REVISED SYLLABUS 2008

TEST PAPER

Final
Group IV

TEST QUESTION PAPER FOR POSTAL STUDENTS ONLY

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

DIRECTORATE OF STUDIES

ALL STUDENTS REGISTERED UNDER POSTAL COACHING CAN DOWNLOAD THE TEST QUESTIONS AND SUBMIT THE ANSWERS OF TEST QUESTION PAPERS TO THE RESPECTIVE REGION ONLY

PAPER – 15
MANAGEMENT ACCOUNTING-ENTERPRISE PERFORMANCE MANAGEMENT

TEST PAPER – IV/15/EPM/2008/T-1

Time Allowed: 3 Hours | Full Marks: 100

Answer Part I and any five Questions from the rest

Part I

All questions to be answered. Each question carries 2 marks.

1. Definition A: "A technique where the primary goal is to maximize throughout while simultaneously maintaining or decreasing inventory and operating costs."

Definition B: "A system whose objective is to produce or procure products or components as they are required by a customer or for use, rather than for inventory."

Which of the following pairs of terms correctly matches the definitions A and B above?

	Definition A	**Definition B**
A	manufacturing resource planning	just-in-time
B	enterprise resource planning	material requirements planning
C	optimized production technology	enterprise resource planning
D	optimized production technology	Just-in-time

2. Which of the following is not a measure of dispersion of a random variable?

A. Range
B. Median
C. Variance
D. Standard error of the mean.

3. PQR Company is contemplating marketing a new product. Fixed costs will be

Cont'd…..2

Rs. 8,00,000 for production of 75,000 units-or less and Rs. 12,00,000 if production exceeds 75,000 units. The variable cost ratio is 60% for the first 75,000 units. This ratio will decrease to 50% for units in excess of 75,000. If the product is expected to sell for Rs.25 per unit, how many units must PQR Company sell to break even?

A. 1, 20,000
B. 1, 11,000
C. 96,000
D. 80,000

4. The cost of coordinating the efforts of sub-units is known as

A. Opportunity Cost
B. Sunk Cost
C. Transaction Cost
D. Fixed Cost

5. ABC Ltd. is preparing its annual profit plan. As part of its analysis of the profitability of individual products, the accountant estimates the amount of overhead that should be allocated to the individual product lines form the information given below:-

	Wall Mirrors	Specialty Windows
Units products	25	25
Material moves per-product line	5	15
Direct labor hours per unit	200	200
Budgeted materials handling costs.	Rs. 50000	

Under activity-based costing (ABC), the materials handling costs allocated to one unit of wall mirrors would be

A. Rs. 1000
B. Rs.500
C. Rs.1500
D. Rs.2500

6. Consumer Products Division has reported a net profit after tax of Rs 9 lacs for the year ended 30 April 2006. included in the costs used to calculate this profit are the following items

- Interest payable of Rs Lacs 2
- Development costs of Rs Lacs 6 for a new product that was launched in May 2005, and is expected to have a life of three years;

Cont'd…..3

- Advertising expenses of Rs 2 Lacs that relate to the re-launch of a product in June 2006.

The net assets invested in Division are Rs 30 Lacs

The cost of capital for the Division is 15% per year.

Economic Value Added for Division for the year ended 30 April 2008. is Rs Lacs

A 12.5
B 4.5
C 6.5
D 15.5

7. The Balanced Scorecard is a tool for

A. Performance appraisal
B. Financial appraisal
C. Project appraisal
D. Credit Appraisal

8. The selection of the denominator in the return on investment (ROI) formula is critical to the measure's effectiveness. Which denominator is criticized because it combines the effects of operating decisions made at one level of the organization with financing decisions made at another organizational level?

A. Total assets available
B. Total assets employed
C. Working capital
D. Shareholder's equity.

9. In 2001, a manufacturing company instituted a total quality management (TQM) program producing the following report:

Summary Cost of Quality Report (in thousands)

	2001 Rs.	2002 Rs	% Change
Prevention cost	200	300	+50
Appraisal cost	210	315	+50
Internal failure costs	190	114	-40
External failure costs	1.200 .	621	-48
Total quality costs	1.800	1350	--25

Cont'd…..4

On the basis of this report, which one of the following statements is most likely correct?

A. An increase in conformance costs resulted in a higher quality product and a decrease in nonconformance cost.
B. An increase in inspection costs was solely responsible for the decrease in quality costs.
C. Quality costs such as scrap and rework decreased by 48%.
D. Quality costs such as returns and repairs under warranty decreased by 40%.

10. Following is a table of probabilities for two separate product lines, X and Y:

Probability	X profit (Rs)	Y profit (Rs)
0.20	500	50
0.70	300	400
0.10	600	800

The product line to obtain maximum utility for a risk averse decision maker is
A. X because it has the higher expected profit.
B. Y because it has the higher expected profit.
C. Y because it has the higher dispersion
D. X because it has the lower dispersion.

Part II

Answer any 5 questions. Each question carries 16 marks

1. A distributor buys perishable articles for Rs 20 per item and sells them at Rs 50. Demand per day is uncertain and items unsold at the end of a day represent a write-off because of perishability. If he under stocks, he loses profit he could have made.

A 300, day record of past activity is as follows:

Daily Demand (units)	No. of days	Probability
10	30	0.1
11	60	0.2
12	120	0.4
13	90	0.3
	300	1.0

What level of stock should he hold from day to day to maximize profit?

2. A company produced three products, the standard costs of witch are shown below:

	P	**R**	**S**
	Rs.	Rs.	Rs.
Direct material	50	40	30
Direct labour (@Rs.10/hour	30	40	50
Production overhead*	30	40	50
	110	120	130
* Absorbed on basis of direct labour hours			
Quantity produced/sold (units)	10,000	20,000	30,000

The company wishes to introduce ABC, and has identified two major cost pools for production overhead and their associated cost drivers.

Information on these activity cost pools and their drivers is given below:

Activity cost pool	**Cost Driver**	**Costs associated with activity cost pool**
Receiving /inspecting quality assurance	Purchase requisitions	Rs.1,400,000
Production scheduling/machine set-ups	Number of batches	Rs.1,200,000

Further relevant information on the three products is also given below:

	P	**R**	**S**
Number of purchase requisitions	1,200	1,800	2,000
Number of set-ups	240	260	300

From the information given, calculate the activity-based production cost of products, P, R and S, Also, comment on the differences between the original standard costs and the activity – based costs you calculate.

3. A company is considering investing in a new manufacturing facility with the following characteristics.

(a) Initial investment Rs.350000, scrap value nil

Cont'd…..6

(b) Expected life ten years

(c) Sales volume 20,000 units a year

(d) Selling price Rs.20 a unit

(e) Variable direct costs Rs.15 a unit

(f) Fixed costs excluding depreciation Rs.25,000 a year.

The project shows an internal rate of return (IRR) of 17%. The managing director is concerned about the variability of the investment as the return is close to the company's rate of 15%. He has requested a sensitivity analysis.

Requirements:

(a) Recalculate the internal rate of return (IRR) assuming each of the characteristic A to F above, in isolation, varies adversely by 10%.

(b) Advise the managing director of the most vulnerable area likely to prevent the project meeting the company's hurdle rate.

(c) Explain what further work might be undertaken to improve the value of the sensitivity analysis undertaken in (a).

(d) Re-evaluate the situation if another company, already manufacturing a similar product, offered to supply the units at Rs.18 each. This would reduce the investment required to Rs.25,000 and the fixed costs to Rs.10,000.

4. An agriculturist has 480 hectares of land on which he grows potatoes, tomatoes, peas **and** carrots. Out of the total area of land, 340 hectares are suitable for all the four vegetables but the remaining 140 hectares of land are suitable only for growing peas and carrots. Labour for all kinds of firm work is available in plenty.

The market requirement is that all the four types of vegetables must be produced with a minimum of 5.000 boxes of any one variety. The farmer has decided that the area devoted to any crop should be in terms of complete hectares and not in fractions of a hectare. The - only other limitation is that not more than 1,13,750 boxes of any one vegetable should be produced.

The relevant data concerning production, market prices and costs are as under :

Cont'd…..7

	Potatoes	Peas	Carrots	Tomatoes
Annual Yield boxes per hectare	350	100	70	180
Costs:	952	432	384	624
Direct material per hectare				
Direct Labour :	1792	1216	744	1056
Growing per hectare				
Harvesting and packing per box	7.20	6.56	8.80	10.40
Transport per box	10.40	10.40	8.00	19.20
Marker price per box	30.76	31.74	36.80	44.55

Fixed expenses per annum:

Growing	Rs. 1,24,000
Harvesting	75,000
Transport	75,000
General Administration	1,50,000

It is possible to make the land suitable for peas and carrots, viable for growing potatoes and tomatoes if certain land development work in undertaken. This work will involve a capital expenditure of Rs. 6,000 per hectare which a bank is prepared to finance at the rate of, interest of 15% p.a.. If such improvement is undertaken, the harvesting cost of entire crop of tomatoes will decrease on an average by Rs. 2.60 per box.

Required:

(i) Calculate, within the given constraints, the area to be cultivated in respect of each crop to achieve the largest total profit and the amount of such total profit before land development work is undertaken.

(ii) Assuming that the other constraints continue advise the grower whether the land development scheme should be undertaken and if so the maximum .total profit that would be achieved after the said development scheme is undertaken.

5. Write short notes on

A Reportable segment
B Matrix organisation
C Quality circle
D Life cycle costing

6. Describe the salient aspects of Function Analysis System Technique.

PAPER – 15
MANAGEMENT ACCOUNTING-ENTERPRISE PERFORMANCE MANAGEMENT

TEST PAPER – IV/15/EPM/2008/T-2

Section A
Multiple Choice Questions
(All questions carry equal marks. Total Marks for this Section - 50)

Answer ALL the 20 questions in this Section

1. Balanced Scorecard is a methodology dealing with

Choice :

A) Strategy management and performance measures
B) Strategy deployment and performance measures
C) Strategy deployment and performance management
D) Strategy management and performance management

2. Given:

Cost of risk free debt	=	8.5%
Market premium	=	6%
Beta	=	0.8

what is the cost of equity?

Choice
A) 12.8%
B) 15.3%
C) 11.6%
D) 13.3%

3. Which one of the following is not included as a criterion for determining a reportable segment given by the 10% threshold limit?

Choice
A) Net worth
B) Sales
C) Assets
D) Net income

Cont'd…..2

4. Which one of the following is not a basic element in a control system?

Choice
A) A comparator/assessor
B) An effector or action taking subsystem
C) The causative factor of deviation
D) A control object or variable to be controlled

5. The following table captures some of the distinctions between strategic planning and management control. The only catch is the pairs are not matched properly.

	(a) Strategic planning	(b) Management control
1	On one aspect at a time	Lead to desired results
2	Unstructured and irregular: each problem different	Integrated; more internal and historical; more accurate
3	Tailor-made for the problem; more external and predictive; less accurate	Rhythmic: prescribed procedures
4	Show expected results	Emphasis on both planning and control
5	Planning dominant, but some control	On whole organization

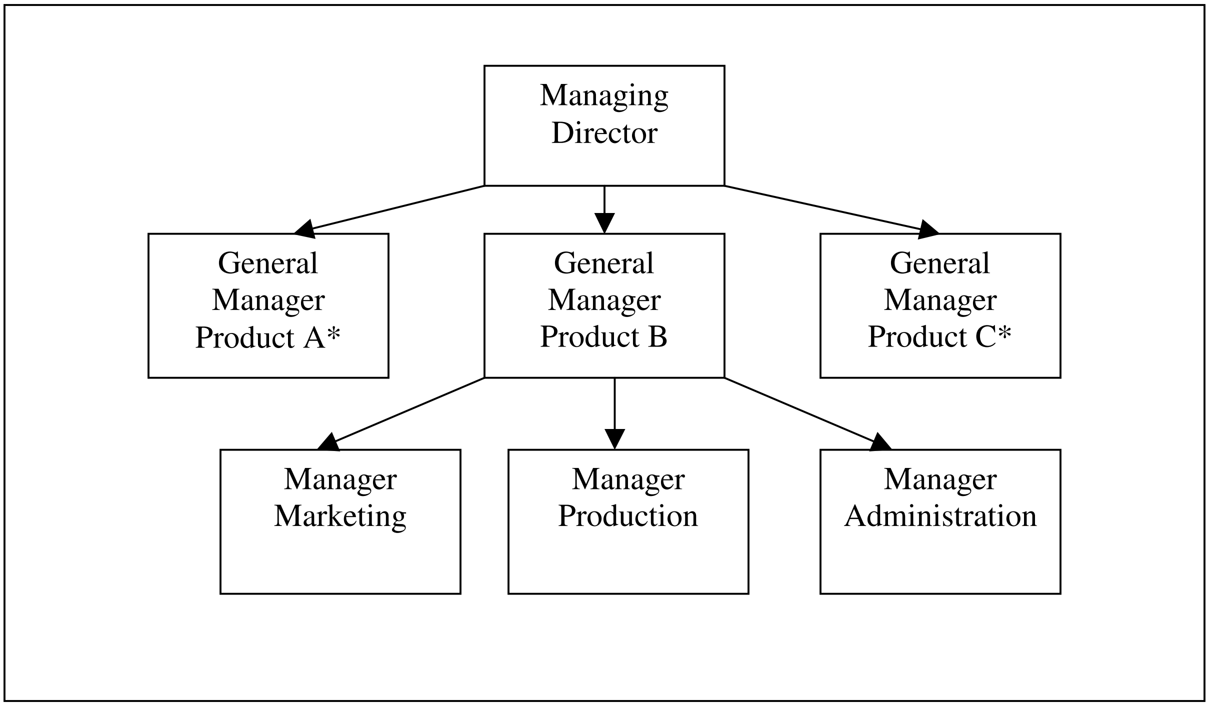
When rearranged how would this table look like?

Choice
A) 1a 5b, 2a 1b, 3a 2b, 4a 3b, 5a 4b
B) 1a 5b, 2a 3b, 3a 2b, 4a 1b, 5a 4b
C) 1a 4b, 2a 3b, 3a 2b, 4a 1b, 5a 5b
D) 1a 2b, 2a 3b, 3a 5b, 4a 4b, 5a 1b

6. Which of the following is NOT a basic problem in design of organization structure

Choice
A) Ensuring coordination
B) Recognizing behavioral issues
C) Ensuring functional excellence
D) Ensuring synergy between operational units

7. What type of organizational structure would look like the following diagram?



* Similar set up for 'A' and "C"

Choice
A) Matrix
B) Functional
C) Divisional
D) Hybrid

8. Which two of the following do not belong to the Lean Accounting tool set?

a. Value stream mapping
b. Six sigma
c. SOFP
d. Cost driver analysis
e. Visual performance boards
f. Transaction elimination matrix

Choice
A) b, d
B) b, c
C) c, d
D) a, f

Cont'd…..3

9. Here is a list of attributes a company seeks to attain. Classify them into Order Winners and Order Qualifiers by marking them as ‘W’ or ‘Q’ respectively.

a) On time Delivery
b) Lower cost of operation
c) Zero defects
d) Process innovation
e) Complete product range

If your classification is correct, which of the following would it match with?

Choice
A) WWWQQ
B) WWWQW
C) WQQWW
D) WQWQW

10. Which among the following does not fit in the design of major parent categories that represent virtually all the content on a corporate intranet

a) News
b) About Us
c) Products & Services
d) Forms & Tools
e) Resources
f) HR

Choice
A) e
B) d
C) b
D) a

11. Which of the following statements is not true?

Choice
A) Technology and transferability of the process to other products is intertwined with long-term capacity planning

B) Capacity planning is relevant in both the long term and the short term since the same issues are at stake for both.

Cont’d…..4

C) Alternatives for making short-term changes in capacity can include the decision to not meet demand at all

D) Capacity requirements planning is only applicable in firms using MRP or MRP II.

12. "An application of functional process benchmarking that compares a particular business function at two or more organisations, selected without regard to their industry."

The above definition applies to which of the following

Choice
A) Strategic benchmarking
B) Functional benchmarking
C) Generic benchmarking
D) Process benchmarking

13. Which among the below is not one of the four basic phases that constitute the QFD methodology"

Choice
A) Process Planning
B) Part Deployment
C) Product Development
D) Product Planning

14. Which one of the following does not belong to the five general types of risks companies face?

Choice
A) Technological risks
B) Market risks
C) Operational risks
D) Legal risks

15. Given:

Sales Rs 100000
V. Cost 40000
F Cost 25000

Which of the following changes will affect the profit most"

A 10% change in

Cont'd…..5

Choice
A) Fixed Cost
B) Selling Price
C) Unit Variable Cost
D) Sales volume

16. The probability of an expected profit of Rs 2000 is 0.34,
The probability of an expected profit of Rs 1850 is 0.15
The probability of an expected profit of Rs 1000 is 0.30
The probability of on expected loss of Rs 3000 is 0.21

What is the probability of a profit of Rs 1000 or less?
Choice
A) 0.30
B) O.49
C) 0.51
D) 0.21

17. For a project the following data is given:

Best revenue estimate	Rs 3000 crores
Likely revenue estimate	Rs 1800 crores
Worst revenue estimate	Rs 1500 crores
Expected Revenue	Rs 2500 crores
Standard Deviation	Rs 600

What is the coefficient of variation?

Choice
A) 600 / 3000
B) 600 / 3100
C) 600 / 2150
D) 600 / 2500

18. Which of the following statements is not an attribute of Decision Trees?
Choice

A) Clearly lay out the problem in a graphic visual manner ,so that all options can be challenged

B) The decision tree can become more complicated by the inclusion of more and more alternatives.

Cont'd…..6

C) The decision tree can become less complicated by the inclusion of alternatives that are interdependent

D) Provide a framework to quantify the values of outcomes and the probabilities of achieving them

19. Which one of the following does not belong to the quality trilogy of Joseph Juran?

Choice
A) Quality Function Deployment
B) Quality Improvement
C) Quality Control
D) Quality Planning

20. Which of the following statements is not one of the Four Absolutes of Quality Management as per Phil Crosby

Choice
A) Quality prevention is preferable to quality inspection
B) Zero defects is the quality performance standard
C) Quality is measured in monetary terms – the price of non-conformance
D) Quality is exceeding customer expectations

Section B
Short Answer Questions
(Each question in this section carries 6 marks. Total Marks for this Section – 30)

Answer ALL the 5 questions in this Section

1. Briefly outline the behavioral issues encountered while introducing the budget process as a part deploying management control system in an organisation.

2. Describe briefly the Learning and Growth Perspective and recommend suitable performance measures

3. A company has six industry segments with operating profits and loses as follows:

Industry Segment	Operating profit (Loss) (Rs in lakhs)
1.	8
2.	2
3.	16

Cont'd…..7

4.	(3)
5.	(2)
6.	(20)

Which are the reportable segments for the company?

4. What are the three key performance measurements to evaluate in Goldratt's Theory of Constraints? Briefly explain how they are to be used.

5. A software company has just won a contract worth Rs.80,000 if it delivers a successful product on time, but only Rs.40,000 if it is late. It faces the problem now of whether to produce the work in-house or to sub-contract it. To sub-contract the work would cost Rs.50,000, but the local sub-contractor is so fast and reliable as to make it certain that successful software is produced on time.

If the work is produced in-house the cost would be only Rs.20,000 but, based on past experience, would have only a 90% chance of being successful. In the event of the software not being successful, there would be insufficient time to rewrite the whole package internally, but there would still be the options of either a 'late rejection' of the contract (at a further cost of Rs.10,000) or of 'late sub-contracting' the work on the same terms as before. With this late start the local sub-contractor is estimated to have only a 50/50 chance of producing the work on time or of producing it late. In this case the sub-contractor still has to be paid Rs.50,000, regardless of whether he meets the deadline or not.

Draw a decision tree for the software company, using squares for decision points and circles for outcome (chance) points, including all relevant data on the diagram

Section C
Long Answer Questions
(Total Marks for this Section - 20)

Answer ONE question from this Section

1. A company manufactures three products – X,Y and Z, whose direct costs are given below:

	X	Y	Z
C	Rs.	Rs.	Rs.
Direct material	67.92	63.27	56.79
Direct labour @ Rs. 3/hour):	30.00	40.00	50.00

Cont'd…..8

Machining	13.08	14.73	17.01
Assembly	24.00	27.00	31.20
	105.00	105.00	105.00

The data below was used in calculating the direct labour costs above, and will be used to determine the production overhead charged to each product under the 'traditional' costing method.

	X	Y	Z	Total
Machine time(hours)	11.00	9.00	8.00	
Direct labour (hours):				
Machining	4.36	4.91	5.67	
Assembly	8.00	9.00	10.40	
Production(units)	50,000	30,000	16,250	
Total Machine hours	500,000	270,000	130,000	900,000
Total Labour hours				
Machining	218,000	147,300	92,137	457,437
Assembly	200,000	270,000	169,000	839,000

Information on the company's overheads is as follows

Production overhead	Rs. 000	Rs. 000
Indirect labour		
Machinery	900	
Assembly	600	
Purchasing/order processing	600	
Factory management	100	
		2200
Power		
Machining	400	
Assembly	100	
		500
Indirect materials		
Machining	200	
Assembly	200	
Purchasing	100	
Factory management	100	
		600
Depreciation		

Cont'd…..9

Machining	600	
Assembly	300	
Purchasing	200	
Building	400	
Security		1500
Grounds maintenance		100
Total production overhead		100
		5000

At present the company uses the traditional method to compute the product cost.
The machining department uses a machine hour absorption rate and the assembly department a labor hour rate.

Now the company wants to switch over to Activity Based Costing method.
The information and data in the following tables may be used to determine cost drivers and calculate overheads.

Product X	Product Y	Product Z
High Volume	Medium volume	Low volume
Large batches	Medium batches	Small batches
Few purchase orders placed	Medium purchase orders placed	Many purchase orders placed
Few customer orders placed	Medium components	Many components
Few customer orders placed	Medium customer orders placed	Many customers orders placed

	Product X	Product Y	Product Z	Total
Typical batch size	2,000	600	325	
No.of production runs	25	50	50	125
No.of inspections	25	50	50	125
Purchase orders placed	25	100	200	325
Customer orders received	10	100	200	310

Prepare an ABC analysis and calculate product costs.

2. Jiraram has developed a new pocket calculator to compete in the rapidly expanding home market. As a management accountant, you are consulted as to the viability of marketing this calculator.

Jiraram makes the following estimates after a great deal of research :

Cont'd…..10

Sales level (units)	*Profit (Rs.)*
3,60,000	(9,00,000)
4,50,000	45,00,000
5,40,000	99,00,0000

The selling price will be Rs. 150.

a) Calculate the expected profit **if the** probabilities **of sales for the above** sales levels are :

Sales level (units)	*Probability*
3,60,000	0.2
4,50,000	0.5
5,40,000	0.3

b) Calculate the margin of safety based on (a) above.

c) Jiraram's pocket calculators are of two sizes, each of which varies from the other in respect of price and variable cost. The above estimates of Jiraram are the averages of the two sizes. After a discussion with you, Jiraram wants to know more of margin of safety and how to improve the margin of safety for his calculators.

PAPER – 16

ADVANCED FINANCIAL ACCOUNTING & REPORTING

TEST PAPER – IV/16/AFA/2008/T-1

Time Allowed: 3 hrs   Full Marks: 100

Part One – Objective Type Questions   **(10 x 2 = 20 marks)**

1) Which of the following cannot be classified / treated as inventory under AS-2-Valuation of Inventories?

a. Work in Progress at factory
b. Finished goods lying in Agent's premises
c. Raw material issued on loan to a group Company
d. Raw material in-transit.

2) As on 31st March 2007, the equity share capital of X Ltd. is Rs. 10 crores divided into shares of 10 each. During the Financial Year 2007-08, it has issued bonus shares in the ration 1:1. The net profit after tax for the year ending 31.03.07 & 31.03.08 is rs.8.5 crores and Rs.11.50 crores respectively. The EPS to be disclosed in the accounts for 2007-08 are:

	2008		2007
	31.03.08	31.03.07	31.03.07
a.	5.75	4.25	8.15
b.	5.75	8.15	8.15
c.	11.50	8.50	4.25
d.	11.50	4.25	8.15

3) With the following facts of an amalgamation, state the total number of shares to be issued by the Purchasing company (P Ltd.) to satisfy the purchase consideration:

	P Ltd	S Ltd
No. of shares	10,00,000	1,00,000
No. of shares held by		
S Ltd. in P Ltd.	30,000	
P Ltd. in S Ltd.		20,000

P Ltd. agreed to issue 2 shares for every 1 share in S Ltd.

a. 1,30,000   b. 1,40,000
c. 1,60,000   d. 1,50,000

4) X Ltd. acquired 70% of equity shares of Y Ltd. as on 31st March 2004 at a cost of Rs.70 lakhs. The total assets and other liabilities of Y Ltd. amounted to Rs. 278.50 lacs and Rs. 140 lacs respectively. Y Ltd. declared and paid dividend @ 20% on its equity shares (face value Rs.10/-) as on 31st March 2004. X Ltd. purchased the shares of Y Ltd. @ Rs.20 per share. The amount of goodwill / capital reserve on acquisition of shares of Y Ltd. is:

a. Goodwill of Rs.33,95,000
b. Capital Reserve of Rs. 33,95,000
c. Capital Reserve of Rs.26,95,000
d. Goodwill of Rs.26,95,000

5) A company holding a majority of voting power in the shares of another company has reflected those shares as stock-in-trade with an intention to sell them in a short time. The accounting treatment in such a case would be:

a. treated as investments as per AS-13
b. consolidation of subsidiary's accounts done as per AS-21
c. treated as stock-in-trade

6) A company held 25% of stake in another company and during the year, it withdrew the investment to the extent of 10%. How should the company account for the investment?

a. treat as investments as per AS-13 for the whole year.
b. Account for as per 'equity method' till date of withdrawal of investment and thereafter as per AS-13.
c. Account for as per 'equity method' for the whole year.

7) A venturer (who is having 50% share in the joint venture) sold a plant (WDV Rs.75 lacs) for Rs. 60 lacs to the joint venture. The amount of loss to be recognized in the books of the venturer would be:
a. Rs. 7.50 lacs
b. Rs. 15 lacs

8) A Ltd. purchased 80% shares of B Ltd. on 1st January, 2008 for Rs.1,40,000. The issued capital of B Ltd. on 1st January, 2008 was Rs.1,00,000 and the balance in the Profit & Loss Account was Rs.60,000. For the year ending 31st December 2008, B Ltd. has earned a profit of Rs.20,000 and at the same time, declared and paid a dividend of Rs.30,000. What is the amount of Minority Interest as on 1st January, 2008 and 31st December, 2008? (Amount in Rs.)

a. Rs. 32,000 and Rs. 30,000 respectively
b. Rs. 30,000 and Rs.32,000 respectively
c. Rs. 30,000 and Rs.35,000 respectively

d. Rs. 35,000 and Rs.30,000 respectively

9) B Ltd. purchased from the shareholders of A Ltd. all the issued shares @ Rs. 14 per share. A Ltd. had 60,000 shares of Rs.10 each fully paid up. The shareholders of A Ltd. took over one of the freehold properties of A Ltd. for Rs.60,000 at the book value of the same. The balance due to them would be satisfied by the issue of an appropriate no. of equity shaers in B Ltd. at Rs.20 per share. The number of shares to be issued by B Ltd. to shareholders of A Ltd. are:

a. 42,000
b. 39,000
c. 40,000

10) Calculate the intrinsic value of shares of O Ltd. and P Ltd.:

Particulars	O Ltd.	P Ltd.
Fixed assets	110	50
Investments	16.25	25.00
Current assets	40.25	3.25
Miscellaneous expenditure	8.50	9.25
	175.00	**87.50**

Investments of O Ltd. represents 1,25,000 shares of P Ltd. Investments of P Ltd. are considered worth Rs. 30 Lakhs. The intrinsic value of the shares of O Ltd. and P Ltd. are:

a. Rs.59 and Rs.15 per share respectively
b. Rs.60 and Rs.15 per share respectively
c. Rs. 63.40 and Rs. 16.85 per share respectively
d. Rs. 60.70 and Rs.16.85 per share respectively

Part Two

Answer any 4 questions out of six. **(4x 20 = 80 marks)**

11) a) State and explain the Related Party Relationships to which disclosures are enumerated in AS – 18, Related Party Disclosures.

(5 marks)

b) There are inherent limitations to the process of Accounting. However, the qualify of information is improved through the application of Fundamental Accounting Assumptions and other conventions including Prudence, Substance Over Form, etc. Explain and comment on the above statement.

(15 marks)

12) a) Differentiate between the two types of amalgamation prescribed under AS-14, Accounting for Amalgamations, with reference to the conditions to be satisfied and accounting treatments prescribed.

(10 marks)

b) Highlight the differences between the following Accounting Standards issued by ICAI and the corresponding International Accounting Standard (issued by IASB):

1. AS 2 & IAS 2; 2. AS 9 & IAS 18,
3. AS 10 & IAS 16; 4. AS 24 & IAS 5 (10 marks)

13) The balance sheet of R Ltd. at 31st March 2008 was as follows:

	Rs.		Rs.
Share Capital		Intangibles	68,000
Authorised	14,00,000	Freehold Premises at cost	1,40,000
Issued and subscribed capital		Plant and equipment at cost	
64,000 8% Cumulative preference shares of Rs.10 each fully paid	6,40,000	less depreciation	2,40,000
64,000 equity shares of Rs. 10 each, Rs. 7.5 paid	4,80,000	Investments in shares in Q Ltd. at cost	3,24,000
Loans from directors	60,000	Stocks	2,48,000
Sundry Creditors	4,40,000	Debtors	3,20,000
Bank Overdraft	2,08,000	Deferred Revenue expenditure	48,000
		Profit and loss A/c	4,40,000
	18,28,000		**18,28,000**

The arrear of preference dividends amount to Rs.51,200.

A scheme of reconstruction was duly approved with effect from 1st April 2008 under the conditions stated below:

1. The unpaid amount on the equity shares would be called up.
2. The preference shareholders would forego their arrear dividends. In addition, they would accept a reduction of Rs.2.5 per share. The dividend rate would be enhanced to 10%.
3. The equity shareholders would accept a reduction of Rs.7.5 per share.
4. R Ltd. holds 21,600 shares in Q Ltd. This represents 15% of the share capital of that company. Q Ltd. is not a quoted company. The average net profit (after tax) of the company is Rs.2,50,000. The shares would be valued based on 12% capitalization rate.
5. A bad debt provision at 2% would be created.
6. The other assets would be valued as under:

	Rs.
Intangibles	48,000
Plant	1,40,000
Freehold Premises	3,80,000
Stocks	2,50,000

7. The profit and loss account debit balance and the balance standing to the debit of the deferred revenue expenditure account would be eliminate.d
8. The directors would have to take equity shares at the new face value of Rs.2.5 per share in settlement of their loan.
9. The equity shareholders, including the directors, who would receive equity shares in settlement of their loan.
10. The Preference shareholders would take up one new preference share for every four held.
11. The authorized share capital would be restated to Rs.14,00,000.
12. The new face values of the shares - preference and equity will be maintained at their reduced levels.

You are required:

a. to prepare the necessary ledger accounts to effect the above; and
b. to prepare the balance sheet of the company after reconstruction.

(20 marks)

14)

a) The following are the balance sheets of Big Ltd. and Small Ltd. for the year ending on 31st March 2008.

(Figures in crores)

	Big Ltd.	Small Ltd.
Equity share capital – in equity shares of Rs.10 each	50	40
Preference share capital – in 10% preferences shares of Rs.100 each	-	60
Reserves and surplus	200	150
	250	250
Loans – secured	100	100
Total funds	**350**	**350**
Applied for:		
Fixed assets (At cost less depreciation)	150	150
Current assets less current liabilities	200	200
Total	**350**	**350**

The present worth of fixed assets of Big Ltd. is Rs.200 crores and that of Small Ltd. is Rs.429 crores. Goodwill of Big Ltd. is Rs.40 crores and of Small Ltd. is 75 crores. Small

Ltd. absorbs Big Ltd. by issuing equity shares at par in such a way that intrinsic networth is maintained.

Goodwill account is not to appear in the books. Fixed assets are to appear at old figures.

(a) Show the balance sheet after absorption.

(b) Draft a statement of valuation of shares on intrinsic value basis and prove the accuracy of your workings.

(10 marks)

b) In preparing the consolidated balance sheet of A Ltd. as on 31st December 2007, you are required to show clearly what amount if any, you would include in respect of B Ltd. with regard to:

i. Cost of control / reserve:

ii. Profit or Loss; and

iii. Minority Interest

when 40,000 of the shares then in issue of B Ltd. were acquired at a cost of Rs.60,000 on 31st Dec 2005; A Ltd. participated in the bonus issue but not in the proposed dividend of Rs.9,000.

The balance sheet of B Ltd. as on 31st December, 2007 showed:

	Particulars	Rs.
a.	Share capital, authorized and issued of Re.1 each	80,000
b.	Undistributed profits	24,000
c.	7% Debentures	40,000

The Profit and loss appropriation accou,t for four years 31st December, 2007 were as follows:

	Particulars	2004	2005	2006	2007
a.	Balance at the beginning of the year	16,000	22,000	43,000	28,000
b.	Bonus issue of 1 share for every 4 shares – 1st January 2006	-	-	(16,000)	-
c.	Profit for the year (loss)	14,000	30,000	7,000	(4,000)
d.	Profits available for appropriation	30,000	52,000	34,000	24,000
e.	Proposed dividends	(8,000)	(9,000)	(6,000)	-
f.	Balance carried forward	22,000	43,000	28,000	24,000

15) On 1st April, 2007 Alpha Limited paid Rs.1,10,000 for 90% of the issued capital to Beta Limited. The assets and liabilities of two companies as ib 31st March, 2008 were as follows:

Assets	Alpha Ltd.	Beta Ltd.
Goodwill	20,000	6,000
Fixed assets	94,000	96,000

Current assets	30,000	18,000
Investment – at cost	1,56,000	-
Total	**3,00,000**	**1,20,000**

Liabilities		
Issued share capital – (Re.1 each fully paid)	1,80,000	60,000
General Reserve – 1st April 2007	45,000	20,000
Profit and Loss Account	36,000	20,500
Current Liabilities	39,000	9,500
6% Debentures held by Alpha Ltd.	-	10,000
Total	**3,00,000**	**1,20,000**

1. On April 1, 2007 the opening credit balance of Alpha Ltd.'s profit and loss account was Rs.26,000. Out of this balance, a 10% dividend was paid subsequently.

2. The Profit and Loss account of Beta Ltd. showed the following:

Particulars	**Rs.**	**Rs.**
Balance b/f on April 1, 2007	22,000	
Net Profit for the year ended 31st March, 2008	12,000	34,000
Less: Dividend paid		
Final for the year ended 31st March, 2007	9,000	
Interim for the half-year ended September	4,500	(13,500)
Balance c/f on 31st March, 2008		20,500

3. Included in the stock-in-trade of Beta Ltd at Balance sheet date were goods purchased from Alpha Limited for Rs.6,000 on which there was a profit of 50% on cost of Alpha Limited.
4. All dividends received by Alpha Ltd. have been correctly recorded in the books of account.

Prepare a Consolidated Balance Sheet as on 31st March, 2008 and show your workings.

(20 marks)

16) Prepare the consolidated Balance sheet as on December 31, 2007 of group of companies M Ltd., N Ltd., O Ltd. Their balance sheets on that date are given below:

Liabilities	**M Ltd.**	**N Ltd.**	**O Ltd.**
Share capital (share of Rs.100 each)	1,25,000	1,00,000	60,000
Reserves	18,000	10,000	7,200
Profit and Loss A/c	16,000	4,000	5,000

Sundry Creditors	7,000	3,000	-
M Ltd.	-	7,000	-
O Ltd.	3,300	-	-
Total	**1,69,300**	**1,24,000**	**72,200**

Assets	**M Ltd.**	**N Ltd.**	**O Ltd.**
Fixed assets	28,000	55,000	37,400
Investments in shares -			
- N Ltd.	85,000	-	-
- O Ltd.	-	53,000	-
Stocks	22,000	6,000	-
Debtors	26,300	10,000	31,500
- NLtd.	8,000	-	-
- M ltd.	-	-	3,300
Total	**1,69,300**	**1,24,000**	**72,200**

Other information:

i. M Ltd. holds 750 shares in N Ltd. and N Ltd. holds 400 shares in O Ltd. These holdings are acquired on 30th June, 2007.

ii. On 1st January, 2007 the following balances stood in the books of N Ltd. and O Ltd.

	N Ltd.	O Ltd.
	Rs.	Rs.
Reserves	8,000	6,000
Profit and Loss account	1,000	1,000

iii. O Ltd., sold goods costing Rs.2,500 to N Ltd. for Rs.3,100. These goods still remain unsold.

(20 marks)

PAPER – 16
ADVANCED FINANCIAL ACCOUNTING & REPORTING

TEST PAPER – IV/16/AFA/2008/T-2
ICWAI

Time Allowed: 3hrs Full Marks: 100

Part One – Objective Type Questions (10 x 2 = 20 marks)

1) An intangible asset was acquired in exchange of securities. The amount to be recognized in the books would be:

a. Fair value of intangible asset
b. Fair value of security
c. Fair value of intangible asset or security whichever is lower.
d. Fair value of intangible asset or security whichever is more clearly evident.

2) When the carrying amount of a fixed asset is less than its net realizable value, then the fixed asset in the books should be disclosed at:
a. Carrying amount
b. Net realizable value
c. Management choice
d. None.

3) A non-corporate enterprise, whose turnover exceeds Rs.50 crores is a:
a. Level – I enterprise
b. Level – II enterprise
c. Level – III enterprise

4) Fixed Production Overheads are allocated to Inventory on the basis of:

a. Actual Capacity
b. Idle capacity
c. Normal Capacity
d. None

5) Dividends which were proposed after the balance sheet date is
a. adjusting event as per AS-4
b. adjusting event as required by Schedule VI of The Companies Act, 1956
c. non-adjusting event as per As-4

6) Which of the following items of income / liabilities will not be included in the segment income / liability respectively, of a Company which has three business segments namely, "Paper division", "Printing division", and "Publishing division"?

a. Interest or dividend income
b. Loan obtained by the company to purchase an asset for Printing division
c. Both (a) and (b)
d. Neither (a) nor (b).

7) Segment results of X Ltd.'s divisions are given below. Identify the reportable segments as per AS-17.

Segment	A	B	C	D	E	F	G	H
Profit / (Loss)	5	(90)	15	(5)	8	(5)	5	7

a. B, C, E & H
b. B, C & H
c. B & C
d. B & E

8) The first three criteria to determine a reportable segment are:

e. Result test, 75% test, Asset Test
f. Expense test, Result test, Revenue Test
g. Result test, Assets test, Revenue Test
h. Liabilities test, Asset test, 75% test.

9) The form of accounts for the Central, State and Union Territory governments in India are presented in three parts, namely:

i. Consolidated fund, Contingency fund and Public Account.
j. Consolidated fund, Contingency fund and Operations Account
k. Revenue Account, Expenditure Account and Consolidated fund
l. None of the above.

10) The nature of audit of Government accounts including Government companies would be in the nature of:

m. Performance audit
n. Regularity Audit
o. Propriety Audit
p. (a) and (b)
q. (a), (b) and (c)

Part Two

Answer any four questions out of six. **(4 x 20 = 80 marks)**

11) Write a note on the applicability of Accounting Standards to the various categories of entities (including Corporates and Non-Corporates).

(20 marks)

12) a) State the disclosure requirements contemplated under:
i) AS – 3 – Cash Flow Statement
ii) AS 4 – Contingencies and Events occurring after Balance Sheet date
iii) AS 6 – Depreciation Accounting (10 marks)

b) Write short notes on the following with reference to AS 9 – Revenue Recognition:
i) Sale of goods; ii) Rendering of services
iii) Interest, Royalties, Dividends (10 marks)

13) Write short notes on the following with reference to IAS 36, Impairment of Assets:

a. Identification of an asset that may be impaired
b. Measuring recoverable amount
c. Reversal of an impairment loss
d. Goodwill (20 marks)

14) a) Explain the requirements prescribed under AS 17 - Segment Reporting with regard to (i) Identification of segments & (ii) Disclosures required. (10 marks)

b) Explain the specific issues in Segment Reporting relating to Transfer Pricing and Interdivisional Relationship, which are of concern to the Management Accountants.
(10 marks)

15) Explain the roles and responsibilities of the Comptroller and Auditor General of India. (20 marks)

16) a) Compare and contrast the Government accounting with the Commercial accounting, with regard to the principles, objective and nature of accounting.
(10 marks)

b) From the following information of a company having two primary segments, prepare a statement classifying the same under appropriate heads:

(Rs. In lacs)

Segment Revenue	A	27,050
Segment Revenue	B	3,280
Inter segment Revenue	A	50
Segment Profit	A	4,640
Segment Profit	B (loss)	197
Dividend Income		285
Tax Provision		35
Capital Expenditure	A	1,675
Capital Expenditure	B	1,300
Non cash expenditure (excluding depreciation)		16
Segment	A	114
Segment	B	16
Liabilities	A	3,430
Liabilities	B	770
Other Liabilities		2,200
Assets	A	19,450
Assets	B	2,700
Other Assets		6,550
Depreciation	A	110
Depreciation	B	15

(10 marks)

PAPER – 17

COST AUDIT & OPERATIONAL AUDIT

TEST PAPER – IV/17/COA/2008/T-1

Time Allowed: 3 Hours　　　　Full Marks: 100

Answer Q.No.1 and any five Questions from the rest

1. (a) State whether the following statements are "True" or "False". No reasons or explanation need be given:

(i) Goodwill included in Fixed Assets is to be excluded in computing Capital Employed.

(ii) A default in payments to financial institutions is a subject matter of comment by the Cost Auditor in his report.

(iii) Royalty paid by a cement company for raising limestone is to be excluded from the cost of raw material.

(iv) Acceptance of fees by a practicing Cost Accountant for certifying certain statements for a lawyer contesting a customs case as a percentage of the duty relief amounts to professional misconduct.

(v) According to Cost Accounting Record Rules, inter-divisional transfer of intermediate products should be affected at market price.

(vi) Under the existing regulations, a Cost Accountant in practice, who is also a Chartered Accountant can also practice as a Chartered Accountant.

(vii) The Cost Auditor is a member of the Audit Committee of the company.

(viii) Managing Director's remuneration paid as a percentage of profit is includible under the head Salaries & Wages in Cost of Production.

(ix) A large scale footwear unit in the Co-operative sector is not statutorily required to maintain Cost Accounting Records under section 209(1)(d) of the Companies Act.

(x) Valuation of inventory in para 19A of the Annexure to the Cost Audit Report should be as on the last date of the financial year under audit.

(b) Which of the following is correct?

(i) A cost auditor at a time can function as an auditor of how many companies of which all the companies paid up capital is more than Rs.25 lakhs?

(2) 25 companies

(3) 20 companies

(4) 10 companies

(ii) A Cost Audit Firm has three partners. State how many companies cost audit can be conducted where the paid up capital of all the companies is less than Rs.25 lakhs?

(1) 30 companies

(2) 60 companies

(3) 15 companies

(iii) A Tea Company has twelve gardens located at different places and regarded as separate unit. How many maximum number of Firm can be appointed?

(1) Two firms as Joint auditors

(2) Twelve Firms as Joint auditors

(3) One Firm for twelve gardens

(iv) Excisable clearances means

(1) Only sale of goods from factory

(2) Total clearances from factory

(3) Despatches from bonded warehouse

(v) Appointment of Cost Auditor should be sent to the Ministry of Corporate Affairs within

(1) 30 days of the commencement of every year

(2) 50 days of the commencement of every year

(3) 45 days of the commencement of every year

(a) Sate/Define the following (one/two sentences only):

(i) A Cost Accountant in practice has accepted as the concurrent auditor of a company for a particular year. Can the Cost Accountant accept appointment as Cost Auditor of the same company for that year?

(ii) Under para 6 of the annexure to the Cost Audit Report, Break up of Cost of Input materials imported during the year under audit –

Details should be furnished in respect of major input materials each consisting at least 2% or 3% of the total material cost. Write the correct percentage.

(iii) As per section 292A of the Companies (Amendment) Act, 2000, every Public Company having paid up capital of not less than _____ of rupees shall constitute a Committee of the Board known as "Audit Committee". – Fill up the gap.

2. In the course of cost audit of a company, you come across the following discrepancies:

	As per Cost Acctg. Record	As per Financial Accounts/Annual Reports	As per internal MIS Reports
Production (MT)			
Good quality	124725	125966	124900
Seconds	1241	--	1250
Depreciation (Rs. lakhs)	81.07 (For actual no. of days worked	124.00 (For the whole year)	75.70 (As per standards)
Power generated (KWH)	28686750	28372415	28370165
Norms of Consumption of power			225 KWH/T of production

How will you deal with the above discrepancies in the cost Audit Report?

3. Your company has received an order from the Government of India directing your company to have the Cost Accounting Records audited. List the actions to be taken by the company step by step from appointment of Cost Auditor till the submission of the Cost Audit Report specifying the time schedule.

4. (a) What is the purpose of the audit prescribed under sec. 14AA of the Central Excise Act?

(b) What are the possible areas for misuse/malpractice?

(c)Prepare a checklist for carrying out an audit under sec. 14AA of the Central Excise Act.

5. (a) The financial profit and loss account for the year 2007-08 of a company shows a net profit of Rs.26,28,000. During the course of cost audit, it was noticed that:

(i) The company was engaged in trading activity by purchasing goods at Rs.4,00,000 and selling it for Rs.5,00,000 after incurring an expenditure of Rs.25,000.

(ii) Some old assets sold off at the year-end fetching a profit of Rs.80,000.

(iii) A major overhaul of machinery was carried out at a cost of Rs.4,00,000 and the next such overhaul will be done only after four years.

(iv) Interest was received amounting to Rs.1,50,000 from outside investments.

(v) Work-in-progress valuation for financial accounts does not as a practice take into account factory overhead. Factory overhead was Rs.1,85,000 in opening WIP and Rs.3,15,000 in closing WIP.

Work out the profit as per Cost Accounts and briefly explain the adjustment, if any, carried out.

(b) What are the preliminary information you, as a Cost Auditor, will collect from the company which is subject to cost audit for the first time?

6. (a) The Managing Director of a company wants your advise as a management auditoron the points to be considered for take over of a manufacturing company. Prepare a checklist for this purpose.

(b) Today's customer is the more demanding than the customer of yesterday. In view of this, how would you evaluate, as a Management Auditor, the performance of "Customer Services Department".

7. (a) What information is required to be furnished by the Cost Auditor in the "Annexure to the Cost Audit Report", and "Observation and Suggestion" in regard to exports, if any, of the product under audit?

(b) How are Abnormal/Non-recurring Costs to be treated in Cost as per para 17 of the Annexure to the Cost Audit Report Rules, 2001? Give illustration of such Costs.

PAPER – 17

COST AUDIT & OPERATIONAL AUDIT

TEST PAPER – IV/17/COA/2008/T-2

Time Allowed: 3 Hours Full Marks: 100

Answer Q.No.1 and any five Questions from the rest

1. (a) State whether the following statement are "True" or "False". No reason or explanation need be given :

(i) Cost Audit is a type of efficiency audit and not a propriety audit.

(ii) The liberalization of the economy has diminished the utility of Cost Audit.

(iii) The formation of Audit Committee is a big leap in ensuring better corporate governance.

(iv) India is the first country in the world in introducing the provisions of compulsory maintenance of the Cost Accounting records.

(v) The Cost Auditor cannot be the Internal Auditor of a Company for the period for which he is conducting the Cost Audit.

(vi) The Annexure to the Cost Audit Report (paras 1 to 28) is to be prepared by the Cost Auditor.

(vii) The Cost Auditor is appointed in the Annual General meeting of the Company.

(viii) The Proforma (product cost sheet) attached to the Cost Audit Report should be prepared separately for sale to any related party.

(ix) Non-moving stock of raw materials and components are those stocks which have not moved for more than 24 months.

(x) The Cost Auditor is a member of the Audit Committee of the Company.

(b) State with reasons whether the following activities amount to professional misconduct:

(i) A Cost Accountant takes voluntary retirement from his employer and starts practice. He continues his association with his previous employer as an advisor, on a monthly retainership basis.

(ii) A Cost Accountant gives a certificate of cost for a product manufactured by a SSI unit, owned by his son.

(iii) A Practicing Lawyer specializing in 'Anti-dumping cases' comes to an informal understanding with a practicing Cost Accountant to assist him in preparing accounting statements to support his cases and agrees to share his fees on a percentage basis.

(iv) A Practicing Cost Accountant accepts an assignment previously held by another Cost Accountant in practice, after due communication with him in writing.

(v) Shares information acquired in course of his professional engagement to any person, other than the client so engaging him.

2. (a) Define the following (one/two sentences only):

(i) Green Room Meetings,

(ii) Sun Set Clause,

(iii) Trade Facilitation,

(iv) Social Audit,

(v) Authentication.

(b) Fill in the blanks:

(i) ________________ _______________ is the highest decision-making body at the WTO, which meets at least once in every two years.

(ii) The authority for approving the appointment of Cost Auditor is __________________ _______________ ________________.

(iii) The Cost Auditor has to submit his report to the Central Government within_______________ days from the close of the financial year of the company.

(iv) As per section 292A of the Companies (Amendment) Act, 2000, every Public Company having paid up capital of not less than _____________of rupees shall constitute a Committee of the Board known as "Audit Committee".

(v) ________________ _________________ ________________ is needed to create a corporate culture of transparency.

(iv) State merely whether the following statements are 'True' or 'False'. You need not give any reason/explanation for your answer:

(i) 'Working Paper File' refers to papers, relating to matters, which do not normally change every year.

(ii) The Cost Auditor has same powers, as Financial Auditor has, under section 227(1) of the Companies Act.

Cont'd…..3

(iii) As per CARR, 2001, the Annexure to Cost Audit Report is to be compiled by the Cost Auditor.

(iv) "Small Scale Units" are exempted from the purview of the Cost Accounting Record Rules.

3. (a) State the 'Records' which are considered as part of the Cost Accounting under Sec. 209(1)

(b) What review should be made by a Cost Auditor of Cost Accounting Records?

4. From the following figures extracted from the financial and cost 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 and Spares consumed	560
Power and Fuel	4,600
Repairs and Maintenances	200
Insurance	120
Direct Salaries and Wages	480
Depreciation	885
Interest paid	1,398
Factory Overheads:	
Salaries and Wages	240
Others	250
Selling and Distribution Overheads:	
Salaries and Wages	120
Additional Sales Tax	457
Others	1,700
Administration Overheads:	
Salaries and Wages	120
Others	80

(a) What details likely required to be provided in Reconciliation of Turnover under Para 27 of Cost Audit Report Rules, 2001?

5. Write short notes :-

(a) Energy Audit;

(b) Audit Committee;

(c) Industrial Sickness;

(d) Management Frauds.

6. A company manufacturing a single product has an installed capacity of 2.5 lakhs M.T. During the year 2007-08 the capacity utilization was 100% and the cost details were as under :-

Unit variable costs were Rs.915 per M.T. as detailed below :

	Rs./T
Raw materials	600
Labour	150
Power (Variable)	65
Consumable	20
Packing	80
	915

Fixed costs for the year were:	Rs. lakhs
Overheads	120
Depreciation	100
Power (MD Charges)	3.375

During the year 2008-09 the production was only 1.25 lakhs MT due to lower demand in the market. During this year the variable costs escalated by 7% but there was no change in the total Fixed Costs.

Calculate the Total Cost per MT of the Product in 2008-09. What will be the abnormal costs and how would this be reported in the Cost Audit Report?

7. The cost of production of goods cleared for captive consumption should be certified only by a practicing Cost Accountant. Briefly explain the statutory requirements for this certification under the Central Excise Rules.

8. What is the scope of work for Cost Accountant in practice as a loss assessor? Give an illustrative list of the types of claims and the role of the Cost Accountant in assessing the quantum of loss.

PAPER – 18

BUSINESS VALUATION MANAGEMENT

TEST PAPER – IV/18/BVM/2008/T-1

Time Allowed: 3 Hours Full Marks: 100

Answer Q.No.1 and any five Questions from the rest

1. What are the different types of value? Explain with examples

2. What do you mean by intrinsic value? What are the drivers of intrinsic value of a business firm?

3. What do you mean by Economic Value Added? How is EVA related to valuation?

4. What do you mean by intellectual capital? What are its various components? How will you measure intellectual capital?

5. How is Human Resources Accounting related to human capital valuation?

6. Is there any relationship between EVA and Balanced score card? Explain

7. What are the major drivers of Mergers and Acquisition activity?

8. What are the several of ways settling the payments in a merger deal? What are the implications of the various methods of settlement?

PAPER – 18

BUSINESS VALUATION MANAGEMENT

TEST PAPER – IV/18/BVM/2008/T-1

Time Allowed: 3 Hours Full Marks: 100

Answer Q.No.1 and any five Questions from the rest

1. What do you mean by option valuation? When will you use this approach?

2. How will the capital structure of a firm affect the valuation?

3. Explain how Mergers & Acquisitions are an important part of corporate strategy. Discuss from the perspective of shareholder wealth maximization

4. How will you determine the discount factor in an M & A deal valuation, under the DCF valuation methodology?

5. What do you mean by financial engineering in the context of restructuring?

6. What do you mean by a brand? Explain the various methods of valuing a brand? Why valuation of brands different from other intangible assets?

7. How will you value a long term debt?

8. What do you understand by "Comparable companies approach" to valuation?