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PRACTICE QUESTIONS

Institute of Certified Management Accountants (ICMA)

CSCA1

Certified in Strategy and Competitive Analysis

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

Before you begin

What this is

9 practice questions for Institute of Certified Management Accountants (ICMA) **CSCA1**, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, **CSCA1**
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

QUESTION 1

MULTIPLE CHOICE

A consumer electronics manufacturer is evaluating entry into a new geographic market. Which two components of a PESTEL analysis would be most directly relevant to assessing market attractiveness for this strategic decision? (Choose two.)

- ☒ **A** Political stability and trade policy of the target country
- ☐ **B** The number of competitors in the target market
- ☒ **C** Disposable income trends and consumer spending patterns
- ☐ **D** The market share of the firm's closest rival
- ☐ **E** The bargaining power of the firm's existing suppliers

ANSWER A - C

WHY PESTEL focuses on macro-environmental forces: Political, Economic, Social, Technological, Environmental, and Legal. Political stability and trade policy (P) and disposable income/spending (E) are direct PESTEL factors. The number of competitors, rival market share, and supplier bargaining power belong to Porter's Five Forces, which is a separate (micro/industry) framework.

QUESTION 2

MULTIPLE CHOICE

An analyst is assessing the long-term profitability prospects of the global commercial aircraft manufacturing industry, which is dominated by two firms. Which two of Porter's Five Forces are typically considered the strongest in this industry? (Choose two.)

- ☒ **A** Threat of new entrants
- ☐ **B** Bargaining power of suppliers
- ☐ **C** Threat of substitute products or services
- ☒ **D** Rivalry among existing competitors
- ☐ **E** Bargaining power of buyers

ANSWER A - D

WHY Commercial aircraft manufacturing requires extremely high capital investment, advanced technology, and regulatory certification, creating very high barriers to entry (strong threat of new entrants is low, but the force itself is strong/dominant in shaping the industry). The duopoly between Airbus and Boeing produces intense rivalry for the limited number of very large orders. Substitute products (other modes of long-distance transport) and buyer power (airlines) are present but secondary to these two forces in this industry.

QUESTION 3

SINGLE CHOICE

In competitive analysis, the term 'sustainable competitive advantage' refers to a capability or attribute that:

- ☐ A Allows a firm to temporarily earn above-average returns until competitors imitate it
- ☒ B Enables a firm to outperform its rivals over an extended period because it is difficult for competitors to copy or substitute
- ☐ C Is automatically granted to a firm by holding the largest market share in its industry
- ☐ D Results primarily from favourable macroeconomic conditions in the firm's industry

ANSWER B

WHY Sustainable competitive advantage (SCA) is defined as a value-creating capability that is difficult for competitors to imitate, substitute, or erode, allowing the firm to outperform rivals over an extended period. Option A describes a temporary advantage, not a sustainable one. Market share and macro conditions do not by themselves create sustainability.

QUESTION 4

SINGLE CHOICE

According to the VRIO framework, a firm resource or capability must be Valuable, Rare, Inimitable, and Organized to deliver sustainable competitive advantage. Which of the following best illustrates the 'Inimitable' criterion?

- ☐ A A sales force that is trained and certified to sell a firm's products
- ☒ B A patented pharmaceutical compound protected by intellectual property law
- ☐ C A customer loyalty program offered by a regional retailer
- ☐ D Access to a standard industry database of competitor pricing

ANSWER B

WHY Inimitability is met when competitors cannot easily replicate the resource. Legal protection such as a patent is a classic example of an inimitability barrier. A trained sales force can be replicated through hiring and training. A loyalty program can be copied. Standard industry data is available to all rivals.

QUESTION 5

SINGLE CHOICE

A hotel chain targets business travellers willing to pay premium rates for high-quality rooms, business amenities, and loyalty rewards. The chain does not attempt to compete with budget hotels on price. Which of Porter's generic strategies is this firm pursuing?

- ☐ A Cost leadership
- ☐ B Broad differentiation
- ☒ C Focused differentiation
- ☐ D Integrated cost leadership

ANSWER C

WHY Focused differentiation targets a narrow market segment (here, business travellers) with attributes the segment values, rather than competing on price across the broader market. Cost leadership would compete on low price across the broad market. Broad differentiation would target the overall market with differentiated offerings. 'Integrated cost leadership' is not one of Porter's generic strategies.

QUESTION 6

SINGLE CHOICE

Porter's value chain divides firm activities into primary and support activities. Which of the following is classified as a primary activity?

- ☐ A Human resource management
- ☐ B Procurement
- ☐ C Firm infrastructure
- ☒ D Outbound logistics

ANSWER D

WHY Porter identifies five primary activities: inbound logistics, operations, outbound logistics, marketing and sales, and service. Human resource management, procurement (in the support sense), and firm infrastructure are support activities.

QUESTION 7 SINGLE CHOICE

Strategic group mapping is most useful for competitive analysis because it:

- ☐ A Replaces the need for industry-level analysis using Porter's Five Forces
- ☒ B Reveals groups of firms within an industry that follow similar strategies, helping to identify closest direct rivals and mobility barriers
- ☐ C Identifies the macroeconomic forces affecting all firms in the same way
- ☐ D Quantifies the internal resource gaps of a single firm

ANSWER B

WHY Strategic group mapping plots firms along strategic dimensions (e.g., price vs. product line breadth) to identify clusters of firms pursuing similar strategies. These groups share mobility barriers that affect entry and competition. It does not replace Five Forces, address macro forces, or focus on a single firm's internal resource gaps.

QUESTION 8 SINGLE CHOICE

A soft drink manufacturer acquires one of its key bottling and distribution companies to bring that activity in-house. This strategic move is best classified as:

- ☐ A Horizontal integration
- ☐ B Forward vertical integration
- ☒ C Backward vertical integration
- ☐ D Related diversification

ANSWER C

WHY Backward vertical integration occurs when a firm takes ownership of an activity previously performed by a supplier further back in the value chain. Because the bottling company supplied distribution services to the manufacturer, the manufacturer is integrating backward. Forward integration would involve acquiring a downstream activity (e.g., retail outlets). Horizontal integration would involve acquiring a competitor. Related diversification extends the firm into a new business.

QUESTION 9

SINGLE CHOICE

When analyzing competitive moves, the 'driver' behind a rival's strategic action most likely refers to:

- ☐ A The market share gain the firm will realize from the move
- ☒ B The underlying motivation or business objective that is prompting the firm to take the action
- ☐ C The legal restrictions that prevent the firm from acting differently
- ☐ D The level of management compensation tied to firm performance

ANSWER B

WHY In competitive analysis, a 'driver' is the underlying motivation behind a competitor's move—its strategic objective or business reason for acting. Anticipating drivers helps predict a competitor's future moves. Market share is a possible outcome, not a driver. Legal restrictions are constraints. Compensation may influence incentives but is not the strategic driver itself.