tendered and a lower second price for all remaining shares is engaging in _____.
- (a) a strategic acquisition
 - (b) a financial acquisition
 - (c) a two-tier tender offer
 - (d) shark repellents
- 19 By using a _____, the firm can independently control considerable assets with a very limited amount of equity.
- (a) joint venture
 - (b) leveraged buyout (LBO)
 - (c) spin-off
 - (d) consolidation
- 20 As discussed in the text, the creation of a global 24-hour news and information cable network called MSNBC is an example of a _____.
- (a) strategic acquisition
 - (b) financial acquisition
 - (c) joint venture
 - (d) virtual corporation
- 21 A firm that acquires another firm as part of its strategy to sell off assets, cut costs, and operate the remaining assets more efficiently is engaging in _____.
- (a) a strategic acquisition
 - (b) a financial acquisition
 - (c) two-tier tender offer
 - (d) shark repellent
- 22 Richard Roll makes a case with the _____ hypothesis that takeovers are motivated by bidder pride and confidence in their abilities relative to others.
- (a) Hubris
 - (b) efficient markets
 - (c) management success
 - (d) synergy

- 23 A merger that signals to the investors in the market place a change in strategy or operating efficiency that can not be conveyed in another manner is referred to as _____.
- (a) the information effect
 - (b) the wealth effect
 - (c) strategic effect
 - (d) bootstrapping effect
- 24 A firm that acquires another firm as part of its overall business strategy is engaging in _____.
- (a) a strategic acquisition
 - (b) a financial acquisition
 - (c) a two-tier tender offer
 - (d) a shark repellent
- 25 A firm can acquire another firm _____.
- (a) only by purchasing the assets of the target firm
 - (b) only by purchasing the common stock of the target firm
 - (c) by either purchasing the assets or the common equity of the target firm
 - (d) None of the above are methods of acquiring the target firm
- 26 Type of merger involving fusion of two or more companies in which the co's loose their identity and a new company is formed?
- (a) Amalgamation
 - (b) Absorption
 - (c) Acquisition
 - (d) Integration
- 27 A public offer for acquiring the shares of a target company with a view to acquire management control in it?
- (a) Initial public offer
 - (b) Follow on offer
 - (c) Tender offer
 - (d) Open offer
- 28 The act of transferring shares of a company which is a new subsidiary of an existing co's to protect the ownership of share holders of existing company.
- (a) Divestiture
 - (b) Spinoff

- (c) Rights issue
 - (d) Split up
- 29 Financing technique where debt is used in the acquisition of a company in order to buy Back its own shares.
- (a) Divestiture
 - (b) Equity carve out
 - (c) Leverage buy out
 - (d) Spin off
- 30 Full form of MLP
- (a) Minimum liability partnership
 - (b) Minimum leverage partnership
 - (c) Master liability partnership
 - (d) Minimum leverage partnership
- 31 Sale of a portion of a firm to an outside party resulting in an infusion of cash to the parent company.
- (a) Spin off
 - (b) Proxy selling
 - (c) Liquidation
 - (d) Divestiture
- 32 The experience curve is a part of which approach to strategy formulation?
- (a) BCG approach
 - (b) Porter approach
 - (c) Adoptive process approach
 - (d) None of the above
- 33 Attempt by a single share holder or a group of share holders to take control or bring about other changes in a company through the use of corporate voting
- (a) Proxy contests
 - (b) Proxy voting
 - (c) Proxy appeal
 - (d) Rights appeal
- 34 Type of merger involving fusion of a small company with a large company.
- (a) Amalgamation
 - (b) Joint venture
 - (c) Absorption

- (d) Contraction
- 35 Mechanism whereby a corporation makes tax deductible contributions of cash or stock into a trust for allocation to employees.
- (a) ESOP
 - (b) ESIS
 - (c) EWP
 - (d) Dearness allowance
- 36 Two or more co's working together to produce a result not obtainable by any one of the companies or all of them individually
- (a) Integration
 - (b) Adaptation
 - (c) Synergy
 - (d) None of the above
- 37 A questionnaire distributed to experts, responses are then summarized and analysed and returned with a second questionnaire and the process is continued till final evaluation is completed
- (a) Brain storming
 - (b) Sample survey
 - (c) Group discussion
 - (d) Delphi technique
- 38 Which of the following era is known as first merger wave?
- (a) 1920-1942
 - (b) 1890-1905
 - (c) 1765-1890
 - (d) 1890-1900
- 39 Following activity is performed during developing business plan for M&A?
- (a) Key management objectives for the takeover
 - (b) Resource assessment
 - (c) communicates a mission or vision
 - (d) Schedule for completing the acquisition
- 40 Which one of the following activity is not performed during due diligence process?
- (a) Verification of assets and liabilities
 - (b) Identification and quantification of risks
 - (c) Confidentiality Agreements

- (d) Post-acquisition benefits
41. Which of the following is not one of financing scheme of merger?
- (a) Bridge financing
 - (b) Permanent financing
 - (c) Venture capital
 - (d) Resource assessment
42. What remains after we subtract operating costs and capital expenditures necessary to at Least sustain cash flows from total firm revenues?
- (a) Free cash flows
 - (b) Strategic cash flows
 - (c) Net income
 - (d) Earnings before interest and taxes (EBIT)
43. The price currently being paid in the stock market for every one rupee of Earnings per share is termed as
- (a) Price Earning ratio
 - (b) Earnings per share
 - (c) Operating cash inflow
 - (d) Free cash flow to firm
44. The ratio which measures the extent to which borrowed funds support the firm's assets is termed as
- (a) Debt-Asset ratio
 - (b) Debt to total asset ratio
 - (c) ROE
 - (d) ROC
45. The restructuring of a corporation should be undertaken if
- (a) the restructuring can prevent an unwanted takeover.
 - (b) the restructuring is expected to create value for shareholders.
 - (c) the restructuring is expected to increase the firm's revenue.
 - (d) the interests of bondholders are not negatively affected.
46. The "information effect" refers to the notion that
- (a) corporation's actions may convey information about its future prospects.
 - (b) management is reluctant to provide financial information that is not required by law.

- (c) agents incur costs in trying to obtain information.
 - (d) the financial manager should attempt to manage sensitive information about the firm.
47. In the long run, a successful acquisition is one that:
- (a) enables the acquirer to make an all-equity purchase, thereby avoiding additional financial leverage.
 - (b) enables the acquirer to diversify its asset base.
 - (c) increases the market price of the acquirer's stock over what it would have been without the acquisition.
 - (d) increases financial leverage.
48. The public sale of common stock in a subsidiary in which the parent usually retains Majority control is called
- (a) pure play.
 - (b) a spin-off.
 - (c) a partial sell-off.
 - (d) an equity carve-out.
49. Empirical evidence on acquisitions indicates _____ excess returns on average to the shareholders of the selling company, and _____ excess returns on average to those of the buying company.
- (a) no; no
 - (b) substantial; no
 - (c) no; substantial
 - (d) substantial; substantial
50. One means for a company to "go private" is
- (a) divestiture.
 - (b) the pure play.
 - (c) the leveraged buyout (LBO).
 - (d) the prepackaged reorganization.
51. Which of the following represent potential tax gains from an acquisition?
- I. A reduction in the level of debt.
 - II. An increase in surplus funds.
 - III. The use of net operating losses.

- IV. An increased use of leverage.
- (a) I and IV only.
 - (b) II and III only.
 - (c) III and IV only.
 - (d) I and III only.
52. If an acquisition does not create value, then the:
- (a) Earnings per share of the acquiring firm must be the same both before and after the acquisition
 - (b) Earnings per share can change but the stock price of the acquiring firm should remain constant.
 - (c) Price per share of the acquiring firm should increase because of the growth of the firm.
 - (d) Earnings per share will most likely increase while the price-earnings ratio remains constant.
53. Which of the following represent potential gains from an acquisition? I. The replacement of ineffective managers. II. Lower costs per unit produced. III. An increase in firm size so that diseconomies of scale are realized. IV. Spreading of overhead costs.
- (a) II and III only.
 - (b) I and IV only.
 - (c) I, II, and IV only
 - (d) I, III, and IV only
54. Which one of the following statements is correct?
- (a) A spin-off frequently follows an equity carve-out.
 - (b) A split-up frequently follows a spin-off.
 - (c) An equity carve-out is a specific type of acquisition.
 - (d) A spin-off involves an initial public offering.
55. Leveraged buyouts (LBOs) almost always involve:
- (I) a large part of the purchase price is financed mostly by debt.
 - (II) most of the is below investment grade (junk).
 - (III) the firm goes private and its shares are no longer traded on the open market.
- (a) I only
 - (b) II only.
 - (c) III only
 - (d) I, II, and III.

56. When a leveraged buyout transaction is led by the firm's management then the transaction is called:
- (a) IPO.
 - (b) MBO
 - (c) LBOM.
 - (d) CFO.
57. The main characteristics of LBOs are:
- (a) High debt.
 - (b) Private ownership.
 - (c) Management incentives.
 - (d) All of the above.
58. The gains from LBOs are from:
- (a) Tax savings because of high debt servicing.
 - (b) Loss in the value to bondholders.
 - (c) Improved performance because of incentives to managers and employees.
 - (d) All of the above.
59. Which one of the following statements is correct?
- (a) A spin-off frequently follows an equity carve-out.
 - (b) A split-up frequently follows a spin-off.
 - (c) An equity carve-out is a specific type of acquisition.
 - (d) A spin-off involves an initial public offering.
60. As a defensive maneuver, a firm issues deep-discount bonds that are redeemable at par in the event of an unfriendly takeover. These bonds are an example of:
- (a) Greenmail
 - (b) A "scorched earth" policy
 - (c) Crown jewels
 - (d) A poison put
61. By using a _____, the firm can independently control considerable assets with a very limited amount of equity.
- (a) joint venture
 - (b) leveraged buyout (LBO)
 - (c) spin-off

- (d) consolidation
62. As discussed in the text, the creation of a global 24-hour news and information cable network called MSNBC is an example of a _____.
- (a) strategic acquisition
 - (b) financial acquisition
 - (c) joint venture
 - (d) virtual corporation
63. A firm that acquires another firm as part of its strategy to sell off assets, cut costs, and operate the remaining assets more efficiently is engaging in _____.
- (a) a strategic acquisition
 - (b) a financial acquisition
 - (c) two-tier tender offer
 - (d) shark repellent
64. Richard Roll makes a case with the _____ hypothesis that takeovers are motivated by bidder pride and confidence in their abilities relative to others.
- (a) Hubris
 - (b) efficient markets
 - (c) management success
 - (d) synergy
65. A merger that signals to the investors in the market place a change in strategy or operating efficiency that can not be conveyed in another manner is referred to as _____.
- (a) the information effect
 - (b) the wealth effect
 - (c) strategic effect
 - (d) bootstrapping effect
66. A firm that acquires another firm as part of its overall business strategy is engaging in _____.
- (a) a strategic acquisition
 - (b) a financial acquisition
 - (c) a two-tier tender offer
 - (d) a shark repellent

67. A firm can acquire another firm _____.
- only by purchasing the assets of the target firm
 - only by purchasing the common stock of the target firm
 - by either purchasing the assets or the common equity of the target firm
 - None of the above are methods of acquiring the target firm
68. Type of merger involving fusion of two or more companies in which the co's lose their identity and a new company is formed?
- Amalgamation
 - Absorption
 - Acquisition
 - Integration
69. A public offer for acquiring the shares of a target company with a view to acquire management control in it?
- Initial public offer
 - Follow on offer
 - Tender offer
 - Open offer
70. The act of transferring shares of a company which is a new subsidiary of an existing co's to protect the ownership of share holders of existing company.
- Divestiture
 - Spinoff
 - Rights issue
 - Split up

Ans. (1)(b), (2)(c), (3)(a), (4)(b), (5)(c), (6)(b), (7)(c), (8)(a), (9)(a), (10)(a), (11)(c), (12)(a), (13)(d), (14)(d), (15)(c), (16)(d), (17)(a), (18)(c), (19)(b), (20)(c), 21) (b), 22) (a), (23) (a), (24) (a), (25) (d), (26) (a), (27) (c), (28) (b), (29) (c), (30) (c), (31) (d), (32) (a), (33) (a), (34) (c), (35) (a), (36) (c), (37) (d), (38) (b), (39) (c), (40) (c), (41) (d), (42)(a), (43) (a), (44) (a), (45)(b), (46)(a), (47)(c), (48)(d), (49)(b), (50)(c), (51)(c), (52)(b), (53)(c), (54)(a), (55)(b), (56)(c), (57)(d), (58)(c), (59)(a), (60)(d), (61)(b), (62)(c), (63)(b), (64)(a), (65)(a), (66)(a), (67)(d), (68)(a), (69)(c), (70)(b)

II Short Answer Type Questions:

- What do you mean by LBO?
- What do you mean by MBO?

3. What do you mean by Boot Strapping?
4. Write about funding through
 - a. Equity Share Capital
 - b. ADR/GDR
 - c. Employees Stock Options
 - d. External borrowing
5. What are the sources of financing M&A deal?
6. What do you mean by equity carve-outs?
7. What do you mean by ESOPs?
8. What do you mean by divestitures?
9. What is spin-offs?
10. What is split-offs?
11. What do you mean by tracking stocks?
12. What is master limited partnership?
13. How to determine exchange ratio?
14. What is the impact of M&A on EPS?
15. What do you mean by share exchange ratio?
16. How market price behaves in case of any M&A?
17. How can growth result from restructuring?
18. Who are the participants involved in M&A?
19. Briefly describe
 - (a) Bootstrapping Game
 - (b) Leverage Buyouts vs. Management Buyouts
 - (c) Valuation of Merger
 - (d) Spin-off and Carve out
20. Describe briefly the Financial Signalling effect.
21. Discuss the HR and cultural issues involved in mergers and acquisitions.
22. Giving two examples from Indian companies, explain management buyouts.
23. Differentiate LBO from Carve-out.
24. Explain Hubris hypothesis.
25. Explain the term “Valuation” with respect to mergers and acquisitions.
26. Explain discounted cash flow valuation.
27. What is meant by enterprise value?
28. Discuss two methods of accounting for amalgamation.
29. What are the methods of calculating considerations?
30. Discuss the relevance of Hubris hypothesis in Indian context.
31. How can Bootstrapping be used for organizational gain?
32. What are the cultural issues in cross border merger activities.
33. Discuss buyouts in Indian business environment.
34. What is the importance of business valuation in merger activities?

III Long Answer Type Questions:

- 1 What do you mean by corporate restructuring? What is the need scope of corporate restructuring?
- 2 What are the major techniques of corporate restructuring followed by Indian corporates?
- 3 What are the strategic considerations for corporate restructuring?
- 4 The process of divestitures represents significant, strategic and critical corporate understanding. Discuss the process and technique involved in a divesture.
- 5 Explain the steps followed in the process of financial evaluation of divestitures.
- 6 What are the policy implications of corporate restructuring in India?
- 7 A Ltd is a company operating in software industry. It is considering the acquisition of T Ltd with stock. The relevant financial information is as follows:

	A Ltd	T Ltd
Present earnings (Rs)	900000	240000
Number of outstanding shares	150000	60000
Price earning ratio	14	10

A Ltd is planning to offer a premium of 25% over the market price of T Ltd. estimate:

- (a) The exchange ratio
 - (b) The number of shares to be used by A Ltd to T Ltd
 - (c) EPS of new company after the merger
 - (d) The market price of the share when PE ration remains at 14 times.
 - (e) The market price when PE changes to 12 times
- 8 A Ltd is studying the possible acquisition of T Ltd by way of merger. The following data are available in respect of companies:

Particulars	A Ltd	T Ltd
Earning After Tax (Rs)	8000000	2400000
No. of equity shares	1600000	400000
Market value per share	200	160

- (i) If the merger goes through by exchange of equity and the exchange ratio is based on the current market price. What is the new earning per share for A Ltd?
 - (ii) T Ltd wants to be sure that the earning available to its shareholders will not be diminished by the merger. What should be the exchange ratio in that case?
- 9 Explain leverage buyout history.
 - 10 Explain empirical analysis of LBO.
 - 11 Explain impact of debt equity funds and cost of funds.
 - 12 Explain the reasons for divestitures. Also explain the effects on shareholder value caused by divestitures.
 - 13 Explain employee owned corporations and their advantage over others.

- 14 Explain ESOPs with the help of a case study in Indian scenario.
- 15 What do you mean by the business failure? What are the types and causes of business failure?
- 16 Explain the reorganization process of bankrupt business organization.
- 17 Explain the different types of tax-free reorganization. Discuss tax as a source of value in MBOs and LBOs.
- 18 What is the role of arbitragers in mergers and acquisition process and its impact on prices?
- 19 What would be the valuation effects of mergers and acquisition? What types of acquiring firms tend to perform the poorest?
- 20 How the market determines discount rates? Explain.
21. The following information is available for company X and Y:-

Company	X	Y
Profit after tax	Rs. 120 crore	Rs. 45 crore
Number of outstanding shares	35 crore	10 crore
Market price per share	Rs. 22	Rs. 35

Company X is planning to acquire company Y. The acquisition is expected to be done through swap of stocks in which 2 shares of company X will be given for every share of company Y. The management of X makes a projection that the combined entity will have an expected P/E ratio of 8 with a standard deviation of 2. The shareholders of company will accept the merger if the probability of the merger being beneficial is more than 70%. You are required to-

- (a) State whether the merger is acceptable to X.
 - (b) State whether the merger is acceptable to Y at a combined P/E of 8. Show all the necessary calculations.
 - (c) Price of the combined entity if the swap ratio is 2:1 and P/E is 8. Also, calculate the gain or loss to the shareholders of company Y.
22. (a) State the various aspects of accounting for Mergers and Acquisitions (M&A) and their suitability in respective situations.
 - (b) List the various modes of financing of M&A in contemporary scenario.
23. Alpha Ltd. is planning to acquire Beta Ltd. The management of Alpha Ltd. estimates its equity related cash flows, without the merger, to be as follows:-

Year	1	2	3	4	5
Cash flow (Rs. in million)	50	55	60	64	70

Beyond year 5, the cash flow is expected to grow a compound rate of 6% per year.

Year	1	2	3	4	5
Cash flow(Rs. in million)	80	85	105	120	135

Beyond year 5, the cash flow is expected to grow a compound rate of 5% per year.

The numbers of outstanding shares of Alpha Ltd. and Beta Ltd. Proper to mergers are 10 million and 8.0 million respectively, if the management wants to ensure that the net present value of equity related cash flows increases by 5% as a sequel to merger, what is the upper limit on the exchange ratio acceptable to it? Assume discount rate as 16%.

- 24 Quick Ltd. is planning to acquire Fast Ltd. in order to expand its installed capacity. The company will then be in a position to cater to increasing demand for its products and services. The projected equity related cash flows of M/s Quick Ltd. before and after the merger is given below:

Rs. in million					
Year	1	2	3	4	5
Projected cash flow before acquisition	14.6	17.1	16.8	20.6	23.9
Projected cash flow after acquisition	21.3	23.4	29.0	35.7	42.5

The cash flows are expected to grow @ 6% beyond year 5 if M/s fast Ltd. is not acquired and @8% if acquisition takes place. The other relevant data relating to the two companies is given below:

Company	Quick	Fast
No. of outstanding shares (million)	20	10
Market price (Rs)	32.0	26.0
Book Value (Rs)	28.0	21.0

The cost of equity is 16%. You are required to find out the maximum exchange ratio that the management of Quick ltd. can offer to the shareholders of Fast ltd. so that the present value of its equity related cash flows is at least 20% more than the existing level. Whether the exchange ratio offered by Quick ltd. as calculated in sub part (a) above will be acceptable to shareholders of Fast ltd. if their present value of pre merger cash flows is Rs. 125 millions?

25. Why do the following value concepts not represent the intrinsic value of a company? Book value, Liquidation value, Reinstatement value and Market value.
26. What are the three stages in the valuation of the target company? Why are they required?
27. What are the mathematical and conceptual limitations of the dividend discount model?
28. Discuss the various options of financing the mergers.
29. Explain employee owned corporations and their advantage over others.

30. Explain ESOPs with the help of a case study in Indian scenario.
31. What do you mean by the business failure? What are the types and causes of business failure?
32. “Recent times are witnessing a surge in M&A activity across the globe”. Comment on the statement discussing examples of four recent mergers.
33. “The discounted cash flow (DCF) approach is conceptually the best among various approaches for business valuation”. Do you agree? Explain your answer with examples.

UNIT - IV

I Test Your Skills:

(a) Multiple Choice Questions

1. A would-be acquirer's offer to buy stock directly from shareholders is referred to as _____.
 - (a) a white knight
 - (b) a joint venture
 - (c) a tender offer
 - (d) a takeover

2. What is the most likely reason that a firm (who is highly profitable) might consider acquiring a firm that has had large recent losses and will continue to have losses into the near future?
 - (a) Hubris.
 - (b) White knight.
 - (c) Tax-loss usage
 - (d) Increase assets

3. A bidder that offers a higher price to the first fixed quantity of shares tendered and a lower second price for all remaining shares is engaging in _____.
 - (a) a strategic acquisition
 - (b) a financial acquisition
 - (c) a two-tier tender offer
 - (d) shark repellent

4. What is a hostile takeover?
 - (a) When the takeover is friendly
 - (b) When takeover is necessity

- (c) When takeover is compulsory
 - (d) When mngr. rejects the offer but the bidder continues to pursue the bid
5. In tender offer acquiring company makes a public offer at a fixed price above the current market price
- (a) True
 - (b) False
6. In friendly takeover both the parties make the structure of the deal includes which amongst the following issue?
- (a) Asset repurchase
 - (b) Asset purchase rather than share purchase
 - (c) Share purchase only
 - (d) None
7. Which among the following is not a takeover defenses strategy?
- (a) WHITE squire
 - (b) Greenfield strategy
 - (c) Poison pill
 - (d) Silver parachute
8. Which is not one of the features of “flip over poison pill” strategy?
- (a) the holders of common stock of a company receive one right for each share held
 - (b) attempted takeover bid becomes expensive
 - (c) Under this plan, the target company issues a dividend of securities
 - (d) shareholder rights may be exercised to purchase shares at a discount
9. Which among the following is a strategy of active defense measure?
- (a) Greenmail
 - (b) Supermajority provisions
 - (c) Due diligence
 - (d) Fair price provisions
10. Which of the following statements is untrue regarding fair price provision?
- (a) The provisions require the acquirer to pay a ‘fair’ price to the shareholders
 - (b) The fair price may be stated in the form of a minimum price at which a tender offer was made.
 - (c) Fair price provisions are most useful when the acquirer offers a three-tiered bid to the target shareholders

- (d) It is one of the preventive defense measure.
11. Which of the following strategy is used as an active as well as a preventive defense mechanism?
- (a) WHITE squire
 - (b) Golden parachute
 - (c) Dual capitalization
 - (d) Staggered board
12. PAC-MAN defense is characterized by which of the following features?
- (a) Target refuses to be taken over by the bidder
 - (b) Targets often get a court injunction temporarily stopping the takeover attempt
 - (c) target company sells off its most attractive assets
 - (d) target company makes a counter tender offer in response to the acquirer's bid
13. Which is not a defense restructuring strategy?
- (a) Taking a firm private
 - (b) Sale of attractive assets
 - (c) Liquidation of firm
 - (d) Green mail
14. A company shall buyback its shares through the stock exchange by making a public announcement at least _____ days prior to the commencement of buyback.
- (a) Seven days
 - (b) Ten days
 - (c) Five days
 - (d) Three days
15. Amount involved in buy back should not exceed _____ of the total paid up capital.
- (a) 10%
 - (b) 25%
 - (c) 20%
 - (d) 5%
16. The following are some of the ways by which changes in company are effected
- I. LBOs
 - II. Privatization
 - III. Spin-offs
 - IV. Bankruptcies

- (a) I and II only
 - (b) II only
 - (c) I and III only
 - (d) I, II, III and IV
- 17 Leverage buy outs almost always involve:
- I. A large part of the purchase price is financed mostly by debt
 - II. Most of the is below investment grade
 - III. The firm goes private and its shares are no longer traded on the open market
- (a) I only
 - (b) II only
 - (c) III only
 - (d) I, II and III
- 18 The following are examples of LBOs except:
- (a) America Online and Time Warner
 - (b) KKR and RJR Nabisco
 - (c) KKR and Beatrice
 - (d) Texas Pacific group, Bain Capital & Goldman Sachs and Burger King
- 19 The following are examples of LBOs except:
- (a) KKR and Safeway
 - (b) KKR and PanAmSat
 - (c) Daimler-Benz and Chrysler
 - (d) All off the above are LBOs
- 20 The following are examples of LBOs that reverted to being public companies
- (a) Northwest Airlines
 - (b) Safeway stores
 - (c) Kaiser Aluminium
 - (d) All of the above
- 21 Big gainers from LBOs were:
- (a) Junk bond holders
 - (b) Raiders
 - (c) Selling stockholders
 - (d) Investment banking firms

- 22 Junk bonds are bonds with:
- (a) AAA or Aaa ratings
 - (b) BBB or Baa ratings
 - (c) BB or Ba ratings or lower
 - (d) D rated bonds
- 23 The main characteristics of LBOs are:
- (a) High debt
 - (b) Private ownerships
 - (c) Management incentives
 - (d) All of the above
- 24 The gains from LBOs are from
- (a) Tax savings because Of high debt servicing
 - (b) Loss In the value to shareholders
 - (c) Improved performance because of incentives to managers and employees
 - (d) All of the above
- 25 The main characteristics of leveraged restructuring:
- (a) High debt
 - (b) Private ownership
 - (c) Management incentives
- (a) I only
- (b) I and II only
- (c) I and III only
- (d) I, II and III
- 26 By using a _____, the firm can independently control considerable assets with a very limited amount of equity.
- (a) joint venture
 - (b) leveraged buyout (LBO)
 - (c) spin-off
 - (d) consolidation
- 27 For which source, use of funds mobilization for acquiring a company or part there of is not permitted in India?
- (a) Open offer

- (b) ADRs &GDRs
 - (c) ECBs
 - (d) Both B &C
28. Regarding RBI regulations for setting up(JV) or (WOS) abroad,
- (a) RBI has provided for an automatic route, i.e. permission of RBI is not required for remitting foreign exchange.
 - (b) For transaction higher than amount of 500 crore, approval is required
 - (c) In all cases, approval is required
 - (d) None of the above
29. An Indian firm permitted to make investment in overseas, JV or WOS, for how much percentage of the net worth?
- (a) Not exceeding 400%
 - (b) More than 400 %
 - (c) Not exceeding 450%
 - (d) More than 450%
30. For which source, Investment in an overseas JV/WOS may be funded?
- (a) Shares swap
 - (b) Capitalization of export
 - (c) Balances held in EEFC A/C of the Indian part
 - (d) In exchange of ADRs/GDRs
31. Which one of the following pairs of businesses could probably benefit the most by sharing complementary resources?
- (a) roofer and architect
 - (b) tennis court and pharmacy
 - (c) ski resort and golf course
 - (d) dry cleaner and maid service
 - (e) trucking company and lawn service
32. The shareholders of a target firm benefit the most when:
- (a) an acquiring firm has the better management team and replaces the target firm's managers.
 - (b) the management of the target firm is more efficient than the management of the acquiring firm which replaces them.
 - (c) the management of both the acquiring firm and the target firm are as equivalent as possible.
 - (d) the current management team of the target firm is kept in place even though the

- managers of the acquiring firm are more suited to manage the target firm's situation.
- (e) the current management team of the target firm is technologically knowledgeable but yet ineffective.
33. Which of the following represent potential gains from an acquisition?
- I. increased use of debt
 - II. lower costs per unit produced
 - III. strategic beachhead
 - IV. diseconomies of scale
- (a) II and III only
- (b) I and IV only
- (c) I, II, and III only
- (d) I, III, and IV only
- (e) I, II, III, and IV
34. The value of a target firm to the acquiring firm is equal to:
- (a) the value of the target firm as a separate entity plus the incremental value derived from the acquisition.
- (b) the purchase cost of the target firm.
- (c) the value of the merged firm minus the value of the target firm as a separate entity.
- (d) the purchase cost plus the incremental value derived from the acquisition.
- (e) the incremental value derived from the acquisition.
35. If an acquisition does not create value and the market is smart, then the:
- (a) earnings per share of the acquiring firm must be the same both before and after the acquisition.
- (b) earnings per share can change but the stock price of the acquiring firm should remain constant.
- (c) price per share of the acquiring firm should increase because of the growth of the firm.
- (d) earnings per share will most likely increase while the price-earnings ratio remains constant.
- (e) price-earnings ratio should remain constant regardless of any changes in the earnings per share.
36. An acquisition completed simply to diversify a firm will:
- (a) create excessive synergy in almost all situations.
- (b) lower systematic risk and increase the value of the firm.
- (c) benefit the firm by eliminating unsystematic risk.
- (d) benefit the shareholders by providing otherwise unobtainable diversification.

- (e) generally not add any value to the firm.
37. Which one of the following statements is correct?
- (a) An increase in the earnings per share as a result of an acquisition will increase the price per share of the acquiring firm.
 - (b) The price-earnings ratio will remain constant as a result of an acquisition which fails to create value.
 - (c) If firm A acquires firm B then the number of shares in AB will equal the number of shares of A plus the number of shares of B.
 - (d) If no value is created when firm A acquires firm B, then the total value of AB will equal the value of A plus the value of B.
 - (e) Diversification is one of the greatest benefits derived from an acquisition.
38. The primary purpose of a flip-in provision is to:
- (a) increase the number of shares outstanding while also increasing the value per share.
 - (b) dilute a corporate raider's ownership position.
 - (c) reduce the market value of each share of stock.
 - (d) give the existing corporate directors the sole right to remove a poison pill.
 - (e) provide additional compensation to any senior manager who loses his or her job as a result of a corporate takeover.
39. If a firm sells its crown jewels when threatened with a takeover attempt, the firm is employing a strategy commonly referred to as a _____ strategy.
- (a) scorched earth
 - (b) shark repellent
 - (c) bear hug
 - (d) white knight
 - (e) lockup
40. Which one of the following defensive tactics is designed to prevent a "two-tier" takeover offer?
- (a) bear hug
 - (b) poison put
 - (c) shark repellent
 - (d) dual class capitalization
 - (e) fair price provision

41. A firm that acquires another firm as part of its strategy to sell off assets, cut costs, and operate the remaining assets more efficiently is engaging in _____.
- (a) a strategic acquisition
 - (b) a financial acquisition
 - (c) two-tier tender offer
 - (d) shark repellent
42. A would-be acquirer's offer to buy stock directly from shareholders is referred to as _____.
- (a) a white knight
 - (b) a joint venture
 - (c) a tender offer
 - (d) a takeover
43. The restructuring of a firm should be undertaken if _____.
- (a) the restructuring is expected to create value for shareholders
 - (b) the restructuring is expected to increase earnings per share (EPS) next year
 - (c) the restructuring is expected to increase the firm's market share power within the industry
 - (d) the current employees will receive additional stock options to align employee interest
44. Economies of scale, market share dominance, and technological advances are reasons most likely to be offered to justify a _____.
- (a) financial acquisition
 - (b) strategic acquisition
 - (c) divestiture
 - (d) supermajority merger approval provision
45. What is the most likely reason that a firm (who is highly profitable) might consider acquiring a firm that has had large recent losses and will continue to have losses into the near future?
- (a) Hubris.
 - (b) White knight.
 - (c) Tax-loss usage.
 - (d) Increase assets
46. Richard Roll makes a case with the _____ hypothesis that takeovers are motivated by bidder pride and confidence in their abilities relative to others.
- (a) hubris

- (b) efficient markets
 - (c) management success
 - (d) synergy
47. A merger that signals to the investors in the market place a change in strategy or operating efficiency that can not be conveyed in another manner is referred to as _____.
- (a) the information effect
 - (b) the wealth effect
 - (c) strategic effect
 - (d) bootstrapping effect
48. A firm that acquires another firm as part of its overall business strategy is engaging in _____.
- (a) a strategic acquisition
 - (b) a financial acquisition
 - (c) a two-tier tender offer
 - (d) a shark repellent
49. A firm can acquire another firm _____.
- (a) only by purchasing the assets of the target firm
 - (b) only by purchasing the common stock of the target firm
 - (c) by either purchasing the assets or the common equity of the target firm.
 - (d) None of the above are methods of acquiring the target firm
50. What is a business organizational model that involves the large-scale outsourcing of business functions?
- (a) Virtual corporation.
 - (b) Joint venture.
 - (c) Corporate liquidation.
 - (d) Equity carve-out.
51. The restructuring of a corporation should be undertaken if
- (a) the restructuring can prevent an unwanted takeover.
 - (b) the restructuring is expected to create value for shareholders.
 - (c) the restructuring is expected to increase the firm's revenue.
 - (d) the interests of bondholders are not negatively affected.
52. The "information effect" refers to the notion that
- (a) a corporation's actions may convey information about its future prospects.

- (b) management is reluctant to provide financial information that is not required by law.
 - (c) agents incur costs in trying to obtain information.
 - (d) the financial manager should attempt to manage sensitive information about the firm.
53. In the long run, a successful acquisition is one that:
- (a) enables the acquirer to make an all-equity purchase, thereby avoiding additional financial leverage.
 - (b) enables the acquirer to diversify its asset base.
 - (c) increases the market price of the acquirer's stock over what it would have been without the acquisition.
 - (d) increases financial leverage.
54. Bidding companies often pay too much for the acquired firm. The hubris hypothesis explains this by suggesting that the bidders
- (a) have too little information to make an optimal decision.
 - (b) have big egos and this impedes rational decision-making.
 - (c) have difficulty in thinking strategically over the long-term.
 - (d) are overly influenced by the tax consequences of an acquisition
55. A tender offer is
- (a) a goodwill gesture by a "white knight."
 - (b) a would-be acquirer's friendly takeover attempt.
 - (c) a would-be acquirer's offer to buy stock directly from shareholders.
 - (d) viewed as sexual harassment when it occurs in the workplace.
56. The public sale of common stock in a subsidiary in which the parent usually retains majority control is called
- (a) a pure play.
 - (b) a spin-off.
 - (c) a partial sell-off.
 - (d) an equity carve-out.
57. Empirical evidence on acquisitions indicates _____ excess returns on average to the shareholders of the selling company, and _____ excess returns on average to those of the buying company.
- (a) no; no

- (b) substantial; no
 - (c) no; substantial
 - (d) substantial; substantial
58. One means for a company to "go private" is
- (a) divestiture.
 - (b) the pure play.
 - (c) the leveraged buyout (LBO).
 - (d) the prepackaged reorganization.
59. Which one of the following statements is correct?
- (a) A spin-off frequently follows an equity carve-out.
 - (b) A split-up frequently follows a spin-off.
 - (c) An equity carve-out is a specific type of acquisition.
 - (d) A spin-off involves an initial public offering.
60. A modification of the corporate charter that requires 80% shareholder approval for Takeover is called a/ an:
- (a) Repurchase standstill provision
 - (b) Exclusionary self-tender
 - (c) Super majority amendment.
 - (d) Tender offer
61. An acquisition is the same thing as:
- (a) an amalgamation
 - (b) a takeover
 - (c) a merger
 - (d) a spin-off
62. The ways in which mergers and acquisitions (M&As) occur do not include:
- (a) vertical integration
 - (b) conglomerate takeover
 - (c) horizontal integration
 - (d) diversification
63. The 'good' reasons for M&As do not include:
- (a) stopping a competitor merging or taking over

- (b) complementing business strategies
 - (c) supporting value-added growth
 - (d) increasing earnings per share
64. Justifications for M&As do not include:
- (a) to gain economies of scale
 - (b) to enter new markets
 - (c) to achieve synergy
 - (d) to increase risk
65. Financial motives for M&As do not relate to:
- (a) corporation tax
 - (b) unemployed tax shields
 - (c) value added tax
 - (d) earnings per share
66. Managerial motives for M&As do not relate to:
- (a) job security
 - (b) emoluments
 - (c) power
 - (d) Dividends
67. The three broad approaches to company valuation do not include:
- (a) inventory valuation
 - (b) future earnings valuation
 - (c) stock market valuation
 - (d) asset valuation
68. Asset-based company valuations do not include the:
- (a) realisable value method
 - (b) marginal cost method
 - (c) book value method
 - (d) replacement cost method
69. Earnings-based company valuations do not include the:
- (a) DCF method
 - (b) P/E method
 - (c) ARR method
 - (d) ABC method

70. Other reasons for company valuations do not include:

- (a) security for loans
- (b) inheritance tax assessment
- (c) capital gains tax assessment
- (d) tax evasion

Ans. (1)(c), (2)(c), (3)(c), (4) (d), (5)(a), (6)(b), (7)(b), (8) (c), (9) (a), (10) (c), (11)(b), (12)(d), (13)(b), (14)(a), (15)(b), (16)(d), (17)(d), (18)(a), (19)(c), (20)(d), (21)(c), (22)(c), (23)(d), (24)(d), (25)(c), (26)(b), (27)(d), (28)(a), (29)(a), (30)(c), (31)(c), (32)(a), (33)(c), (34)(a), (35)(b), (36)(e), (37)(d), (38)(b), (39)(a), (40)(e), (41)(b), (42)(c), (43)(a), (44)(b), (45)(c), (46)(a), (47)(a), (48)(a), (49)(c), (50)(a), (51)(b), (52)(a), (53)(c), (54)(b), (55)(c), (56)(d), (57)(b), (58)(c), (59)(a), (60)(c), (61)(b), (62)(d), (63)(d), (64)(d), (65)(c), (66)(d), (67)(a), (68)(b), (69)(d), (70)(d)

II Short Answer Type Questions:

- 1 What do you mean by friendly takeover?
- 2 Why business firms fail?
- 3 Enumerate few symptoms of business failure?
- 4 What do you mean by hostile takeover?
- 5 What is poison pill?
- 6 What is white knight?
- 7 What is golden parachute?
- 8 What is greenmail?
- 9 What is bear hug?
- 10 What do you mean by proxy fights?
- 11 What is pac-man?
- 12 What do you mean by share repurchases?
- 13 Discuss the motivational issues affecting employees of a post merger organization?
- 14 Post merger management is more complex because of the size of the new organizations. Discuss.
- 15 Write about measuring the importance of:
 - a. Measuring post merger success
 - b. Valuing post merger corporation
- 16 What are the key measuring indicators of post merger success?
- 17 Explain how growth and expansion can result from mergers?
- 18 Briefly describe Pac Man vs. Poison Pills

- 19 Explain Dawn raid as a takeover tactic.
- 20 Discuss briefly proxy fights.
- 21 Differentiate between white knight and grey knight.
- 22 Giving an example, explain the concept of Shark repellent as a defense tactic.
- 23 Explain People pill as a defense mechanism.
- 24 What is a Crown jewel?
- 25 Why is dawn raid tactic not workable in India?
- 26 What are the advantages of a friendly takeover to the acquirer as well as outgoing promoters?
- 27 What are the various forms of poison pill?
- 28 What is the difference between grey knight and white knight tactics?
- 29 Enumerate the tactics for takeovers/ acquisitions.
- 30 Discuss the strategies for defense against takeover.
- 31 How relevant is Crown jewel as a strategy for Indian markets?
- 32 How is tender offer used as a strategy?
- 33 Discuss the advantages of friendly takeover as against hostile takeovers.

III Long Answer Type Questions:

- 1 What do you mean by friendly takeover? What are the negotiating criteria for friendly takeovers?
- 2 What do you mean by hostile takeover? What are the most frequently used tactics for the hostile takeovers in India?
- 3 Why is tender offers used frequently for takeovers? Explain the reasons for using a tender offer with an example.
- 4 What do you mean by two-tiered tender offer. Explain the regulation and effect of two-tiered tender offer on stockholders wealth.
- 5 Compare open market purchases and street sweeps. What are the advantages of tender offer over open market purchases?
- 6 How can a company defend itself from hostile takeovers? Explain the preventive measures taken by the company against hostile takeover.
- 7 Explain the poison pills with help of a relevant detailed case study and its impact on stock prices.
- 8 Why does dual class recapitalization get approved? What would be the effect of dual capitalization on shareholders wealth?
- 9 When a company should use golden parachutes to defend itself from hostile takeover? Critically analyze golden parachutes.
- 10 Explain the active anti-takeover measures taken by the company to defend itself.
- 11 The role of an employee is very crucial and critical both in pre and post merger periods. Discuss the role of employee before and after the merger.

- 12 Explain ethical issues in the merger and acquisition process.
- 13 Narrate managerial conflict of interest in mergers and acquisitions.
- 14 What are hostile takeovers conclusions and ethical implications?
- 15 Why is cultural due diligence in acquiring business vital for a successful merger or an acquisition.
- 16 Explain litigation as an antitakeover defense with the help of a relevant example
- 17 How human resources are facing difficulties in mergers and acquisition?
- 18 Explain the relationship between corporate governance and mergers taking place in India.
- 19 What are the cross-cultural issues in post-merger integration with MNCs? How such issues need to be tackled?
- 20 Discuss various modes of growth for a business.
- 21 Explain the largest international merger of banking industry with reason.
- 22 Define hostile takeover. Discuss the various defenses against hostile takeover. What are the requisites for a friendly takeover?
- 23 Discuss various defenses against hostile takeovers in light of their advantages and disadvantages. Also discuss their success in Indian context.
- 24 Giving examples, discuss the various takeover tactics used by corporates.
- 25 Explain the significance of poison pills and anti-takeover amendments.
- 26 Discuss the four- C's of post merger integration.
- 27 Discuss the essential steps of implementing takeovers with reference to the cultural aspects.
- 28 Discuss cultural integration in Indian mergers and acquisitions.
- 29 Why does a firm seek to continue to exist after its main products are either obsolete or out of favour for health or other reasons?
30. "Recent times are witnessing a surge in M&A activity across the globe". Comment on the statement discussing examples of four recent mergers.
31. State the importance of HR and cultural issues in a post-merger activity.
32. Are joint ventures better alternatives of Mergers? Justify your answer.
33. What is merger? What are the various types of Mergers? Also, discuss the potential economic advantages available from mergers using examples from contemporary corporate scenario.
34. Distinguish between "friendly takeover" and "hostile takeover". What strategies can be adopted by the target firm in the case of a hostile takeover?

QUESTION BANK

INSURANCE AND RISK MANAGEMENT

MS-224

QUESTION BANK
INSURANCE AND RISK MANAGEMENT MS-224
MBA II

UNIT - I

(I) Multiple Choice Questions:

- 1 The term risk may be defined as:
 - (a) The possibility of adverse results flowing from any occurrence.
 - (b) The possibility of an outcome being different from the expected one.
 - (c) Both a and b
 - (d) None of the above

- 2 Risk of premature death is a
 - (a) Financial risk
 - (b) Personal risk
 - (c) Dynamic risk
 - (d) Subjective risk

- 3 Insurance is a risk management technique involving:
 - (a) Risk retention
 - (b) Risk avoidance
 - (c) Loss control
 - (d) Risk transfer

- 4 Organisations are mainly concerned with managing
 - (a) Pure risks
 - (b) Speculative risks
 - (c) Personal risks
 - (d) None of the above

- 5 The first step in risk management process is
 - (a) Risk avoidance
 - (b) Risk identification
 - (c) Insurance
 - (d) Risk evaluation

- 6 Main emphasis of risk management is on _____.
- (a) Risk retention
 - (b) Reduction of cost of handling risk
 - (c) Risk transfer
- 7 Cost of loss control is
- (a) cost of reducing frequency and severity of loss
 - (b) cost of paying workers compensation
 - (c) cost of self-insurance
- 8 Following are the risk management methods:
- (a) Insurance
 - (b) Hedging
 - (c) Derivatives
 - (d) All of the above
- 9 Risk management information system is not useful in one of the following:
- (a) Reporting
 - (b) Hedging
 - (c) Claim adjustment process review
- 10 Which of the following is the last step in the risk management process.
- (a) Insurance
 - (b) Review
 - (c) Risk Evaluation
 - (d) Loss prevention
- 11 Taylor Tobacco Company is concerned that the company may be held liable in a court of law and forced to pay a large damage award. The characteristics of the judicial system that increase the frequency and severity of losses is known as
- (a) Moral hazard.
 - (b) Particular risk
 - (c) Speculative risk
 - (d) Legal hazard.
- 12 K was just named Risk Manager of ABC Company. She has decided to create a risk management program which considers all of the risks faced by ABC—pure, speculative, operational, and strategic—in a single risk management program. Such a program is called a(n)
- (a) Financial risk management program.

- (b) Enterprise risk management program.
 - (c) Fundamental risk management program.
 - (d) Consequential risk management program.
- 13 Which of the following statements about speculative risks is true?
- (a) They are almost always insurable by private insurers.
 - (b) They are more easily predictable than pure risks.
 - (c) Their occurrence may benefit society.
 - (d) They involve only a chance of loss.
- 14 Which of the following types of risks best meets the requirements for being insurable by private insurers?
- (a) Market risks
 - (b) Property risks
 - (c) Financial risks
 - (d) Political risks
- 15 All of the following are financial risks which may be faced by business organizations EXCEPT
- (a) Interest rate risk.
 - (b) Commodity price risk.
 - (c) Product liability risk.
 - (d) Currency exchange rate risk.
- 16 Insurance is a risk management technique involving
- (a) Risk retention
 - (b) Risk avoidance
 - (c) Loss control
 - (d) Risk transfer
- 17 Risk management follows a systematic process which involves.....steps.
- (a) Two
 - (b) Three
 - (c) Four
 - (d) Five
- 18 Organisations are mainly concerned with managing
- (a) Pure risks
 - (b) Speculative risks
 - (c) Personal risks

- (d) None of the above
- 19 The first step in risk management process is
 - (a) Risk Avoidance
 - (b) Risk Identification
 - (c) Insurance
 - (d) Risk Evaluation
- 20 Which of the following steps in the risk management process helps in determining sum insured under policies.
 - (a) Risk Identification
 - (b) Risk Retention
 - (c) Risk Transfer
 - (d) Risk Evaluation
- 21 Main emphasis of risk management is on
 - (a) Risk retention
 - (b) Reduction of cost of handling risk
 - (c) Risk transfer
- 22 Cost of loss control is
 - (a) Cost of reducing frequency and severity of loss
 - (b) Cost of paying workers compensation
 - (c) Cost of self-insurance
- 23 Following is/are the risk management methods:
 - (a) Insurance
 - (b) Hedging
 - (c) Derivatives
 - (d) All of the above
- 24 Risk management information system is not useful in one of the following
 - (a) Reporting
 - (b) Hedging
 - (c) Claim adjustment process review
- 25 Event of high frequency and low severity fall in the self-retention category
 - (a) True
 - (b) False

- 26 When an event is stated to be possible, it has a probability between
- (a) Zero and one
 - (b) Zero or one
 - (c) None of these
 - (d) Both of the above
- 27 If the most impossible event is assigned a value of zero, then most inevitable event is assigned a value
- (a) Of one
 - (b) Between zero and one
 - (c) Between zero to 10
 - (d) Between 10 to 100
- 28 Which of the following is the last step in the risk management process?
- (a) Insurance
 - (b) Review
 - (c) Risk Evaluation
 - (d) Loss Prevention
- 29 Which of the following helps in 'Risk' improvement?
- (a) Fire brigade
 - (b) Salvage Crops
 - (c) Engineers who survey property to be insured
 - (d) Ambulance
- 30 Which of the statements are true?
- (A) Risk retention and risk transfer are some of the techniques to manage risks.
 - (B) Implementation is one of the steps in risk management
- (a) Statement (A)
 - (b) Statement (B)
 - (c) Both the statements
 - (d) Neither of the statements
- 31 Which of the statements are true?
- (A) Loss prevention and loss reduction mean different things.
 - (B) Risk maybe transferred by contract.
- (a) Statement (A)
 - (b) Statement (B)
 - (c) Both the statements
 - (d) Neither of the statements

- 32 Which of the statements is correct?
- (A) The simplest way to deal with a risk is to avoid it.
 - (B) This technique is always possible and practical.
 - (a) Statement (A)
 - (b) Statement (B)
 - (c) Both the statements
 - (d) Neither of the statements
- 33 Which of the statements is correct?
- (A) One of the methods of risk retention is by way of voluntary excess or deductible available under the policy.
 - (B) Another method of retention of risk is to absorb small losses as normal operating expenses of business.
 - (a) Statement (A)
 - (b) Statement (B)
 - (c) Both the statements
 - (d) Neither of the statements
- 34 When should a risk be avoided?
- (a) When the risk event has a low probability of occurrence and low impact
 - (b) When the risk event is unacceptable -- generally one with a very high probability of Occurrence and high impact
 - (c) When it can be transferred by purchasing insurance
 - (d) A risk event can never be avoided
- 35 Risk management can be defined as the art and science of _____ risk factors throughout the life cycle of a project.
- (a) Researching, reviewing, and acting on
 - (b) Identifying, analyzing, and responding to
 - (c) Reviewing, monitoring, and managing
 - (d) Identifying, reviewing, and avoiding
 - (e) Analyzing, changing, and suppressing
- 36 When a firm buys insurance to cover losses caused by riots, the firm is
- (a) Transferring risk.
 - (b) Avoiding risk.
 - (c) Assuming risk.
 - (d) Reducing risk.

37. Suppose a project has many hazards that could easily injure one or more persons and there is no method of avoiding the potential for damages. The project manager should consider _____ as a means of deflecting the risk.
- (a) Abandoning the project
 - (b) Buying insurance for personal bodily injury
 - (c) Establishing a contingency fund
 - (d) Establishing a management reserve
 - (e) Not acknowledging the potential for injury
38. Mitigating risk could involve
- (a) Identifying risks, obtaining insurance and developing alternatives
 - (b) Contracting and quality assurance
 - (c) Developing standards, buying insurance, and planning for contingencies and alternatives
 - (d) Re-scoping the project and reassessing requirements
 - (e) C and D
39. Risk Management includes all of the following processes except:
- (a) Risk Monitoring and Control
 - (b) Risk Identification
 - (c) Risk Avoidance
 - (d) Risk Response Planning
 - (e) Risk Management Planning
40. A risk response which involves eliminating a threat is called:
- (a) Mitigation
 - (b) Deflection
 - (c) Avoidance
 - (d) Transfer
 - (e) b and d
41. The cause of loss or a contingency that may cause a loss is known as-----
- (a) Hazard
 - (b) peril
 - (c) Risk
 - (d) Uncertainty
42. The condition that increases severity of loss or the conditiopns affecting peril is termed as-----
- (a) Hazard

- (b) Speculative Risk
 - (c) Particular risk
 - (d) Dynamic Risk
43. The risks Resulting from the changes in the Economy is termed as-----
- (a) Quantifiable risk
 - (b) Dynamic risk
 - (c) Static risk
 - (d) Speculative risk
44. The risk which directly affects the individual's capability to earn income is called-----
- (a) Personal Risk
 - (b) Risk Financing
 - (c) Risk Retention
 - (d) Risk Sharing
45. Losses arising due to a risk exposure retained or assured is known as-----
- (a) Risk Reduction
 - (b) Risk Financing
 - (c) Risk Retention
 - (d) Risk Sharing
46. A person who dislikes risk is known as -----
- (a) Risk lover
 - (b) Risk Averse
 - (c) Risk Neutral
 - (d) Insurer
47. Risk Management process includes-----
- (a) Risk Analysis
 - (b) Risk Control
 - (c) Risk Analysis and Control
 - (d) Risk Reduction
48. A risk manager should report to-----
- (a) Managing Director
 - (b) Company Secretary
 - (c) Supervisor
 - (d) General Manager

49. An alternative approach to the check list is-----
- (a) Threat Analysis
 - (b) Event Analysis
 - (c) Operability Study
 - (d) Minimum Level Analysis
50. The System that brings together the operative causes of perils is-----
- (a) Risk Evaluation
 - (b) Safety Audit
 - (c) Risk Financing
 - (d) Fault Tree Analysis
51. Risk management has become an important concern for businesses today because:
- (a) insurance companies have done such a good job of marketing their products
 - (b) rapid environmental changes are becoming a major source of risk for companies..
 - (c) companies want to insure themselves against potential losses.
 - (d) lawyers have made insurance claims a part of a company's legal strategic plan.
52. An enterprise risk management program has as one of its goals:
- (a) define which risks the program will manage.
 - (b) eliminate the risk of doing business.
 - (c) insure the company from environmental disasters.
 - (d) spread the risk of doing business over time.
53. When a jewelry store locks its merchandise in a vault at the end of the day, it is practicing
- (a) risk reduction.
 - (b) risk avoidance.
 - (c) risk assumption.
 - (d) risk shifting
 - (e) none of the above.
54. Risks that insurance firms will not assume are called
- (a) uninsurable risks
 - (b) insurable risks.
 - (c) endorsements.
 - (d) pure risks
 - (e) avoidable risks

55. Costs for injury or death due to hazards at the work place are covered under which insurance.
- (a) product liability
 - (b) life
 - (c) malpractice
 - (d) public liability
 - (e) no-fault
56. Choosing not to ride in a car is an example of
- (a) shifting risks.
 - (b) risk reduction.
 - (c) risk avoidance.
 - (d) risk assumption.
 - (e) self-insurance.
57. Most firms shift their risks by
- (a) buying an insurance policy.
 - (b) establishing a self-insurance fund.
 - (c) establishing a safety program.
 - (d) installing smoke alarms.
 - (e) stopping the questionable activity.
58. Purchasing insurance is a technique used to
- (a) assume risk.
 - (b) shift risk.
 - (c) reduce risk.
 - (d) avoid risk.
 - (e) eliminate risk.
59. A broken window pane is evidence of a
- (a) robbery.
 - (b) larceny.
 - (c) burglary.
 - (d) theft.
 - (e) break in.
60. When a firm buys insurance to cover losses caused by riots, the firm is
- (a) transferring
 - (b) using risk.
 - (c) avoiding risk.

- (d) risk. assuming risk.
 - (e) reducing risk.
61. A sudden demand by depositors for notes and coin is an example of:
- (a) Asset risk
 - (b) Payment risk
 - (c) Liquidity risk
 - (d) Currency risk
 - (e) Capital risk
62. The idea behind a capital adequacy ratio is that banking risk should be borne by:
- (a) Creditors
 - (b) Borrowers
 - (c) Shareholders
 - (d) Managers
 - (e) Directors
63. 'Reinsurance' refers to the practice by insurance companies of:
- (a) Buying insurance from another firm
 - (b) Renewing existing policies
 - (c) Terminating existing policies
 - (d) Insuring the same risk twice
 - (e) Issuing new policies
64. By taking out insurance cover an individual:
- (a) Reduces the risk of an accident
 - (b) Reduces the cost of an accident
 - (c) Transfers the risk to someone else
 - (d) Converts the possibility of large loss to certainty of a small one
 - (e) Reduces the certainty of major loss
65. Diversification is one way in which insurance companies can protect themselves against:
- (a) Moral hazard
 - (b) Positively correlated risks
 - (c) Parameter change
 - (d) The law of large numbers
 - (e) Random fluctuation

66. A retirement annuity is particularly attractive to someone who has:
- (a) A large family
 - (b) Low longevity risk
 - (c) Financial myopia
 - (d) High longevity risk
 - (e) A severe illness
67. A 'pay as you go' pension system is unsuitable for a private firm because:
- (a) There is a disincentive effect for current workers
 - (b) The firm may cease trading
 - (c) Employees are not willing to pay
 - (d) The benefits are insufficient
 - (e) The dependency ratio is too high
68. Pension and life insurance funds hold few short-term assets because:
- (a) Their cashflows are predictable
 - (b) Most people live for a long time
 - (c) Long-term assets are more profitable
 - (d) Short-term assets are too dear
 - (e) Short-term assets are too risky
69. A unit trust fund is established with assets of £200m divided into 150m units. The value of the underlying assets rises to £250m. The value of each unit is:
- (a) £1.25
 - (b) £0.60
 - (c) £1.66
 - (d) £0.80
 - (e) £1.33
70. Investment trusts often expose investors to higher capital risk than unit trusts because:
- (a) Investment trusts invest in overseas shares
 - (b) Investment trusts have higher operating costs
 - (c) Investment trusts are less diversified
 - (d) Unit trusts hold more bonds
 - (e) Investment trusts can be 'geared'

Ans. (1)(c), (2)(b), (3)(d), (4)(a), (5)(d), (6)(b), (7)(a), (8)(d), (9)(b), (10)(a), (11)(d), (12)(b), (13)(c), (14)(b), (15)(c), (16)(d), (17)(d), (18)(a), (19)(b), (20)(b), (21)(b), (22)(a), (23)(d), (24)(b), (25)(a), (26)(a), (27)(d), (28)(a), (29)(c), (30)(c), (31)(b), (32)(d), (33)(c), (34)(b), (35)(a), (36)(a), (37)(b), (38)(e), (39)(c), (40)(e), 41(b), 42(a), 43(b), 44(a), 45(c), 46(b),

47(c), 48(c), 49(a), 50(b), 51(a), 52(b), 53(b), 54(a), 55(d), 56(c), 57(a), 58(b), 59(c), 60(a), 61 (c), 62 (c), 63, (a), 64 (d), 65 (e), 66 (d), 67 (b), 68 (a), 69 (c), 70 (e).

(c) Fill in the Blanks:

- 1 Risk management follows a systematic process which involves _____ steps.
- 2 When an event is stated to be possible, it has a probability between _____
- 3 If the most impossible event is assigned a value of zero, then most inevitable event is assigned a value _____.
- 4 _____ is possibility that a loss will occur.
- 5 A decision to market a new product is an example of _____ risk.
- 6 The purpose of _____ process is to minimize the cost of a loss or injury.
- 7 Risks that insurance firms will not assume are called _____.

Ans. (1) (five), (2) (zero and one), (3) (of one), (4) Risk, (5) Speculative, (6) Risk Minimization
(7) Uninsurable risks

II Short Answer Type Questions:

- 1 Define risk.
- 2 What is degree of risk?
- 3 Differentiate between risk and uncertainty.
- 4 Distinguish between 'Interest rate risk' and 'currency risk'
- 5 Write a short note on risk management.
- 6 What do you mean by cost of risk?
- 7 Differentiate between a peril and a hazard.
- 8 Write a short note on subjective and objective risks.
- 9 Diagrammatically show the risk management department.
- 10 Define RMIS.
- 11 What is risk avoidance? Give an example.
- 12 How does the risk management process start?
- 13 Compare a speculative risk with a pure risk and give an example of each.
- 14 Describe risk elimination.
- 15 Can You Discuss the risks of our decade?
- 16 Name the main categories of risks.
- 17 provide examples of risk categories.
- 18 How does e-risk fit into the categories of risk?

III Long Answer Type Questions:

- 1 Discuss the various types of risk faced by business organizations.
- 2 Differentiate between static risk and dynamic risk.
- 3 How is pure risk different from speculative risk?
- 4 Discuss in detail the concept and objectives of risk management.
- 5 What principles must be kept in mind while managing the risk?
- 6 Explain risk management information system.
- 7 Enumerate the steps for risk management process.
- 8 Explain the different methods used for risk management.
- 9 “The business is exposed to numerous types of risks.” Elaborate.
- 10 Through probability distribution, how can the risk are measured? Explain the concept of expected value.
- 11 What is normal distribution? Explain its characteristics. How is it useful with respect to risk measurement?
- 12 Explain the following concepts of probability and statistics for risk measurement: a) skewness, b) correlation, c) variance and standard deviation.
- 13 Explain the use of sample mean and sample standard deviation for risk measurement.
- 14 Explain the technique of 'Risk Measurement, 'Risk Evaluation' and 'Risk Prediction' for natural disasters.
- 15 How 'risk rating' can be used for 'risk management'? Illustrate process of 'Risk Assessment' and 'Risk Handling' for giving loans
- 16 “Pure risks are always insurable.” Comment.
- 17 Explain the application of statistical techniques in risk avoidance.
- 18 Define risk. List some ways in which risk creates an economic burden for society.
- 19 What are the steps in developing a risk management plan? Why is the order of the steps important? Which step is the most difficult to accomplish.
- 20 Explain how enterprise risk management process differs from traditional form of risk management.
- 21 Explain the various methods of risk management in corporations. Comment on the transition that is taking place in the risk management function and its practices in the current scenario.
- 22 Define Risk. Explain its different types.
- 23 What is risk management? Explain its objectives and methods
- 24 What is Risk measurement? Explain the following concepts of probability and statistics for risk measurement
 - (a) Skewness
 - (b) Correlation
 - (c) Variance and standard deviation
- 25 How is risk reduction or minimization used in the process of risk management?

- 26 Explain why speculative risks are generally not insurable.
- 27 What are the benefits of the risk management?
- 28 Distinguish between risk management and disaster management.
- 29 What is risk? Is risk different from uncertainty? Give examples of risk involving property, life, death, loss of income and financial losses.
30. What is risk management? Whether risk management process is meant for prevention of future risk or for reducing the risk already happened? Explain.
31. “Risk assessment has simplified everything” Explain.
32. try to illustrate each cross-classification of risk with examples.
33. Do you support the view that Indian masses are underinsured?
34. Define the insurance from the view point of the individual and society.

UNIT – II

I Test Your Skills:

(a) Multiple Choice Questions:

- 1 Which of the following statements is true?
 - (a) Risk retention and risk transfer are some of the techniques to manage risk.
 - (b) Implementation is one of the steps in risk management.
 - (c) Statement A
 - (d) Statement B
 - (e) Both the statements
 - (f) Neither of the statements
- 2 Which of the following statements is true: Under a fire policy-
 - (a) Insurance is a transfer of risk mechanism.
 - (b) Insurance gives physical protection to the assets.
 - (c) Statement A
 - (d) Statement B
 - (e) Both the statements
 - (f) Neither of the statements
- 3 Which of the following statements is correct?
 - (a) One of the methods of risk retention is by way of voluntary excess or deductible available under the policy.
 - (b) Another method of retention of risk is to absorb small losses as normal operating expenses of business.

- (c) Statement A
 - (d) Statement B
 - (e) Both the statements
 - (f) Neither of the statements
- 4 The general insurance business in India was nationalized in the year
- (a) 1976
 - (b) 1956
 - (c) 1983
 - (d) 1972
- 5 The insurance plays a role in the economic development of the country in the following ways:
- (a) Releases capital for new investments.
 - (b) The job potential increases
 - (c) Money collected is invested in infrastructure
 - (d) All of the above
- 6 All of the following are risk management objectives prior to the occurrence of loss EXCEPT
- (a) Economy.
 - (b) Continued operations.
 - (c) Reduction of anxiety.
 - (d) Meeting externally imposed obligations.
- 7 Which of the following types of loss exposures are best met by the use of avoidance?
- (a) low-frequency, low-severity
 - (b) low-frequency, high-severity
 - (c) high-frequency, low-severity
 - (d) high-frequency, high-severity
- 8 Consideration on the part of the life insured in respect of a life insurance contract is
- (a) A promise to take a new policy
 - (b) The insured's promise to pay the premium under the policy.
 - (c) The payment made towards premium by the insured.
 - (d) Proposal completed and signed by the person.
9. The policy holder's duty to disclose material fact lies at the time of
- (a) Taking a policy
 - (b) Revival of policy

- (c) Reinstatement of surrendered policy
 - (d) All of the above
- 10 Which of the following is an evidence of insurance contract?
- (a) Policy of insurance
 - (b) Payment of premium
 - (c) Cover note
 - (d) Acceptance of proposal
- 11 Which of the following statements is correct?
- (a) People do not see the need for life insurance as top priority.
 - (b) People hesitate to buy life insurance because they prefer to enjoy the present.
 - (c) Both the statements are correct.
 - (d) Both the statements are wrong.
- 12 The principle of utmost good faith does not apply to :
- (a) Facts of common knowledge
 - (b) Facts of Law
 - (c) Facts which are not material for underwriting
 - (d) All the three kinds of facts mentioned above.
- 13 Which of the statement is correct?
- (A) Existence of the subject-matter is an express condition.
 - (B) There are no implied conditions in insurance contracts
- (a) (A) is correct
 - (b) (B) is correct
 - (c) Neither is correct
 - (d) Both the correct
- 14 The clause which sets out the essence of the contract is
- (a) The Preamble
 - (b) Recital Clause
 - (c) Conditions
 - (d) Operative Clause
- 15 Endorsement can be used in a policy giving effect to
- (a) Renewal
 - (b) Change in premium
 - (c) Change in subject-matter of insurance
 - (d) All of the above

- 16 Policy stamp needs to be affixed on the
- (a) Endorsement
 - (b) Cover note
 - (c) Policy
 - (d) All of the above
- 17 Cover note can be issued by
- (a) Agents
 - (b) Development officers
 - (c) Insurers
 - (d) All of the above, depending on company guidelines
- 18 What is the minimum age for a person to effect a contract of insurance?
- (a) 25 years
 - (b) 18 years
 - (c) 12 years
 - (d) 20 years
- 19 Insurable Interest is defined by:
- (a) The Insurance Act
 - (b) The Contracts Act
 - (c) By IRDA
 - (d) Not defined in any written law
- 20 Which of the following is true?
- (A) Policy form is a legal document.
 - (B) The warranties inserted in a policy safeguard the interest of the insured.
- (a) A is True
 - (b) B is True
 - (c) Both are true
 - (d) Neither is true
- 21 Which of the following is true?
- (A) Pooling spreads the risk of a severe financial loss over a group.
 - (B) Pool premiums are generally more stable.
- (a) A is true.
 - (b) B is true
 - (c) Neither is true
 - (d) Both are true.

- 22 Which of the statements is true?
- (A) Preamble to the policy gives the name, address of the registered office of the insurance company.
 - (B) Policies can be worded without the recital clause.
- (a) A is true
 - (b) B is true
 - (c) Both are true
 - (d) Neither is true
- 23 Which of the statements is true?
- (A) Endorsements are issued to record alternations.
 - (B) In certain classes of business attachment of endorsements to the policy is compulsory.
- (a) A is true
 - (b) B is true
 - (c) Neither is true
 - (d) Both are true
- 24 In case of life insurance, insurable insurance should not exist?
- (a) At the inception of the policy.
 - (b) At the time of a claim.
 - (c) At the time of every renewal premium payment.
 - (d) All the above occasions.
- 25 Which of the statements is true?
- (A) Any wrong answer in a proposal form will give the right to insurers to avoid the contract.
 - (B) Schedule contains information applicable to a particular contract.
- (a) A is true
 - (b) B is true
 - (c) Both are true
 - (d) Neither is true
- 26 Notification of Alterations in Risk is a condition
- (a) Precedent to liability
 - (b) Subsequent to liability
 - (c) Precedent to the contract
 - (d) Subsequent to the contract

- 27 A person's insurable interest in his own life is:
- (a) Unlimited
 - (b) Limited
 - (c) 10 times the husband's salary
 - (d) None of the above
- 28 The time frame for which an insurance policy provides coverage is known as _____
- (a) Policy term
 - (b) Policy loan
 - (c) Policy mode
 - (d) None
- 29 A comprehensive risk management plan that addresses an organization's pure risks, speculative risks, strategic risks, and operational risks is called an
- (a) Enterprise Risk Management Plan
 - (b) Risk Management Information system
 - (c) Reinsurance System
 - (d) Pooling
- 30 Insurance business is based on _____.
- (a) Parkinson law.
 - (b) Newton law
 - (c) The theory of probability and law of large numbers.
 - (d) Boyle law.
- 31 _____ is a contract between two or more insurance companies by which a portion of risk of loss is transferred to another insurance companies.
- (a) double insurance
 - (b) reinsurance
 - (c) treaty insurance
 - (d) banc-assurance
- 32 Life insurance and general insurance are divided on the basis of:
- (a) nature of insurance
 - (b) risk point of view
 - (c) business point of view.
 - (d) none of above
- 33 A creditor has insurable interest in the life of his debtor:
- (a) Equal to the debt

- (b) Unlimited
 - (c) Half of the debt
 - (d) None
- 34 _____ insurance is the one where the loss is not due to physical damage but the result of dishonesty of employees as a result of physical damage.
- (a) Liability
 - (b) Pecuniary
 - (c) Motor
 - (d) Personal
- 35 The consent will be free when it is not caused by:
- (a) coercion
 - (b) undue influence
 - (c) fraud
 - (d) all of above
- 36 Insurance Ombudsman is open to all individuals whose claim amount is less than:
- (a) Rs. 1 Crore
 - (b) 20 crores
 - (c) 20 lakhs
 - (d) 10 lakhs
- 37 The fee charged by the insurer on account of providing services is called.....
- (a) Assured
 - (b) Insurance
 - (c) Policy
 - (d) Premium
- 38 In which section of an insurance contract will you find provisions that qualify or place limitations on the insurer's promise to perform?
- (a) insuring agreement
 - (b) definitions
 - (c) exclusions
 - (d) conditions
- 39 Deductibles are used for all of the following reasons EXCEPT
- (a) to reduce loss control efforts.
 - (b) to eliminate small claims.
 - (c) to reduce premiums.

- (d) to reduce moral and attitudinal hazard
40. Which of the following statements is (are) true with respect to endorsements and riders?
- I Endorsements and riders are used to amend provisions of insurance contracts.
 - II If the endorsement or rider conflicts with terms in the underlying contract, the endorsement or rider takes precedence unless it conflicts with the law.
- (a) both I and II
 - (b) II only
 - (c) neither I nor II
 - (d) I only
41. The claim amount received from insurer are treated as -----.
- (a) Nontaxable Income
 - (b) TaxableGain
 - (c) Gains
 - (d) Reserve
42. Insurance is best suited to risk with-----.
- (a) high frequency and low loss severity.
 - (b) low frequency and high loss severity.
 - (c) minimum frequency and no loss severity.
 - (d) high frequency and high loss severity.
43. The condition for insurable interest is-----.
- (a) Loss should be sufficiently in monetary terms.
 - (b) Loss potential should be sufficiently large.
 - (c) Interest on the subject matter of the insurance.
 - (d) Loss cannot be managed.
44. Restoring a policy holder to his pre-loss financial position means-----.
- (a) Contribution
 - (b) Indemnity
 - (c) Goodwill
 - (d) Liquid Asset
45. Franchise and aggregate excess of loss are two variations of-----.
- (a) Coinsurance
 - (b) Excess of Loss
 - (c) First Loss
 - (d) Proximate Cause

46. The type of reinsurance that forms individual large losses of risk is called as-----.
- (a) Proportional quota share.
 - (b) Excess of loss per event basis.
 - (c) Stop loss.
 - (d) Facultative
47. The Person whose risk is insured is called _____.
- (a) Insured
 - (b) merchandiser
 - (c) marketer
 - (d) Agents
48. Except life assurance the maximum term of other insurance is-----.
- (a) twelve months.
 - (b) twenty four months.
 - (c) six months
 - (d) thirty six months
49. The principles of indemnity does not apply to-----.
- (a) Burglary insurance
 - (b) Fire insurance.
 - (c) Marine insurance.
 - (d) Life and Personal Accident insurance.
50. Which of the following is the last step in risk management process-----.
- (a) Insurance.
 - (b) Review.
 - (c) Risk evaluation.
 - (d) Loss prevention
51. Insurance that provides protection for a stated period of time is defined as _____ insurance.
- (a) straight life
 - (b) single-payment
 - (c) term
 - (d) limited-payment
 - (e) whole life

52. Which of the following is not a condition for an insurable loss?
- (a) Using accurate and effective accounting and financial controls to protect the firm's inventories and cash from pilfering
 - (b) Establishing a self-insurance health program that covers all employees
 - (c) Installing burglar alarms, security guards, and even guard dogs to protect warehouses from burglary
 - (d) Purchasing and using safety equipment, from hand guards on machinery to goggles and safety shoes for individuals
 - (e) Installing fire alarms, smoke alarms, and sprinkler systems to reduce the risk of fire and the losses due to fire
53. Which one of the following is not a condition for an insurable loss?
- (a) Losses must be under the control of the insured.
 - (b) The insured hazard must be geographically widespread.
 - (c) The probability of a loss should be predictable.
 - (d) Losses must result from an intentional action by the insured person.
 - (e) Losses must be measurable.
54. Which risk-management technique does self-insurance satisfy?
- (a) Risk reduction
 - (b) Risk assumption
 - (c) Risk avoidance
 - (d) Shifting risks
 - (e) Risk elimination
55. To be insurable, a risk must have potential losses that are
- (a) under the control of the insured.
 - (b) centrally located.
 - (c) predictable.
 - (d) unmeasurable.
 - (e) nonpredictable.
56. A type of insurance that combines protection with an investment plan is called
- (a) whole life.
 - (b) endowment.
 - (c) limited-pay.
 - (d) term.
 - (e) universal.

57. Upon the death of the insured, who receives the proceeds of the life insurance policy?
- (a) beneficiaries
 - (b) actuaries
 - (c) policyholders
 - (d) recipients
 - (e) insurers
58. What type of life insurance policy would you recommend for a young couple, with no children, that would provide the most protection for the smallest premium?
- (a) Term
 - (b) Single-payment life
 - (c) Whole life
 - (d) Endowment
 - (e) Straight life
59. In pursuance of which one of the following was the General Insurance Corporation of India was formed?
- (a) General Insurance Business (Nationalisation) Act, 1972
 - (b) Insurance Act, 1938
 - (c) Insurance Amendment Act, 2002
 - (d) IRDA Act 1999
60. 'Reinsurance' refers to the practice by insurance companies of:
- (a) Buying insurance from another firm
 - (b) Insuring the same risk twice
 - (c) Terminating existing policies
 - (d) Renewing existing policies
 - (e) Issuing new policies
61. Risk retention is not a good idea if:
- (a) the risk is unimportant - Given
 - (b) you did not identify the risk
 - (c) the frequency is so low it almost will never happen
 - (d) the exposure is potentially catastrophic
62. Risk, as distinct from uncertainty considers:
- (a) a qualitative approach
 - (b) a maximin approach
 - (c) a quantitative approach
 - (d) a maximax approach

63. Which of the following is not a source of financial risk?
- (a) marketing mix
 - (b) interest rates
 - (c) exchange rates
 - (d) credit terms
64. The exchange rate equivalency model excludes which of the following?
- (a) International Fletcher Effect
 - (b) Interest Rate Parity Theory
 - (c) International Fisher Effect
 - (d) Expectations Theory
65. Interest rate risk is not faced by:
- (a) borrowers
 - (b) debenture holders
 - (c) ordinary shareholders
 - (d) lenders
66. Exchange rate risk does not include:
- (a) transposition risk
 - (b) transaction risk
 - (c) translation risk
 - (d) economic risk
67. Financial risk management includes hedging techniques which do not include:
- (a) foreign exchange fixed forward contracts
 - (b) foreign exchange option forward contracts
 - (c) foreign exchange swaptions
 - (d) forward interest rate agreements (FRAs)
68. Examples of financial derivatives do not include:
- (a) options
 - (b) futures
 - (c) loans
 - (d) swaps
69. A traded option may be:
- (a) a European option
 - (b) a place option
 - (c) an American option

(d) a call option

70. A futures contract is not:

- (a) a standardised contract
- (b) tradeable
- (c) priced using ticks
- (d) protection against downside risk

Ans. (1)(c), (2)(a), (3)(c), (4)(d), (5)(d), (6)(b), (7)(d),(8)(b), (9)(d), (10)(a), (11)(c), (12)(d),(13)(c), (14)(d), (15)(d), (16)(c), (17)(d), (18)(b), (19)(d), (20)(b), (21)(d), (22)(d), (23)(d), (24)(a), (25)(a),(26)(a),(27)(a), (28)(a), (29)(a), (30)(c),(31)(b), (32)(c), (33)(a),(34)(b), (35)(d), (37)(b), (38)(d), (39)(a), (40)(a), 41(b), 42(b), 43(c), 44(b), 45(b), 46(a), 47(a), 48(a), 49(d), 50(a), 51(c), 52(b), 53(d), 54(b), 55(c), 56(e), 57(a), 58(a), 59(a), 60(a), 61(d), 62 (a), 63, (a), 64 (a), 65 (c), 66 (a), 67 (c), 68 (c), 69 (b), 70 (b).

II Short Answer Type Questions:

- 1 What are the methods of handling risk?
- 2 Write short note on risk retention.
- 3 Explain Risk transfer.
- 4 Define pooling.
- 5 Write a short note on estoppel.
- 6 Define waiver.
- 7 Define endowment insurance.
- 8 Write a short note on principle of indemnity.
- 9 Define loss adjustment expenses.
- 10 State the features of the insurance contract.
- 11 What is Insurance Ombudsman?
- 12 What do you mean by Reinsurance?
- 13 What is the meaning of Premium and Policy with reference to an Insurance contract?
- 14 What is the basic relationship between the age of the individual and the insurance premium?
- 15 Name the parties in Insurance contract.
- 16 List the various Tax implications of insurance transaction in India.
- 17 define the Technical Account.
- 18 explain the unrealized gain.
- 19 what is the Catastrophe reserve.
- 20 explain the concept of claims incurred but not reported.

III Long Answer Type Questions:

- 1 “Pooling arrangement is the method of risk sharing.” Elaborate.
- 2 Explain insurance as a risk pooling arrangement.
- 3 What types of costs are associated with pooling arrangement?
- 4 How can risk exposure to individuals be identified? Explain in detail.
- 5 Briefly summarize the various legal provisions applicable to insurance business in India.
- 6 Explain the concept of pooling. Also, explain the various methods and techniques of pooling arrangement.
- 7 Define loss exposure and its impact on various categories of persons and organizations.
- 8 Discuss the various legal aspects related to insurance contract.
- 9 What are the laws and regulations applicable for insurance?
- 10 Differentiate estoppel and waiver.
- 11 Differentiate between risk retention and risk transfer.
- 12 Explain how pooling.
- 13 Describe loss control measures that an individual can take to reduce the risk of being injured in an automobile accident.
- 14 What major methods are used to finance losses? How does loss financing differ from internal risk reduction?
- 15 Explain the principal ways in which insurance companies can reduce risk through diversification.
- 16 What is Indemnity? Is it applicable to all classes of insurance? Give reasons for your answer.
- 17 “The Insurance business model is a dual application of law of large numbers”. Comment.
- 18 “Subrogation arises under all contracts of general insurance.” Comment.
- 19 Define pooling. Distinguish between pooling and diversification. How pooling can reduce risk for a given group of potential insured and the insurance company?
- 20 Pooling Arrangement is the method of risk sharing. Elaborate this term.
- 21 What are the principles of Insurance?
- 22 What are the advantages of insurance?
- 23 Explain the principle of Utmost Good faith and the principle of Insurable interest in respect of Insurance contract.
- 24 An insured is a cancer patient but does not disclose this fact in his proposal form’. Which principle of insurance is being violated? Explain.
- 25 Goods kept in a store catch fire but as they are insured the owner does not take any steps to save them. Which principle of insurance is being violated? Explain.
- 26 Distinguish between Surrender value and paid up value.
- 27 Briefly explain the procedure of settlement of death and maturity Claims.
- 28 What is the claim procedure in respect of a life insurance policy?
- 29 What are the additional benefits attached to a life insurance policy?

- 30 List the documents required for consideration of a claim.

UNIT – III

I Test Your Skills:

Multiple Choice Questions:

- 1 Which of the following is the similarity between insurance and gambling:
 - (a) The amount of loss to be paid is known beforehand.
 - (b) Promise to pay on the happening of the event
 - (c) Both the parties win on happening of an event.
 - (d) Both are enforceable at law.

- 2 The business of insurance is related to protection of:
 - (a) savings
 - (b) status
 - (c) profits
 - (d) economic value of assets

- 3 The concept of insurance is
 - (a) to share losses by many
 - (b) to make money out of death
 - (c) to earn interest
 - (d) to earn a status

- 4 The IRDA department has replaced
 - (a) The Controller of Finance
 - (b) The LIC Chairman
 - (c) Department of Insurance
 - (d) None of the above

- 5 Insurance covers the risk of the most certain event -
 - (a) Death of a person
 - (b) protection of the childhood
 - (c) protection of old age
 - (d) all of the above

- 6 Insurance cover
- (a) Protects assets
 - (b) prevents loss
 - (c) reduces the impact of loss
 - (d) insures immortality
- 7 The company doing insurance business is called:
- (a) mutual funds
 - (b) non-banking firm
 - (c) banking company
 - (d) an insurance company
- 8 All of the following are social costs associated with insurance EXCEPT
- (a) The expense of doing business.
 - (b) Fraudulent claims.
 - (c) Inflated claims.
 - (d) Increased cost of capital
- 9 Why is a large number of exposure units generally required before a pure risk is insurable?
- (a) It prevents the insurer from losing money.
 - (b) It eliminates intentional losses.
 - (c) It minimizes moral hazard.
 - (d) It enables the insurer to predict losses based on the law of large numbers.
- 10 All of the following are disadvantages of using insurance EXCEPT
- (a) There is an opportunity cost because premiums must be paid in advance.
 - (b) Considerable time and effort must be spent selecting and negotiating coverages.
 - (c) It results in considerable fluctuations in earnings after a loss occurs.
 - (d) Attitudes toward loss control may become lax.
- 11 All of the following can be classified as casualty insurance EXCEPT
- (a) Marine insurance.
 - (b) General liability insurance.
 - (c) Workers compensation insurance.
 - (d) Burglary and theft insurance.
- 12 The concept of insurance is
- (a) to share losses by many
 - (b) to make money out of death
 - (c) to earn interest

- (d) to earn a status
- 13 Insurance covers the risk of most certain event-
- (a) Death of a person
 - (b) Protection of the childhood
 - (c) Protection in old age
 - (d) All of the above
- 14 Insurance cover
- (a) Protects assets
 - (b) Prevents loss
 - (c) Reduces the impact of loss
 - (d) Insurance immortality
- 15 Insurance eliminates or decreases the uncertainty associated with occurrence of an event
- (a) Correct
 - (b) Wrong
 - (c) Partially correct (c)
 - (d) Totally misleading
- 16 The insurance plays a role in the economic development of the country in following ways:
- (a) Release capital for new investments.
 - (b) The job potential increases
 - (c) Money collected is invested in infrastructure
 - (d) All of the above
- 17 The company doing the insurance business is called
- (a) Mutual funds
 - (b) Non-banking firm
 - (c) Banking company
 - (d) An insurance company
- 18 Insurance brokers are governed by
- (a) Sale of Goods Act
 - (b) Agency Law
 - (c) IRDA Act. 1999
 - (d) Mercantile Law
- 19 A reinsurance of insurance refers to _____.
- (a) line.

- (b) retention.
 - (c) retrocession.
 - (d) cession.
- 20 Solvency margin is defined as.....
- (a) Excess of assets over liability
 - (b) Debt Equity ratio
 - (c) Break even point
 - (d) None of the above
- 21 IRDA Act. 1999 defines insurance intermediary as one including also
- (a) Insurance broker
 - (b) UTI Agent
 - (c) Sarpanch
 - (d) Medical Examiner
- 22 Which one of the following comes under miscellaneous insurance?
- (a) Marine Insurance
 - (b) Motor Insurance
 - (c) Fire Insurance
 - (d) Group Insurance
- 23 On the death of the bread-earner, two losses occur in the family-one is loss of human life and the other
- (a) Earning power of family
 - (b) Loss of insurance
 - (c) Loss of investments
 - (d) Loss of bank deposits
- 24 Insurance reduces the extent of financial loss connected with uncertain events
- (a) True
 - (b) False
 - (c) To the extent of insurance cover
 - (d) Does not reduce the loss at all
- 25 Which of the statements is correct?
- (A) Burglary insurance is for commercial establishments, factories, shops and godowns and not for residences.
 - (B) Burglary policy covers cash other than kept in safe.
 - (a) Statement (A) is correct

- (b) Statement (B) is correct
 - (c) Both are correct
 - (d) Neither is correct
- 26 The business of insurance is related to protection of
- (a) Savings
 - (b) Status
 - (c) Profits
 - (d) Economic value of assets
- 27 Which of the following is the similarity between insurance and gambling?
- (a) The amount of loss to be paid is known beforehand
 - (b) Promise to pay on the happening of an event
 - (c) Both the parties win on happening of an event
 - (d) Both are enforceable at law
- 28 What is underwriting in Insurance ?
- (a) Process of investing the premiums which insurance provider collect from insured parties.
 - (b) A claim arises on the occurrence of a specified event
 - (c) Process by which insurers select the risks to insure and decide how much in premiums to charge for
 - (d) The ratio of losses and expenses to premium
- 29 Insurance Sector in India is regulated by IRDA. What is full name of IRDA?
- (a) Insurance Regulating and Development Agency
 - (b) Insurance Rules and Development Authority
 - (c) Insurance Rules and Deployment Authority
 - (d) Insurance Regulatory and Development Authority
- 30 When was IRDA Act passed?
- (a) 1972
 - (b) 1999
 - (c) 1989
 - (d) 2000
- 31 Committee of reforms in insurance sectors during 1993 headed by _____.
- (a) R.N. Malhotra.
 - (b) S. Narashiman.
 - (c) Manmohan Singh.

- (d) P.Chidambaram
- 32 Which of the following is the main objective of IRDA:
- (a) To take care of the policy holder interest
 - (b) To open the insurance sector for private sectors
 - (c) To supervise the activities of intermediaries
 - (d) All of above
- 33 The central office of the LIC of India is located at _____.
- (a) New Delhi
 - (b) Kolkata
 - (c) Mumbai
 - (d) Chennai
- 34 Foreign Direct Investment in Insurance in India as approved in July 2014:
- (a) 10%
 - (b) 100%
 - (c) 49%
 - (d) 51%
- 35 The ratemaking function in a life insurance company is performed by_____.
- (a) Production sales management
 - (b) insurance department
 - (c) actuarial department
 - (d) underwriter
- 36 The general insurance business in India was nationalized in the year.
- (a) 1976
 - (b) 1956
 - (c) 1983
 - (d) 1972
- 37 The main role of an underwriter in a non-life insurance company is normally to
- (a) assess the acceptability of particular risks
 - (b) certify a loss when claims are submitted.
 - (c) design the structure of the products to be offered.
 - (d) negotiate with the industry regulator.
- 38 Akshat is a relatively cautious person. In insurance terms, this will normally increase the likelihood that he will

- (a) be considered an above average insurance risk.
 - (b) be considered a below average insurance risk.
 - (c) require insurance cover.
 - (d) require reinsurance cover.
39.is a transaction engaged in by two insurers who agree to share premiums and losses.
- (a) Suretyship
 - (b) Reinsurance
 - (c) Bonding
 - (d) Primary Insurance
40. Which of the statements is correct?
- A. Insurance is a transfer of risk mechanism.
 - B. Insurance gives physical protection to assets.
- (a) Statement A.
 - (b) Statement B.
 - (c) Both the statements.
 - (d) Neither of the statements
41. _____ is the extra payment done for administrative and capital cost.
- (a) Premium
 - (b) Premium loading.
 - (c) Interest.
 - (d) Contingency.
42. The insurance plays a role in the economic development of the country in the following ways-----
- (a) Releases capital for new investments.
 - (b) The job potential increases.
 - (c) Money collected is invested in infrastructure
 - (d) All of the above.
43. Transfer of rights and remedies of the insured to the insurer after indemnity has been effected is called _____.
- (a) Insurable interest.
 - (b) Subrogation
 - (c) Proximate clause.
 - (d) Money back policy.

44. Fidelity guarantee insurance does not guarantee _____.
- (a) the death of the employer.
 - (b) the death of the employee.
 - (c) the employee honesty.
 - (d) the employer honest.
45. Insurance is based on the principle of _____.
- (a) co-operation.
 - (b) Democracy
 - (c) Equality
 - (d) welfare
46. The principle of indemnity is applicable to _____ only.
- (a) Life Insurance
 - (b) Personal accident insurance
 - (c) Proximate Cause
 - (d) Property insurance
47. _____ policy matures on the assured death or on his attainment of a particular age whichever occurs earlier.
- (a) Endowment.
 - (b) Money back.
 - (c) Joint life
 - (d) Single premium.
48. _____ are those terms, which are written on the policy.
- (a) Express Warranties
 - (b) Implied Warranties
 - (c) Memorandum Warranties
 - (d) Valuation Clause
49. When the subject matter insured is destroyed wholly refers to _____.
- (a) Partial loss.
 - (b) Actual total loss.
 - (c) Constructive total loss.
 - (d) Maximum loss.
50. By taking out insurance cover an individual:
- (a) Reduces the cost of an accident
 - (b) Converts the possibility of large loss to certainty of a small one

- (c) Reduces the risk of an accident
 - (d) Reduces the certainty of major loss
 - (e) Transfers the risk to someone else
51. Diversification is one way in which insurance companies can protect themselves against:
- (a) The law of large numbers
 - (b) Parameter change
 - (c) Positively correlated risks
 - (d) Random fluctuation
 - (e) Moral hazard
52. Pension and life insurance funds hold few short-term assets because:
- (a) Short-term assets are too risky
 - (b) Short-term assets are too dear
 - (c) Most people live for a long time
 - (d) Long-term assets are more profitable
 - (e) Their cashflows are predictable
53. A retirement annuity is particularly attractive to someone who has:
- (a) A large family
 - (b) Financial myopia
 - (c) Low longevity risk
 - (d) High longevity risk
 - (e) A severe illness
54. Which of the following is an accurate definition of "insurance"?
- (a) A savings account designed to protect you in the event of a rainy day
 - (b) A financial arrangement that redistributes the costs of unexpected losses among a pool of insureds
 - (c) A communist plot to destroy capitalist enterprise
 - (d) A contractual agreement in which the insurer agrees to pay the insured only if the insured requests the money
55. An insurance applicant dying from cancer is not likely to be insured because:
- (a) the loss is not definite as to time and place
 - (b) the probability of loss varies daily, ultimately reaching 1.0
 - (c) the loss would be catastrophic for the insurer
 - (d) the loss is certain to occur and the price for coverage would be uneconomical

56. What is the fundamental function of the insurance company—in other words, what is it the insurance company does that makes the insurance mechanism work?
- (a) It pools those insureds having similar risks, and predicts the losses that those in the pool will suffer.
 - (b) It pools any insureds who wish to purchase insurance, and attempts to predict the losses that those in the pool will suffer.
 - (c) It redistributes government subsidies to those who have suffered catastrophes.
 - (d) It eliminates the process of underwriting in order to sell insurance to as many people as possible, thus providing insureds with a huge quantity discount.
57. The principle of indemnity in insurance means:
- (a) a person has the right to sue an insurer for loss when they are not satisfied with the payment of a claim
 - (b) that a person may not collect more than his/her actual financial loss in the event of damage caused by an insured peril
 - (c) that a person will not be reimbursed for a loss unless he can show proof of loss
 - (d) an employer is always responsible for the careless acts on an employee
 - (e) a adjusters may not be held liable for twice
 - (f) the claim if a settlement has already been reached on a policy
58. _____ is a provision under which both the insured and the insurance company share the covered costs after the deductible.
- (a) Deductible
 - (b) Coinsurance
 - (c) Copayment
 - (d) Stop-loss provision
 - (e) None of the above
59. With which of the fields is actuarial science related:
- (a) Insurance
 - (b) Banking
 - (c) Micro finance
 - (d) Space technology
60. A swap is not:
- (a) a hedging technique
 - (b) a flexible derivative
 - (c) a protection against downside interest or exchange rate risk
 - (d) a futures contract

61. Risk management is responsibility of the
- (a) Customer
 - (b) Investor
 - (c) Developer
 - (d) Project team
 - (e) Production team
62. RE represents what
- (a) Risk expense
 - (b) Related expense
 - (c) Risk exposure
 - (d) Risk evaluation
63. As a tester which of the following will come under product risk if you are testing an e-commerce website?
- (a) Shortage of testers
 - (b) Many changes in SRS that caused changes in test cases
 - (c) Delay in fixing defects by development team
 - (d) Failure to transfer a user to secure gateway while paying
 - (e) All of the above
64. Which of the following technique will ensure that impact of risk will be less?
- (a) Risk avoidance technique
 - (b) Risk Mitigation technique
 - (c) Risk contingency technique
 - (d) All of the above
65. What is associated with product risk?
- (a) Control of test item
 - (b) Negative consequences
 - (c) non-availability of test environment
 - (d) Test object
66. After deployment of a system, a software is incorrectly performing one of its major functionality. Who is going to determine how badly it will hamper the organization?
- (a) QA personnel
 - (b) Developer
 - (c) Technical people
 - (d) Business analyst

67. Which is/are ways to deal with risk?

- (a) Mitigate
- (b) Contingency
- (c) Transfer
- (d) Ignore
- (e) All of the above

68. What is risk?

- (a) Negative consequence that could occur
- (b) Negative consequence that will occur
- (c) Negative consequence that must occur
- (d) Negative consequence that shall occur

69. Exit criteria is determined during

- (a) Test Closure activity
- (b) Implementation and execution
- (c) Evaluating exit criteria and Reporting
- (d) Analysis and Design
- (e) Planning and Control

70. Valuation in life insurance means

- (a) The process of arriving at the profit of a life insurance company
- (b) The process of determining the net premium for a life insurance policy
- (c) The process of arriving at the bonus in a life insurance company
- (d) The process by which the value of all the existing policies is ascertained in a life insurance company.

Ans. (1)(a), (2)(d), (3)(a), (4)(a), (5)(b), (6)(c), (7)(d), (8)(d), (9)(d), (10)(c), (11)(a), (12)(a), (13)(a), (14)(c), (15)(c), (16)(d), (17)(d), (18)(c), (19)(c), (20)(a), (21)(a), (22)(b), (23)(a), (24)(c), (25)(a), (26)(d), (27)(a), (28)(c), (29)(d), (30)(a), (31)(a), (32)(a), (33)(d), (34)(c), (35)(c), (36)(c), (37)(d), (38)(a), (39)(c), (40)(b), 41(a), 42(b), 43(d), 44(b), 45(c), 46(a), 47(d), 48(a), 49(a), 50(b), 51(a), 52(d), 53(a), 54(d), 55(b), 56(d), 57(a), 58(b), 59(b), 60(a), 61(d), 62 (d), 63, (c), 64 (d), 65 (c), 66 (d), 67 (d), 68 (e), 69 (a), 70 (d).

II Short Answer Type Questions:

- 1 Distinguish between reinsurance and coinsurance.
- 2 Write a note on Privatization of Insurance
- 3 Explain the impact of Globalization of Insurance sector on India
- 4 Define insurance.

- 5 How is insurance useful for corporate?
- 6 Define reinsurance.
- 7 Write a short note on coinsurance.
- 8 Enumerate the various regulations of risk reduction by IRDA.
- 9 What is double insurance?
- 10 What is the difference between insurance and double insurance?
- 11 Name some prominent Indian and foreign players in Insurance sector of India.
- 12 Evaluate the role of IRDA.
- 13 Distinguish between Life and General Insurance.
- 14 Explain cargo claims.
- 15 Difference between open cover and open policy.
- 16 Define the total Loss concept.
- 17 List the various items of information in Hull Insurance proposal form.

III Long Answer Type Questions:

- 1 Explain the various factors that influence the demand for Insurance
- 2 What is the role of Insurance for an individual?
- 3 Define all risk insurance. Discuss various types of Insurance.
- 4 Evaluate the performance of Indian Insurance sector in terms of Global Insurance Market Penetration and Growth.
- 5 Discuss the role of insurance in national and international economy.
- 6 Define Reinsurance. Briefly explain the various objectives of reinsurance.
- 7 Distinguish between Facultative and Treaties.
- 8 Explain the role of IRDA.
- 9 Discuss in brief the development of Indian insurance industry.
- 10 “Liberalization and Globalization of insurance industry have changed the traditional channels of marketing of insurance products.” Justify this statement.
- 11 How is insurance contract different from a commercial contract?
- 12 How has insurance industry developed in India? What were the major reforms in the Indian insurance sector?
- 13 Why privatization of Indian insurance sector was undertaken? Discuss.
- 14 Who are the new entrants to Indian insurance market? What is the present scenario of insurance market?
- 15 Discuss the characteristics of insurance in detail.
- 16 Differentiate between reinsurance and coinsurance.
- 17 Define reinsurance. Briefly explain the role of reinsures and capital requirements. Illustrate the various types of reinsurance arrangements.
- 18 State the various perspectives of insurance business in a globalised scenario.

- 19 List the factors affecting the demand for insurance in developing countries.
- 20 Describe the role, powers and functions of Insurance Regulatory and Development Authority.
- 21 How has insurance industry developed in India? Why privatization was taken? What is the present scenario?
- 22 Discuss the following terms
- Insurable risk
 - Reinsurance
 - Coinsurance
 - Assignment
 - Transferor of risk
- 23 In what ways globalization has impacted insurance sector of India? Explain the recent developments in insurance sector.
- 24 How has Insurance industry evolved in India? Explain in detail.
- 25 Discuss the differences in the insurance industry across developed and developing countries.
- 26 In your view, what steps can be taken to improve demand of insurance in India and similar developing countries?
- 27 “Insurance is risk transfer and risk sharing.”Do you agree with this statement? Explain.
- 28 Discuss the impact of globalisation of insurance industry in India.
- 29 Explain the principles of the following:-
- a) Insurable Interest
 - b) Indemnity
 - c) Estoppel
30. What is the role of IRDA in development of insurance sector in India.
- 31 Explain the concept of risk avoidance. When is it an appropriate risk management techniques?
- 32 Explain the dual application of the law of large numbers as it pertains to the operation of insurance.
- 33 Explain the major risk financing techniques – including – retention, non-insurance transfer and insurance.
- 34 Apply the principles of the risk management to personal risk management programme.

UNIT - IV

I Test Your Skills:

Multiple Choice Questions:

- 1 Consideration on the part of the life insured in respect of a life insurance contract is
- (a) A promise to take a new policy
 - (b) The insured's promise to pay the premium under the policy.
 - (c) The payment made towards premium by the insured.
 - (d) Proposal completed and signed by the person.
- 2 The policy holder's duty to disclose material fact lies at the time of
- (a) Taking a policy
 - (b) Revival of policy
 - (c) Reinstatement of surrendered policy
 - (d) all of the above
- 3 According to the Marine Insurance Act, 1963, a contract of marine insurance is valid
- (a) only when it is in writing
 - (b) only when it is verbal
 - (c) only if it fulfills the requirements of a valid contract
 - (d) it can be oral agreement or a written contract
- 4 Which of the following is an evidence of insurance contract?
- (a) Policy of insurance
 - (b) Payment of premium
 - (c) Cover note
 - (d) Acceptance of proposal
- 5 Which of the following statements is correct?
- (A) Existence of the subject matter is an express condition.
 - (B) There are no implied conditions in insurance contract.
- (a) A is correct
 - (b) B is correct
 - (c) Neither is correct
 - (d) Both are correct
- 6 The clause which sets out the essence of the contract is
- (a) The Preamble
 - (b) Recital clause
 - (c) Conditions
 - (d) Operative clause
- 7 Risk of mortality is considered to be

- (a) More on male life
 - (b) more on female life
 - (c) same on life of both
- 8 Occupation is important for risk classification because of:
- (a) Income earned by individual
 - (b) Tension, stress and worries given by workplace
 - (c) damage caused by pollution at work place
 - (d) both b and c
- 9 A complete proposal form contains the information about
- (a) Moral hazard
 - (b) Physical hazard
 - (c) Personal history of proposer and identity of the property insurance
 - (d) All of the above
- 10 Valuation in life insurance means
- (e) The process of arriving at the profit of a life insurance company
 - (f) The process of determining the net premium for a life insurance policy
 - (g) The process of arriving at the bonus in a life insurance company
 - (h) The process by which the value of all the existing policies is ascertained in a life insurance company.
- 11 Endorsement can be used in a policy giving effect to
- (a) Renewal
 - (b) Change in Premium
 - (c) Change in subject matter of insurance
 - (d) All of the above
- 12 Cover note can be issued by
- (a) Agents
 - (b) Development officers
 - (c) Insurers
 - (d) All of the above, depending on company guidelines
- 13 Contents of marine insurance include
- (a) insurance of cargo only
 - (b) insurance of freight only
 - (c) insurance of hull only
 - (d) insurance of cargo, freight and hull

- 14 One class of ocean marine insurance provides ship owner's comprehensive liability insurance for property damage and liability to third parties. This type of coverage is called
- (a) hull insurance
 - (b) cargo insurance
 - (c) protection and indemnity
 - (d) freight insurance
- 15 Inter-Ocean Transit purchased cargo insurance, hull insurance, and protection and indemnity insurance on one of its ships, the *Susan D*. While navigating through fog just off Long Island, the Susan D negligently hit another cargo ship, severely damaging the other ship and its cargo. Inter-Ocean Transit would be covered for his property damage liability under:
- (a) cargo insurance
 - (b) hull coverage of hull insurance
 - (c) running down clause of hull insurance
 - (d) Protection and indemnity
- 16 All of the following property can be covered under the building and personal property coverage form EXCEPT:
- (a) business personal property of the insured at the insured location
 - (b) personal property of others in the care, custody, control of the insured
 - (c) business personal property of the insured off the premises at an exhibition
 - (d) the insured's building
- 17 Fire Insurance is based on the principle of ?
- (a) Utmost good faith
 - (b) Insurable interest
 - (c) Indemnity
 - (d) Co-operation
- 18 Which is the consequential loss in the fire insurance?
- (a) loss of profit on account of fire
 - (b) property damaged by matter used for extinguishing fire
 - (c) loss due to collapse of walls at the time of fire.
- 19 Fire insurance is a personal contract because
- (a) it is a contract of utmost good faith
 - (b) it is a contract of insurable interest
 - (c) the contract does not insure the safety of the property but only the insured from pecuniary loss due to fire

- 20 Which of the statements is correct?
Under a fire policy-
- (A) Insurance is a transfer of risk mechanism.
 - (B) Insurance gives physical protection to assets.
 - (a) Statement (A) is correct
 - (b) Statement (B) is correct
 - (c) Both are correct
 - (d) Neither is correct
- 21 What is a floating policy?
- (a) policy covering the fixed sum assured stock
 - (b) a policy that covers stock located in various godowns under a single policy
 - (c) a standard fire policy
- 22 Which of the following is an accidental loss by fire?
- (a) loss of profit on account of fire
 - (b) loss on account of delay
 - (c) Damage caused by a fire brigade in carrying out its fire fighting operation.
 - (d) Loss of market
- 23 The major law governing marine insurance in India is
- (a) English Marine Insurance Act, 1906
 - (b) Marine Insurance Act, 1963
 - (c) IRDA Act, 1999
 - (d) General Insurance Nationalisation Act, 1972
- 24 Can a marine policy be assigned?
- (a) Can be assigned before the loss
 - (b) Can be assigned after the loss
 - (c) cannot be assigned
 - (d) both a and b
- 25 Constructive total loss in marine insurance means
- (a) same as total loss
 - (b) a partial loss
 - (c) the loss caused is so huge that the cost of repairs would exceed the actual amount, so it is adjudged as a total loss
 - (d) a loss which is not covered

- 26 In marine insurance, loss due to rats and vermins is
- (a) a covered loss
 - (b) a general exclusion
 - (c) A statutory exclusion
 - (d) none of the above
- 27 According to the Marine Insurance Act, 1963, a contract of marine insurance is vaild
- (a) Only when it is in writing
 - (b) Only when it is verbal
 - (c) Only if it fulfils the requirements of a valid contract
 - (d) It can be an oral agreement or a written contract
- 28 Group insurance is ideally suited for covering
- (a) Affluent persons in the society
 - (b) Weaker sections of the society
 - (c) Employer-employee groups
 - (d) Both (b) and (c)
- 29 Unemployment insurance is a component of
- (a) ESI Act
 - (b) Social Security Act
 - (c) Worker's Compensation Act
 - (d) None of the above
- 30 Master policy is issued for
- (a) Term insurance schemes
 - (b) Permanent schemes
 - (c) Individual policy
 - (d) Group insurance schemes
- 31 Which is the right time for taking life insurance?
- (a) When you are about to get married
 - (b) Soon after you have got married
 - (c) Just when you are joined a new job
 - (d) All the three 'times' are right
- 32 Which type of insurance protects the policyholder against loss or damage to a ship or its cargo onthe high seas?
- (a) Hazards

- (b) Inland
 - (c) Transportation
 - (d) Marine
 - (e) Property
- 33 According to the Marine Insurance Act, 1963, a contract of marine insurance is valid _____.
- (a) Only when it is in writing.
 - (b) Only when it is verbal.
 - (c) Only if it fulfills the requirements of a valid contract.
 - (d) It can be an oral agreement or a written agreement.
- 34 Which of the following is not covered under the ‘contract of Indemnity’?
- (a) Fire insurance
 - (b) Theft insurance
 - (c) Life insurance
 - (d) Marine insurance
- 35 Which of the following is not covered under General Insurance?
- (a) Theft insurance
 - (b) Marine insurance
 - (c) Life insurance
 - (d) Fire insurance
- 36 Which principle suggests that insured should try to minimize the loss of his property even if it is insured?
- (a) Principle of indemnity
 - (b) Principle of Mitigation
 - (c) Principle of Proximate Cause
 - (d) Principle of contribution
- 37 Contents of marine insurance include
- (a) insurance of cargo only
 - (b) insurance of freight only
 - (c) insurance of hull only
 - (d) insurance of cargo, freight and hull
- 38 Unemployment insurance is a component of
- (a) ESI Act

- (b) Social Security Act
 - (c) Worker's Compensation Act
 - (d) None of the above
39. Master policy is issued for
- (a) Term insurance schemes
 - (b) Permanent schemes
 - (c) Individual policy
 - (d) Group insurance schemes
40. Group insurance is ideally suited for covering
- (a) Affluent persons in the society
 - (b) Weaker sections of the society
 - (c) Employer-employee groups
 - (d) Both (b) and (c)
41. This policy covers all risks to the ship and its cargo while the ship is at a particular port _____.
- (a) Voyage policy
 - (b) Floating policy
 - (c) Time policy
 - (d) Portrisk Policy
42. Fire insurance can be taken in respect of _____
- (a) movable property only
 - (b) immovable property only
 - (c) both movable and immovable properties
 - (d) persons only
43. _____ is an agreement where by the insurer agrees to indemnity the insured against marine losses.
- (a) Life insurance
 - (b) Fire insurance.
 - (c) Marine insurance.
 - (d) Public liability insurance.
44. _____ is those terms, which are implied in every contract of marine insurance unless they are expressly excluded.
- (a) Guarantee
 - (b) Express Warranties

- (c) Implied Warranties
 - (d) Waiver Clause
45. Marine perils is also called as _____.
- (a) Perils of the Sea
 - (b) Moral Hazards
 - (c) MarineClause
 - (d) Marinelaws
46. _____ policy is which covers the risk during all situations.
- (a) Floating.
 - (b) Wagering
 - (c) Valued
 - (d) Mixed
47. If the premium loading is zero then purchasing insurance-----
- (a) does not change the persons expected wealth
 - (b) changes the persons expected wealth
 - (c) increases the variability of wealth
 - (d) no change in expected wealth .
48. All of the following can be classified as casualty insurance Except_____.
- (a) marine insurance.
 - (b) general liability insurance.
 - (c) workers compensation insurance.
 - (d) burglary and theft insurance.
49. Define moratorium clause.
- (a) Where you are prevented from purchasing health insurance due to your current medical condition.
 - (b) Where you need a full medical.
 - (c) Where you do not need to disclose your medical history when purchasing health insurance.
 - (d) Where health insurance does not cover emergency treatment.
50. Why would you recommend an annuity for long-term care fees?
- (a) It pays for the first three years of care.
 - (b) It pays an income for life to help cover fees.
 - (c) It pays for nursing care but not residential.
 - (d) It pays a lump sum to the family when the elderly relative dies.

51. A method for reducing the cost of health care by offering the services of doctors and hospitals at discount rates or giving breaks in co-payments and deductibles is offered by
- (a) a health maintenance organization.
 - (b) a major medical plan.
 - (c) Medicare.
 - (d) health-care insurance.
 - (e) a preferred provider organization.
52. Collision insurance is a type of
- (a) automobile physical damage insurance.
 - (b) bodily injury liability coverage.
 - (c) property damage liability coverage.
 - (d) comprehensive insurance.
 - (e) no-fault insurance.
53. Which type of insurance protects the policyholder against loss or damage to a ship or its cargo on the high seas?
- (a) hazards
 - (b) inland
 - (c) transportation
 - (d) marine
 - (e) property
54. Which type of insurance covers damage or injury caused by a vehicle with no liability insurance coverage?
- (a) comprehensive insurance
 - (b) uninsured motorists insurance
 - (c) no-fault automobile insurance
 - (d) property damage liability coverage
 - (e) public liability insurance
55. A type of insurance that has been around since the ancient Greeks and Romans is _____ insurance.
- (a) fire
 - (b) marine
 - (c) business liability
 - (d) medical
 - (e) life

56. There are four basic components of an insurance premium. Which of the following is not one of those components?
- (a) Losses suffered by the members of the insurance pool - Given
 - (b) Law of large numbers
 - (c) An allowance for unexpected losses
 - (d) Earnings on investments
57. One measure of a casualty insurer's ability to cover its incurred losses, loss adjustment expenses and incurred underwriting expenses out of earned premiums is:
- (a) the financial basis combined ratio
 - (b) the trade basis loss ratio
 - (c) the incurred
 - (d) cost operating ratio
 - (e) the Herfindahl combined ratio
 - (f) the profitability ratio
58. When you have signed a paper that allows your insurance company to make payments to your hospital or doctor this is which of the following provisions of your insurance policy?
- (a) Assigned benefits
 - (b) Service benefits
 - (c) Benefits limits
 - (d) Coordination of benefits
 - (e) None of the above
59. Your health insurance policy does not cover plastic surgery for cosmetic reasons. Which provision of your health insurance policy would you find this in?
- (a) Exclusions and limitations
 - (b) Guaranteed renewable
 - (c) Cancellation and termination
 - (d) Internal limits
 - (e) None of the above
60. Which of the following would be a potential trade off in a health insurance policy?
- (a) You can choose a health insurance plan with internal limits on each service or a plan with aggregate limits that limit the total amount of coverage.
 - (b) You can choose a plan that limits the total of the coinsurance but would probably pay a higher premium for this.
 - (c) You can choose a plan with a lower deductible but would probably pay a higher premium for this.

- (d) You can choose a reimbursement plan that pays you based on the actual expenses you incur or you can choose an indemnity plan that pays you a specified benefit no matter the actual expenses incurred.
 - (e) All of the above are potential tradeoffs in a health insurance policy.
61. Test wares are handed over to maintenance team during which phase?
- (a) Test implementation and execution
 - (b) Test closure activity
 - (c) Evaluating exit criteria and reporting
 - (d) Test analysis and design
62. During which activity, tester will decide if extra test cases are required or not?
- (a) Test implementation and execution
 - (b) Test planning and control
 - (c) test analysis and design
 - (d) Evaluating exit criteria
63. A logical collection of test cases which naturally work together is called as
- (a) Test log
 - (b) Test procedure
 - (c) Test data
 - (d) Test suite
64. A chronological record of relevant details about the execution of tests is called as a
- (a) Test suite
 - (b) Test procedure
 - (c) Test data
 - (d) Test log
65. Which of the following is not a phase of SDLC?
- (a) Requirement gathering
 - (b) Maintenance
 - (c) Analysis
 - (d) Testing
 - (e) All of the above.
66. Selection of particular life cycle model is based on,
- (a) Requirements
 - (b) Technical knowledge of development team
 - (c) Users

- (d) Project types and associated risks
 - (e) All of the above
67. Regression testing is a major part of which of the life cycle?
- (a) Waterfall model
 - (b) V model
 - (c) Iterative model
 - (d) All of the above
68. Which of the following are advantages of iterative model?
- (a) Early revenue generation
 - (b) Simpler to manage
 - (c) Divided workload
 - (d) Early feedback
 - (e) All the above
69. Which of the following is a characteristic of Agile development?
- (a) Shared code ownership
 - (b) Implement the simplest solution to meet today's problem
 - (c) Continual feedback from customer
 - (d) test-driven development
 - (e) All of the above.
70. Which of the following are not type of SDLC models?
- (a) Big bang model
 - (b) Code and fix model
 - (c) Agile model
 - (d) Spiral model
 - (e) Capability Maturity model

Ans. (1)(b), (2)(d), (3)(a), (4)(a), (5)(c), (6)(d), (7)(b), (8)(d), (9)(b), (10)(d), (11)(d), (12)(d),(13)(d), (14)(c), (15)(d), (16)(c), (17)(c), (18)(a), (19)(c), (20)(b), (21)(c), (21)(b),(22)(b), (23)(c), (24)(c), (25)(a), (26)(d),(27)(b), (28)(d), (29)(b), (30)(b), (31)(d),(32)(d), (33)(a), (34) (c), (35)(c), (36)(b), 37(d), 39 (b),40 (b),41(d), 42(c), 43(c), 44(c), 45(a), 46(d), 47(a), 48(a), 49(c), 50(b), 51(e), 52(a), 53(d), 54(b), 55(b), 56(b), 57(a), 58(a), 59(a), 60(e), 61(b), 62 (c), 63, (d), 64 (d), 65 (e), 66 (e), 67 (c), 68 (e), 69 (e), 70 (e).

II Short Answer Type Questions:

- 1 Distinguish between 'term insurance' and 'endowment policies'.
- 2 Write short note on Insurable Interest
- 3 Explain Uberrima Fides with example.
- 4 Define Doctrine of Subrogation.
- 5 Explain Principles of Contribution with example.
- 6 What is key-man Insurance?
- 7 Define Agriculture insurance.
- 8 Write brief note on Health Insurance
- 9 Explain Motor Car Insurance
- 10 Write brief note on Accident Insurance
- 11 What is Bancassurance?
- 12 A house worth Rs 600,000 has been insured for Rs 400,000. After some time, the house is destroyed by fire. For what amount the Insurance Company will be liable to the Insured?
- 13 Explain the term Joint Life Insurance policy.
- 14 State any four principles of Marine Insurance.
- 15 What do you mean by Whole Life Insurance policy?
- 16 Define the Health Insurance. Briefly the history of it in India.
- 17 Explain micro insurance.
- 18 Discuss the Health care issues in India.
- 19 Write a note on Mediclaim policy of GIC.
- 20 Is automobile insurance compulsory in India?

III Long Answer Type Questions:

- 1 Discuss the Exclusion of Perils' in an insurance contract.
- 2 Explain the essential features of life insurance contract. How 'Proximate Cause' is not indispensable in case of life insurance contract?
- 3 Define Insurance. What are the characteristics of an insurable interest?
- 4 What is the role of Insurance for an individual?
- 5 Discuss various classification of Life Insurance.
- 6 Classify the needs of people for life insurance. Do these needs exist simultaneously and in same measure for all persons? How different kind of insurance policies meet the needs of people?
- 7 Define Fire Insurance and Marine Insurance. Also, differentiate between the two.
- 8 Discuss the development of Life Insurance.
- 9 Explain in detail Marine Insurance cover available in India.
- 10 Define General Insurance business. Give details of the development of General Insurance in India.

- 11 Define Fire Insurance. What are the features of Fire Insurance contract?
- 12 What are whole-life policies? Discuss the various types of whole-life policies.
- 13 Discuss the life insurance policies according to mode of payment.
- 14 What are the various life insurance policies according to the number of persons insured?
- 15 Explain the process of getting insurance claim in case of the death of the person. How are the benefits under 'Accident and Disability being paid?
- 16 Discuss the development of life insurance business in India.
- 17 How has life insurance business grown after nationalization?
- 18 What are the various life insurance needs which have to be identified?
- 19 Define risk in life insurance? What are the various factors which affect risk in life insurance?
- 20 Discuss the various types of term assurance policies.
- 21 Who is an Actuary? What is the role of actuaries in an insurance company?
- 22 Explain the principles of insurance giving examples from Motor and Health Insurance business.
- 23 Describe the features of two insurance products- one life and other non life of any insurance players(s) of your choice. Comment on the pricing and marketing strategy adopted by the respective insurance player(s) for the selected product.
- 24 Explain various fire insurance policies
- 25 What is meant by valuation of an insurer? Explain gross premium method of valuation. compare it with net premium valuation method
- 26 Differentiate between life insurance and marine insurance. Describe various marine insurance policies
- 27 Define insurance contract. discuss various essentials of a valid insurance contract.
- 28 Explain difference between life insurance and general insurance.
- 29 Explain the principles of 'Insurable Interest' and 'Implied Warranties' as regard to Marine Insurance.
- 30 Define Automobile Insurance. What are the types of Motor Insurance?
- 31 What factors are considered in Motor Insurance for Premium rating?
- 32 What is insurance pricing? Discuss the procedure for determination of insurance premium.
- 33 What is health insurance? What are its benefits? How health insurance can be useful for Huge population of India?
- 34 what types of expenses are generally covered under a comprehensive form of a major medical policy?
- 35 what are the important points that should be considers before the purchase of a long term care insurance policy?
- 36 what provisions may an insurer incorporate in an individual health insurance policy to guard against over insurance and moral hazard?

QUESTION BANK

STRATEGIC HUMAN RESOURCE MANAGEMENT

MS 228

QUESTION BANK
STRATEGIC HUMAN RESOURCE MANAGEMENT –MS 228
MBA – IV

UNIT - I

I Test Your Skills:

(a) State Whether the Following Statements are True or False:

- 1 SHRD fundamentals are those components of HRD, which have to be strong enough to ensure a congenial atmosphere in an organization for implementation of SHRD initiatives.
- 2 SHRD fundamentals include compensation, working conditions, family welfare and HRD department/function.
- 3 SHRD initiatives comprises of training, performance appraisal, job enrichment, career planning, communication, involvement and empowerment.
- 4 SHRD system consists of two broad components i.e. strategic HRD practices and strategic HRD facilitators.
- 5 Strategic HRD practices includes compensation working conditions, family welfare, HRD department/function, training, performance appraisal system, job enrichment, career planning, communication, involvement and empowerment.
- 6 SHRD facilitators includes concerns for management, concerns of trade unions, concerns of frontline officers/supervisors, concerns of workers, industrial relations scenario, labour statutes, trainability, employment externalization and manpower downsizing.
- 7 Intensification of work, standardization and extensive surveillance are negative implications of TQM and JIT on HR practices.
- 8 Divestment is not the part of corporate strategy.
- 9 A possible and desirable future state of an organization is called a Mission
- 10 Workforce diversity can be described as individual differences such as race, gender, age, sexuality and religious beliefs.

Ans. (1)(T), (2)T), (3)(T), (4)(T), (5)(T), (6)(T), (7)(T), (8) (F) (9) (T) (10) (T)

(b) Multiple Choice Questions

1. Which of the following is not a recognized element of corporate strategy?
 - (a) Competitive advantage
 - (b) Closure
 - (c) Acquisition
 - (d) Divestment

- (e) All of the above
2. Which of the following statements is false? Formal strategic planning:
- (a) implies determined actions for achieving objectives
 - (b) is a time consuming process
 - (c) should develop clear and rigid plans for the organization to implement
 - (d) is most applicable in stable environments
 - (e) None of the above
3. Which of the following statements best describes the concept of 'strategic awareness'?
- (a) Managers' understanding of the organization's history, competencies, and current strategy
 - (b) Managers' understanding of current strategy and its effectiveness
 - (c) Managers' understanding of the strategic options available to the organization
 - (d) Managers' understanding the organization's strategy, its effectiveness, and the potential avenues for change
 - (e) None of the above
4. Which of the following is associated with successful strategies?
- (a) Creating superior value to customers
 - (b) Exploitation of key success factors
 - (c) Creating and maintaining strategic fit
 - (d) Achieving specified strategic objectives
 - (e) All of the above
5. Which type of strategies are of particular importance to global companies?
- (a) Corporate
 - (b) Functional
 - (c) Competitive
 - (d) Corporate and competitive
 - (e) Corporate, competitive, and functional
6. Bernie uses his knowledge of customer service and his understanding of electronic devices and components in his job as a salesperson in a Dick Smith store. What type of performance is he displaying?
- (a) contextual performance
 - (b) technical performance
 - (c) job performance
 - (d) task performance

7. Both Gary and Bernie work in a Dick Smith electronic store. Gary is the manager and is expected to ensure the store reaches specific sales targets each month. Bernie is a sales person and is required to keep customer satisfaction high. What factor of performance are these examples of?
- (a) outputs
 - (b) managerial performance
 - (c) sales performance
 - (d) inputs
8. There are five characteristics of performance management that HR managers need to consider before conducting performance reviews. ProGrow, a sports clothing manufacturer, has a goal of increasing its production volume by 10% each month. In order to achieve this goal each machinist must produce 15 more items per day. This is an example of:
- (a) horizontal integration
 - (b) a process of continuous input and output management
 - (c) a multifaceted and multilevel agreement of input and output
 - (d) vertical integration
9. The performance management process seeks to link the formal appraisal process to the organisation's:
- (a) strategic goals
 - (b) stakeholder needs
 - (c) culture
 - (d) organisational structure
10. Performance appraisals can be used in an organisation to:
- (a) identify and fill performance gaps for individual employees
 - (b) plan and review employee performance
 - (c) quantify the performance of individual employees
 - (d) all of the above
11. When rewarding employees for the work they perform the manager should recognise:
- (a) both the work they perform that is required and the discretionary behaviours they engage in at work
 - (b) the discretionary behaviours they engage in at work
 - (c) the quality and quantity of work they produce
 - (d) the actual knowledge, skills and abilities the employee needs to perform the job

12. One way to improve the performance appraisal meeting is to use procedures that are fair, such as giving the employees opportunities to voice their view of their own performance or opportunities to discuss the manager's ratings of their performance. This is an example of:
- (a) engaging in strategic communication
 - (b) giving feedback and performance information
 - (c) eliciting input from the employee
 - (d) giving positive and negative feedback
13. The performance appraisal approach that requires managers to record specific examples of effective and ineffective performance is called:
- (a) graphic rating scale
 - (b) management by objectives
 - (c) behaviour observation scale
 - (d) critical incidents method
14. According to Conway (1999) when peers are involved in the 360 degree feedback method of performance appraisals what aspects of their colleagues' work would they be most likely to comment on?
- (a) specific job-related knowledge, skills and abilities
 - (b) the contextual performance of the employee such as interpersonal skills
 - (c) cognitive abilities, skills and experience
 - (d) none of the above, they are not involved in the 360 degree feedback method of performance appraisal
15. Len was rating the performance of Katherine, one of his sales representatives. When Katherine saw her performance ratings she noticed that Len had mostly given her the highest rating of 5, even on criteria that she would have given herself a rating of 3. Len has likely committed what type of rater error?
- (a) halo effect
 - (b) relationship effect
 - (c) leniency bias
 - (d) recency effect
16. As part of the benefits package available to her, Nancy chose the options of subsidised childcare, salary sacrifice to lease a car and to have a moderate level of health insurance. The benefits that Nancy has chosen represent what types of rewards?
- (a) intrinsic rewards
 - (b) first choice rewards
 - (c) extrinsic rewards

- (d) non-financial rewards
17. Together with his manager, Bill developed a goal for the next appraisal period of increasing customer sales by 5%. This goal was quite challenging for Bill as he sells in an extremely dispersed geographic region. This is an example of:
- (a) goal setting theory
 - (b) reinforcement theory
 - (c) equity theory
 - (d) expectancy theory
18. Wyatt designed a reward strategy that would encourage and reward employees for behaving in a way that reinforced the key values and culture of the company. Wyatt was rewarding employees for meeting:
- (a) self-esteem needs
 - (b) safety needs
 - (c) individual needs
 - (d) organisational needs
19. In the past, minimum wages were determined by the Australian Industrial Relations Commission. Now they are determined by the Australian Fair Pay Commission. What is the expected outcome of this?
- (a) over time lower paid workers will receive much more than before
 - (b) over time higher paid workers will receive much more than before
 - (c) over time higher paid workers will receive much less than before
 - (d) over time lower paid workers will receive much less than before
20. There are several factors that proactive reward management should include. Which of the following is not one of these factors?
- (a) ensuring compliance with reward-related legislation
 - (b) ensuring job worth is consistent with the market worth
 - (c) encouraging overtime work and pay
 - (d) frequently updating all job descriptions by reporting all changes in jobs
21. Broadbanding, the collapsing of a large number of salary grades into a few wide bands where each grade includes a wide range of jobs and salaries, aims to ensure
- (a) job motivation
 - (b) external equity
 - (c) job satisfaction
 - (d) internal equity

22. Performance pay is comprised of:
- (a) discretionary bonuses and incentives
 - (b) salaries and wages
 - (c) wages and incentives
 - (d) salaries and bonuses
23. Which of the following pay-for-performance programs does not use an incentive payment as a group reward method?
- (a) Rucker Plan
 - (b) earnings-at-risk
 - (c) Scanlon plan
 - (d) merit pay
24. One of the internal factors that may affect pay strategies is ability to pay. When organisations predict that future profits may decline an alternative would be to:
- (a) focus on the benefits offered to employees
 - (b) focus on the base pay offered to employees
 - (c) focus on intrinsic motivational factors such employee need for recognition, self-determination and achievement
 - (d) focus on the bonuses paid to employees
25. When organisations base pay decisions on identifying particular employee attributes that serve business objectives and reward those attributes more than other attributes it is using:
- (a) team-based rewards
 - (b) employability pay
 - (c) market-determined pay
 - (d) person-based pay
26. Workforce diversity can be described as:
- (a) individual differences such as race, gender, age, sexuality and religious beliefs
 - (b) group identity such as race, nationality, gender and age
 - (c) individual differences such as educational level, work experience and attitudes towards others
 - (d) group identity and individual differences that are visible or invisible
27. The Australian Government stipulates that all employees should have equal opportunities to participate in work, have access to training and be promoted in the workplace. This is an example of which case for diversity?
- (a) regulatory

- (b) moral
 - (c) legal
 - (d) business
28. A manager in an organisation treats employees who are members of her 'in group' more favourably than employees who are members of her 'out group'. This is consistent with:
- (a) social categorization theory
 - (b) the similarity attraction paradigm
 - (c) autonomous work teams theory
 - (d) social identity theory
29. When people are included and treated with respect by others they often feel capable of performing their work and rise to challenges and increased responsibility. This is a positive outcome of diversity known as:
- (a) innovation
 - (b) empowerment
 - (c) productivity
 - (d) group decision effectiveness
30. There are several advantages for an organisation that values a diverse workforce. Which of the following is a disadvantage?
- (a) having an increase in conflict between employees due to their difference
 - (b) being seen as an employer of choice
 - (c) having a competitive advantage
 - (d) having the ability to attract and retain the knowledge and abilities of highly skilled staff
31. All of the following are examples of factors that make international human resource management different from domestic management EXCEPT:
- (a) national governmental subsidies
 - (b) international worker mobility problems
 - (c) national management styles and practices
 - (d) national work orientations
32. A factor that makes management of international human resources different from management at the domestic level is:
- (a) that managers in other countries want to achieve global objectives for the company, whereas home-country managers put national objectives first.
 - (b) the greater difficulty of motivating workers internationally than domestically.

- (c) the greater similarity among foreign subsidiaries than among domestic subsidiaries in terms of dependence on headquarters for resources.
 - (d) the greater similarity among labor markets in foreign countries than among labor markets in different domestic regions.
33. Which of the following statements is FALSE regarding the factors that make international human resource management different from domestic human resource management?
- (a) Country operations differ in cross-national integration, dependence on headquarters for resources, and need for national responsiveness.
 - (b) The experience of working with different national practices gives companies opportunities to transfer successful practices from one country to another.
 - (c) Employee's workplace attitudes toward different management styles are universal.
 - (d) Although a company's goals may include attaining global efficiencies and competitiveness, its personnel may emphasize national rather than global interests.
34. What are the means by which long term objectives will be achieved?
- (a) Strategies
 - (b) Policies
 - (c) Strength
 - (d) Opportunities
35. A possible and desirable future state of an organization is called:
- (a) Mission
 - (b) Vision
 - (c) Strategy implementation
 - (d) Strategy formulation
36. What are the guides to decision making?
- (a) Rules
 - (b) Procedures
 - (c) Goals
 - (d) Policies
37. Strategic Management handles:
- (a) external issues
 - (b) management issues
 - (c) internal issues
 - (d) administrative issues

38. Which of the following is not an element of strategic thinking?
- (a) Judge what strategic changes to make
 - (b) Realize what needs to change
 - (c) Understanding current strategic positions
 - (d) Manage organizational resources and competencies
39. Which of the following is not suggested by Markides (1999) as a factor for competitive and strategic success?
- (a) Synergy
 - (b) Careful evaluation of strategic options
 - (c) Ensure consistency between desired strategic position and the chosen strategy
 - (d) Active opportunity searching
40. The continuing search by HR for an identity and status represents, for some, an enduring paradox that, until resolved or explained will limit HR's contribution to organizational objectives. A paradox can be understood as:
- (a) A structural feature of all organizations
 - (b) An inherently human condition
 - (c) Something which seems difficult to understand and explain
 - (d) A feature of the way groups function
41. Moony (2001) argues that the cost of carrying out HR activities is often found to be inversely related to their value. This occurs when:
- (a) There is a lack of strategic control and accountability over what HR does
 - (b) No one in HR is controlling the budget
 - (c) What HR does isn't really that important
 - (d) HR is confused about its costs and the value of the benefits its activities generate
42. The strategic importance of an organization's people to their long term success has become a central tenet of what has become known as SHRM. This importance is based on
- (a) They are flexible and will respond positively to what management wants
 - (b) The use of rewards to elicit higher levels of performance
 - (c) The unique and non replicable nature of human capabilities
 - (d) They can be easily controlled by the organization's structure and culture
43. Being strategic, from the perspective of an HR department, is often the way to be taken seriously and offered a 'seat at the top table.' But what does being strategic really mean?
- (a) Talking the language of strategy
 - (b) Seeing everything as strategically important
 - (c) Being aware of and implementing the latest 'solutions' and leading edge thinking

- (d) Having an impact on the things that are most important to the organization's corporate goals and objectives
44. According to Michael Porter, it is important to distinguish between operational effectiveness and strategic positioning. The former means performing similar activities better than competitors, whilst the latter involves:
- (a) Investing more in high value activities
 - (b) Performing different activities from competitor organizations or performing similar activities in different ways
 - (c) Engaging in 'best practice' HR
 - (d) HR having a clear route map of activities and outcomes
45. Hammond (2005) offers a stinging critique of HR based on what he claims is 20 years of 'hopeful rhetoric about becoming 'strategic partners.'" He argues that HR people are for the most part are neither strategic nor leaders. This is because:
- (a) They are consumed by their own importance and rhetoric and are convinced that managers can't see what an important job they are doing
 - (b) They lack leadership skills
 - (c) They don't know what being a strategic partner means
 - (d) Many HR people have only ever worked in HR
46. Minzberg is a major contributor to the literature on strategy and strategic management and is someone who recognizes that the word strategy can mean different things to different people. Which of the following conceptualizations is not associated with his work?
- (a) Strategy as a plan
 - (b) Strategy as a pattern of behaviour
 - (c) Strategy as agreement on the 'best way' to operate
 - (d) Strategy as a position
47. Hamel and Prahalad (1990, 1993, 1994) present an analysis of strategy that goes beyond the more conventional concepts of fit, integration and the effective allocation of resources. They talk about the importance of organizations 'leveraging' its resources. In the context of Human resources, leveraging means:
- (a) Increasing the value they add and their productivity by finding new and more effective ways of using people
 - (b) Putting more pressure on people to work harder
 - (c) Finding out why people are not productive and make it easier for them to do their jobs
 - (d) Getting managers to engage more with their subordinates

48. Gary Hamel (2009) is another strategy 'guru' who has influenced the thinking and practice of numerous executives. His emphasis in particular on organizations taking a dynamic and forward looking approach to the way they function suggests that simply doing the same things better is not necessarily the way forward. He suggests that organizations in looking into the future need to be:
- (a) More aware of the importance and power of rewards
 - (b) More diverse and promote disadvantaged groups into managerial positions
 - (c) Train their managers to be more effective leaders
 - (d) More adaptable, innovative and engaging places to work
49. The importance of integration to organizations has long been a feature of the literature strategy. As far as HR is concerned the search for vertical and horizontal integration is key driver in the attempt to become 'more strategic'. Horizontal integration means:
- (a) That different activities and initiatives need to mutually supportive and designed in a holistic way
 - (b) That managers and employees need to work more closely together
 - (c) That leadership and management need to be brought closer together
 - (d) That different management functions need to stop working in 'silos'
50. Dimension of culture which refers to preference of people about unstructured and structured situations is classified as
- (a) certainty followers
 - (b) uncertainty avoidance
 - (c) certainty non-avoidance
 - (d) uncertainty follower
51. HR plans of any organization does not include
- (a) personnel plans
 - (b) production plans
 - (c) compensation plans
 - (d) training and development plans
52. Procedure of analyzing human capital availability and need of human resources for organization is classified as
- (a) human resource planning
 - (b) recruitment planning
 - (c) cost planning
 - (d) differentiation planning

53. The scope of human resource management includes
- (a) procurement
 - (b) development
 - (c) compensation
 - (d) all of the above
54. Which of the following aptly describes the role of line managers and staff advisors, namely HR professionals ?
- (a) Staff advisors focus more on developing HR programmes while line managers are more involved in the implementation of those programmes.
 - (b) Line managers are concerned more about developing HR programmes whereas staff advisors are more involved in implementation such programmes.
 - (c) Staff advisors are solely responsible for developing, implementing and evaluating the HR programmes while line managers are not all involved in any matters concerning HR.
 - (d) Line managers alone are responsible for developing, implementing and evaluating the HR programmes while staff advisors are not all involved in any matters concerning HR.
55. The three important components in aligning business strategy with HR practice:
- (a) Business Strategy, Human Resource Practices, Organisational Capabilities
 - (b) Marketing Strategy, Human Resource Practices, Organisational Capabilities
 - (c) Business Strategy, Human Resource Practices, Organisational structure
 - (d) Marketing Strategy, Human Resource Practices, Organisational structure
56. The following is (are) the option(s) while planning for surplus
- (a) Reassign the jobs
 - (b) Redesign the jobs
 - (c) Reduce work hours
 - (d) All of the above
57. A strategic plan must adopt to
- (a) Social Structure
 - (b) Economic Policies
 - (c) Environmental Circumstances
 - (d) All of the above
58. At the first stage of HRP, HRM interact with
- (a) Job design
 - (b) Strategic planning
 - (c) Financial Management

- (d) All of the above
59. Management inventories, succession planning and skill inventory are the tools of
- Human resource demand forecasting
 - Human resource supply forecasting
 - Manpower planning
 - None of the above
60. The most frequently used approach to employment planning is
- Nominal Group Technique
 - Modelling and Multiple predictive techniques
 - Trend projection
 - The expert estimate

Ans. (1)(a), (2)(c), (3)(d), (4)(e), (5)(d), (6) (d), (7) (a), (8) (b) ,(9) (a), (10) (d), (11)(a), (12) (c), (13)(d), (14)(b), (15)(c), (16)(c) (17)(a) (18)(d) (19)(d) (20)(c), (21)(c) (22)(a), (23)(d), (24)(c), (25)(d), (26)(b), (27)(c), (28)(a), (29)(b), (30)(a), (31)(a), (32)(b), (33)(c), (34)(a), (35) (b), (36) (d), (37) (a), (38) (d), (39)(c), (40) (c), (41)(a), (42)(c), (43)(d), (44)(b), (45)(a), (46)(c), (47)(a), (48)(d), (49)(a), (50)(b), 51(b), 52(a), 53(d), 54(a), 55(a), 56(d), 57(c), 58(b), 59(b), 60(d).

II Short Answer Type Questions:

- Explain the different HR strategy areas.
- Why HR has become strategically relevant?
- How can the structure of HR be aligned with the organization strategy?
- Explain the relevance of strategy to selection, appraisal, rewards and development.
- What makes strategic HRM 'more strategic' than HRM?
- Explain the human resource management activities performed at strategic, managerial and operational level.
- How does business strategy affect human resources planning? Discuss.
- Explain the following:
 - HR Outsourcing.
 - Determinants of Integration.
- What is the role of HR in developing strategies?
- Write brief note on the role of strategic HR manager.
- Explain Human side of Mergers and Acquisitions
- How the investments in disabled handled and executed?

13. Do you agree that HRP is a mere ritual in the fast changing environment?
14. What factors influence the demand for human resources in an organization?
15. What competitive environmental forces influence the firm's strategies?
16. How are workforce plans related to business and HR strategies?
17. What is the role played by the HR in managing technological changes?
18. How can organization culture be managed? Offer suggestions at both the individual and organizational levels.

III Long Answer Type Question:

- 1 Explain the theoretical foundations of strategic concepts. What are the different types of strategies?
- 2 Discuss the implications, pros and cons for managing surpluses and shortages. Also, what is the role of HR planning in the following organization?
 - (a) Medium size non-profit organization.
 - (b) A company planning on acquiring or merging with a key competitor.
- 3 What are the major barriers that prevent an organization from taking a more strategic approach to HR? Why do they exist and how can they be overcome?
- 4 Explain the importance of human resources to strategy. Why do you think HR has become strategically relevant?
- 5 Explain the corporate level, business level and functional strategies. What are the HR decisions taken at every level.
- 6 How are business strategies developed? What is the role of HR in developing strategies?
- 7 How can HR and business strategies integrate through HR planning?
- 8 What steps can a company take to integrate its compensation system with its general business strategy? Give suitable illustrations to support your answer.
- 9 "Strategic integration is the process of linking human resource management policies and activities to explicit business strategies." Elaborate.
- 10 "Strategic integration is necessary in order to provide congruence between business and human resource strategy". Comment and elaborate.
- 11 Explain the problems of integration between HR and business strategy. How can these problems be overcome?
- 12 "The integration of Business Strategy and human Resource Strategy is important in the long range planning efforts". Discuss while explaining the various determinants of integration.
- 13 How does Business Strategy affect the process when an organization strives to move from "its current manpower requirements to desired manpower requirements"?
- 14 What are the strategic roles of heads of HR Functions?
- 15 SHRM is an evolutionary process. Comment.
- 16 How HR strategies can be utilized to attain competitiveness in the business?

17. Define strategic HRM. What are the main points of difference between SHRM and human resource strategies? How can HR strategies help an organization to create competitive advantage?
18. Explain the concept of SHRM as presented by various authors.
19. “In today’s fast changing environment, HRM is an indispensable tool in the hands of organizations for gaining competitive advantage.” Critically evaluate this statement in the context of Corporate India.
20. The HRM function has acquired strategic importance in organization due to economic liberalization & globalization”. Comment
21. Describe the social and economic importance of a health and safety programme in a company. Why is the support of top management so vital to the success of this programme?
22. Explain the difference between the firm’s corporate strategy and business strategy. Why do firms need to look into both aspects?
23. “There exists a close relationship between HRP, Job analysis/job description and employee selection”. Do you agree with the statement? If yes, explain how, is no, illustrate why not. Substantiate your answer with the help of suitable examples and conceptual models.

UNIT – II

I Test Your Skills:

(a) Multiple Choice Questions:

1. The definition of strategic human resource management (SHRM) clearly explains the importance of human resources in the implementation of strategies. To attain the strategic goals of the organization, employees must:
 - I. Understand and share the values and objectives of the organization.
 - II. Understand the values and objectives and need not be concerned about sharing.
 - III. Share the values and objectives of the organization even though they have not understood it.
 - IV. Be committed to work effectively and contribute to the overall performance of the organization.
 - (a) Only (I) above
 - (b) Only (II) above
 - (c) Only (III) above
 - (d) Only (IV) above
 - (e) Both (I) and (IV) above.

- 2 All of the following are barriers to strategic human resource management except
- (a) Focusing on long-term performance
 - (b) Lack of technical knowledge
 - (c) Lack of strategic perspective
 - (d) Difficulty in quantifying
 - (e) Resistance of employees
- 3 Synopsys is one of the reputed IT companies in India, but of late analysts pointed out that it lacks upward mobility which is quite evident with its high turnover. From the above information one can infer that the corporate strategy adopted by Synopsys is
- (a) Growth
 - (b) Stability
 - (c) Retrenchment
 - (d) Differentiation
 - (e) Cost leadership.
- 4 Jai and Viru are the managers for marketing and product development departments. The former depends on the latter to develop “marketable” products and the latter depends on the former for information regarding needs and preferences of customers. This is known as
- (a) Integrative bargaining
 - (b) Pooled interdependence
 - (c) Integrative interdependence
 - (d) Reciprocal interdependence
 - (e) Sequential interdependence.
- 5 An individual’s ability to store, retrieve, acquire and use information is termed as
- (a) Negative emotionality
 - (b) Extraversion
 - (c) Cognitive ability
 - (d) Openness
 - (e) Conscientiousness.
- 6 Which of the following is/are the advantage(s) of Economic Value Added (EVA)?
- I. EVA aligns the interests of managers and shareholders.
 - II. EVA is biased in favor of large, low return investments.
 - III. EVA links manager and employee performance evaluation with compensation.
- (a) Only (I) above
 - (b) Only (II) above
 - (c) Only (III) above

- (d) Both (I) and (III) above
 - (e) All (I), (II) and (III) above.
- 7 The perquisites and benefits provided by an organization, as welfare measure or to meet the legal requirements, are known as
- (a) Direct pay elements
 - (b) Indirect pay elements
 - (c) Deferred payout plan
 - (d) Profit sharing plan
 - (e) Performance bonuses.
- 8 In which of the following alternative work arrangements people choose to work from home with the help of a PC without reporting to an office?
- (a) Broadbanding
 - (b) Cafeteria plan
 - (c) Delaying b
 - (d) Groupware
 - (e) Telecommuting.
- 9 Which of the following is/are the benefit(s) of succession planning?
- I It enables the junior management to review the leadership talent available with the organization.
 - II. It ensures the continuity of leadership in the organization.
 - III. It ensures that the right people are promoted at the right time.
- (a) Only (I) above
 - (b) Both (I) and (II) above
 - (c) Both (I) and (III) above
 - (d) Both (II) and (III) above
 - (e) All (I), (II) and (III) above.
- 10 The process of giving employees a series of assignments in various functional areas of the company can be termed as:
- (a) Enterprise resource planning
 - (b) Job evaluation
 - (c) Management-by-objectives
 - (d) Job enlargement
 - (e) Job rotation.

- 11 Which of the following is/are the requirement(s) for a successful training program?
- I. Training should be conducted in a place free of distraction.
 - II. Supervisors should be informed about the training schedule so that they may release employees from work.
 - III. Training program must be conducted at the end of the shift so that employees participate with more enthusiasm.
- (a) Only (I) above
 - (b) Both (I) and (II) above
 - (c) Both (I) and (III) above
 - (d) Both (II) and (III) above
 - (e) All (I), (II) and (III) above.
- 12 Which of the following help companies tap information from their allies and the knowledge-based resources of their partners?
- (a) Headhunting
 - (b) Hacking
 - (c) Leveraged core competencies
 - (d) Intranet
 - (e) Extranet.
- 13 Exult Ltd., takes care of all major HR activities of Bank of America like payroll, employee benefits etc. and simultaneously they perform advisory role. Exult Ltd., can be called as
- (a) Hybrid firm
 - (b) Consulting firm
 - (c) Outsourcing firm
 - (d) Subsidiary firm
 - (e) Holding firm.
- 14 In which of the following process a person helps another person to solve his or her problems?
- (a) Counseling
 - (b) Coaching
 - (c) Performance appraisal
 - (d) Organizational commitments
 - (e) Internal feud.

15. What is meant by the acronym VET?
- (a) Vocational Experience and Training.
 - (b) Vocational Expertise and Training.
 - (c) Voluntary Education and Training.
 - (d) Vocational Education and Training.
16. A job _____ is a written statement of the job's activities, the equipment Required for it, and the working conditions in which it exists.
- (a) analysis.
 - (b) specification.
 - (c) design.
 - (d) description.
17. The development and application of employees' skills and energies to accomplish the goals and objectives of the organization is called:
- (a) human resource management.
 - (b) human resource planning.
 - (c) selection.
 - (d) recruiting.
18. The first step in the human resource planning process is:
- (a) preparing a job analysis.
 - (b) forecasting future human resource needs.
 - (c) assessing future demand.
 - (d) assessing future supply.
19. Human resource planning techniques include the use of some or all of the following:
- (a) human resource inventories.
 - (b) action plans.
 - (c) control and evaluation.
 - (d) all of the above.
20. Which term describes the process of gathering, analyzing and synthesizing information about the jobs that are being done and any new jobs that are envisaged?
- (a) job description.
 - (b) job analysis.
 - (c) job specification.
 - (d) human resource inventory.

21. The first step in a typical job analysis is to examine the overall organization. The next step is:
- (a) collect data on jobs.
 - (b) prepare job description.
 - (c) prepare job specification.
 - (d) select jobs to be analyzed.
22. Which of the following is a written statement of the skills, knowledge, abilities, and other characteristics needed to perform a job effectively?
- (a) job design.
 - (b) job specification.
 - (c) job analysis.
 - (d) job description.
23. Job _____ is the process of describing jobs and arranging their interrelationships.
- (a) design.
 - (b) specification.
 - (c) analysis.
 - (d) description.
24. Increasing the number and variety of tasks assigned to a job is called:
- (a) job rotation.
 - (b) job enlargement.
 - (c) job enrichment.
 - (d) A & C.
25. Which of the following is not a core dimension of a job?
- (a) skill variety.
 - (b) task identity.
 - (c) task significance.
 - (d) high internal work motivation.
26. All of the following are sources of internal recruiting except:
- (a) job posting.
 - (b) employee recommendations.
 - (c) advertisements.
 - (d) transfers.

27. An individualized outline of training, experience and possibly education designed to facilitate an employee's growth and enhance opportunities for advancement is called:
- (a) job description.
 - (b) career development plan.
 - (c) assessment sheet.
 - (d) interview form.
28. A formal, systematic appraisal of the qualitative and quantitative aspects of an employee's performance is called:
- (a) performance evaluation.
 - (b) performance appraisal.
 - (c) performance analysis.
 - (d) orientation.
29. Which of the following is not a personal benefit?
- (a) sick leave.
 - (b) flex benefit.
 - (c) sales bonus.
 - (d) dental plan.
30. _____ is a percentage on the volume of sales.
- (a) profit sharing.
 - (b) piecework.
 - (c) commission.
 - (d) Bonus
31. Establishing company based career centers is method related to
- (a) career management
 - (b) appraisal management
 - (c) performance management
 - (d) employee development
32. In career development, accepting responsibility for your own career is included in
- (a) individual role
 - (b) manager role
 - (c) employer role
 - (d) line manager
33. The HR maturity of the company with respect to its strategic goals is measured by
- (a) Human Resource Development scorecard(HRD)

- (b) HR scorecard
 - (c) Both (a) & (b)
 - (d) None of the above
34. The tool used to present manager with performance graphs and charts is
- (a) HR scorecard
 - (b) Digital dashboard
 - (c) Strategy map
 - (d) All of above
35. The process of identifying, assessing and developing leadership is called
- (a) Employment planning
 - (b) Human resource planning
 - (c) Succession planning
 - (d) all of above
36. Supply of services by outside vendors that are done by in-house employees previously is
- (a) Outsourcing
 - (b) off shoring
 - (c) alternative staffing
 - (d) none of the above
37. The qualitative or quantitative information for maintaining or changing performance is part of
- (a) performance feedback
 - (b) performance appraisal
 - (c) appraisal system
 - (d) appraisal feedback
38. The 'praise' and 'expression of approvals' in form of program are best classified as
- (a) social recognition program
 - (b) performance feedback
 - (c) fixed premium
 - (d) financial awards
39. If there is no expectancy, instrumentality and valence then there is
- (a) extrinsic rewards
 - (b) intrinsic rewards
 - (c) motivation
 - (d) detraction

40. The managerial approach focused on improving work methods through situation analysis and observation is called
- (a) linking performance and pay
 - (b) scientific management movement
 - (c) performance based system
 - (d) low-performance work system
41. Compensation quartile strategy in which 75% of employers pays below than market and remaining 25% pays compensations higher than market is called
- (a) forth quartile strategy
 - (b) third quartile strategy
 - (c) second quartile strategy
 - (d) first quartile strategy
42. Concept in which whole or part of yearly pay increase is paid as single payment is called
- (a) consumer price index adjustment
 - (b) lump sum increase
 - (c) cost of living adjustment
 - (d) all of above
43. Factors such as earnings level, discretionary authority and percentage of time spent time in manual work are factors that must be held to define
- (a) overtime pay status
 - (b) exempt status
 - (c) non-exempt status
 - (d) distributive status
44. Perceived fairness between what person receives and what person did is classified as
- (a) procedural justice
 - (b) distributive justice
 - (c) recency justice
 - (d) equity
45. Key issues related to internal equity are
- (a) distributive justice
 - (b) procedural justice
 - (c) primacy justice
 - (d) both a and b

46. Reduction in turnover rate, rise in production, change in attitudes and less supervisory needs are classified as
- (a) post measure variables
 - (b) pre-measures variables
 - (c) typical costs
 - (d) typical benefits
47. Elementary way of employee learning in which employees of an organization copy behaviors of some one else is classified as
- (a) behavioral modeling
 - (b) active modeling
 - (c) spaced modeling
 - (d) massed modeling
48. Completion time of training, cost of resources and number of trainees are variables that must be considered in
- (a) selection of employees
 - (b) delivery of productivity
 - (c) delivery of training
 - (d) delivery of performance
49. Process in which organizational client and job trainer work together to support business goals is classified as
- (a) performance and training integration
 - (b) performance identification
 - (c) performance consulting
 - (d) individual interaction
50. Usage of internet for training employees of an organization is classified as
- (a) compression training
 - (b) e-learning
 - (c) outsource learning
 - (d) supported learning
51. As the workforce ages, more employees will likely need of which of the following benefits?
- (a) child care services
 - (b) long-term care benefits
 - (c) mental health benefits
 - (d) employer-sponsored cafeterias

52. Human Resource departments serve a strategic role in most organizations because:
- (a) today's organizations are instituting HR practices aimed at gaining competitive advantage through their employees.
 - (b) Human Resource departments handle downsizing and layoff processes.
 - (c) globalization has reduced competition.
 - (d) the workforce is becoming less diverse.
53. SHRM is also about strategic choice, which refers to
- (a) The processes and decisions that shape the organisation's philosophy towards its employees
 - (b) Managerial prerogative in decision - making
 - (c) Negotiating with trade unions or employee associations over the direction of the organisation
 - (d) Giving employees their 'say' in organisational concerns.
54. Cultural shock which is often the outcome of the negative experience of moving from a familiar culture to one that is unfamiliar is important to understand in the context of internationalization because:
- (a) It can effect soldiers returning from war zones.
 - (b) It can effect students on 'gap year' experiences.
 - (c) It can impact on individuals taking overseas assignments.
 - (d) Friends and families reunited.
55. Today's managers understand that the success of any effort at improving quality and productivity must include _____
- (a) Quality management programs
 - (b) Customer service improvements
 - (c) Employee's participation
 - (d) Manufacturing simplification
56. How do companies facilitate workforce diversity
- (a) Rely on external support systems for minority workers.
 - (b) Encourage employees to challenge the beliefs and values of other employees.
 - (c) Build in accountability through surveys and audits.
 - (d) Reinforce traditional values.
57. A prerequisite for a successful and efficient recruitment programme is to have a(n)
- (a) corporate policy
 - (b) HR policy
 - (c) recruitment policy

- (d) health and safety policy

58. Organization puts maximum effort in measuring performance of organizational people because

- (a) It makes procedures cost effective
- (b) It helps in detecting the problems
- (c) It leads to product innovation
- (d) It assists in implementing new technology

59. Any compensation method that ties pay to the quantity or quality of work the person produces is called

- (a) Gain-sharing Plan
- (b) Incentive Plan
- (c) Compensation Plan
- (d) Pay for performance Plan

60. Training instruction for a small group, which employs such techniques as role-playing or simulation etc. and encounters give and take sessions and problem-solving techniques is called:

- (a) Career counseling
- (b) Workshop
- (c) Development Plan
- (d) On the job training

Ans. (1)(e), (2)(e), (3)(a), (4)(b), (5)(c), (6)(d), (7)(b), (8)(e), (9)(d), (10)(e), (11)(b), (12)(e), (13)(a), (14)(a), (15)(d), (16)(d), (17)(a), (18)(b), (19)(d), (20)(b), (21)(d), (22)(b), (23)(a), (24)(b), (25)(d), (26)(c), (27)(b), (28)(a), (29)(c), (30)(c), (31)(a), (32)(a), (33)(a), (34)(b), (35)(c), (36)(a), (37)(a), (38)(a), (39)(c), (40)(c), (41)(b), (42)(c), (43)(d), (44)(c), (45)(d), (46)(d), (47)(a), (48)(c), (49)(c), (50)(b), (51)(b), (52)(a), (53)(d), (54)(c), (55)(c), (56)(b), 57(b), 58(b), 59(d), 60(b).

II Short Answer Type Questions:

- 1 Write a note on investment in disabled employees
- 2 Explain term HR outsourcing.
- 3 What do you understand by the term 360 degree appraisal?
- 4 Write a short note on benchmarking
- 5 Employee's assistance programmes.
- 6 What do you understand by non-tradition investment approaches?

- 7 Note on quality of work life
- 8 Determinants of integration
- 9 Write short note on investment in Training and Development.
- 10 Write short note on Non-Traditional Investment approaches.
- 11 How can knowledge management can prove to be an asset for an organization?
- 12 What is the difference between personal management and performance management?
- 13 Explain succession planning? How is it helpful for the successful implementation?
- 14 Write a short note on appraisal of employees and its importance?
- 15 What are the different factors that are responsible for maintain work life balance?
- 16 Why mentoring and training play an important role in deciding organizations success?
- 17 Give the relationship between strategy and Human resource?
- 18 Write short note on SHRM and Competitive Advantage?
- 19 Write short note on Evolution of SHRM?
20. Explain the responsibilities of different parties concerned with QWL.
21. You are the human resource manager of a multinational enterprise that is about to send its first executives overseas to staff a new subsidiary. What special training would you undertake for these employees?
22. Explain the approaches that may be employed in formulating compensation of expatriates, stating the merit and demerits of each approach.
23. “A Human resource manager is a change agent in the organization”. Elucidate.
24. Outsourcing of HR functions is a valuable organizational strategy because this strategy reduces costs. Comment.

III Long Answer Type Questions:

- 1 Explain the investment perspective of HR
- 2 In detail explain the investment in disabled employees
- 3 Explain the sources of employee value.
- 4 In detail state the relevance of employee’s assistance programmes?
- 5 What are the major barriers that prevent an organization from taking a more strategic approach to HR? Why do they exit and how can they be overcome?
- 6 How can effective HRM contribute to improvements in productivity and quality of work life? Give suitable illustrations to support your answer.
- 7 What factors are considered in turnover costing? Highlight the investment practices that support retention of the employees
- 8 What are the costs associated with training and development? Prepare the cost benefit analysis for training program designed to teach TQM principles and practices in a steel manufacturing organization?
- 9 What special measures might be necessary for a successful diversity oriented performance assessment?

10. Elaborate the linkage between Human Resource Management and Strategic Business Planning. How can an organization expect pay-off from investment in Human Resources? Explain.
11. Evaluate the current investment practices in Training and Development. Whether these practices would help organization in retaining high performers? Comment.
12. How workforce Diversity and employee engagement programmes should be managed?
13. How training and development is related to strategic management? What role does it play to get competitive advantage to the firm?
14. Design a training programme to make the employees culturally sensitive towards each other? How will it help in overall implementation of strategy?
15. What are the different major perspectives to be undertaken to make and implement strategies related to human resource?
16. Discuss the meaning and scope of SHRM. How is it different from HRM?
17. Discuss the emergent strategic of HR in area of Recruitment, Training and Development and Performance Management, while linking HRM with corporate strategy making process?
18. How does SHRM address relevant issues of investment in Disabled employers, employee engagement and talent management? Explain
19. What do you understand by employee empowerment? Describe various approaches to empowerment.
20. Explain the factors which impede employee empowerment in work organization. How can empowerment be made effective?
21. Briefly discuss the implications of change in the profile of people, technology and environment in managing people in organizations.
22. Highlight the role of HR manager in a company using strategic HR. How would these roles be different from HR manager in a company not adopting strategic HR approach for managing their HR?
23. “Work and life are mutually exclusive.” Elucidate the statement. Discuss the present practices of the corporate to strike a balance between the two.

UNIT III

Test Your Skills

I. Multiple choice questions

1. The country where the headquarters of a multinational company is located is known as
 - (a) host country
 - (b) home country
 - (c) third country
 - (d) None of the above

2. When an international firm follows a strategy of choosing only from the nationals of the parent country, it is called
 - (a) polycentric approach
 - (b) geocentric approach
 - (c) ethnocentric approach
 - (d) None of the above

3. When the firms adopt a strategy of limiting recruitment to the nationalities of the host country where the branch is located, it is called
 - (a) polycentric approach
 - (b) geocentric approach
 - (c) ethnocentric approach
 - (d) None of the above

4. When the firms choose a strategy of recruiting the most suitable persons for the positions available in the firm, irrespective of their nationalities, it is called
 - (a) polycentric approach
 - (b) geocentric approach
 - (c) ethnocentric approach
 - (d) None of the above

5. Which of the following factors is not related directly to the success of expatriate assignments?
 - (a) the personality of expatriate employees
 - (b) the intentions of expatriate employees
 - (c) the incapability of the spouse to adjust to the new situation
 - (d) the nature of products produced by the company

6. The management of the organisation's employees in more than one country is known as:
- (a) strategic global HRM
 - (b) global strategic HRM
 - (c) strategic international management
 - (d) strategic international HRM
7. Subway restaurants train employees at four different locations around the world. During training the employees are taught the values and vision of the organisation as well as how to make Subway sandwiches. This ensures that world travellers will feel 'at home' when they enter a Subway restaurant. Subway has adopted:
- (a) an international approach to SIHRM
 - (b) an adaptation approach to SIHRM
 - (c) a global approach to SIHRM
 - (d) a localised approach to SIHRM
8. Bakers Delight decides to expand internationally. It realises that in order to do this it needs to adopt a unified corporate culture and recruit the best employees from anywhere in the world. Each new subsidiary will therefore have the power to determine its own strategy and practices. In this instance Bakers Delight is adopting:
- (a) a regiocentric management orientation
 - (b) a polycentric management orientation
 - (c) an ethnocentric management orientation
 - (d) a geocentric management orientation
9. Thailand has a collectivist culture and ranks highly on the dimension of power distance; this is very different to Australia's national culture. An Australian organisation that expanded into Thailand would likely need to:
- (a) deal with unions less often than it would in Australia
 - (b) deal with unions more often than it would in Australia
 - (c) deal with unions as often as it would in Australia
 - (d) establish unions in the workforce
10. In order to 'go global' an organisation needs to consider the extent to which it will participate in international markets and competition. These levels of participation include
- (a) domestic, international, multinational and transnational
 - (b) domestic, international, global and multinational
 - (c) global, multinational, domestic and transnational
 - (d) international, global, multinational and transnational

11. Organisations can determine if they are operating within the global arena by looking at all of the following characteristics except:
- (a) decreased and discontinuous worldwide connections
 - (b) rapid, turbulent and discontinuous development
 - (c) increased organisational complexity
 - (d) a growth in the number and diversity of stakeholders
12. Porter (1980) identified five forces that will impact on the likelihood of success and level of competition an organisation can expect from operating in a new country. The HR manager should first identify the force and then the HR implications of each force. For example, an HR manager organised staff into teams to develop new ways to brand a product in order to differentiate it from other similar products in the marketplace. This strategy was a response to which of Porter's five forces?
- (a) threat of substitutes
 - (b) barriers to entry
 - (c) supplier power
 - (d) intensity of rivalry
13. Expatriation is the process of sending a home-country national to a foreign country to work. This is often the choice of an organisation adopting:
- (a) an ethnocentric management orientation
 - (b) a regiocentric management orientation
 - (c) a geocentric management orientation
 - (d) a polycentric management orientation
14. Before departure for overseas assignment, employees and their families receive training to aid their in-country adjustment. This training may include:
- (a) language lessons
 - (b) learning about new cultures
 - (c) developing support networks in the host country
 - (d) all of the above
15. An organisation gains a sustained global competitive advantage when the most highly talented global employees are selected and motivated to work for the organisation. In this way the human resources of the organisation, rather than the financial or technical resources, are seen as the source of this sustained global competitive advantage. This reflects the:
- (a) resource-based view of SIHRM
 - (b) global view of SIHRM

- (c) international HRM system
 - (d) heterogeneous human capital view
16. In 1980 Geert Hofstede developed dimensions of national culture. These dimensions were:
- (a) power distance, uncertainty avoidance, time orientation and individualism versus collectivism
 - (b) uncertainty avoidance, time orientation, individualism versus collectivism and masculinity versus femininity
 - (c) power distance, uncertainty avoidance, time orientation and masculinity versus femininity
 - (d) power distance, uncertainty avoidance, individualism versus collectivism and masculinity versus femininity.
17. Which one of the following statements is correct?
- (a) According to the cultural approach social arrangements in a nation are always distinct and many of the institutions are likely to shape the social construction of an organisation.
 - (b) Culture is seen as shared by individuals as a means of conferring meaning, and adding sense, to social interactions.
 - (c) The wealth of a society, the general and vocational education system, employment legislation and the amount of informal working in an economy will not have an impact on the way that HRM can be conducted.
 - (d) The institutional “school” share in common the notion that it is not possible to depart radically from established rules and norms.
18. The use of third-country nationals (TCNs) provides a number of advantages. Which of the following is *not* one of these advantages?
- (a) They take the organisation away from criticism as ethnocentric
 - (b) They are usually considerably cheaper
 - (c) They often have a cultural awareness which can be beneficial
 - (d) They have an adequate knowledge of home office goals and procedures.
19. International organisations normally employ expatriates in the following roles, except...
- (a) country manager
 - (b) technical specialist
 - (c) financial controller
 - (d) union leader.

20. Endogenous factors include all of the following, except...
- (a) the international orientation of the organisation's headquarters
 - (b) the structure of international operations
 - (c) industry characteristics such as type of business and technology available
 - (d) the MNE's experience in managing international operations
21. _____ is a scientific approach where HRM is seen as a science and the aim is to find universally applicable laws.
- (a) The contextual paradigm
 - (b) The universalist paradigm
 - (c) Social Darwinism
 - (d) Divergence
22. Enablers of global HRM includes the following, except...
- (a) information exchange
 - (b) HR affordability
 - (c) central HR philosophy
 - (d) e-enabled HR and knowledge transfer
23. International HRM originally consisted of three major clusters on inquiry, namely
- 1. the conduct of people management in internationally operating companies
 - 2. the international transfer of staff, focused on expatriation
 - 3. comparing HRM policies and practices across different countries
 - 4. comparing different culture with each other
- (a) 1, 2 and 3
 - (b) 2, 3 and 4
 - (c) 1, 3 and 4
 - (d) 1, 2, 3 and 4
24. In international human resource management, communication in ethnocentric organisations are _____.
- (a) totally connected in a network of subsidiaries and subsidiaries with headquarters
 - (b) little among subsidiaries and little between the subsidiary and headquarters
 - (c) from headquarters to local subsidiaries
 - (d) little between the subsidiary and headquarters, medium to high among subsidiaries in regions

25. In international human resource management, communication in geocentric organisations are _____.
- (a) totally connected in a network of subsidiaries and subsidiaries with headquarters
 - (b) little among subsidiaries and little between the subsidiary and headquarters
 - (c) from headquarters to local subsidiaries
 - (d) little between the subsidiary and headquarters, medium to high among subsidiaries in regions
26. In international human resource management, communication in polycentric organisations are _____.
- (a) totally connected in a network of subsidiaries and subsidiaries with headquarters
 - (b) little among subsidiaries and little between the subsidiary and headquarters
 - (c) from headquarters to local subsidiaries
 - (d) little between the subsidiary and headquarters, medium to high among subsidiaries in regions
27. In international human resource management, communication in regio-centric organisations are _____.
- (a) totally connected in a network of subsidiaries and subsidiaries with headquarters
 - (b) little among subsidiaries and little between the subsidiary and headquarters
 - (c) from headquarters to local subsidiaries
 - (d) little between the subsidiary and headquarters, medium to high among subsidiaries in regions
28. In international human resource management, geocentric organisations are usually staffed with _____.
- (a) home country managers
 - (b) the best people where they can be utilised the best
 - (c) host country managers
 - (d) managers that may come from nations within the region
29. In international human resource management, polycentric organisations are usually staffed with _____.
- (a) home country managers
 - (b) the best people where they can be utilised the best
 - (c) host country managers
 - (d) managers that may come from nations within the region

30. In international human resource management, ethnocentric organisations are usually staffed with _____.
- (a) home country managers
 - (b) the best people where they can be utilised the best
 - (c) host country managers
 - (d) managers that may come from nations within the region
31. Which of the following statements is true regarding culture?
- (a) Culture is a relatively simple concept.
 - (b) Culture is acquired.
 - (c) Culture often provides detailed prescriptions for appropriate behavior.
 - (d) The nature of cultural influences is such that we are consciously aware of them.
 - (e) all of the above
32. In the United States, promptness is considered a virtue. Americans are expected to be on time to an event, and they expect others to do so as well. Which aspect of culture best explains this behavior?
- (a) Culture is a simple concept.
 - (b) Culture is something one is born with.
 - (c) Culture is unique to each individual in a society.
 - (d) Culture is time-bound.
 - (e) Culture is acquired, that is, it is learned.
33. _____ are rules that specify or prohibit certain behaviors in specific situations.
- (a) Norms
 - (b) Precepts
 - (c) Sanctions
 - (d) Prescriptions
 - (e) Values
34. Which of the following is NOT a broad form of cultural values?
- (a) other-oriented
 - (b) environment-oriented
 - (c) self-oriented
 - (d) object-oriented
 - (e) all of the above are broad forms of cultural values

35. _____ values reflect a society's view of the appropriate relationships between individuals and groups within that society.
- (a) Other-oriented
 - (b) Environment-oriented
 - (c) Self-oriented
 - (d) Externally-oriented
 - (e) Internally-oriented
36. Which of the following country tends to value individualism over collectivism?
- (a) Mexico
 - (b) India
 - (c) United States
 - (d) Korea
 - (e) Japan
37. Jake is in the market for a new car. He's looking at brands such as Mercedes, Lexus, and BMW because he feels they tell other people that he's successful in life. This is an illustration of which value?
- (a) collectivism
 - (b) youth
 - (c) masculine
 - (d) individualism
 - (e) active
38. Which culture has traditionally valued the wisdom that comes with age?
- (a) American
 - (b) Australian
 - (c) British
 - (d) European
 - (e) Asian
39. Which of the following statements regarding the masculine/feminine value is FALSE?
- (a) Basically, we live in a masculine-oriented world.
 - (b) The roles of women are changing and expanding throughout much of the world.
 - (c) Women in Japan frequently participate in sports and exercise.
 - (d) Many Japanese women feel guilty preparing frozen vegetables in a microwave rather than preparing fresh vegetables.
 - (e) Traditional and modern segments with regard to this value exist simultaneously in many cultures, so marketers must adapt not only across but within cultures.

40. _____ refers to the degree to which people accept inequality in power, authority, status, and wealth as natural or inherent in society.
- (a) Cooperation
 - (b) Power distance
 - (c) Collectivism
 - (d) Individualism
 - (e) Status
41. Culture in which beliefs and values followed by human capital of firm is classified as
- (a) specialists culture
 - (b) generalist culture
 - (c) organizational culture
 - (d) shared culture
42. Minimal rate of return that shareholders demands from firm is classified as
- (a) cost of capital
 - (b) cost of marketing
 - (c) cost of share issuance
 - (d) economic earnings
43. If total number of volunteer employee separations are 500 and total employees are 800 then volunteer turnover rate is
- (a) 800
 - (b) 1300
 - (c) 500
 - (d) 300
44. Considering workforce realignment, change in organization structure which negates Hiring procedure of laid off workers is classified as
- (a) workforce reduction
 - (b) downsizing
 - (c) upsizing
 - (d) rightsizing
45. In an organization, techniques such as downsizing, reduction in workforce and rightsizing are classified as
- (a) workforce realignment
 - (b) workforce alignment
 - (c) merger and acquisition alignment
 - (d) all of above

46. Human resource strategy in which focus is mainly on cost control, efficiency and business stability is classified as
- (a) organization centralization
 - (b) competency advantage
 - (c) cost leadership
 - (d) differentiation
47. In external environmental scanning, tax legislations, social security legislations and tax provisions are classified as
- (a) geographic influences
 - (b) government influences
 - (c) economic influences
 - (d) technological advancement
48. Global assignments in which employees are sent to understand global operations and are required to have intercultural understanding are called
- (a) development assignments
 - (b) non development assignments
 - (c) strategic assignments
 - (d) managerial assignments
49. Global assignments in which employees are sent to other countries for extended projects And return back after completing project are classified as
- (a) technical assignments
 - (b) distant assignments
 - (c) functional assignments
 - (d) non functional assignment
50. Classification of international employees includes
- (a) expatriates
 - (b) host country nationals
 - (c) third country nationals
 - (d) all of above
51. Which of these is a major dimension of HRM practices contributing to company competitiveness?
- (a) Compensating human resources
 - (b) Acquiring and preparing human resources
 - (c) Managing the human resource environment

- (d) All of the given options
52. How has technology changed HRM practices?
- (a) Recruiting using the web generates smaller, more focused applicant pools.
 - (b) Employee training is offered through scheduled classes rather than on demand.
 - (c) Electronic resumes take less time to evaluate than paper resumes.
 - (d) None of the given options.
53. The Culture Management Programme is a part of:
- (a) Human Resource Organization (HRO)
 - (b) Human Resource Planning (HRP)
 - (c) Human Resource Systems (HRS)
 - (d) Human Resource Relationships (HRR)
54. Which of the following is not a specific requirement for becoming a successful HR Manager :
- (a) An understanding of legal environment
 - (b) General management skills and abilities
 - (c) Understanding of other Functional areas
 - (d) A degree in HRM
55. An effective HR Report is not: -
- (a) Subjective
 - (b) Understandable
 - (c) Reader-oriented
 - (d) None of the above
56. A process that significantly affects organizational success by having managers and employees work together to set expectations, review results, and reward performance.
- (a) Management by Objectives
 - (b) Performance Appraisal
 - (c) Performance Management
 - (d) Organizational Planning
57. The jobs having challenging assignments, career oriented and having good remuneration increase

- (a) Government influence
- (b) Recruiting cost
- (c) Image of organization
- (d) Attractiveness of job

58. How has technology changed HRM practices?

- (a) Recruiting using the web generates smaller, more focused applicant pools.
- (b) Employee training is offered through scheduled classes rather than on demand.
- (c) Electronic resumes take less time to evaluate than paper resumes.
- (d) None of the given options.

59. HR challenges which might be faced by internal companies include:

- (a) The needs for a diverse work-force.
- (b) The relative underdevelopment of HR functions.
- (c) Knowledge of national employment law.
- (d) Knowledge of cultural norms and values.

60. Human Resource departments serve a strategic role in most organizations because:

- (a) today's organizations are instituting HR practices aimed at gaining competitive advantage through their employees.
- (b) Human Resource departments handle downsizing and layoff processes.
- (c) globalization has reduced competition.
- (d) The workforce is being less diverse.

Ans: (1)(b), (2)(c), (3)(a), (4)(b), (5)(d), (6)(c), (7)(c), (8)(d), (9)(a), (10)(a), (11)(a), (12)(d), (13)(a), (14)(d), (15)(a), (16)(d), (17)(b), (18)(d), (19)(d), (20)(c), (21)(b), (22)(a), (23)(a), (24)(c), (25)(a), (26)(b), (27)(d), (28)(b), (29)(c), (30)(a), (31)(b), (32)(e), (33)(a), (34)(e), (35)(a), (36)(c), (37)(e), (38)(e), (39)(c), (40)(b), (41)(c), (42)(a), (43)(b), (44)(b), (45)(a), (46)(c), (47)(b), (48)(a), (49)(c), (50)(d), 51(d), 52(a), 53(a), 54(d), 55(c), 56(c), 57(d), 58(c), 59(b), 60(a)

II Short Answer Type Questions.

1. What are the elements of culture?
2. How are customs and manners of a culture important to international business operations?
3. Describe ways by which you could achieve greater cultural awareness.
4. Describe the sequential influences of the precursors that determine culture.
5. What are aesthetic in culture?
6. Culture decides the success of any strategy? Explain
7. T Hall has different perspective on culture? Give his contribution?

- 8 Cultural Values and ethics nurture the working environment? Explain
- 9 Give Social structure as an element of culture?
- 10 How culture impact decision making of a manger?
- 11 Write a note on Workforce Diversity?
12. Explain the features of High Performing HR Systems.
13. What do you understand by globalization? Explain its impact on human resource management.
14. What are the deterrents to the implementation of any global e-learning program.
15. What key characteristics would you look for in selecting a prospective expatriate?
16. Identify some of the global issues confronting women.

III Long Answer Type Questions:

1. Elucidate on the different aspects of human resources of a country that the manager of an international business firm should give attention.
2. Discuss social structure as an element of culture.
3. What do you understand by cultural dimensions? How is analysis useful to international manager?
4. Give an account of the way culture influences decision making in international business.
5. Define a culture that is not your own, noting how it is similar or different from your own.
6. Describe how knowledge of Hofstede's research in cross cultural diversity could be applied to the improvement of your chances to succeed in corporate management.
7. What is the importance of cultural environment facing International Business? Compare Hofstede study with Hall study to highlight the various cultural dimensions pointed out.
8. How sensitivity training helps in Cultural adaptation?
9. Explain major cross-cultural challenges to international management. How can MNCs undergo cultural adaptation without affecting internal productivity?
10. Discuss the important factors that affect International HRM. What steps would you suggest for attracting an effective workforce for international management?
11. What are the major challenges in international business? How should the size of workforce be decided in foreign operations of an MNC?
12. Define Culture. How cultural communication helps the marketer?
13. What do you understand by Cultural Overlap? How can effective negotiation with respect to cultural overlap?
14. How do level of international business of a nation impact its cross-cultural communication?
15. Differences amongst cultures of the various nations of the world impact the way individuals communicate non-verbally. Do you agree with statement? Explain your answer with the help of examples.
16. Elaborate the various National Cultural Variables that impact the communication processes and styles around the world. Support your answer with the help of relevant examples.

17. Elaborate how various individual cultural variables impact the way people belonging to different countries behave and communicate verbally and non-verbally. Support the answer with special reference to the contrast between the American and the Indian cultures.
18. What do you understand by the term 'repatriation'? What are the major concerns and anxieties of managers who are on international assignments? What initiatives can the organization take to address these concerns and to facilitate repatriation of the manager posted abroad?
19. What do you mean by compensation? What are the basic components of compensation system? What innovations organization have introduced in each of these components because of globally competitive business environment?
20. Give the Contribution of Edward T Hall in deciding cultural perspectives?
21. What do you understand by cultural sensitivity? How the employees are culturally inclined and sensitized in an MNC?
22. Explain the different characteristics of culture? How it varies across countries and is managed by the manager?
23. Discuss the process of SHRM. What are the behavioral issues in strategy implementation?
24. What HR strategies can be evolved in the process of linking Strategic management with HRM functions?
25. Write short notes on any three of the following:
 - (a) Cross cultural problems
 - (b) Cultural Sensitivity
 - (c) Models of National Culture
 - (d) Hostede's cultural dimensions
26. Write note on:
 - (a) IHRM trends and future challenges
 - (b) Global HRP
 - (c) Cross cultural theories
27. What are the major barriers that prevent an organization from taking a more strategic approach to HR? Why do they exist and how can they be overcome?
28. "Strategic integration is the process of linking human resource management policies and activities to explicit business strategies." Elaborate.
29. Discuss how E-HRM has changed the way in which organizations function. List out some e-initiatives taken up by organizations in India.
30. How does an organization choose to compete in the international environment, and how does each strategy affect its human resource function?

UNIT - IV

I Test Your Skills:

(a) State Whether the Following Statements are True or False:

1. The process of establishing fair and equitable pay practices are not important activities of an organization.
2. The goals of compensation system can include attraction and retention of employees, cost efficiency, legal compliance, equitable salaries for all employees, motivating employee performance.
3. Benchmarking focuses attention on energy and work content and performance, thereby initiating a process of learning.
4. Core competence of a firm is a bundle of skills and technologies that represent the sum of learning's across the individual skill sets and individual organizational units.
5. Hofstede talked about four different cultural aspects.
6. Need for diverse workforce is the major concern for all MNCs
7. Cultural shock which is often the outcome of the negative experience of moving from a familiar culture to one that is unfamiliar
8. Polycentric is filling all key positions with parent country nationals.
9. Cultural convergence refers to a situation where the countries are actually becoming more similar.

Ans. (1)(F), (2)(T), (3)(T), (4)(T), (5) (F), (6) (T), (7) (T), (8)(F), (9) (T)

(e) Multiple Choice Questions:

1. IHRM is an area of academic study which focuses on:
 - (a) Comparative research
 - (b) The movement of individuals across national boundaries
 - (c) The exchange of ideas and practices
 - (d) The policies and practices of MNC's
2. HR challenges which might be faced by internal companies include:
 - (a) The needs for a diverse work-force.
 - (b) The relative underdevelopment of HR functions.
 - (c) Knowledge of national employment law.
 - (d) Knowledge of cultural norms and values.
3. A global economy means:

- (a) Greater convergence of national economic and social identities
 - (b) Greater divergence
 - (c) Unrestricted movement of people across national boundaries
 - (d) A global culture
4. Often the reason why expatriate assignments fail and why some immigrants and migrant workers in the UK find difficulty in assimilating into the British way of life is because of:
- (a) Cultural differences
 - (b) Homesickness
 - (c) Climate
 - (d) Reduction in remuneration in pay and conditions
5. Hofstede's five variables: power distance; individualism, masculinity /femininity; Uncertainty avoidance and long term versus short term orientation; were terms used to describe:
- (a) Family trait
 - (b) HR strategy
 - (c) National differences
 - (d) differences
 - (e) globalization
6. Cultural shock which is often the outcome of the negative experience of moving from a familiar culture to one that is unfamiliar is important to understand in the context of internationalization because:
- (a) It can affect soldiers returning from war zones.
 - (b) It can affect students on 'gap year' experiences.
 - (c) It can impact on individuals taking overseas assignments.
 - (d) Friends and families reunited.
7. Key to successful management of HR processes is the ability to?
- (a) Travel abroad
 - (b) Recruit local managers
 - (c) Identify key skills and competencies required for working overseas
 - (d) Having appropriate training systems
8. Paul Sparrow (2006) in work commissioned by the CIPD found:
- (a) That certain people have a natural attribute for cultural awareness.
 - (b) That the majority of expatriate skills are learnt through experience.
 - (c) That it doesn't matter who you are as it's all down to training.

- (d) Successful overseas assignment are more a matter of luck than judgement.
9. Research into the developing HR functions in Asian businesses suggest that they:
- (a) Employ better qualified people than UK companies.
 - (b) Pay more to their HR professionals.
 - (c) Have an easier job because the legal constraints they work under are less restrictive.
 - (d) They display a different HR mindset; one which is more creative, business focused and dynamic.
10. What is meant by the term MNC?
- (a) Multi National Co-operation.
 - (b) Multi National Committee.
 - (c) Multi National Corporation.
 - (d) Multi National Career.
11. What is meant by the term TNC?
- (a) Trans National Committee.
 - (b) Trans National Corporation.
 - (c) Trans National Consortium.
 - (d) Trans National Co-operation.
 - (e) Trans National Career.
12. What is meant by the acronym EEC?
- (a) European Economic Community.
 - (b) European Employment Company.
 - (c) European Employer Community.
 - (d) European Employee Community.
13. Which of the following describes an 'ethnocentric' approach to staffing?
- (a) Locals fill managerial positions in national subsidiaries.
 - (b) Filling all key positions with parent country nationals.
 - (c) Parent country nationals fill managerial positions at headquarters.
 - (d) Dividing operations into several geographical regions and freely transferring staff between each region.
14. Which of the following describes a 'polycentric' approach to staffing? Select all that apply.
- (a) Locals fill managerial positions in national subsidiaries.
 - (b) Filling all key positions with parent country nationals.

- (c) Parent country nationals fill managerial positions at headquarters.
 - (d) Dividing operations into several geographical regions and freely transferring staff between each region.
15. Evidence of different solutions adopted by MNEs to the tension between differentiation and integration are seen to result from the influence of a wide variety of exogenous and endogenous factors. Exogenous factors include:
- I. characteristics such as the type of business and technology available
 - II. nature of competitors
 - III. the extent of change
 - IV. country and regional characteristics such as social cultural conditions
- (a) I, II and III
 - (b) II, III and IV
 - (c) I, III and IV
 - (d) I, II, III and IV
16. Endogenous factors that influence the solutions adopted by MNEs to relieve the tension between differentiation and integration are _____.
- I. the MNE's experience in managing international operations
 - II. the structure of international operations
 - III. the international orientation of the organisation's headquarters
 - IV. the competitive strategy being used
- (a) I, II, III and IV
 - (b) II, III and IV
 - (c) I, III and IV
 - (d) I, II and III
17. Below is a list of issues/aspects pertaining to international HRM. Place the correct issues/aspect in each column.
- A. efficiency
 - B. central HR Philosophy
 - C. information exchange and organisational learning
 - D. global provision
 - E. core business process convergence
 - F. e-enabled HR and knowledge transfer
 - G. HR affordability
 - H. localisation

(a)

Drivers of global HRM	Enablers of global HRM
B	A
C	F
D	G
	E
	H

(c)

Drivers of global HRM	Enablers of global HRM
A	B
C	F
D	G
E	
H	

(b)

Drivers of global HRM	Enablers of global HRM
A	B
F	C
D	H
E	
G	

(d)

Drivers of global HRM	Enablers of global HRM
B	A
F	C
G	D
	E
	H

18 _____ clubs are groups of international organisations sharing pay and cost of living information.

- (a) Salary
- (b) Benefit
- (c) Expatriate
- (d) Repatriate

19 Which one of the following statements regarding international transfers is incorrect?

- (a) International organisations are increasingly employing expatriates on local terms and conditions.
- (b) Expatriation is relatively inexpensive.
- (c) The development of information and communication technology (ICT) will not render international transfers and international travelling redundant.
- (d) Short-term assignees, international commuters, the frequent flyers and the international project teams share in many ways the same stresses as expatriates in terms of their social lives and family pressures.

- 20 There are a number of criticisms against the current literature on international human resource management (IHRM). Which of the following is not one of these criticisms?
- (a) The field is not clearly defined
 - (b) It is influenced by a discussion of concepts and issues with little backing systematic research
 - (c) The field should be built around a broader set of questions
 - (d) It lacks appropriate theoretical structures.
- 21 The main focus on IHRM is the...
- (a) management of expatriates
 - (b) world-wide management of people
 - (c) management of small businesses internationally
 - (d) management of international organisations
- 22 Two groups of factors influence the choice of 'global vs. local' HR practices and policies in multinational enterprises. These factors are known as...
- (a) exogenous and endogenous
 - (b) ancillary and accessory
 - (c) interactive and interpersonal
 - (d) concessionary and cooperation
- 23 This paradigm assumes that the purpose of the study of HRM, and in particular, strategic human resource management, is to improve the way that human resources are managed strategically within organisations.
- (a) divergence paradigm
 - (b) contextual paradigm
 - (c) global paradigm
 - (d) universalistic paradigm
- 24 _____ convergence refers to a situation where the same trends are visible in different nations, but they may not be getting more alike.
- (a) Initial
 - (b) Final
 - (c) Directional
 - (d) Cultural
- 25 _____ convergence refers to a situation where the countries are actually becoming more similar.
- (a) Cultural

- (b) Final
 - (c) Initial
 - (d) Directional.
26. Which of the following are criticisms of Hofstede's study?
- (a) Use of attitude survey questionnaire.
 - (b) Fails to explore relationship between cultural values and structural institutional characteristics.
 - (c) It looks at multiple organisations.
 - (d) Fails to explain heterogeneity within a country.
 - (e) Limited to a single organisation
27. Which of the following statements describes what Hofstede termed 'long term versus short term orientation'?
- (a) Whether people focus their efforts on the present or the future.
 - (b) The different solutions related to the basic problem of human inequality.
 - (c) The integration of individuals into collective groups.
 - (d) The level of stress in a society in the face of an unknown future.
 - (e) The division of emotional roles between men and women.
28. Which of the following describe aspects of a universalist philosophy? Select all that apply.
- (a) Collective level is linked to national culture.
 - (b) All national economies will move towards the new liberal ideal.
 - (c) Organisational life is influenced by factors which have little to do with organisational goals.
 - (d) Specific general model is of universal worth.
 - (e) The general applicability of a common system of social and economic organization.
29. Which of the following statements accord with divergence theories? Select all that apply.
- (a) Collective level is linked to national culture.
 - (b) Organisational life is influenced by factors which have little to do with organisational goals.
 - (c) Specific general model is of universal worth.
 - (d) All national economies will move towards the new liberal ideal.
 - (e) The general applicability of a common system of social and economic organisation.
30. Which of the following describe aspects of liberal market economy ? Select all that apply.
- (a) Management's right to manage.

- (b) Fluid labour markets.
 - (c) Hire and fire.
 - (d) Highly skilled employees.
 - (e) Strong industrial relations institutions.
 - (f) Mutual dependence of employer associations and unions.
31. A problem often faced in repatriation from foreign assignments is that:
- (a) the firm must increase compensation substantially.
 - (b) there may not a good replacement in the foreign facility.
 - (c) the returning expatriate has less social status and autonomy than when abroad.
 - (d) different departments compete excessively to hire the repatriated manager.
32. All of the following are examples of human resource practices for smoothing the repatriation of an expatriate EXCEPT:
- (a) provide maximum information about their new jobs
 - (b) place the expatriate in a job that will build on their foreign experiences
 - (c) provide housing assistance
 - (d) provide a salary increase for returning to headquarters
33. Problems with repatriation arise in any of the following three general areas EXCEPT:
- (a) readjustment to the host-country corporate culture
 - (b) personal finances
 - (c) readjustment to the home-country corporate culture
 - (d) readjustment to life at home
34. The most common reason some people are reluctant to accept foreign managerial slots is because:
- (a) they believe that locals should fill local positions.
 - (b) they would have to become citizens of the foreign country.
 - (c) of a perceived negative effect on family lifestyle.
 - (d) they usually earn lower salaries abroad than at home.
35. Staffing with which of the following types of workers is considered the least costly choice?
- (a) expatriates
 - (b) home-country nationals
 - (c) third-country nationals

- (d) locals
36. Unless an assignment is specifically intended to train an expatriate, the most important criterion in selecting individuals for transfer typically is:
- (a) the technical knowledge of the tasks to be done.
 - (b) cognitive skills for understanding what is happening in the host society.
 - (c) skills necessary for stress reduction and self-confidence.
 - (d) flexibility and tolerance.
37. All of the following are examples of how employees can help themselves adjust to foreign locations EXCEPT:
- (a) learn the language
 - (b) seek information from people who have disparaging memories of their work time in the locale
 - (c) associate with support groups abroad
 - (d) seek information from people who have worked in the locale and who have positive memories of it
38. Expatriate managers who put their careers above either the parent company or the foreign operation where they are working are known as:
- (a) heart-at-home.
 - (b) going native.
 - (c) dual citizen.
 - (d) free agent.
39. Which of the following best describes the expatriate manager who is overly ethnocentric and is usually eager to be repatriated?
- (a) heart-at-home
 - (b) free agent
 - (c) going native
 - (d) dual citizen
40. The most common form of cooperation among unions in different countries is:
- (a) lobbying governments.
 - (b) simultaneous strikes.
 - (c) voting blocs at the ILO.
 - (d) information exchange

41. Global assignments in which employees are sent for strategic jobs having intercultural understanding are classified as
- (a) development assignments
 - (b) non development assignments
 - (c) strategic assignments
 - (d) managerial assignments
42. If employee is citizen of India, working in U.S and employed by company whose headquarters are in Japan then employee is classified as
- (a) third country nationals
 - (b) third world employees
 - (c) expatriates
 - (d) host country nationals
43. Factors that affect global human resource management are
- (a) economic factors
 - (b) societal factors
 - (c) cultural factors
 - (d) all of above
44. Kind of organization which have integrated worldwide corporate units in different Countries is classified as
- (a) alliance enterprise
 - (b) global enterprise
 - (c) interdependence enterprise
 - (d) multinational enterprise
45. If employee is citizen of country where operation is located but headquarters are located in another country then employee is classified as
- (a) expatriates
 - (b) host country nationals
 - (c) third country nationals
 - (d) third world employees
46. Process of sending and preparing global employees for any of foreign assignments is classified as
- (a) distant assignments
 - (b) expatriation
 - (c) repatriation
 - (d) foreign advancement

47. Compensation plan which is used to protect expatriate employees from any negative consequence of tax is classified as
- (a) cashflow equalization plan
 - (b) tax equalization plan
 - (c) balance equalization plan
 - (d) income equalization plan
48. In global assignments, if individuals are sent to perform some limited tasks and then return To their home country then this assignment is called
- (a) functional assignments
 - (b) technical assignments
 - (c) development assignments
 - (d) transnational assignments
49. Concept which defines inequality among nation explained in cultural dimension is classified as
- (a) power distance
 - (b) orientation distance
 - (c) expatriation distance
 - (d) repatriation distance
50. Dimension of culture which defines extent of people how they act as individuals instead of representing as groups is classified as
- (a) orientation distance
 - (b) power distance
 - (c) individualism
 - (d) certainty avoidance
51. Which of the following reflects the relationship between MIS & HRIS?
- (a) Both are same
 - (b) MIS is one aspect of HRIS
 - (c) HRIS is one aspect of MIS
 - (d) No relationship exists
52. How has technology changed HRM practices?
- (a) Recruiting using the web generates smaller, more focused applicant pools.
 - (b) Employee training is offered through scheduled classes rather than on demand.
 - (c) Electronic resumes take less time to evaluate than paper resumes.

- (d) None of the given options.
53. HR challenges which might be faced by internal companies include:
- (a) The needs for a diverse work-force.
 - (b) The relative underdevelopment of HR functions.
 - (c) Knowledge of national employment law.
 - (d) Knowledge of cultural norms and values.
54. International HRM includes
- (a) Host Country Nationals
 - (b) Parent Country Nationals
 - (c) Third Country Nationals
 - (d) All of the above
55. In International HRM, when all the key positions are filled with the home country nationals, the approach is called :
- (a) Ethnocentric
 - (b) Polycentric
 - (c) Geocentric
 - (d) Regiocentric
56. A parent country national sent on long term assignment to the host country operations is :
- (a) Inpatriate
 - (b) Expatriate
 - (c) Repatriate
 - (d) None of the above
57. When the foreign subsidiaries are staffed with host country nationals, then the approach followed is :
- (a) Ethnocentric
 - (b) Polycentric
 - (c) Geocentric
 - (d) Regiocentric
58. With regard to global HR management, HR practitioners should note that:
- (a) research indicates that a significant number of employees will leave the firm within a year or two of returning home after an international assignment.
 - (b) repatriation agreements are considered ineffective processes in today's international organizations.

- (c) labor strikes occur very frequently in European countries.
 - (d) the adjustment of the employee's spouse and family to the new country is rarely a significant factor in employee performance.
59. Current global pressures that affect HR strategic management include all of the following except:
- (a) employee skills deployment to the appropriate location.
 - (b) knowledge dissemination throughout the organization.
 - (c) identifying and developing employee talent on a global basis.
 - (d) stressing to employees that cultures are the same around the world.
60. Non-citizen employees of a country in which they are working is classified as
- (a) expatriates
 - (b) subordinates
 - (c) coordinates
 - (d) none of above

Ans: (1)(d), (2)(b), (3)(a), (4)(a), (5)(c), (6)(c), (7)(c), (8)(d),(9)(d), (10)(c), (11)(b), (12)(a), (13)(b), (14)(a),(15)(d), (16)(a), (17)(c), (18)(d), (19)(b), (20)(b), (21)(a), (22)(d), (23)(c), (24)(b), (25)(a), (26)(b), (27)(a), (28)(c), (29)(a), (30)(a), (31)(c), (32) (d), (33) (a), (34) (c), (35)(d), (36)(a), (37)(b), (38)(d), (39)(a), (40)(d), (41)(c), (42)(a), (43)(d), (44)(b), (45)(b), (46)(b), (47)(b), (48)(b), (49)(a), (50)(c),(51)(c), (52)(c), (53)(b), (54)(a), (55)(b), (56)(b), (57)(b), (58)(a), (59)(d), (60)(a).

II Short Answer Type Questions:

- 1 How can strategic HR ensure strategic alignment through competencies?
- 2 What do you mean by workforce diversity? What are the implications in today's corporate world.
- 3 Elaborate the cultural issues of expatriates. Why are they becoming increasingly important?
- 4 Why do you think strategic selection of employees today, is extremely relevant?
- 5 Write short notes on the following:
 - (a) 360 Degree Appraisal
 - (b) Benchmarking
 - (c) Quality of Work Life
- 6 Write a note on Performance appraisal of expatriates?
- 7 Write a note on Training and development of expatriates?

- 8 Write a note on Sensitivity training?
- 9 How compensation should be managed to gain satisfaction amongst the employees across cultures?
- 10 What is the process of socialization? How it helps?
- 11 Write a note on Expatriation and Repatriation issues pertaining to Global HRM?
- 12 What do you understand by Global Human Resource planning and staffing?
- 13 Discuss the alternative approaches that may be used for staffing executive positions in foreign countries.
- 14 Write short note on Green Workplace.
- 15 What are some of the specific, uniquely international activities an international HR manager typically engages in?
- 16 What problems arise in the repatriation of expatriates? How can these problems be overcome?

III Long Answer Type Questions:

- 1 How can global HRM contribute to improvements in productivity and quality of work life? Give suitable illustrations to support your answer.
- 2 How will demographic changes and increasing cultural diversity affect the ways that organizations manage their recruitment and selection processes?
- 3 What are cultural issues to be considered by prospective expatriate for effective overseas performance?
- 4 Explain SHRM implementation in global environment. What factors have to be kept in mind while implementing strategic human resource management?
- 5 Write a detailed note on global performance management and compensation systems.
- 6 Explain the role of global HR leaders, future roles that they would need to play and leadership competencies they may require.
- 7 Write a detailed note on strategy implementation and workforce utilization.
- 8 “The human resources function is at an inflection point: it must reshape itself to deliver the strategic value that today’s business environment demands and refocus its energies to become a change catalyst and leader”. Comment.
- 9 Explain the implications of globalization, work-force diversity and changing skill requirements for HR function of today’s organizations.
- 10 Explain the concept of contingent work force? What factors HR managers need to keep in mind while dealing with contingent force?

- 11 Compare and contrast the four job evaluation methods. Give an example of an organization in which each of the four method might provide an optimal strategy.
- 12 Explain the organizational and individual purposes of expatriation. Why do those need to be incorporated as part of a strategic approach to management global assignments?
- 13 Elucidate the cultural issues considered to be important by a prospective expatriate for giving good performance.
- 14 “When compensation systems limit workforce flexibility and discourage workers from using their intelligence, they cannot facilitate the implementation of the present day competitive strategies”. Discuss the inadequacies of traditional compensation approaches in the light of the given statement.
- 15 How does Sensitivity Training help in management of expatriates?
- 16 Explain how the 4 C’s model can be used to evaluate an organization's HRM program.
- 17 What is job analysis and why is it central to human resource planning?
- 18 Discuss pros and cons of worker turnover.
- 19 “It is the basic responsibility and function of a manager in global business arena to attract, develop and maintain an effective work force”. Comment and point out the human resource issues involved in developing and maintaining effective work force.
- 20 How the performance of a multinational manager be evaluated. Discuss the appraisal format.
- 21 Give a contrast between the international and national staffing and reward system?
- 22 Explain the role of culture in determining the overall HRM practices of any organization with the help of various Cross Culture Theories. Support your answer with relevant examples.
- 23 How will demographic changes and increasing cultural diversity affect the ways that organizations manage their employees, train them and manage their performance?
- 24 How Sensitivity training affects the performance of the employees? Give its process and effective outputs generated by it?
- 25 What are the qualities of an effective multi-national manager? What role does he play in effectiveness of performance in case of expatriations?
- 26 Cultural shock which is often the outcome of the negative experience of moving from a familiar culture to one that is unfamiliar? How it can be reduced? Give different examples to support your answer?
- 27 Explain the term IHRM. Discuss the challenges associated with IHRM?
- 28 Discuss the relevance of studying and implementing global Human Resource Management?
- 29 Discuss the cultural foundations of IHRM with special emphasis on cultural conveyance and divergence, cross cultural theories.
- 30 Examine companies’ alternatives for recruitment, selection, compensation, development and retention of international mangers.

- 31 Discuss how E-HRM has changed the way in which organizations function. List out some e-initiatives taken up by organizations in India.
- 32 How does an organization choose to compete in the international environment, and how does each strategy affect its human resource function?
- 33 How does appraising an expatriate's performance differ from appraising that of a home-office manager? How would you avoid some of the unique problems of appraising the expatriate's performance?
- 34 As a HR manager, what program would you establish to reduce repatriation problems of returning expatriates and their families?