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# **SCANNER™ Appendix**

**IPCC Gr. II (New Course)  
November - 2009**

## **INDEX**

<b>Paper 5</b>	<b>—</b>	<b>Advanced Accounting</b>	<b>II -1</b>
<b>Paper 6</b>	<b>—</b>	<b>Auditing and Assurance</b>	<b>II -9</b>
<b>Paper 7A</b>	<b>—</b>	<b>Information Technology</b>	<b>II -12</b>
<b>Paper 7B</b>	<b>—</b>	<b>Strategic Management</b>	<b>II -14</b>

## **PAPER'S**

### **Paper - 5 : Advanced Accounting**

#### **Chapter-2 : Accounting Standards**

**2009 - Nov [1]** Answer the following questions :

- (i) Goods worth Rs. 5,00,000 were destroyed due to flood in September, 2006. A claim was lodged with insurance company. But not entry was passed in the books for insurance claim in the financial year 2006-07. In March, 2008, the claim was passed and the company received a payment of Rs. 3,50,000 against the claim. Explain the treatment of such receipt in final accounts for the year ended 31st March, 2008.  
(2 marks)
- (ii) Briefly indicate the items which are included in the expressions "Borrowing Cost" as per AS-16.  
(2 marks)
- (iii) Sterling Ltd. purchased a plant for US \$ 20,000 on 31st December, 07 payable after 4 months. The company entered into a forward contract for 4 months @ Rs. 48.85 per dollar. On 31st December, 07, the exchange rate was Rs. 47.50 per dollar.  
How will you recognise the profit or loss on forward contract in the books of Sterling Limited for the year ended 31st March, 2008.  
(2 marks)

- (iv) A company created a provision of Rs. 75,000 for staff welfare while preparing the financial statements for the year 2007-08. On 31st March, in a meeting with staff welfare association, it was decided to increase the amount of provision for staff welfare to Rs. 1,00,000. The accounts were approved by Board of directors on 15th April, 2008.

Explain the treatment of such revision in financial statements for the year ended 31st March, 2008. (2 marks)

- (vi) A company entered into an agreement to sell its immovable property to another company for 35 lakhs. The property was shown in the Balance Sheet at Rs. 7 lakhs. The agreement to sell was concluded on 15th February, 2008 and sale deed was registered on 30th April, 2008. The financial statements for the year 2007-08 were approved by the board on 12th May, 08.

You are required to state, how this transaction would be dealt with in the financial statements for the year ended 31st March, 2008.

(2 marks)

- (vii) A Ltd. entered into a binding contract with C Ltd. to buy a machine for Rs. 1,00,000. The machine is to be delivered on 15th February, 2009. On 1st January, 09 A Ltd. changed its process of production. The new process will not require the machine ordered and it shall have to be scrapped after delivery. The expected scrap value of the machine is nil. Explain how A Ltd. should recognise the entire transaction in the books of account for the year ended 31st March, 2009. (2 marks)

- (ix) X Ltd. received a revenue grant of Rs. 10 crores during 2006-07 from Government for welfare activities to be carried on by the company for its employees. The grant prescribed the conditions for utilisation. However during the year 2008-09, it was found that the prescribed conditions were not fulfilled and the grant should be refunded to the Government.

State how this matter will have to be dealt with in the financial statements of X Ltd. for the year ended 2008-09. (2 marks)

**2009 - Nov [6] (b) Answer the following :**

- (i) Axe Limited began construction of a new plant on 1st April, 08 and obtained a special loan of Rs. 4,00,000 to finance the construction of the plant. The rate of interest on loan was 10%.

The expenditure that were made on the project of plant were as follows :

	Rs.
1st April, 08	5,00,000
1st August, 08	12,00,000
1st January, 09	2,00,000

The company's other outstanding non-specific loan was Rs. 23,00,000 at an interest rate of 12%.

The construction of the plant completed on 31st March, 09. You are required to :

- (a) Calculate the amount of interest to be capitalized as per the provisions of AS-16 "Borrowing cost".
- (b) Pass a journal entry for capitalizing the cost and the borrowing cost in respect of the plant. (5 marks)
- (ii) Compute Basic earning per share from the following information :
 

Date	Particulars	No. of Shares
1st April, 08	Balance at the beginning of the year	1,500
1st August, 08	Issue of shares for cash	600
31st March, 09	Buy back of shares	500

Net profit for the year ended 31st March, 2009 was Rs. 2,75,000. (5 marks)

#### Chapter-4 : Amalgamation and Reconstruction

**2009 - Nov [2]** Sun Ltd. and Moon Ltd. were amalgamated on and from 1st April, 2009. A new company Star Ltd. was formed to take over the business of the existing companies. The Balance Sheets of Sun Ltd. and Moon Ltd. as at 31st March, 2009 are given below :

				(Rs. in Lakhs)	
Liabilities	Sun Ltd.	Moon Ltd.	Assets	Sun Ltd.	Moon Ltd.
<b>Share Capital :</b>			<b>Fixed Assets</b>		
Equity Shares of					
Rs. 100 each	400	375	Land & Building	275	200
12% Preference Shares			Plant & Machinery	175	125
of Rs. 100 each	150	100	Investments	75	25
<b>Reserves and Surplus</b>					
Revaluation reserve	75	50			
General reserve	85	75			
Investment allowance					
reserve	25	25			
P & L Account	25	15			
<b>Secured Loan</b>			<b>Current Assets, Loans and Advances</b>		
10% Debentures			Stock	175	125
(Rs. 100 each)	30	15	Sundry Debtors	125	150
<b>Current Liabilities and Provisions :</b>			Bills Receivables	25	25
Sundry creditors	135	60	Cash and Bank balances	150	100
Acceptance	75	35			
Total	<u>1,000</u>	<u>750</u>	Total	<u>1,000</u>	<u>750</u>

Additional information :

- (a) Star Ltd. will issue 5 equity shares for each equity share of Sun Ltd. and 4 equity shares for each equity share of Moon Ltd. The shares are to be issued @ Rs. 30 each, having a face value of Rs. 10 per share.
- (b) Preference shareholders of the two companies are issued equivalent number of 15% preference shares of Star Ltd. at a price of Rs. 150 per share (face value Rs. 100).
- (c) 10% Debentureholders of Sun Ltd. and Moon Ltd. are discharged by Star Ltd., issuing such number of its 15% Debentures of Rs. 100 each so as to maintain the same amount of interest.
- (d) Investment allowance reserve is to be maintained for 4 more years.
- (e) Liquidation expenses are :
 

Sun Ltd.	Rs. 2,00,000
Moon Ltd.	Rs. 1,00,000

It was decided that these expenses would be borne by Star Ltd.
- (f) All the assets and liabilities of Sun Ltd. and Moon Ltd. are taken over at book value.
- (g) Authorised equity share capital of Star Ltd. is Rs. 5,00,00,000, divided into equity shares of Rs. 10 each. After issuing required number of shares to the Liquidators of Sun Ltd. and Moon Ltd., Star Ltd. issued balance shares to Public. The issue was fully subscribed.

Required :

Prepare the Balance Sheet of Star Ltd. as at 1st April, 2009 after amalgamation has been carried out on the basis of Amalgamation in the nature of Purchase.

(16 marks)

#### Chapter-5 : Redemption of Debentures

**2009 - Nov [1]** Answer the following questions :

- (x) "Conversion of debt into equity is a non-cash transaction." Comment.  
(2 marks)

**2009 - Nov [3]** The Balance Sheet of Dee Limited on 31st March, 2009 was as follows :

Balance Sheet as at 31st March, 2009			
Liabilities	Amount	Assets	Amount
	Rs.		Rs.
Share capital :		Fixed assets (at cost	
Authorised capital 50,000		less depreciation)	8,00,000
equity shares of Rs. 10 each	5,00,000	Debenture redemption	
Issued and subscribed capital		fund investments	2,00,000
25,000 equity shares of		Cash balance	2,50,000
Rs. 10 fully paid up	2,50,000	Other current assets	10,00,000

Reserves and surplus :

General reserve	2,75,000
Profit and Loss A/c	1,00,000
Debenture redemption reserve	2,50,000

Secured loans :

12% convertible debentures (5,000 Deb. of Rs. 100 each)	5,00,000
Other secured loans	2,50,000

Current liabilities and provisions	6,00,000
Proposed dividend	25,000

<u>22,50,000</u>	<u>22,50,000</u>
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At the General meeting it was resolved to :

1. Pay proposed dividend of 10% in cash.
2. Give existing shareholders the option to purchase one share of Rs. 10 each at Rs.15 for every five shares held. This option was taken up by all the shareholders.
3. Redeem the debentures at a premium of 5% and also confer option to the debentureholders to convert 50% of their holding into equity shares at a predetermined price of Rs. 15 per share and balance payment to be made in cash.

Holders of 3,000 debentures opted to get their debentures redeemed in cash only while the rest opted for getting the same converted into equity shares as per the terms of issue. Debenture redemption fund investments realised Rs. 1,80,000 on sales.

You are required to redraft the Balance Sheet after giving effects to the right issue and redemption of debentures. Also show the calculations in respect of no. of equity shares issued and cash payment. (16 marks)

**Chapter-7 : Financial Statements of Banking Companies**

**2009 - Nov [5]** (a) From the following information, you are required to prepare Profit and Loss Account of Zee Bank Ltd., for the year ending 31st March, 2009 :

	Rs.		Rs.
Interest and Discount	44,00,000	Interest Expended	13,60,000
Other Income	1,25,000	Operating Expenses	13,31,000
Income on investments	5,000	Interest on balance with RBI	25,000

Additional information :

- (a) Rebate on bills discounted to be provided for Rs. 15,000
- (b) Classification of advances :  
Standard Assets 25,00,000

Sub-standard Assets	5,60,000
Doubtful Assets not covered by security	2,55,000
Doubtful Assets covered by security	
For 1 year	25,000
For 2 years	50,000
For 3 years	1,00,000
For 4 years	75,000
Loss Assets	1,00,000
(c) Make Tax Provision @ 35%	
(d) Profit and Loss A/c (Cr.) Rs. 40,000.	(8 marks)

**Chapter-10 : Departmental Accounts**

**2009 - Nov [1]** Answer the following questions :

(viii) Goods are transferred from Department P to Department Q at a price 50% above cost.

If closing stock of Department Q is Rs. 27,000, compute the amount of stock reserve. (2 marks)

**Chapter-11 : Branch Accounts & Foreign Branches**

**2009 - Nov [4]** DM Ltd., Delhi has a branch in London. London branch is an integral foreign operation of DM Ltd. At the end of the year 31st March, 2009, the branch furnishes the following trial balance in U.K. Pound :

Particulars	£	£
	Dr.	Cr.
Fixed assets (Acquired on 1st April, 2005)	24,000	
Stock as on 1st April, 2008	11,200	
Goods from Head Office	64,000	
Expenses	4,800	
Debtors	4,800	
Creditors		3,200
Cash at bank	1,200	
Head Office Account		22,800
Purchases	12,000	
Sales		96,000
	<u>1,22,000</u>	<u>1,22,000</u>

In head office books, the branch account stood as shown below :

London Branch A/c			
Dr			Cr.
Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Balance B/d	20,10,000	By Bank A/c	52,16,000
To Goods sent to branch	<u>49,26,000</u>	By Balance C/d	<u>17,20,000</u>
	<u>69,36,000</u>		<u>69,36,000</u>

The following further information are given :

- (a) Fixed assets are to be depreciated @ 10% p.a. on straight line basis.
- (b) On 31st March, 2008 :
 

Expenses outstanding	—	£ 400
Prepaid expenses	—	£ 200
Closing stock	—	£ 8,000
- (c) Rate of Exchange :
 

1st April, 2005	—	Rs. 70 to £ 1
1st April, 2008	—	Rs. 76 to £ 1
31st March, 2009	—	Rs. 77 to £ 1
Average	—	Rs. 75 to £ 1

You are required to prepare :

- (1) Trial balance, incorporating adjustments of outstanding and prepaid expenses, converting U.K. pound into Indian rupees.
- (2) Trading and profit and loss A/c for the year ended 31st March, 2009 and the Balance Sheet as on that date of London branch as would appear in the books of Delhi head office of DM Ltd. (16 marks)

**Chapter-12 : Dissolution of Partnership Firms**

**2009 - Nov [6]** (a) P, Q and R are partners sharing profits and losses in the ratio of 2 : 2 : 1. Their Balance sheet as on 31st March, 2009 is as follows :

Liabilities	Rs.	Assets	Rs.
Capital Accounts :		Plant & Machinery	1,08,000
P   1,20,000		Fixtures	24,000
Q    48,000		Stock	60,000
R    24,000	1,92,000	Sundry debtors	48,000
Reserve fund	60,000	Cash	60,000
Creditors	48,000		
	<u>3,00,000</u>		<u>3,00,000</u>

They decided to dissolve the firm. The following are the amounts realised from the assets :

	Rs.
Plant and Machinery	1,02,000
Fixtures	18,000
Stock	84,000
Sundry debtors	44,400

Creditors allowed a discount of 5% and realisation expenses amounted to Rs. 1,500. A bill for Rs. 4,200 due for sales tax was received during the course of realisation and this was also paid.

You are required to prepare :

- (a) Realisation account
- (b) Partners capital account
- (c) Cash account. (6 marks)

**Chapter-3 : Company Accounts (New Chapter)**

**2009 - Nov [1]** Answer the following questions :

(v) Explain "Employee's stock option plan". (2 marks)

**2009 - Nov [5]** (b) Dee Limited furnishes the following Balance Sheet as at 31st March, 2008 :

Liabilities	Rs. '000	Rs. '000
Share Capital :		
Authorised Capital		<u>30,00</u>
Issued and subscribed capital :		
2,50,000 equity shares of Rs. 10 each fully paid up	25,00	
2,000, 10% Preference shares of Rs. 100 each		
(Issued two months back for the purpose of buy back)	<u>2,00</u>	
		27,00
Reserves and surplus :		
Capital Reserve	10,00	
Revenue Reserve	30,00	
Securities premium	22,00	
Profit and loss A/c	<u>35,00</u>	
		97,00
Current liabilities and provisions :		<u>14,00</u>
		<u>1,38,00</u>
Assets	Rs. '000	Rs. '000
Fixed assets		93,00
Investments		30,00
Current assets, loans and advances		
(including cash and bank balance)		<u>15,00</u>
		<u>1,38,00</u>

The company passed a resolution to buy back 20% of its equity capital @ Rs. 50 per share. For this purpose, it sold all of its investments for Rs. 22,00,000.

You are required to pass necessary journal entries and prepare the Balance Sheet. (8 marks)



**Paper - 6 : Auditing and Assurance****Chapter-1 : Nature of Auditing**

**2009 - Nov [1]** State with reasons (in short) whether the following statements are true or false.

- (iv) The auditor, in the interest of the users, while explaining the nature of his reservation, can describe the work of the expert with his name in the audit report without obtaining prior consent of the expert. (2 marks)

**2009 - Nov [3]** Discuss the basic principles governing an audit. (10 marks)

**Chapter-3 : Preparation for an Audit**

**2009 - Nov [1]** State with reasons (in short) whether the following statements are true or false.

- (i) While auditing the accounts of a company, it is obligatory that the auditor must adopt sampling technique. (2 marks)
- (v) The auditee firm has no right to compel the auditor to provide copies of the working papers. (2 marks)
- (x) Analytical procedures are unable to help the Auditor in determining the nature, timing and extent of other audit procedures at the planning stage. (2 marks)

**2009 - Nov [4]** (a) Explain concept of materiality and factors which act as guiding factors to this concept. (6 marks)

- (b) Describe a set of instructions, which an auditor has to give to his client before the start of actual audit. (4 marks)

**2009 - Nov [8]** (a) X, a Chartered Accountant was engaged by PQR & Co. Ltd. for auditing their accounts. He sent his letter of engagement to the Board of Directors, which was accepted by the Company. In the course of audit of the company, the auditor was unable to obtain appropriate sufficient audit evidence regarding receivables. The client requested for a change in the terms of engagement.

Offer your comments in this regard. (5 marks)

**2009 - Nov [8] (OR)** Write short notes on the following :

- (b) Audit risk at the account balance level and at the class of transactions level. (5 marks)

**Chapter-4 : Internal Control (Including EDP Environment)**

**2009 - Nov [1]** State with reasons (in short) whether the following statements are true or false.

- (xii) The overall objective of audit changes in Computer Information System (CIS) environment. (2 marks)

**Chapter-6 : Audit of Payments**

**2009 - Nov [2]** Comment on the following situations :

- (a) XYZ Ltd. Co. gave a donation of Rs. 50,000 each to a Charitable Society running a school and a trust set up for the service of Blinds during financial year ending on 31<sup>st</sup> March, 2009. The average net profits of the company for the last three years were 15 lakhs. (8 marks)
- (b) Mr. X, a shareholders of the company pointed out that :
  - (ii) Premium received on issue of shares prior to the date of balance sheet has been transferred to Profit and Loss account for arriving at the figure of commission payable to the managing director. (6 marks)

**Chapter-8 : Verification of Bank Balance and Cash-in-hand**

**2009 - Nov [7] (OR)** Comment on the following situation :

- (c) Bank overdraft. (5 marks)

**Chapter-10 : Audit of Sales**

**2009 - Nov [7] (OR)** How would you vouch/verify the following .

- (b) Goods sent out on Sale or Return Basis. (5 marks)

**Chapter-11 : Audit of Ledgers and other Transactions**

**2009 - Nov [8] (b)** Cut-off arrangements (5 marks)

**Chapter-13 : Depreciation and Reserves**

**2009 - Nov [6] (b)** As an auditor comment on the following situation :

MNR Co. Ltd. did not provide for depreciation during the financial year 2007-08 due to inadequacy of profits. The company declared dividend during the financial year 2008-09 without providing for the previous year's depreciation. (5 marks)

**Chapter-14 : Verification of Assets**

**2009 - Nov [2] (b)** Mr. X, a shareholders of the company pointed out that :

- (i) The goodwill in the Balance Sheet of the company has appeared on same figure during the past three years. (6 marks)

**2009 - Nov [7]** How would you vouch/verify the following .

- (b) Leasehold property. (5 marks)

**Chapter-17 : Company Auditor**

**2009 - Nov [1]** State with reasons (in short) whether the following statements are true or false.

- (viii) Mr. X, a Chartered Accountant, is an employee of M/s M & N Co., a firm of Chartered Accountants of India. The firm is the Auditors of ABC & Co. Ltd. After auditing the accounts of the Company the Auditor firm allowed Mr. X, their employee, to sign the audit report; which he did. (2 marks)

**2009 - Nov [2]** (c) A, B & C Company Ltd. removed its first Auditor before the expiry of his term without obtaining approval of the Central Government.  
(6 marks)

**2009 - Nov [7]** (a) Comment on the following situation :  
XYZ Co. Ltd. reappointed A and B as their joint auditors in the Annual General Meeting. The AGM authorised the Board of fillup the vacancy at their own in the event of both or either of auditors declined to accept the assignment. The Board passed a resolution to appoint C if any of the auditors declined to accept the assignment.  
B declined to accept the assignment and Board of Directors appointed C in place of B as per its resolution.  
(5 marks)

**Chapter-18 : Powers & Duties of Auditors, Audit Report and Various Audits**

**2009 - Nov [1]** State with reasons (in short) whether the following statements are true or false.

- (ix) The Auditor disagreed with the management with regard to the acceptability of the Accounting Policies and the inadequacy of disclosures in the financial statements and issued a disclaimer.  
(2 marks)

**Chapter-19 : The Company Audit**

**2009 - Nov [1]** State with reasons (in short) whether the following statements are true or false.

- (ii) Interim dividend is not a part of dividend. (2 marks)  
(iii) A casual vacancy caused by resignation of the auditor can be filled by the Board of Directors. (2 marks)  
(vii) Provisions of Companies (Auditor's Report) order 2003 as amended upto date, apply to clubs, chambers of commerce, research institutes etc. which have been established under Section 25 of the Companies Act, 1956. (2 marks)

**2009 - Nov [6]** (a) State clearly provisions of the Companies Act, 1956 with regard to issue of shares at a discount. (5 marks)

**Chapter-20 : Government Audit and Audit of Local Bodies**

**2009 - Nov [1]** State with reasons (in short) whether the following statements are true or false.

- (vi) Comptroller and Auditor General of India can be removed by the Prime Minister of India on the recommendation of his Council of Ministers. (2 marks)

**2009 - Nov [8] (OR)** Write short notes on the following :

- (c) Powers of C & A.G. in connection with the performance of his duties.  
(5 marks)

**Chapter-22 : Miscellaneous Audits**

**2009 - Nov [5]** (a) What are the six important points that will attract your attention in the case of audit of a Hotel ? (5 marks)

**Chapter-23 : AAS, AS and Guidance Notes**

**2009 - Nov [1]** State with reasons (in short) whether the following statements are true or false.

- (xi) A Company which has been unable to negotiate borrowings from its bankers claims that it will be able to continue as a 'going concern'. (2 marks)

**2009 - Nov [5]** (b) State the informations to be disclosed in the financial statements according to the requirements of A.S.-6. (5 marks)

**Paper - 7A : Information Technology****Chapter-1 : Introduction of Computer**

**2009 - Nov [1]** (a) Describe briefly the following terms :

- (i) LSI Circuit
- (ii) USB Connectors
- (iii) Touch Screen (3 × 1 = 3 marks)

**2009 - Nov [1]** (b) Explain each of the following :

- (i) BIOS
- (iii) Random Access
- (iv) FAT (3 × 1 = 3 marks)

**Chapter-2 : Input & Output Device**

**2009 - Nov [2]** Answer the following :

- (a) Define an Image Processing. Describe the steps involved to document imaging. Also mention any five advantages of Image Processing. (5 marks)

**Chapter-3 : Software**

**2009 - Nov [2]** Answer the following :

- (b) What are Decision Support Systems ? Describe various characteristics of a DSS. (5 marks)

**Chapter-5 : Data Storage, retrieval and DBMS**

**2009 - Nov [1]** (a) Describe briefly the following terms :

- (v) Data Dictionary. (1 mark)

**2009 - Nov [1]** (b) Explain each of the following :

- (ii) Transaction Log (1 mark)

**2009 - Nov [3]** (a) Describe the various factors being considered in determining the best file organisation for an application. (5 marks)

**Chapter-6 : Computer Networks & Networks Security**

**2009 - Nov [1]** (a) Describe briefly the following terms :

- (iv) Layer 3 or Network layer (1 mark)

**2009 - Nov [5]** (a) Describe the Ring Network, Discuss its advantages and disadvantages. (5 marks)

- (b) Describe 'Catching Server' and 'Proxy Server' How are they different from each other ? (5 marks)

**Chapter-7 : Internet and other Technologies**

**2009 - Nov [1]** (b) Explain each of the following :

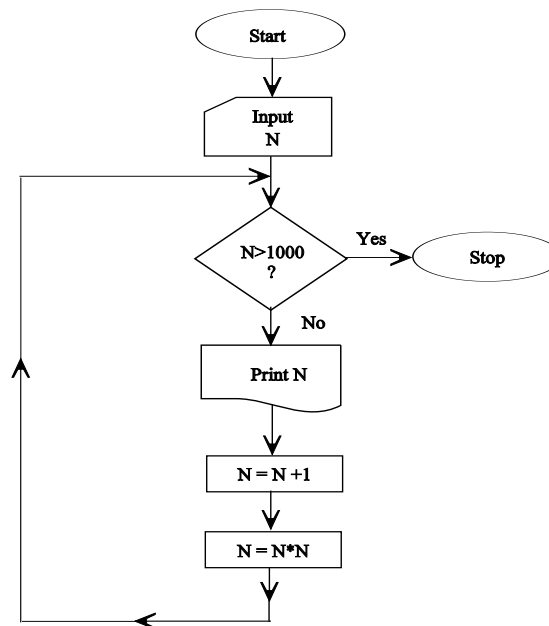
- (v) E-mail. (1 mark)

**2009 - Nov [3]** (b) What is meant by 'Electronic Data Interchange'? State some of its advantages. (5 marks)

**Chapter-8 : Flowcharting**

**2009 - Nov [4]** (a) Write the output sequence (at least first five numbers) for the given flowchart, if  $N = 0$  is selected as the value for  $N$  as input. (5 marks)

- (b) If the statement " $N = N * N$ " in the computation box of the flowchart is modified as " $N = N * (N - 1)$ ". Write the output sequence (at least first five numbers) for the flowchart with  $N = 0$  as the input value for  $N$ .



(5 marks)

**Paper - 7B : Strategic Management****Chapter-1 : Business Environment**

**2009 - Nov [6]** State with reasons which of the following statements is correct or incorrect :

- (a) A business, even if it continually remains passive to the relevant changes in the environment, would still grow and flourish. (2 marks)

**2009 - Nov [8]** What are the five competitive forces in an industry as identified by Michael Porter ? Explain. (10 marks)

**Chapter-2 : Business Policy and Strategic Management**

**2009 - Nov [7]** (b) State the points that may be considered while writing a mission statement of a Company. (2 marks)

**Chapter-3 : Strategic Analysis**

**2009 - Nov [7]** (a) Discuss the relevance of Tows Matrix in strategic planning process. (2 marks)

**Chapter-4 : Strategic Planning**

**2009 - Nov [10]** Read the following case and answer the questions given at the end :

The ripple effects of the 2008 Global Economic meltdown had begun to hurt the Rupees 1,268 crore J.K. Paper Ltd. also. Like all other business houses in India, J.K. Paper Ltd. was also finding the going tough. The general trend of soaring prices and contraction in demand had started affecting the sale of J.K. Paper Ltd. products also. Its customers were focusing on correcting their inventory positions (using existing stocks of materials to keep production lines and marketing activities rolling). Consequently, they were not buying much from J.K. Paper Ltd. Even the investors did not like what they saw—J.K. Paper Ltd. stock fell from Rs. 57.20 on 1 January, 2008 to a low of Rs. 14.12 on 12 March, 2009. The company was in the midst of Economic crisis. Mr. Harshpati Singhanian, Managing Director of the Company, realised that some strong measures must be taken to extricate the Company from its present crisis. To this end, Mr. Singhanian held several brainstorming sessions with the top management team and finally identified the focus areas :

Managing working capital flows, cutting costs and paying attention to employee productivity.

Moving away from the traditional approach one usually follows during the recessionary periods, Mr. Singhanian instead of shutting down company's plants and cutting production, decided to continue to operate the Company's two plants at Gujarat and Orissa at 100% capacity. To match sales with production, he planned to reach out to newer customers by widening Company's distribution network. He identified packaging boards to be

marketed in rural areas where the meltdown had minimal effect. As the market conditions were still difficult, the company also decided to cut the prices by 2 to 3 per cent. Alongwith the price cut, its marketing thrust in rural areas ensured that the sales were not impacted much. Net sales remained flat throughout 2008-09, though the profitability of the Company suffered because of the lower margins it received from its rural thrust.

For raising capital, the Company did not approach banks and investors, rather it intensified its efforts to recover its debits from its clients. The efforts resulted in fast recovery of crores of rupees. Disputed debts were also settled expeditiously to raise more cash.

To cut costs further, the Company took steps to improve productivity and reduce its wage bill. Inefficient employees were asked to leave. No new appointments were made unless they were critically important. In addition, employees received lower increments for 2008-09; even Mr. Singhanian did not take any increment.

When the global slowdown sent the international prices of the pulp, the main raw material for the paper industry, crashing from Rs. 36,960 per tonne in April, 2008 to Rs. 18,240 per tonne in September, 2008 the company bought enough pulp to last for about 9 months as against its policy of buying, in the normal course, pulp for about 2-3 months. According to Mr. Singhanian, this decision also resulted in a huge saving.

Mr. Singhanian and his senior management team also re-evaluated the organisational structure to improve efficiency in the organization.

When all the above strategic decisions had been successfully implemented, Mr. Singhanian knew that the worst for the company was over. This was also reflected in gradual increase in the quarterly profits of the company, Mr. Singhanian however sounded very modest about his stewardship of the Company while appreciating his Senior management team for the great job done to ride out the slowdown.

**Questions :**

- (a) Where did the recession hit J.K. Paper Ltd. ? (2 marks)
- (b) Explain with reasoning the corporate strategy the Company had adopted for its survival. (2 marks)
- (c) What functional strategies were undertaken by the Company to overcome its crisis ? (6 marks)
- (d) State the basic responsibilities of a strategic leader in a business house. Explain whether or not Mr. Singhanian provided strategic leadership to the Company. (2 + 2 = 4 marks)
- (e) What lessons are learnt from the experience of J.K. Paper Ltd. to ride out the economic meltdown ? (6 marks)

**Chapter-6 : Strategy Implementation and Control**

**2009 - Nov [6]** State with reasons which of the following statements is correct or incorrect :

- (b) A corporate culture is always identical in all the organizations.
- (c) There is both opportunity and challenge in 'Change'.

(2 × 2 = 4 marks)

**Chapter-7 : Reaching Strategic Edge**

**2009 - Nov [9]** What is Six Sigma ? How is it different from other quality programs ? Explain in brief themes of Six Sigma. (2 + 2 + 6 = 10 marks)

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