

Free of Cost

ISBN : 978-81-7666-787-6

SCANNER™ Appendix

ICWA Final Gr. IV (New Course)
December - 2009

INDEX

Paper 15 —	Management Accounting Enterprise Performance Management	IV-1
Paper 16 —	Advanced Financial Accounting and Reporting	IV-8
Paper 17 —	Cost audit & Operational Audit and Ethics	IV-18
Paper 18 —	Business Valuation Management	IV-21

PAPER'S

Paper - 15 : Management Accounting Enterprise Performance Management

Chapter-2: Operations Management

2009 - Dec [4] (b)

What do you mean by "Bench trending" ? (2 marks)

Name the different types of "Bench trending". (2 marks)

List the basic steps in any one of the types of Bench trending. (4 marks)

2009 - Dec [8] Write short notes on :

(ii) Just-in-Time approach (Advantages and Disadvantages);

(iii) Aggregate Planning. (5 marks each)

Chapter-3: Cost Planning and Analysis for Competitive Advantage

2009 - Dec [2] (a) A machine which originally cost Rs. 12,000 has an estimated life of 10 years and it depreciated at the rate of Rs. 1,200 per year. It has been unused for sometime, as expected production orders did not materialize. A special order has now been received which would require the use of the machine for two months. The current net realizable value of the machine is Rs. 8,000. If it is used for the job, its value is expected to fall to Rs. 7,500. The net book value of the machine is Rs. 8,400. Routine maintenance of the machine currently costs Rs. 40 per month. With use, the cost of maintenance and repairs would increase to Rs. 60 per month. What would be the relevant cost of using machine for the order, so that it can be charged as the minimum price for the order ? (6 marks)

- (b) A review, made by the top management of XYZ Ltd., (which makes only one product), of the result of the first quarter of the year revealed the following :

Sales (in units)	10,000
Loss	Rs. 10,000
Fixed Cost (for the year Rs. 1,20,000)	Rs. 30,000
Variable cost/unit	Rs. 800

The Finance Manager, who feels perturbed, suggests that the company should at least break-even in the second quarter with a drive for increased sales. Towards this, the company should introduce better packing, which will increase the cost by Re. 0.50 per unit.

The Sales Manager has an alternative proposal. For the second quarter, additional sales promotion expenses can be increased to the extent of Rs. 5,000 and a profit of Rs. 5,000 can be aimed at during the period with increase sales.

The Production Manager feels otherwise. To improve the demand, the selling price/unit has to be reduced by 3%. As a result, the sales volume can be increased to attain a profit level of Rs. 4,000 for the quarter. The Managing Director asks you, as a Cost and Management Accountant, to evaluate the three proposals and to calculate the additional sales volume that would be required in each case, in order to help him to take a decision. (9 marks)

2009 - Dec [7] M/s. Dynamic Foundry Ltd., is feeling the effects of a general recession in the industry. Its budget for the coming half year is based on an output of only 500 Tonnes of casting/month, which is less than half of its capacity. The prices of casting vary with the composition of the metal and the shape of the mould but they average Rs. 175/ Tonne.

The following details are from the Monthly Production Cost Budget at 500 Tonne levels :

	Core making	Melting and Pouring	Moulding	Cleaning and Grinding
Labour (Rs.)	10,000	16,000	6,000	4,500
Variable overhead (Rs.)	3,000	1,000	1,000	1,000
Fixed overhead	5,000	9,000	2,000	1,000
	<u>18,000</u>	<u>26,000</u>	<u>9,000</u>	<u>6,500</u>
Labour and O.H. rate/ direct labour hour	9.00	6.50	6.00	5.20

Operation at this level has brought the company to the brink of break-even. It is feared that if the lack of work continues, the company may have to lay off some of the most highly skilled workers, whom it would be difficult to get back, when the volume picks up later on.

No wonder, the Works Manager at this juncture, welcome an order for 90,000 castings, each weighing about 40 lbs., to be delivered on a regular schedule during the next six months. As the immediate concern of the Works Manager is to keep his work force occupied, he does not want to lose the order and is ready to recommend a quotation on a no-loss and no-profit basis.

Materials required would cost Re. 1/- per casting, after deducting scrap credits.

The direct labour hour per casting required for each department would be :

Core Making	0.09
Melting and Pouring	0.15
Moulding	0.06
Cleaning and Grinding	0.06

Variable overheads would bear a normal relationship to labour cost in the Melting and Pouring department and in the Moulding department. In the core making, cleaning and grinding, however, the extra labour requirements would not be accompanied by proportionate increases in variable overhead. Variable overhead would increase by Rs. 1.20 for every additional labour hour in core making and by 30 paise for every additional labour hour in cleaning and grinding. Standard wage rates are in operation in each department and no labour variances are anticipated.

To handle an order as large as this, certain increases in factory overheads would be necessary amounting to Rs. 1,000 a month for all departments put together. Production for this order would be spread evenly over the six months period.

You are required to :

- (i) Prepare a revised monthly labour and overhead cost budget, reflecting the addition of this order. (10 marks)
- (ii) Determine the lowest price, which can be given as the quotation for 90,000 castings without incurring a loss. (5 marks)

Chapter-4: Treatment of Uncertainty in Decision Making

2009 - Dec [3] (a) After observing heavy congestion of customers over a period of time in a petrol station. Mr. Ustad has decided to set up a petrol pump facility on his own in a nearby site. He has compiled statistics relating to the potential customer arrival pattern and service pattern as given below. He has also decided to evaluate the operations by using the simulation technique.

Arrivals		Services	
Inter-arrival time (minutes)	Probability	Inter-arrival time (minutes)	Probability
2	0.22	4	0.28
4	0.30	6	0.40
6	0.24	8	0.22
8	0.14	10	0.10
10	0.10		

Assume :

- (i) The clock starts at 8.00 hours
- (ii) Only one pump is set-up
- (iii) The following 12 Random Nos. are to be used to depict the customer arrival pattern
78, 26, 94, 08, 46, 63, 18, 35, 59, 12, 97 and 82
- (iv) The following 12 Random Nos. are to be used to depict the service pattern
44, 21, 73, 96, 63, 35, 57, 31, 84, 24, 05 and 37

You are required to find out the

- (i) Probability of the pump being idle
- (ii) Average time spent by a customer waiting in queue.

(5 + 5 = 10 marks)

2009 - Dec [4] (a) A travelling salesman has to visit 5 cities. He wishes to start from a particular city, visit each city once and then return to his starting point. The travelling cost for each city from a particular city is given below :

From city	To city				
	A	B	C	D	E
A	—	4	7	3	4
B	4	—	6	3	4
C	7	6	—	7	5
D	3	3	7	—	7
E	4	4	5	7	—

What is the sequence of the visit of the salesman, so that the cost is the optimal ? (7 marks)

2009 - Dec [6] (a) Write a note on Sensitivity Analysis applied to a capital project. Name the four main variables in a capital project on which sensitive analysis is done. (3 + 2 = 5 marks)

(b) X. Ltd., must choose whether to go ahead with either of two mutually exclusive projects A and B. The expected profits are as follows :

	Profit if there is	Profit/(Loss) if there is
	Strong demand	Weak demand
Project A (Rs.)	4,000	(1,000)
Project B (Rs.)	1,500	500
Probability of demand	0.3	0.7

- (i) What would be the decision based on expected values, if no information about demand were available ?
- (ii) What is the value of Perfect Information about the demand ?

(6 + 4 = 10 marks)

2009 - Dec [8] Write short notes on :

- (i) Enterprise Risk Management; (5 marks)

Chapter-5: Enterprise Performance Measurement System

2009 - Dec [3](b) State briefly the shortcomings of Balance Scorecard.

(5 marks)

2009 - Dec [5] The managers of Soundtrack Ltd., were surprised at a recent newspaper article, which suggested that the company's performance in the last two years had been poor. The MD commented that the turnover had increased by nearly 17% and pre-tax profit by 25% between the last two financial years and that the company compared well with others in the same industry.

The company seeks your opinion on the issue and provides you with the following details :

		Rs. in Crores	
Profit and Loss Account extracts for the year			
	2007-08	2008-09	
Turnover	326	380	
Pre-tax accounting profit (*)	67	84	
Taxation	<u>23</u>	<u>29</u>	
Profit after tax	44	55	
Dividends	<u>15</u>	<u>18</u>	
Retained earnings	29	37	
Balance Sheet extracts for the year ending			
	2007-08	2008-09	
Fixed Assets	120	156	
Net Current Assets	<u>130</u>	<u>160</u>	
	<u>250</u>	<u>316</u>	
Financed by :			
Shareholders funds	195	236	
Medium and long-term loans	<u>55</u>	<u>80</u>	
	<u>250</u>	<u>316</u>	

(*) After deduction of the economic depreciation of the company's fixed assets. This is also the depreciation used for tax purposes.

Other Information :

- (i) Soundtrack had non-capitalized leases valued at Rs. 10 crore in each year 2007-09.
- (ii) Balance Sheet capital employed at 31.03.2007 was Rs. 223 crore.
- (iii) The company's pre-tax cost of debt was estimated to be 9% in 2007-08 and 10% in 2008-09.

- (iv) The company's cost of equity was estimated to be 15% in 2007-08 and 17% in 2008-09.
- (v) The target capital structure is 60% equity and 40% debt.
- (vi) The effective tax rate was 35% in both 2007-08 and 2008-09.
- (vii) Economic depreciation was Rs. 30 crore in 2007-08 and Rs. 35 crore in 2008-09.
- (viii) Other non-cash expenses were Rs. 10 crore per year in both 2007-08 and 2008-09.
- (ix) Interest expense was Rs. 4 crore in 2007-08 and Rs. 6 crore in 2008-09.

Required :

- (i) Estimate the Economic Value Added (EVA) for Soundtrack Ltd., for both 2007-08 and 2008-09. (13 marks)
- (ii) Comment upon the performance of the company. (2 marks)

Chapter-7: Objective Questions

2009 - Dec [1] {C} (a) State whether the following statements are 'True' or 'False'. If 'False', put up the corrected statement.

- (i) Theory Y style of management is a highly autocratic style.
 - (ii) The matrix organization structure is suitable for large projects.
 - (iii) The key factors of 'Theory of Constraints' are Contribution and Profit.
 - (iv) Life Costing is a technique to establish the total cost of ownership.
 - (v) To convert the assignment problem into a maximization problem, all elements of the matrices are deducted from the highest element in the matrix. (1 × 5 = 5 marks)
- (b) Choose the most appropriate one from the stated options and write it down.
- (i) An effective reward system requires :
 - (A) Increased Production
 - (B) Establishment of goals
 - (C) All processes are fully utilized
 - (D) None of the above
 - (ii) Demand stimulation could be due to :
 - (A) Pricing
 - (B) Promotion
 - (C) New demand creation
 - (D) All of the above
 - (iii) Target cost management is
 - (A) a management technology to establish a cost target
 - (B) is a structured approach for determining cost
 - (C) Both of the above
 - (D) None of the above

- (iv) Balanced Scorecard is a new approach developed by
- (A) Dr. J. M. Juran and Philip Crosby
 - (B) Dr. W.A. Shewart and Dr. W.E. Edwards
 - (C) Robert Kaplan and David Norton
 - (D) Joseph Maciariello and Calvin Kirby
- (v) Quality Circle is
- (A) people-building philosophy
 - (B) based on the value of the worker
 - (C) is a problem-solving technique
 - (D) All of the above (1 × 5 = 5 marks)
- (c) Explain the following terms, in not more than one-two sentences :
- (i) Zero defects
 - (ii) Kaizen
 - (iii) EFQM
 - (iv) Simulation
 - (v) Experience Curve (1 × 5 = 5 marks)
- (d) Write out what the following abbreviations stands for in the context of Enterprise Performance Management :
- (i) JUSE
 - (ii) BSC
 - (iii) EPMS
 - (iv) VAM
 - (v) FAST (1 × 5 = 5 marks)
- (e) (i) A company has budgeted break-even sales revenue of Rs. 8,00,000 and fixed costs of Rs. 3,20,000 for the next period. The sales revenue needed to achieve a profit of Rs. 50,000 in the period will be :
- (A) Rs. 8,50,000
 - (B) Rs. 9,25,000
 - (C) Rs. 11,20,000
 - (D) Rs. 12,00,000
- Your answer must be backed up by your workings. (2 marks)
- (ii) A Company produced three products using different machines. No other products are made on these machines. The following data is available for January, 2010 :
- Product ABC
Contribution/unit (Rs.)362818
Machine hours required per unit :
- (A) Machine 1
 - (B) Machine 2

- (C) Machine 3
 (D) None
 Your answer must be backed up by your workings. (3 marks)

Paper - 16 : Advanced Financial Accounting and Reporting

Chapter-1 : IAS, USGAAP and AS

2009 - Dec [6](c) Discuss same key differences between IAS, USG AAP and Indian AS with respect to fixed assets. (3 marks)

Chapter-2 : Mergers, Acquisitions & Reconstruction

2009 - Dec [2] (b) ANURAG LTD. and SAGAR LTD. were amalgamated on and from 1st April, 2004. A new company ANUSA LTD. was formed to take over the business of the existing companies.

The Balance Sheets of ANURAG LTD. and SAGAR LTD. as on 31st March, 2009 are given below :

Capitals and Liabilities			Assets & Properties	(Rs. in lakh)	
	ANURAG LTD.	SAGAR LTD.		ANURAG LTD.	SAGAR LTD.
Share Capital:			Fixed Assets:		
Equity Share of Rs.100 each	800	750	Land and Buildings	550	400
12% Pref. Shares of Rs. 100 each	300	200	Plant & Machinery	350	250
Reserves and Surplus:			Investments	150	50
Revaluation Reserve	150	100	Current Assets,		
General Reserve	170	150	Loans and Advances:		
Investment Allowance Reserve	50	50	Stock	350	250
Profit & Loss A/c	50	30	Sundry Debtors	250	300
Secured Loans:			Bills Receivables	50	50
10% Debentures (Rs.100 each)	60	30	Cash and Bank	300	200
Current Liabilities and Provisions:					
Sundry Creditors	270	120			
Bills Payables	150	70			
	<u>2000</u>	<u>1500</u>		<u>2000</u>	<u>1500</u>

Additional Informations:

- (1) 10% Debenture holders of ANURAG LTD. and SAGAR LTD. are discharged by ANUSUA LTD. issuing such number of its 15% Debentures of Rs. 100 each so as to maintain the same amount of interest.
- (2) Preference holders of the two companies are issued equivalent number of 15% Preference Shares of ANUSUA LTD. at a price of Rs. 150 per share (Face Value Rs.100).
- (3) Investment allowance reserve is to be maintained for 4 more years.
- (4) ANUSUA LTD. will issue 5 Equity Shares for each Equity Share of ANURAG LTD. and 4 Equity Shares for each Equity Share of SAGAR LTD. The shares are to be issued @ Rs. 30 each having a face value of Rs. 10 per share.

Required:

Prepare the Balance Sheet of ANUSUA LTD. as on 1st April, 2009 after the amalgamation has been carried out on the basis of amalgamation in the nature of purchase. (11 marks)

2009 - Dec [4] ABC Ltd. and PQR Ltd. decided to amalgamate as on 01.04.2009. Their Balance Sheets as on 31.03.2009 were as follows :

(Rs. in '000)

Particulars	ABC Ltd.	PQR Ltd.
Source of Funds :		
Equity share capital (Rs. 10 each)	150	140
9% Preference Share Capital (Rs.100 each)	30	20
Investment Allowance Reserve	5	2
Profit and Loss Account	10	6
10% Debentures	50	30
Sundry Creditors	25	15
Tax Provision	7	4
Equity Dividend Proposed	<u>30</u>	<u>28</u>
Total:	<u>307</u>	<u>245</u>
Application of Funds :		
Building	60	50
Plant and Machinery	80	70
Investments	40	25
Sundry Debtors	45	35
Stock	36	40
Cash and Bank	40	25
Preliminary Expenses	<u>6</u>	<u>—</u>
Total:	<u>307</u>	<u>245</u>

From the following information, you are to prepare the draft Balance Sheet as on 01.04.2009 of a new company, NCCI Ltd., which was formed to take over the business of both the companies and took over all the assets and liabilities :

- (i) 50% Debentures are to be converted into Equity Shares of the new company.
- (ii) Out of the investments, 20% are non-trade investments.
- (iii) Fixed Assets of ABC Ltd. were valued at 10% above cost and that of PQR Ltd. at 5% above cost.
- (iv) 10% of Sundry Debtors were doubtful for both the companies. Stocks to be carried at cost.
- (v) Preference shareholders were discharged by issuing equal number of 9% preference shares at par.
- (vi) Equity shareholders of both the transferor companies are to be discharged by issuing Equity Shares of Rs. 10 each of the new company at a premium of Rs. 5 per share.

Amalgamation is in the nature of purchase. (15 marks)

Chapter-3 : Group Financial Statements

2009 - Dec [3] The following summarised Balance Sheets of X Ltd. and its subsidiaries, Y Ltd. and Z Ltd., have been prepared at 31 March, 2009:

	X Ltd. Rs.	Y Ltd. Rs.	Z Ltd. Rs.
Share Capital :			
Equity shares of Rs. 10 each	30,00,000	20,00,000	2,00,000
Profit and loss account	28,00,000	16,00,000	1,20,000
Secured loan	15,00,000	8,00,000	2,00,000
Unsecured loan	5,00,000	2,00,000	—
Sundry creditors	<u>12,00,000</u>	<u>14,00,000</u>	<u>2,80,000</u>
	<u>90,00,000</u>	<u>60,00,000</u>	<u>8,00,000</u>
Fixed Assets :			
Land and buildings at cost less depreciation	10,00,000	8,00,000	2,00,000
Plant and equipment at cost less depreciation	14,00,000	22,00,000	1,00,000
Investments	34,00,000	2,20,000	50,000
Current assets :			
Stocks	12,00,000	14,00,000	2,50,000
Debtors	16,00,000	12,00,000	1,75,000
Cash and bank	<u>4,00,000</u>	<u>1,80,000</u>	<u>25,000</u>
	<u>90,00,000</u>	<u>60,00,000</u>	<u>8,00,000</u>

Additional information :

- (1) Particulars of investments are as follows:

X Ltd.	Rs.
Investment in 1,60,000 shares in Y Ltd.	33,60,000
Investment in 5,000 shares in Z Ltd.	<u>40,000</u>
	<u>34,00,000</u>

Y Ltd.	
Investment in 12,000 shares in Z Ltd.	<u>2,20,000</u>

Z Ltd.	
Investment in Growth Sector Bonds (F.V. Rs. 50,000)	<u>50,000</u>

- (2) The acquisition of investments took place in the manner indicated below:

	Date	Balance in P/L a/c	
		Y Ltd.	Z Ltd.
		Rs.	Rs.
X Ltd.			
1,60,000 shares in Y Ltd.	1 April 2008	14,00,000	1,00,000
5,000 shares in Z Ltd.	1 April 2006	—	20,000
Y Ltd.			
12,000 shares in Z Ltd.	1 April 2007	—	72,000

- (3) X Ltd. has proposed 15% dividend for the accounting year ended on 31 March, 2009. This amount is included in sundry creditors.
- (4) Sundry debtors of Y Ltd. include Rs. 30,000 representing sum due from X Ltd. Sundry creditors of X Ltd. include Rs. 20,000, which represents the amount due to Y Ltd. It is discovered that X Ltd. sent a cheque for Rs. 10,000 to Y Ltd. on 30 March, 2009 which was not received until 3 April, 2009.

Prepare a consolidated Balance Sheet of X Ltd. and its subsidiaries as at 31 March, 2009. (15 marks)

2009 - Dec [7] (a) H Ltd. acquired 80% shares of S. Ltd. on April 1, 2008. The Balance Sheets of H. Ltd. and S. Ltd as on March 31. 2009 are as follows :

Balance Sheets of H. Ltd. and S. Ltd. as on March 31,2009					
Liabilities	H. Ltd.	S. Ltd.	Assets	H. Ltd.	S. Ltd.
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
Share Capital (Rs.10 each)	9,00,000	3,00,000	Land & Building	4,20,000	2,40,000
General Reserve	3,90,000	1,50,000	Plant & Machinery	3,90,000	1,30,000
Profit & Loss A/c.	1,90,000	1,30,000	Furniture & Fixtures	1,90,000	90,000
Sundry Creditors	1,00,000	60,000	Investments	3,20,000	20,000

Bills Payable	60,000	50,000	Stock	90,000	50,000
			Sundry Debtors	1,20,000	1,00,000
			Bills Receivable	70,000	40,000
			Cash & Bank	<u>40,000</u>	<u>20,000</u>
	<u>16,40,000</u>	<u>6,90,000</u>		<u>16,40,000</u>	<u>6,90,000</u>

Other Information:

(i) As on date of acquisition, the following balances were revealed in the books of S. Ltd.:

General Reserve : : Rs. 1,00,000
 Profit & Loss Account : : Rs. 60,000 (Cr.)

(ii) H. Ltd. received a dividend of Rs. 24,000 from S. Ltd. on the date of acquisition and credited the amount to investment account.

(iii) Sundry debtors of H. Ltd. include Rs. 10,000 due from S. Ltd.

(iv) Total bills payable of S. Ltd., consisted of bills drawn by H. Ltd., and the same were discounted with the bank by H. Ltd.

You are required to prepare the consolidated Balance Sheet of H. Ltd. and S. Ltd. as on March 31.2009. (10 marks)

Chapter-4 : Segmental Reporting

2009 - Dec [2] (a) Explain the disclosures to be made to the primary segments. (4 marks)

2009 - Dec [8](b) M/s. XYZ Ltd. has three segments namely X, Y, Z. The total assets of the company amount to Rs. 10.00 crores. Segment X has Rs. 2.00 crores, Segment Y has Rs. 3.00 crores and Segment Z has Rs. 5.00 crores. Deferred tax assets included in the assets of each segments are X—Rs. 0.50 crore, Y—Rs. 0.40 crore and Z—Rs. 0.30 crore. The accountant contends that all the three segments are reportable segments. Comment. (5 marks)

Chapter-5 : External Reporting

2009 - Dec [5] (a) Great Pals Ltd. is in the business of manufacturing and export its product. Sometimes back in 2006, the Government put restriction on export of goods exported by Great Pals Ltd. Due to that restriction Great Pals impaired its assets.

Great Pals Ltd. acquired at the end of the year 2002 identifiable assets worth Rs. 2,000 lakh and paid Rs. 3,000 lakh, balance is treated as Goodwill. The useful life of the identifiable assets are 15 years and depreciated on straight-line basis. When Government put the restriction at the end of the year 2005, the company recognised the impairment loss by determining the recoverable amount of assets at Rs. 1,360 lakh. In 2008 Government lifted the restrictions imposed on the export and due to this favourable change, Great Pals Ltd. re-estimated recoverable amount, which was estimated of Rs. 1,710 lakh.

The amortization period for Goodwill to be taken as 5 years as per AS-14.

Requirements :

- (i) Calculation and allocation of impairment loss at the end of year 2006.
- (ii) Reversal of an impairment loss and its allocation at the end of year 2008 as per AS-28. (5 + 5 = 10 marks)

2009 - Dec [6] (a) The following particulars pertain to PIOUS LTD.:

Income Statement for the years ended March 31, 2009

(Amount in Rs. lakh)	
Sales Revenue	3,200
Less: Cost of goods sold	<u>2,000</u>
	1,200
Add: Government Compensation for loss in ratios	<u>50</u>
	1,250
Less: Operating expenses	790
Interest on debentures	15
Depreciation on Fixed Assets	210
Cost of issue of Debentures (written off)	<u>1</u> <u>1,016</u>
Profit before Tax	234
Less: Tax-Provision	<u>92</u>
Profit after tax	<u>142</u>

(Amount in Rs. lakh)		
	As on March <u>31,2008</u>	As on March <u>31,2009</u>
Inventories	180	220
Debtors	40	38
Bills Receivables	30	55
Cash in hand and at Bank	102	248
Creditors	78	95
Bills Payables	20	15
Outstanding Expenses	31	44

Additional Information:

The following important transactions have taken place the year ended March 31, 2009 :

- (i) Fully paid Equity Shares of the face value of Rs. 200 lakh were allotted at premium of 20%.
- (ii) 10% Debentures for Rs. 300 lakh were redeemed at a premium of 2%.
- (iii) Land was Purchased for Rs. 150 lakh and the consideration was discharged by the allotment to the vendor of zero percent convertible Debentures for the amount.
- (iv) Dividend for the year ended March 31, 2008 amounting to Rs. 100 lakh was paid.
- (v) Tax paid during the year totalled Rs. 95 lakh.

Required :

Prepare Cash Flow Statement for the year ended March 31, 2009 using the Direct Method on the line specified in AS-3. (6 marks)

(b) PARASH LTD. had the following borrowings during a year in respect of capital expansion :

Plant	Cost of Assets (Rs.)	Remarks
Plant-M	100 lakh	No specific borrowings
Plant-N	125 lakh	Bank loan of Rs. 65 lakh at 10%
Plant-X	175 lakh	9% Debentures of Rs. 125 lakh were issued

In addition to the specific borrowings stated above the company had obtained term loans from two Banks :

- (1) Rs. 100 lakh at 10% from Corporation Bank and
- (2) Rs. 110 lakh at 11.5% from State Bank of India to meet its capital expansion requirements.

Required :

Determine the amount of borrowings costs to be capitalized in each of the above plants as per AS-16. (6 marks)

2009 - Dec [8] (a) Prepare a value added statement for the year ended on 31.03.2009 and reconciliation of total value added with profit before taxation, from the Profit and Loss Account of Rishab Ltd. for the year ended on 31.03.2009:

		(Rs. in '000)
Income:		
Sales	24,400	
Other Income	<u>508</u>	24,908
Expenditure:		
Operating cost	21,250	
Excise duty	2,110	
Interest on Bank Overdraft	75	
Interest on 9% Debentures	<u>1,200</u>	<u>23,635</u>
Profit before Depreciation		1,273
Depreciation	<u>405</u>	868
Profit before tax		<u>320</u>
Provision for tax		548
Profit after tax		<u>48</u>
Proposed Dividend		<u>500</u>
Retained Profit		

The following additional information are given:

- (i) Sales represents net sales after adjusting Discounts, Returns and Sales tax.
- (ii) Operating cost includes Rs. 82,50,000 as wages, salaries and other benefits to Employees.
- (iii) Bank overdraft is temporary. (10 marks)

Chapter-6 : Government Accounting in India

2009 - Dec [5](b) Write notes on Role of budget in Government Accounting. (5 marks)

2009 - Dec [7] (b) Briefly discuss the functions of Public Accounts Committee. (5 marks)

Chapter-7 : Objective Questions

2009 - Dec [1] {C} (a) In each of the cases given below are out of four answers is correct. Indicate the correct answers (= 1 mark) and give your workings/reasons briefly (= 1 mark).

- (i) M. K. Leasing Company expects a minimum yield of 10% on its investment in the leasing business. It proposes to lease a machine costing Rs. 5,00,000 for ten years. If yearly lease payments are received in advance, the lease rental to be charged by the company for the lease will be [Given PVIFA (10%, 9 years = 5.759)]
 - A. Rs. 81,372;
 - B. Rs. 73,975;
 - C. Rs. 72,370;
 - D. None of (A), (B), (C).
- (ii) APEX LTD. has an asset with W.D.V. of Rs. 50 lakh as on 31.03.2009 and its recoverable amount on 31.03.2009 is determined at Rs. 38 lakh. If the tax rate is 30% and carrying amount of the assets for tax purpose is Rs. 42 lakh, what would be Deferred Tax Asset as per AS-22 ?
 - A. Rs. 3.60 lakh;
 - B. Rs. 2.40 lakh;
 - C. Rs. 1.20 lakh;
 - D. Incomplete Information.
- (iii) VINTEX LTD. had 5,00,000 equity shares outstanding on April 01, 2008. The average fair value per share during the year 2008-09 was Rs. 40. The company has given share option to its employees of 1,00,000 shares at option price of Rs. 30. If net profit attributable to equity shareholders for the year ended March 31.2009 is Rs. 12 lakh, Diluted EPS would be.

- A. Rs. 2.29;
B. Rs. 2.40;
C. Rs. 2.50;
D. None of (A), (B), (C).
- (iv) FINCORP LTD. holds 25% shares in SUNCORP LTD. at a cost of Rs. 5 lakh as on 31.3.2008, out of SUNCORP LTD.'s share capital and reserve of Rs. 20 lakh each. For the year ended 31.03.2009. SUNCORPLTD., made a profit to Rs. 80,000 and 50% distributed as dividend. What will be the amount of investment (carrying amount) in the Consolidated Financial Statement of FINCORP LTD. as on 31.03.2009. (as per AS-23) ?
A. Rs. 10.10 lakh;
B. Rs. 10.20 lakh;
C. Rs. 10.30 lakh;
D. Incomplete Information.
- (v) SUHASI LTD. issued 20,000 shares of Rs. 10 each at a discount of 10%. Mr. Harish to whom 500 shares were allotted failed to pay the final call of Rs. 3 and hence, his shares were forfeited. The amount to be transferred to the credit of shares forfeiture account is
A. Rs. 1,500;
B. Rs. 3,500;
C. Rs. 3,000;
D. Rs. 4,500.
- (vi) Wealth Ltd. acquired 55% shares of Gold Ltd. on February 01, 2008. Wealth Ltd. sells goods at cost plus 20%. During the year 2008-09, it supplied goods with Rs. 90,000 to Gold Ltd. out of which, 60% are still in stock of Gold Ltd. as on March 31, 2009. The unrealized profit on stock to be adjusted while preparing Consolidated Balance Sheet as on March 31, 2009 is
A. Rs. 4,950;
B. Rs. 5,940;
C. Rs. 9,900;
D. Rs. 10,800.
- (vii) XYZ Co. Ltd. proposed a dividend of 20%. The net profit of the company is Rs. 1,20,000. The called up equity share capital is Rs. 5,00,000 and the amount of calls in arrears is Rs. 30,000. What will be the amount of dividend payable ?
A. Rs. 1,00,000;
B. Rs. 94,000;
C. Rs. 24,000;
D. Rs. 1,06,000.

(2 × 7 = 14 marks)

(b) Choose the most appropriate one from stated options and write it down (only indicate by A, B, C, D, as you think correct) :

- (i) In accordance with AS-20, if an enterprise has more than one class of equity shares, net profit or loss for the period is to be apportioned among the different classes of shares in accordance with
 - A. The paid-up capital of the different classes;
 - B. Their dividend rights;
 - C. The number of shares in each class of shares;
 - D. The issue price of each class of shares.
- (ii) As per AS-17, the revenue of the reportable segment must have at least the following percentage of total revenue of the enterprise :
 - A. 60%
 - B. 75%
 - C. 80%
 - D. 90%.
- (iii) As per AS-22, justification for method of determining periodic deferred tax is based on the concept of
 - A. Matching of periodic expense to periodic revenue;
 - B. Objectivity in calculation of periodic expense;
 - C. Recognition of assets and liabilities;
 - D. Consistency of tax expenses measurements with actual tax planning strategy.
- (iv) Which one of the following intangibles should not be recognised as per AS-26?
 - A. Internally generated goodwill;
 - B. Licences;
 - C. Patents;
 - D. Trade marks.
- (v) Which one of the following combination of accounting assumptions are fundamentals as per AS-1 ?
 - A. Going concern, consistency and accrual;
 - B. Going concern, conservation and historic cost;
 - C. Historic cost, consistency and accrual;
 - D. Conservatism, consistency and accrual;
- (vi) The perception of extraordinary events must be made with reference to
 - A. Business ordinarily carried on by an enterprise;
 - B. The frequency with which such events are expected to occur;
 - C. Both (A) and (B);
 - D. The size of transaction.

(1 × 6 = 6 marks)

- (c) State which of the following statements is True (= T) and False (=F) :
- (i) Consolidated financial statements are prepared on the principle that in form the companies are one entity, in substance they are separate.
 - (ii) Recognising cost of retirement benefits only at the time payments are made to employees on or after retirement, is known as pay-as-you go.
 - (iii) Aria Corporation Ltd. had total turnover of Rs. 60 crores including inter division transfer of Rs. 14 crores. The company is liable to give segment reporting as per AS-17.
 - (iv) A change in the estimated life of the asset, which necessitates adjustment in the depreciation is an example of prior period item.
 - (v) A deferred tax asset should be recognised only when there is certainty of future taxable income to realise is known as consideration of consistency. (1 × 5 = 5 marks)

Paper - 17 : Cost Audit & Operational Audit and Ethics

Chapter-1 : Basics of Cost Audit

- 2009 - Dec. [2]**(a) What are the Social objectives of Cost Audit? (6 marks)
 (b) What review should be made by a Cost Auditor of Cost Accounting Records? (8 marks)

Chapter-2 : Cost Audit Report Rules, 2001

- 2009 - Dec. [2]**(c) As a cost Auditor you give your observations and suggestions in respect of “export Commitments” of a Company. (4 marks)

Chapter-3 : Cost Accounting Record Rules

- 2009 - Dec. [3]** (a) From the following figures extracted from the accounting records, you are required to compute :
- (i) Value added;
 - (ii) Ratio of operating profit to Net Sales; and
 - (iii) Ratio of operating profit to Value added:

	Rs. in lakhs.
Net Sales excluding excise duty	21,000
Increase in stock of finished goods	250
Expenses:	
Raw Materials consumed	2,600
Packing Materials consumed	1,200
Stores & Spares consumed	550
Power & Fuel	4,600
Repairs and maintenance	200
Insurance	120
Direct Salaries and Wages	480

Depreciation	885
Interest Paid	1,398
Factory Overheads : Salaries & Wages	240
Others	250
Selling and Distribution Overheads :	
Salaries and Wages	120
Additional Sales Tax	457
Others	1,700
Administration Overheads :	
Salaries & Wages	120
Others	80

(12 marks)

- (b) How “Value addition” is calculated? (3 marks)
- (c) How “Capital Employed” is calculated? (3 marks)

Chapter-4 : Cost Accounting Standards

2009 - Dec. [4](a) How are the Cost Accounting Standards different from Cost Accounting Records Rules. (12 marks)

(b) As per CAS-1, for Management Decision making under different circumstances, how costs are classified. Only point out the names of different types of costs. (3 marks)

(c) Define cost of Production for Captive Consumption under CAS-4. (3 marks)

Chapter-5 : Internal Audit, Operational Audit & Management Audit

2009 - Dec. [6] (a) State the different types of committee under clause 49 of the listing agreement and State the functions of Audit Committee u/s 292A of the Companies Act. (4 +5 =9 marks)

Chapter-6 : Various Types of Audit

2009 - Dec. [6] (b) State the importance of inventory audit. Mention the preliminaries of inventory audit and the items required to be covered while conducting inventory audit. (3 +3 +3 =9 marks)

2009 - Dec. [7] (a) What is the purpose of the audit prescribed under section 14AA of the Central Excise Act? (4 marks)

(b) What are the possible areas for misuse/malpractices (u/s 14AA)? (4 marks)

(c) What are the various ratios generally used in measuring productive efficiency of the resource deployed? (10 marks)

2009 - Dec. [8] Write short Notes.

- (b) Possible sources of conserving energy;
- (c) Vat system and its audit;
- (d) Environmental audit. (6 marks each)

Chapter-7 : Fields for Cost Accountants

2009 - Dec. [8] Write short Notes.

- (a) Functions of W.T.O.;

Chapter-10 : Objective Questions

2009 - Dec. [1] {C} (a) Choose the correct answer:

- (i) As per section 292A of the Companies (Amendment) Act, 2000, every public company shall constitute a Committee of the Board known as "Audit Committee" if the paid up capital of the company is not less than Rs.
(A) 5 crores ;
(B) 10 crores;
(C) 25 crores;
- (ii) "Financial position and "Ratio Analysis" are being dealt with the Annexure to cost Audit Report Rules, vide
(A) Para 16;
(B) Para 12;
(C) Para 24.
- (iii) A copy if the Cost Audit Report need not be submitted to :
(A) Company Law Board;
(B) Board of directors of the company;
(C) Members at the Annual General Meeting of the company.
- (iv) In Cost Audit Report, auditors observations and suggestions are given in
(A) Para 1 of the Annexure;
(B) From of cost Audit Report;
(C) Para 2 of the Annexure. (1×4 =4 marks)
- (b) State whether the following statements are "True" or "False": No justification is necessary.
(i) Main objectives of Internal Audit is to prevent errors and frauds.
(ii) A practising cost Accountant can be appointed as a cost auditor of a Co-operative Society.
(iii) As per cost Audit Reports Rules, the Annexure to cost Audit Report is to be compiled by the Cost Auditor.
(iv) The share holders of a company have right get a cost audit report.
(v) Internal audit is compulsory in large manufacturing companies. (1×5 =5 marks)
- (c) Fill in the blanks with appropriate word/words
(i) A Cost accountant may be appointed as a _____ under the Insurance Act.
(ii) Soda Ash is covered by cost Accounting Records(_____) Rules.

- (iii) The Audit Committee shall meet at least _____ a year.
 - (iv) Corporate objectives represent the _____ that the organisation has laid down for itself.
 - (v) Dumping is an _____ practice. (1×5 =5 marks)
- 2009 - Dec. [5]{C}**(a) State whether the following statements are “True” or “False”, justify with reasons :
- (i) Dumping Duty is fixed in Dollars and not in Rupee;
 - (ii) In ABC system, the concept of “Cost Center” is very important;
 - (iii) For Stock hypothecation to the Bank, Insurance Coverage is required for seventy-five percent of stock as margin money;
 - (iv) Productivity is broadly defined as the ratio of production and sales. (1×4 =4 marks)
- (b) Fill in the blanks with appropriate word/words.
- (i) Corporate image and _____ are closely related concepts.
 - (ii) The internal audit function in any organisation can be broadly categorised into three major functions, namely
(A) financial audit; (B)compliance audit (C)_____.
 - (iii) The GATT was transformed into _____ (_____) with effect from January. 1995. India is one of the founder member of IMF, World Bank and the (_____).
 - (iv) Rule 3(1) of the cost and works Accountants(Procedure of Investigations of Professional and other Misconduct and conduct of cases Rules, 2007 provides that a complaint under section 21 of the Act against a member or a firm shall be filed in _____, in triplicate sent by post or by courier under this sub-rule.
 - (v) Activity based costing is the extended application of _____ to activity centres. (1 × 5 = 5 marks)
- (c) What do the following abbreviations stand for?
- (i) DSA;
 - (ii) TRIMS;
 - (iii) TBT;
 - (iv) TRAI;
 - (v) GAAP. (1×5 =5 marks)

Paper - 18 : Business Valuation Management

Chapter-1 : Basics of Valuation

2009 - Dec [2] Define each of the following terms: (any three)

- (a) Real Options;
- (b) Efficient Market Hypothesis;
- (d) Operating Current Assets; (5 marks each)

2009 - Dec [6] (b) Explain how is it possible for sales growth to decrease the value of a profitable company. (7 marks)

2009 - Dec [8] A firm has the following summary balance sheet (Rs. in Crores):

Net Operating assets	441
Net Financial Obligations	52
Common Shareholder's Equity	389

The firm is currently earning a return on net operating assets (RNOA) of 14 percent from sales of Rs. 857 Crores and after tax operating income of Rs. 60 Crores. Its required return on operations is 10%. Forecasts indicate that RNOA is likely to continue at the same level in the future with growth in sales of 3 per cent per year and growth in net operating assets to support the sales growth of 3 per cent per year. Management is considering a plan to introduce new products that are expected to increase the sales growth rate to 4 per cent a year and maintain the current profit margin of 7 per cent. But the plan will require additional investment in net operating assets that will reduce the firm's asset turnover to 1.67.

What effect will this plan have on the value of the firm? (15 marks)

Chapter-2 : Mergers & Acquisitions

2009 - Dec [3] (b) A share of face value of Rs. 10 presently sells for Rs. 80. It is estimated that it will pay a dividend of 50% at the end of the year. Its beta is 1.2. If risk-free rate of interest is 6% and the expected rate of return on the market portfolio is 16% then what do investors expect the share to sell for at the end of the year? (Assume that CAPM works in the market). (6 marks)

2009 - Dec [4] Sound Health Systems Ltd. is operating in the health sector and is having about 40 hospitals—general, specialty and super-specialty-across India. The Balance Sheet of the Company, as reported in its Annual Report, 2008 is given below:

Balance Sheet of Sound Health Systems Limited as at 31st March

(Rs. in Lakhs)

Particulars	2007	2008
SOURCE OF FUNDS		
SHAREHOLDERS' FUNDS		
Share Capital	20,767.01	23,826.65
12% Redeemable Preference Shares	—	15,000.00
Reserves and Surplus	17,447.58	23,264.66
LOAN FUNDS	38,214.59	62,091.31
Secured Loans	22,658.93	14,698.38
Unsecured Loans	16,180.69	2,562.39
Interest on Loans Payable	<u>2,000.00</u>	<u>1,000.00</u>
	<u>40,839.62</u>	<u>18,260.77</u>
TOTAL	<u>79,054.21</u>	<u>80,352.08</u>

APPLICATION OF FUNDS

FIXED ASSETS

Gross Block	14,269.32	13,164.92
Less: Depreciation	<u>4,063.70</u>	<u>5,079.83</u>
Net Block	10,205.62	8,085.09
Capital Work-in-Progress	<u>681.95</u>	<u>45.00</u>
	<u>10,887.57</u>	<u>8,130.09</u>
	<u>47,566.83</u>	<u>31,068.93</u>

INVESTMENTS

CURRENT ASSETS, LOANS AND ADVANCES

Inventories	238.36	248.10
Sundry Debtors	3,086.89	3,558.87
Cash in Hand and at Bank	122.54	488.45
Loans and Advances	7,079.79	26,718.94
Other Current Assets	<u>212.24</u>	<u>677.31</u>
	<u>10,739.82</u>	<u>31,691.67</u>

Less: CURRENT LIABILITIES AND PROVISIONS

Creditors	3,566.67	3,636.92
Provisions	<u>430.71</u>	<u>561.54</u>
	<u>3,997.38</u>	<u>4,198.46</u>
Net Current Assets	<u>6,742.44</u>	<u>27,493.21</u>

PROFIT AND LOSS ACCOUNT

	<u>13,857.37</u>	<u>13,659.85</u>
Total	79,054.21	80,352.08

Sound Health Systems Ltd. has not been performing well in the past and consequently, has suffered losses during the last few years. However, the management of the company strongly feels that the company can be again put on the path to sound financial health by having proper financial restructuring. Therefore, the following scheme of financial reconstruction is being devised:

- (a) Equity shares are to be reduced to Rs. 2 from Rs. 10 fully paid up.
- (b) The rate on preference share is to be reduced to 10% and the value thereof reduced to Rs. 50 from Rs. 100 fully paid up.
- (c) Lenders have agreed to forego interest payable to them as on March 31, 2008.
- (d) Creditors have agreed to forgo 25% of their claims and remaining amount will be converted into equity shares at a rate of Rs. 2 fully paid up but they have to be paid 20% of the amount due as on March 31, 2008 in cash immediately.
- (e) Unsecured loan lenders will take 10% of the amount as on March 31, 2008 and they have agreed to take the remaining amount after 4 years.

- (f) To meet the requirement of working capital of the company and to make payment to creditors and others, it is decided to issue 20 lakh shares of Rs. 2 each at a premium of Rs. 3 totalling Rs. 5 per share. The existing shareholders have decided to subscribe for them and the whole amount will be paid along with the application.
- (g) A provision of Rs. 80 lakh is to be made for doubtful debts on debtors. You are required to show the impact of the said financial restructuring on the balance sheet of the company and also, prepare the new balance sheet assuming that the scheme has been successfully implemented. (15 marks)

2009 - Dec [5] What are different approaches to valuation of target companies? Explain in detail. (15 marks)

Chapter-6 : Valuation of Investments

2009 - Dec [2] Define each of the following terms :

- (c) Investment Timing Options; (5 marks)

Chapter-7 : Valuation of Shares

2009 - Dec [2] Define each of the following terms:

- (e) Value of Operations; (5 marks)
 (f) Stock Option. (5 × 3 = 15 marks)

2009 - Dec [3] (a) From the annual report 2009 of Precision Tools Limited, the following information has been collected:

Profit and Loss Account of Precision Tools Ltd. for the year ending on 31st March 2009.

(Rs. in crores) 31st March 2009

INCOME:

Net Sales	1,665.40
Other Income	<u>265.50</u>
Total Income	<u>1,930.90</u>

EXPENDITURE:

Generation, Administration and Other Expenses	121.80
Employees Remuneration and Benefits	<u>628.10</u>
	749.90
Profit Before Depreciation, Interest and Tax	1,181.00
Depreciation	<u>238.70</u>
Profit Before Interest and Tax	942.30
Interest and Finance Charges	<u>486.80</u>
Profit Before Tax and Prior Period Adjustments	455.50
Prior Period Adjustments (Net)	<u>8.40</u>
Profit Before Tax	447.10
Provision for Tax	<u>3.70</u>
Profit After Tax	<u>443.40</u>

P and L Balance brought forward	<u>871.20</u>
Total Profit Available for Appropriations	1,314.60
Appropriations	
Dividend:	
Proposed Final Dividend	(30.00)
Corporate-Dividend Tax	(3.10)
Appropriation from profit to reserve	(1,110.00)
Amount written back from bonds redemption reserve	<u>242.20</u>
Balance Carried to Balance Sheet	<u>413.70</u>

Assume that the company follows a 'Constant Dividend Payout Policy' and it is committed to maintain the same. Number of shares outstanding as on 31.03.2009 is 5 crores. Net worth of the company as on 31.03.2009 is Rs. 3,100.58 crores and its cost of equity is 15%. Find the value of the equity shares of Precision Tools Limited. Use Constant Growth Model for valuation.
(9 marks)

2009 - Dec [6] (a) The balance sheet of Reliance Industries is shown below. The value of operations as at 31-12-2008 is Rs. 65.1 Crores and there are 1 Crore shares of common equity. What is the price per share?

Balance Sheet as at December 31, 2008 (Rs. in Lakhs).

Assets		Liabilities and Equity	
Cash	200	Accounts payable	190
Marketable securities	470	Notes payable	650
Accounts receivable	100	Accruals	<u>510</u>
Inventories	<u>200</u>	Total current liabilities	1350
Total current assets	3670	Long term bonds	1310
Net plant and equipment	2790	Preferred stock	330
		Common stock	
		(per plus PIC)	1600
		Retained earning	<u>1870</u>
		Common equity	<u>3470</u>
Total Assets	<u>6460</u>	Total liabilities and equity	<u>6460</u>

(8 marks)

2009 - Dec [7] An analyst prepared balance sheets for the years 2007 and 2006 as follows (Rs. in Crores).

	2007	2006
Operating Assets	640	590
Financial Assets	<u>250</u>	<u>110</u>
	890	700
Financial debt	170	130
Operating liabilities	20	30
Common equity	<u>700</u>	<u>540</u>
	890	700

The firm reported Rs.100 Crores in comprehensive income from 2007 and no net financial income or expense?

- (a) Calculate the free cash flow for 2007. (5 marks)
- (b) How was the free cash flow utilized? (5 marks)
- (c) How can a firm with financial assets and financial liabilities have zero net financial income or expense. (5 marks)

Chapter-14 : Objective Questions

2009 - Dec [1] {C} (a) In each of the Questions given below, one out of four is correct. Indicate the correct answer (2 marks each):

- (i) Which of the following statements is false?
 - (1) There are two potential sources of cash flows from owning a stock.
 - (2) An investor will be willing to pay a price today for a share of stock up to the point that this transaction has a zero NPV.
 - (3) An investor might generate cash by choosing to sell the shares at some future date.
 - (4) Because the cash flows from stock are known with certainty, we can discount them using the risk-free interest rate.
- (ii) When discounting dividends you should use?
 - (1) the weighted average cost of capital.
 - (2) the after-tax weighted average cost of capital.
 - (3) the equity cost of capital.
 - (4) the before-tax cost of debt.
- (iii) Which of the following statements is correct?
 - (1) Actions which increase net income will always increase net cash flow.
 - (2) One way to increase EVA is to maintain the same operating income with less capital.
 - (3) One drawback of EVA as a performance measure is that it mistakenly assumes that equity capital is free.
 - (4) Answers (1) and (2) are correct.
- (iv) Which of the following statements is most correct?
 - (1) The constant growth model takes into consideration the capital gains earned on a stock.
 - (2) It is appropriate to use the constant growth model to estimate stock value even if the growth rate never becomes constant.
 - (3) Two firms with the same dividend and growth rate must also have the same stock price.
 - (4) Statements (1) and 3 are correct.

- (v) Which of the following statements is correct?
- (1) Although some methods of estimating the cost of equity capital encounter severe difficulties, the CAPM is a simple and reliable model that provides great accuracy and consistency in estimating the cost of equity capital.
 - (2) The DCF model is preferred over other models to estimate the cost of equity because of the ease with which a firm's growth rate is obtained.
 - (3) The bond-yield-plus-risk-premium approach to estimating the cost of equity is not always accurate but its advantages are that it is a standardized and objective model.
 - (4) Depreciation-generated funds are an additional source of capital and, in fact, represent the largest single source of funds for some firms. (2 × 5 = 10 marks)
- (b) State whether the following statements are true or false:
- (i) The corporate valuation model cannot be used for a company that doesn't pay dividends.
 - (ii) Free cash flows should be discounted at the weighted average cost of capital to find the value of a company's operations.
 - (iii) An ESOP can be used to improve worker productivity and to prevent hostile take-overs.
 - (iv) In a synergistic merger, the post-merger value exceeds the sum of the separate companies' per-merger values.
 - (v) Since the basic rationale for any operating merger is synergy, in planning such mergers, the development of accurate proforma cash flows is the single most important aspect of the analysis. (2 × 5 = 10 marks)
- (c) Fill in the blanks by using the words/phrases given in the brackets:
- (i) The _____ Asset Monitor is a management tool for organizations that wish to track and value their _____ assets. (tangible/intangible)
 - (ii) The cash flows associated with common stock are _____ to evaluate due to the uncertainty and variability associated with them. (easy/difficult)
 - (iii) When a corporation's shares are owned by a _____ individuals who are associated with the firm's managements, we say that firm is "closely held". (few/many)
 - (iv) Post-merger control and the _____ are two of the most important issues in agreeing on the terms of a merger. (negotiated price/calculated price)

- (v) A theory that explains why the total value from the combination resulted from a merger is greater than the sum of the values of the component companies operating independently is known as _____ theory.
(synergy/hubris/agency) (1 × 5 = 5 marks)

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