

INDEX

Paper 13 —	Operations and Project Management	
	and Control	III-1
Paper 14 —	Advanced Financial Management and International	
	Finance	III-7
Paper 15 —	Strategic Management and Marketing	III-13
Paper 16 —	Strategic Tax Management	III-16

PAPER'S

Paper - 13 : Operations and Project Management and Control

Chapter 3 : Interface of Strategic Management with OMC Logistic Planning

2009 - June [2] (a) Why is "Logical Planning" incorporated along with "Facilities Planning"? (5 marks)

Chapter 4 : Management Control & OMC Interface

2009 - June [5] Write short notes on the following :

(b) Job Enrichment.

(5 marks)

Chapter 5 : Production Planning, Integrated Planning & Control Systems 2009 - June [2] (b) A company is engaged in drilling and tapping of spark plugs for supply to an automobile company. The operations are performed on a CNC 3-Axis drilling and tapping center.

The CNC Cycle time is as follows:

Drilling time	:	45 seconds	
Total tapping time	:	1 minute 30 seconds	
ATC tool changing time	:	25 seconds	
Easteration the mode also			

For feeding the spark plugs, the company designed a special fixture holding 10 plugs at a time and set up time by the operator for the 10 plugs is 1 minute 20 seconds.

The machine cycle time shown above includes the movement time of each spark plug also. The company has decided to augment capacity due to an additional order from an automobile co., to the extent of 1.10 lakhs spark plugs per year. Assuming that manpower is no constraint, how many additional drilling tapping centers the company should procure under the Augmentation Plan?

Average rejections % is 2% of the produced spark plugs in drillingtapping centers. Assume 300 working days/year of 8 hrs. per day. Please note that 20% time, the drilling and tapping centers are not available due to preventive maintenance and the utilization is 70% of the available time due to power and service line shut downs. (10 marks)

2009 - June [5] Write short notes on the following :

(c) Process Planning.

(d) Route Card.

Chapter 8 : Material Handling

2009 - June [5] Write short notes on the following :

(e) Standardization.

(5 marks)

(5 marks each)

Chapter 10 : Operation Control and OMC Interface

2009 - June [3] (a) A company has sales of Rs. 100 lakhs of which 70% represents variable costs. Fixed costs are Rs.20 lakhs.

If sales are now increased by 10%, what will be the improvement in profit? On the other hand, if due to improved productivity, variable costs are decreased by 10%, what will be the profit?

Compare the present profit with those under the cases as cited above. What is your recommendation? (7 marks)

(b) A crane wheel assembly is made of cast steel wheel and two gun metal bushes. Find the cost of the assembly assuming no special toolings are required and using the details given below:

		Cast wheel	Gun Metal
			Bush
(i)	Weight of each raw casting	25 Kg.	3 Kg.
(ii)	Material Cost/Kg.	Rs.20	Rs.60
(iii)	Sale Price of Scrap/Kg.	Rs.4	Rs.40
(iv)	Finished weight/unit after machining	20 Kg.	2 Kg.
(v)	Machine hours required per unit:		
	a. Boring M/c.	6 hrs.	
	b. Lathe		1.5 hrs.

Machine Hour Rates are Rs. 40/hour for Boring

Machine Hour Rates are Rs. 20/hour for Turning.

Assembly takes 1/2 hr., costs Rs. 10/hour and consumes hardware worth Rs.5/-(8 marks)

2009 - June [4] (b) A heavy structural engineering company is manufacturing 4 products viz., A, B, C and D. There are 800 direct workers averaging 250 days per annum. The working hours in the company is 8 hrs. and as a policy, there is no O.T.

The company runs an Incentive Scheme based on "Value Added" calculated by reducing the material cost from the Sales revenue. According to

the scheme 1% of the "Value Added" is to be distributed amongst the workers proportional to their basic wages.

An analysis of the past record reveals the following:

Item	Sales Revenue	Material Cost/	Man Hours per Unit
	Unit (Rs. in Lakhs)	Unit (Rs. in Lakhs)	
А	12	6	1200
В	4	2	600
С	20	11	1600
D	8	5	800

Management wants to know the amount of average incentive per direct labour per month individually for each of the item and expect you to comment on the same from operation control point of view. (10 marks)

Chapter 11 : Productivity

2009 - June [4] (a) Under what circumstances an Industry can show financial loss despite high productivity? (5 marks)

Chapter 12 : Manufacturing Technologies

2009 - June [5] Write short notes on the following :

(a) Six Sigma Quality Program. (5 marks)

Chapter 14 : Identification of Project Opportunities

2009 - June [10] Write short notes on the following:

(a) Taxonomy of Project;

(5 marks)

(2 marks each)

Chapter 15 : Project Selection Consideration and Feasibility Studies 2009 - June [6] {C} (d) Distinguish between:

- (i) CAT & RAT Schedules
- (iii) BOO & BOT Projects

Chapter 16 : Project Appraisal

2009 - June [8] (a) Five projects, M.N. O. P and Q are available to a company for consideration. The investment required for project and the cash flows it yields are tabulated below. Projects N and Q are mutually exclusive. Taking the cash capital @ 10% which combination of projects should be taken up for a total capital outlay not exceeding Rs.3 lakh the basis of NPV and BCR (Benefit-Cost-Ratio)? (8 marks)

2009 - June [9] Superior Engineering proposes a Project with the following data:

- (i) Total Quality: Rs. 450 lakhs (Rs. 250 lakhs of Fixed Assets and Rs. 200 lakhs of Current Assets).
- Scheme of Financing: Rs.100 lakhs Equity, Rs.200 lakhs Term Loan, Rs.100 lakhs Working Capital Advance and Rs.50 lakhs Trade Creditors.
- (iii) Interest Rate: Term Loan 12% p.a. and Working Capital Advance 15% p.a.

- (iv) Term Loan is repayable in 5 equal instalments, commencing from 3rd year of operations. (Assume that instalment for each year is paid on the last day of the year.)
- (v) Depreciation: 30% on Written Down Value.
- (vi) Production is expected to reach 60% of capacity in the 1st year of operations, 70% in the 2nd year and 80% from the 3rd year onwards.
- (vii) Expected revenue from the project will be Rs.500 lakhs p.a. on 100% capacity utilization and corresponding Direct Costs are Rs.200 lakhs. Fixed Costs are Rs. 100 lakhs p.a. Working Capital advance of Rs. 100 lakhs is on 80% capacity and proportionately reduced in the first two years.
- (viii) Tax Rate applicable is 50%.

Assuming that each year's production is sold away in the same year, draw the projected Profit & Loss Account for each year of operation and the operational cash flow. Also calculate the Debt Service Coverage Ratio. (15 marks) Chapter 19 : Project Management

2009 - June [10] Write short notes on the following:

(c) Key man Insurance;

(5 marks)

Chapter 21 : Project Cost Estimation 2009 - June [8] (b) The occurrence of rain in a city on a day is dependent upon whether or not it rained on the previous day rained on the previous day, the rain distribution is given by :

Event	Probability
No rain	0.50
1 cm rain	0.25
2 cm rain	0.15
3 cm rain	0.05
4 cm rain	0.03
5 cm rain	0.02

If it did not rain on the previous day, the rain distribution is given by:

Event	Probability
No rain	0.75
1 cm rain	0.15
2 cm rain	0.06
3 cm rain	0.04
Simulate the city's w	veather for 10 days

Simulate the city's weather for 10 days and determine by simulation the total days without rains as well as the total rainfall during the period.

Use the following random numbers only for simulation:

67, 63, 39, 55, 29, 78, 70, 06, 78, 76.

Assume that for the first day of the simulation, it had not rained the day before. (7 marks)

2009	- June	[10] Write short notes on the following:	

(d) Retention Money;

(5 marks)

SCANNER ICWA (Old Course) Stage - III	111-5
Chapter 22 : Project Planning & Scheduling	
2009 - June [6] {C} (d) Distinguish between:	

(ii) Sensitivity Analysis & Risk Analysis	(2 marks)
Chapter 23 : Project Cost Control	
2009 - June [10] Write short notes on the following:	
(b) Zero Date of a Project;	(5 marks)
Chapter 24 : Post Project Evaluation	

2009 - June [7] A Project has nine activities with their durations as given below:

Sl. No. Activity		Estimated Duration in days			
		Optimistic	Most likely	Pessimistic	
(i)	1-2	3	6	15	
(ii)	1-3	2	5	8	
(iii)	1-4	2	5	14	
(iv)	2-5	6	12	30	
(v)	3-7	3	6	15	
(vi)	4-6	3	9	27	
(vii)	5-7	5	11	17	
(viii)	7-8	1	4	7	
(ix)	6-8	4	19	28	

(a) What is the probability that the project will be completed in 41 days?

(b) What is the expected duration of the project, if it has to be completed with a probability of 80%?

(c) What is the expected duration of completing the activity 6-8 with a probability of 65%

The cumulative values of probability, G(z) (areas of the cumulative standard normal distribution-cumulated the negative tail) at some values of 'z' in the normal probability distribution table are given below:

2009	- June [10] Write short notes on the following:	
(e)	Resource Optimization.	(5 marks)

Chapter 25 : Objective Questions

2009 - June [1] {C} (a) Match each item in the *left hand* column A with an appropriate item in the *right hand* Column B:

	Column A		Column B
(A)	Broaching	(i)	Break-Even Analysis
(B)	Phosphating	(ii)	Metal joining

- (iii) Flow Control System
- (C) SIMO Chart

⁽d) What is the probability of completing the activity 2-5 in 16 days?

- (D) Kanban
- (E) Phonotics
- (F) Tail Stock
- (G) Motor Brushes

(i) CRM

- (H) Robotics
- (I) Soldering

(J)

- (iv) Job holding device(v) Powder Metallurgy
- (vi) Micromotion Study
- (vii) Surface treatment
- (viii) Metal Cutting
- (ix) Transmission of digital information

(iv) PPM

(x) Automation $(1/2 \times 10 \text{ marks})$

2009 - June [1] {C} (b) Expand the following acronyms:

(v) CADD

(1×5=5 marks)

2009 - June [1] {**C**} (c) State whether the following statements are "True" or "False":

(iii) TOT

- (i) Increased production always leads to increased productivity.
- (ii) Jigs are job holding devices.

Minimum level of production

- (iii) Sampling Inspection is adopted in case of destructive tests.
- (iv) Cast iron cannot be forged.
- (v) Job analysis succeeds Job evaluation.

(ii) DS/RO

- (vi) MRP is a marketing technique.
- (vii) Teeth of a Gear Wheel cannot be formed on a Milling M/c.
- (viii) FMS is a hybrid between intermittent and continuous flow.
- (ix) Kaizen is an essential part of TQM.
- (x) VED analysis is employed for Spare-parts Inventory $(1/2 \times 10 \text{ marks})$

2009 - June [1] $\{C\}$ (d) Define the following terms in not more than one/two sentences:

- (i) Efficiency.
- (ii) Effectiveness
- (iii) Economy

(i) LD

- (iv) Scheduling
- (v) Installed Capacity
- **2009 June [6] {C}** (a) Expand the following acronyms.
 - (ii) BOLT (iii) COD (iv) PG

(v) BCWS. $(1 \times 5 = 5 \text{ marks})$

 $(1 \times 5 = 5 \text{ marks})$

2009 - June [6] $\{C\}$ (b) Match the following :

- (A) Supplier's Credit
- (B) Early Start Schedule
- (C) Risk Analysis
- (D) Demand Forecasting
- (E) Success Planned
- (iv) Raw Material Stores

(ii) Consumption level Method

Project Management Software

(v) Project viability

(i) PERT Network

 $(1 \times 5 = 5 \text{ marks})$

2009 - June [6] {C} (c) Mention whether the following statements are "True" or "False":

(i) Brown Field Project means revamping or renovating a running plant.

(iii)

- (ii) Employer provides the design in an EPC Contract.
- (iii) Independent Float of an Activity is the difference between the Total Float of the Activity and its Head Slack.
- (iv) In a Matrix Organization, authority is shared between the Project Manager and the Functional Managers.
- (v) Pre-operative expenses are those which are incurred till the date of commencement of the project. (1×5 = 5 marks)

Paper - 14 : Advanced Financial Management and International Finance

Chapter 3 : Sources of Finance (National)-I

2009 - June [4] (b) Describe what is meant by Financial Engineering.

(6 marks) **2009 - June [5]** (a) Mr. A can earn a return of 16 per cent by investing in equity shares on his own. Now, he is considering a recently announced equity based Mutual Fund scheme in which initial expenses are 5.5% and annual recurring expenses are 1.5%. How much should the Mutual Fund earn to provide Mr. A a return of 16%? (4 marks)

Chapter 4 : Sources of Finance (National)-II

2009 - June [8] Write short notes on the following :

(a) Global Depository Receipt.

(4 marks)

Chapter 5 : Operating & Financial Leverages

2009 - June [3] Good Luck Ltd. is having an expansion plan to cater to a growing market for its products. The company may finance the expansion either through an issue of 12% debentures or through an issue of shares at a price Rs.10 per share. The total funds requirement is Rs.120 lakh. The company's profitability statement prior expansion is summarised as follow :

Heads	Value. Rs. in lakhs
Sales	1,600
Less costs excluding depreciation	1,100
EBDIT	500
Less depreciation	70
EBIT	430
Less interest	80
PBT	350
Less income tax @ 40%	140
РАТ	210
Number of shares (lakh)	65
EPS (Rs)	3.23

The various possible values of EBIT, after expansion and the probabilities associated with each of the values at as follows:

EBIT (Rs. lakh)	Probability
470	0.15
500	0.25
520	0.50
550	0.10

You are required to calculate:

(a) The companies expected EBIT, EPS and their standard deviation for each plan. What can you infer from the values?

(b) Is there an EBIT indifference point between both plans? What does this imply? (4+4+4+4=16 marks)

2009 - June [8] Write short notes on the following :

(e) Leverage; (4 marks)

Chapter 6 : Capital Structure Theories & Planning 2009 - June [8] Write short notes on the following :

(d) Trading on Equity;

(4 marks)

Chapter 8 : Capital Budgeting

2009 - June [4] (a) ABC Ltd. requires an equipment costing Rs.10,00,000; the same will be utilised over a period of 5 years. It has two financing options in this regard:

- (i) Arrangement of a loan of Rs. 10,00,000 at an interest rate of 13 per cent per annum; the loan being repayable in 5 equal year end installments; the equipment can be sold at the end of fifth year for Rs.1,00,000.
- Leasing the equipment for a period of five years at an yearly rental of Rs. 3,30,000 payable at the year end.

The rate of depreciation is 15 per cent on Written Down Value (WDV) basis, income tax rate is 35 per cent and discount rate is 12 per cent.

Advise the management of ABC Ltd. as to which of the financing options is to be exercised and why.

(Discount factor @ 12% year 1 = 0.893, year 2 = 0.797, year 3 = 0.712, year 4 = 0.636 and year 5 = 0.567.) (10 marks)

Chapter 10 : Financial Services

2009 - June [2] (b) Trading Corporation Ltd. has been engaged in the business of importing commodities and selling the items locally to a net-work of retail dealers. Current monthly billing is Rs.2,00,00,000. Average credit period extended to buyers in 2 months. The company is considering whether it could put in place a full factoring arrangement for collection of debts, without recourse, on the following terms:

- A service charge computed at 1.5% of total annual sales.
- Factor will advance a sum equivalent to 80% of debts outstanding at interest rate of 14% p.a.

It is estimated that there would be savings of at least Rs.25,00,000 in				
administration costs annually. Currently, the company is able to raise				
fresh borrowings at 12% p.a.				
• Normally 1/2% of debts becomes bad.				
Give your recommendation with working.	(8 marks)			
2009 - June [8] Write short notes on the following :				
(f) Factoring.	(4 marks)			
Chapter 11 : Financial Statements Financial Ratio Analy	vsis			
2009 - June [5] (b) The financial statement of Asian Indus	tries Ltd. for the			
year ended 31st March 2009, reveal the following information	on :			
Ratio of gross profit	25%			
Stock turnover ratio	5 times			
Average debt collection period	3 months			
Credit velocity 3 months				
Current ratio	2:1			
Proprietary ratio (fixed assets/capital employed)	80%			
Net profit to issued equity capital 10%				
Capital gearing ratio	30%			
(Preference shares and debentures to capital employed)				
Reserves and surplus to issued equity capital	25%			
Preference shares to debentures 2 : 1				
Cost of sales consists-50% of material				
Gross profit Rs.12,50,000				

On 31st March 2009, current assets consisted of stock and debtors only. All purchases are made on credit. Based on the above information, you are required to reconstruct the following:

- (i) The Balance Sheet as on 31st March 2009.
- (ii) The Trading and Profit and Loss Account for the year ended 31st March, 2009.

Show all working notes and assumptions made, if any. (12 marks)

Chapter 12 : Funds Flow & Cash Flow Analysis

2009 - June [2] (a) The Directors of Wholesalers Ltd. have forecast a steady rise in turnover for the coming year and have asked you, to set out the implications of this on the company's cash position.

The turnover for the current year to 31st March 2009, was Rs. 12 crore, a steady Rs. 1 crore per month. It is felt that as a result of an advertising campaign in December 2008-March 2009, this would rise to Rs.1.3 crore per month for the first six months of 2009-2010 and to Rs.1.5 crore per month for the second six months and thereafter.

Wholesalers Ltd. achieve a gross profit on sales of 25% and take two months credit from suppliers, 40% of customers pay in the month of purchase, 40% pay in the following month and 20% pay one month later. The company holds stocks for forecast sales in April and plans to maintain this one month

stock level. Variable overheads are usually 10% of sales and are paid in the month incurred. Fixed overheads of Rs.1.5 crore are forecast for 2009-2010 which include Rs. 30,00,000 depreciation. Fixed overheads are paid in the month incurred. The company plans to spend Rs.20,00,000 in June on additional office furniture and prefabricated warehousing.

You are required to produce a summarized forecast of cash flow for 2009-2010 with supporting schedules. Ignore taxation. (8 marks) 2009 - June [7] (b) Sun Ltd. projects the following figures for the financial

year 2008-2009:

Net income after tax = Rs.30 crores

Depreciation = Rs. 50 crores

Capital expenditure planned = Rs.80 crores

Additional working capital needed = Rs. 25 crores

Principal repayment of debt = Rs.10 crores

As the firm has a very low debt equity ratio, it plans to increase its leverage by financing debt repayment and 30% of the planned capital expenditure and additional working capital needs by raising fresh debt.

Project the free cash flow to equity for 2008-2009. (6 marks)

Chapter 14 : Dividend Policies

2009 - June [7] (a) The following data relate to slow Limited:

Year ending	Net earnings	Net dividend
31st March	per share	per share
	Rs.	Rs.
2005	28	16.80
2006	27	17.60
2007	27	18.00
2008	26	19.00
2009	25	20.00

There are 10 Lakhs equity shares issued and the majority of these shares are owned by private investors. There is no debt in the capital structure.

The company has been experiencing difficult trading conditions over the past few years. In the current year, net earnings are likely to be Rs.2 crores which will be just sufficient to pay a maintained dividend of Rs.20 per share. Give your comment on the company's

(i) Dividend policy between 2004-2005 and 2008-2009; and

(ii) Possible consequences for earnings. (5+5=10 marks)

Chapter 15 : Risk Management and International Finance

2009 - June [6] (a) What is "covered interest arbitrage"? Explain with example. (6 marks)

(b) Consider the following two banks:

Bank	Credit Rating	Funding Cost
А	High	LIBOR -20 bps
В	Low	LIBOR + 25 bps

Bank B is keen to take up an exposure of \$ 100 million on A-rated papers. which currently pay LIBOR + 50 bps. This will add some return, but taking into account the regulatory capital required to make such investment. Bank B finds the transaction not attractive enough.

Bank B, therefore, approaches Bank A to work out a mechanism to improve its return. You are required to

- (i) Structure a credit default swap between the two banks. Explain, with necessary calculations and a diagram, how the deal will work.
- (ii) Which one would be a better deal for Bank A-credit default swap or total return swap? Give reasons. Also with a diagram show how you would like to structure a total return swap. (5+5=10 marks)

2009 - June [8] Write short notes on the following :

(b`) Marking	to Market:
١	υ.	/ munning	to market

(c) Option;

(4 Marks each)

Chapter 16 : Objective Question

2009 - June [1] {C} (a) In each of the cases given below, one out of the four alternative answers is correct. Indicate the correct answer (= 1 mark) and your workings/reasons (= 1 mark);

- (i) A company has paid Rs.3 as current dividend, the growth rate of the dividend paid by the company is 8%. If the cost of equity is 12%, the price of the company's share is nearest Rs. three year hence will be :
 (A) Rs.100
 - (B) Rs.118
 - (C) Rs.110
 - (C) $R_{3.110}$ (D) $R_{5.102}$
 - $(D) K_{3.102}$
- (ii) Based on the following information, what will be the amount of Inventory?

Current ratio = 2.6 : 1 Liquid ratio = 1.5 : 1 Current Liabilities = Rs. 40,000 (A) Rs.55,000 (B) Rs.44,000

- (C) Rs.22,000
- (D) Rs.16,400

(iii) The following information are provided for ABC Ltd.:

	Old Level	New Level		
Net Profit (Rs.)	1,70,000	2,20,000		
Number of Shares	80,000	80,000		
Sales (Units)	2,00,000	2,50,000		
The percentage change of ABC Ltd. for the two levels will be				
(A) 29.4% increase				

(B) 29.4% decrease

- (C) 0.77% increase
- (D) 27.7% decrease
- (iv) Nile Ltd. Issues 10% debentures of face value Rs. 100 each and realised Rs.90 per debenture. The debentures are redeemable after 12 years at a premium of 8%. Company is paying tax at 45%. The cost of debt will be.
 - (A) 7.07%
 - (B) 4.55%
 - (C) 6.14%
 - (D) 5.67%
- (v) What will be the effect on NPV of an one year project if fixed costs are increased from Rs.200 to Rs. 300, when the firm is profit making, pays tax @ 35% and has 12% cost of capital?
 - (A) NPV decrease by Rs. 100
 - (B) NPV decrease by Rs.89.29
 - (C) NPV decrease by Rs.65
 - (D) NPV decrease by Rs.58.04 $(2 \times 5 = 10 \text{ marks})$

2009 - June [1] {C} (b) From the following, choose the most appropriate answer [only indicate (A), (B), (C), (D) as you think correct]:

- Which of the following conditions indicate that short term funds have been put into long term use;
 - (A) Current ratio is less than 1.00
 - (B) Quick ratio is less than 1.00
 - (C) Total debt to equity ratio is more than 1.00
 - (D) Net working capital is positive
- (ii) If the earnings per share is Rs.15, the retention ratio is 25%, the return on investment is 8% and cost of equity capital being 18%, the price of share as per Gordon's dividend capitalization model is:
 - (A) Rs. 70.31
 - (B) Rs. 68.00
 - (C) Rs. 70.00
 - (D) Rs. 89.00
- (iii) The dividend payout ratio is equal to
 - (A) % of dividend per share
 - (B) dividend yield + capital gains yield
 - (C) DPS/EPS
 - (D) DPS/market price.
- (iv) Which of the following methods provides correct ranking. if the projects are mutually exclusive and the firm is not subject to capital rationing?
 - (A) Profitability index
 - (B) IRR

- (C) Payback period
- (D) NPV
- (v) A Call option goes out of money if
 - (A) The market price is less than the exercise price
 - (B) The market price is more than the exercise price
 - (C) The market price is at par with the exercise price
 - (D) Either (B) or (C) above.

2009 - June [1] $\{C\}$ (c) State whether the following statements are True or False:

- (i) Cost of borrowing is higher than the cost of internally generated funds.
- (ii) A company is allowed to distribute all its profit to shareholders by way of dividend.
- (iii) Zero beta stock is equivalent to risk free asset.
- (iv) A firm with operating leverage value greater than one experiences more than proportionate increase in EBIT for every one percent rise in sales.
- (v) GDR route is used only to raise new capital from international market. $(1 \times 5=5 \text{ marks})$

Paper - 15 : Strategic Management and Marketing

Chapter 1 : Planning Environmental Economics

2009 - June [3] (a) Discuss briefly on the importance of 'globalization on competition'. (8 marks)

2009 - June [5] (a) Should an organization formulate its strategy as a reaction to its environment or should it aim to use its resources to create an environment that is favourable to itself. Justify your answer using relevant examples.

(8 marks)

Chapter 2 : Strategies

2009 - June [3] (b) Define and explain what 'gap analysis' involves. Consider how gap-analysis might be applied to a product. (8 marks)

2009 - June [4] How would you classify 'Strategic alternative' based on :

- (i) risk
- (ii) growth

Discuss specific contributions, if any, with regard to the above.

(8+8=16 marks)

2009 - June [5] (b) 'It has been known for many years that the returns from diversification are often poor. Why do managers persist with it as a strategy? (8 marks)

2009 - June [8] Write short notes on the following:

(c) Strategic Leader.

(4 marks)

 $(1 \times 5 = 5 \text{ marks})$

Chapter 3 : Model Buildings and Models

2009 - June [6] (a) One major route to competitive advantage and hence profitability, is market share. Identify the sources or factors for consideration in following this route. (8 marks)
2009 - June [7] (a) Identify the different factors about which firms can become complacent at each stage of the life-cycle and the dangers that this can pose. (8 marks)
2009 - June [8] Write short notes on the following: (b) Profit Impact on Marketing Strategy (PIMS).. (4 marks)
Chapter 4 : Basic Concepts of Marketing

2009 - June [7] (b) Discuss a Marketing Warfare view point of competition. (8 marks)

2009) - June [8] W	rite sh	nort no	tes on	the following:	
(d)	Market Signa	als				(4 marks)
		-				

Chapter 5 : Control or Applications of Management

2009 - June [2] Case Study:

You have recently been appointed as the Management Accountant of ABC Ltd., ABC is a small engineering company. It manufactures precision parts. The market in which it sells is small.

It faces severe competition. With its existing production facilities, it can undertake only small engineering jobs. Large scale works are turned away. The volume of work so turned away is increasing. The company has achieved steady increase in profit over the past few years. The Board of the company feels that it can increase it profits further by having additional facilities to carry on large scale works that are being turned away now.

Budgetary Control and Standard Costing are the sole outputs of the current management accounting system. These reports are comprehensive and are being produced punctually. Jobs are priced by adding a percentage to the total costs calculated on the basis of standard costs. The annual budget is split into monthly parts and are flexed to take into account the particular month's actual production. Monthly Variance reports are produced to the concerned managers.

You are required to :

- (a) Comment critically on the Management Accounting Reports currently produced, in consideration of the need for the board of ABC Ltd., to be provided with information that assists in strategic decision making.
- (b) State the critical success factors of any Strategic Management Accounting System. (8+8=16 marks)

2009 - June [6] (b) Discuss very briefly on the four important strategic options for market share. (8 marks)

Chapter 6 : Evaluation of Sales Promotion and Advertisement

2009 - June [8] Write short notes on the following:

(a) Benchmarking.

(4 marks each)

III-15

(e) Reasons for failure of new products. Chapter 7 : Objective Question

2009 - June [1] {C} (a) State whether the following statements, based on the quoted terms, are 'True' or 'False' with justifications for your answer. If any given statement is 'False', you are required to give the correct terms duly quoted. No credit will be given for answers without justifications :

- (i) "Strategic Management" is concerned with the formulation of possible courses of actions, their evaluation and the choice between them.
- (ii) 'Technology upgradation' means carrying out required changes/ modifications in the design acquired from collaborators.
- (iii) 'Cash cows' are products in a high-growth market but where they have a low market share.
- (iv) 'Kanban' attempts to identify key results and does not list all the tasks of each manager.
- (v) 'Diversification' means selling off a part of a firm's operations or pulling out of certain product-market areas. $(1 \times 5 = 5 \text{ marks})$

2009 - June [1] $\{C\}$ (b) Define the following terms (in not more than one/two sentences):

- (i) Overtrading
- (ii) Corporate appraisal
- (iii) Devaluation
- (iv) EFT
- (v) Franchise.

 $(1 \times 5 = 5 \text{ marks})$

2009 - June [1] {C} (c) Choose the most appropriate *one* from the stated options and write it down:

- (i) Which of the following market structures would be commonly identified with FMCG products?
 - A. Monopoly
 - B. Monopolistic Competition
 - C. Oligopoly
 - D. Perfect Competition.
- (ii) The effort by the manufacturer to persuade middlemen to stock and promote his product (eg. Trade Discount) is termed as:
 - A. Pull
 - B. Push
 - C. Swap
 - D. None of these.
- (iii) In PLC, 'Dodos' indicates:
 - A. Negative cash flows.
 - B. Low share and low growth.
 - C. Low share, negative growth and negative cash flows.
 - D. High share, low growth and large cash flows.

- (iv) The product-market matrix comprising of strategies of Penetration. Market development, Product development and Diversification was first formulated by:
 - A. Ansoff
 - B. Drucker
 - C. Porter
 - D. Prahlad.
- (v) If an organization acquires its supplier, it is an example of:
 - A. Horizontal integration.
 - B. Forwards vertical integration.
 - C. Backwards vertical integration.
 - D. Downstream vertical integration.
- (vi) Typically Profits are highest in which state of the industry life-cycle:
 - A. Introduction
 - B. Growth
 - C. Maturity
 - D. Decline.
- (vii) Diversification into many unrelated areas is an example of:
 - A. Risk Management
 - B. Good Management
 - C. Uncertainty reduction
 - D. Sustainability.
- (viii) Segmentation is a way of:
 - A. Subdividing Markets
 - B. Subdividing industries
 - C. Differentiating products
 - D. Subdividing organizations into departments.
- (ix) The strategy which concentrates around a production market is:
 - A. Vertical Integration
 - B. Niche
 - C. Horizontal Expansion
 - D. Diversification.
- (x) Delphi Technique is used in:
 - A. Budgeting
 - B. Projecting Business
 - C. Market Research TechniqueD. Technological Forecasting.

 $(2 \times 5 = 10 \text{ marks})$

Paper - 16 : Strategic Tax Management

Chapter 1 : Preliminary

2009 - June [3] (a) State in brief, the exception to the rule that the income of the previous year should be taxed in the immediately following year.

(6 marks)

(b) Give four instances of income deemed to be received in India. (2 marks) 2009 - June [4] (c) Nathan Tea Ltd., growing tea in its plantations manufactures and sells tea. During the year ended 31-03-2009, they propose to start a nursery and sell saplings. The saplings are grown in the nursery but the basic operations on these saplings will be carried out by another person in his land. Discuss whether Nathan Tea Ltd., can treat the income from sale of saplings as agricultural income or whether the same should be taken as business income. (3 marks)

Chapter 2 : Direct Tax Planning

2009 - June [2] Vivitha & Co., a partnership firm engaged in hotel business, furnishes the following data pertaining to the year ended 31-03-2009:

(a)	Expenditure on telephones:	Rs.
	Land Lines	3,40,000
	Mobiles	4,30,000
(b)	Expenditure on guest houses:	
	Used as transit office	1,95,000
	Used for training	3,10,000
(c)	Travel expenses:	
	Foreign travel for purchasing a machine	3,40,000
	Domestic	1,90,000
(d)	Expenditure on display of services	49,000
(e)	Employees welfare	2,40,000
(f)	Contribution to superannuation fund of employees:	
	Employee A	90,000
	Employee B	1,40,000
(g)	Scholarships to children of employees	50,000
(h)	Expenses on hospitality	1,60,000

Following additional information are available:

- 1. Expenditure relating to land line telephones include Rs.1,70,000 towards leased telephone lines.
- 2. Employees welfare expenses include Rs. 28,000 for creche facilities for the employees' children and Rs.41,000 for annual sports meet of the employees.
- 3. Expenses on hospitality include Rs.15,000 towards expenditure on food and refreshment to employees in office.

Calculate the Fringe Benefit Tax (FBT) payable and the advance FBT payable under section 115WJ of the Income-tax Act, 1961 for the assessment year 2009-2010. (16 marks) **2009 - June [7]** (a) Distinguish between Tax Planning and Tax Management. (8 marks)

Chapter 3 : International and Corporate Taxation

2009 - June [3] (c) Suggest a few tax planning measures for non-residents/ collaborators. (8 marks)

2009 - June [7] (b) Enumerate in brief, the conditions to be satisfied by the amalgamating and amalgamated Companies in order to avail carry forward and set off of losses benefit under the IT law. (8 marks)

Chapter 5 : Specific Management Decisions - Tax Implications

2009 - June [8] Write short notes on the following :

(a) Reverse mortgage.

(4 marks)

Chapter 6 : Corporate Structure Tax Implication

2009 - June [4] (a) Hema Biomedical Ltd., an existing company, propose to acquire a building from LMN Ltd., for a total purchase consideration of Rs.60 lakh on 01-03-2009. The building will be used as a laboratory from 14-03-2009 onwards. The registration of the building as per the Indian Registration Act is likely to complete in the second week of April, 2009. The board of directors of Hema Biomedical Ltd., wishes to know whether the company can claim depreciation under the Income-tax Act, 1961, for the above building for assessment year 2009-2010 Advise. (6 marks)

(b) Vasudha Plastics Ltd., has purchased machinery from Himanshu Ltd., Tokyo on 31-10-2007 for 1,00,000 USD. The supplier has given credit of one year for making the payment. On 31-10-2007, the exchange rate was Rs.42 per USD and on 30-10-2008, when the company made the payment, it was Rs.45 per USD. This was the only machinery in the block. During the year ended 31-03-2009, the machinery was used for 170 days. The Company wants to know the depreciation it can claim in respect of this machinery, for the assessment year 2008-2009 and 2009-2010. Calculate the depreciation and WDV for both years. (7 marks)

Chapter 7 : Tax Planning on Wealth Tax

2009 - June [8] Write short notes on the following :

(b) Exemptions from New wealth;

(e) Goods and excisable goods;

(4 marks)

Chapter 8 : Central Excise - Classification and Valuation

2009 - June [5] (a) Janak Electricals Ltd., manufactures two products L and M, L being a product specified under section 14A of the Central Excise Act, 1944. The sale prices of L and M are Rs.60 and Rs.40.80 per unit, respectively. The above includes 14% basic excise duty, as increased by 3% education cess and secondary higher education cess, also 2% CST. For product L, 30% abatement is allowable under section 4A. 10,000 units of each product were removed from the factory to sales depots. You are required to compute the excise duty liability. (8 marks)

(b) What are the documents required to be furnished by an exporter for claim of rebate of excise duty ? (6 marks)

(c) State briefly the provisions relating to storage of non-duty paid goods outside the factory, contained in Rules 4(4) of the Central Excise Rules, 2002. (2 marks)

2009 - June [8] Write short notes on the following :

(4 marks)

Chapter 9: Other Aspects of Central Excise

(c) 'Capital goods' under CENVAT Rules;

2009 - June [8] Write short notes on the following :

(4 marks)

Chapter 10 : Customs Laws

2009 - June [6] (a) Explain the meaning of the term "Bill of Export" and "Import Report" under the provisions of the Customs Act, 1962. (4 marks)
(b) How is the valuation for CVD carried out as per section 3(1) of the Customs Act, 1962, when the goods are under MRP Provisions?

(4 marks)

(c) Domino Computers Ltd., has placed before you two options relating to import of 10,000 laptop computers:

- (i) Import the laptop, pre-loaded with operating system.
- (ii) Import the laptop, computer without the operating system, and under agreement with the manufacturers, load the operating system as packaged software, after it is cleared from customs. One of the nonexecutive directors conversant with customs law argues that operating system software is separate from the hardware. The software should be classified separately from the laptop, under Heading 85.24, and not as a complete machine under the Heading 84.71.

You are required to help the management in making a suitable decision from the customs duty point of view. (5 marks)

(d) Discuss briefly the penalty leviable under section 114 of the Customs Act, 1962 for improper exportation of goods. (3 marks)

2009 - June [8] Write short notes on the following :

(d) Exemptions from Customs Duty u/s. 25 of Customs Act; (4 marks) Chapter 11 : Central Sales Tax Laws

2009 - June [8] Write short notes on the following :

(f) 'Dealer' as defined in CST Act. (4 marks)

Chapter 15 : Objective Questions

2009 - June [1] $\{C\}$ (a) Fill in the gaps :

- (i) A transaction of reverse mortgage is _____ (regarded/not regarded/partly regarded) as "transfer" for the purpose of capital gains.
- (ii) For a dealer in shares, securities transaction tax will _____ (be allowed/not be allowed/be partly allowed) as business expenditure under the Income-tax Act, 1961.
- (iii) Every person being a company or firm: Due date for filing the return under section 139(1) is _____.
- (iv) The maximum amount of penalty leviable u/s. 117 of Customs Act, 1962 is Rs. (1,00,000/2,00,000/50,000).
- (v) The customs duty on project imports is _____ (5%, 10%, 15%).
- (vi) Where excise duty has been paid on provisional basis, refund claim should be filed within _____ after duty has been adjusted in final assessment. (90 days, one year, six months) $(1 \times 6 = 6 \text{ marks})$

2009 - June [1] {C} (b) State with reasons, whether true or false:

(i) A charitable or religious trust or institution is required to file an application for registration under section 12A within one year from the date of creation of the trust or establishment of institution.

III-20

- (ii) Capital gains arising in respect of compensation received on compulsory acquisition of capital asset is chargeable as income of the previous year in which it was compulsorily acquired.
- (iii) Where the return of income is not furnished by the assessee on or before the due date, interest is payable under section 234B.
- (iv) TDS provisions under section 194C are not attracted in respect of payments made by an individual or HUF to a contractor.
- (v) In case of transactions of taxable service with an associate enterprises, service tax is required to be paid not on receipt basis, but on receipt or date of credit/debit entries in the books of account, whichever is earlier.
- (vi) The Assessing Officer is not empowered suo moto to extend the time limit for completion of special audit to be conducted u/s. 142(2A) of Income Tax Act, 1961.
- (vii) Once the exemption to a public charitable trust is withdrawn by application of clauses (c) or (d) of section 13(1) of the Income-tax Act. 1961, wealth-tax becomes leviable on such trust. (2×7 =14 marks)

Shuchita Prakashan (P) Ltd. 25/19, L.I.C. Colony, Tagore Town, Allahabad - 211002 Visit us : www.shuchita.com

¢