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SCANNER'S APPENDIX

ICWA Stage III

June 2008

Paper - 13

Operations and Project Management and Control

Chapter - 2 : Interface of Strategic Management with OMC Strategic Planning

2008 - June [4] (c) What is 'Delphi' technique ? What is its applicability in a manufacturing organization ? (5 marks)

Chapter - 3 : Interface of Strategic Management with OMC Logistic Planning

2008 - June [3] (a) Draw a comparison between 'Type grouping' and 'Sequence grouping' in a factory. (5 marks)

Chapter - 4 : Management Control & OMC Interface

2008 - June [5] Write Short Notes on the following :

(b) Diversification; (3 marks)

Chapter - 5 : Production Planning, Integrated Planning & Control Systems

2008 - June [3] (b) A Co. is engaged in manufacturing spark plugs for automobiles. The operations are performed on a CNC 3-axis drilling cum tapping centre. The operation cycle time is as follows :

Drilling time	:	45 secs;
Tapping time	:	90 secs;
Tool change time	:	25 secs;

For feeding the spark plugs the Co. designed a fixture holding 10 sparks plugs at a time and set up time for the 10 plugs in the fixture is 80 secs. The Co. decided to augment Capacity due to an additional order to the extent of 1.10 lakhs sparks plugs per year. Assuming that manpower is no constraint, how many additional drilling tapping centers the Co. should procure under the augmentation plan ?

Average rejection is 2 % of the produced good spark plugs.

Assume 300 working days per year of 8 hrs. per day shift. 20% time, the drilling tapping centers are not available due to preventive maintenance and the utilization is 70% of the available time due to power and service line shutdown. (10 marks)

Chapter - 6 : Material Planning and Control

2008 - June [2] (b) M/s. ABC Ltd., makes four components, P, Q, R and S for which costs in the forth-coming year are expected to be as follows :

	P	Q	R	S
Production (unit)	1000	2000	4000	3000
Unit marginal costs:	Rs.	Rs.	Rs.	Rs.
Direct Material	4	5	2	4
Direct Labour	8	9	4	6
Variable prodn. Overhead	2	3	1	2
	14	17	7	12

Directly attributable fixed cost per annum and committed fixed costs are as follows :

Incurred as a direct consequence of making P	1,000
Incurred as a direct consequence of making Q	5,000
Incurred as a direct consequence of making R	6,000
Incurred as a direct consequence of making S	8,000
Other fixed cost committed	30,000
	50,000

A sub-contractor has offered to supply units P, Q, R and S for Rs. 12, Rs. 21, Rs. 10 and Rs. 14 respectively. Decide whether to make or buy components.

. (9 marks)

2008 - June [5] Write Short Notes on the following :

(c) Value Analysis & Value Engineering; (3 marks)

Chapter - 10 : Operation Control and OMC Interface

2008 - June [4] (a) What are the 'Chance Causes' and 'Assignable Causes' ? What are their significance in SQC ? (5 marks)

2008 - June [4] (b) Discuss briefly regarding the salient features of a 100% Inspection and Sampling Inspection. (5 marks)

2008 - June [5] Write Short Notes on the following :

(a) Standardization; (3 marks)

Chapter - 12 : Manufacturing Technologies

2008 - June [2] (a) What do you understand by the term 'Utilities' in a factory? Briefly describe the different 'Utilities' required in a factory.

(6 marks)

2008 - June [5] Write Short Notes on the following :

(d) New horizons in Manufacturing Technology. (3 marks)

Chapter - 13 : Project Identification and Formulation

2008 - June [7] (a) What is 'Gestation period' of a project ? How is it important in Project Management decisions ? (3 marks)

2008 - June [10] Write short notes in the following :

(i) Brown Field Project (3 marks)

Chapter - 14 : Identification of Project Opportunities

2008 - June [9] (b) What category should the following projects be attributed to-
Balancing/Modernisation/Replacement/Expansion/Diversification/Rehabilitation–or a combination of the above ? Justify your answer.

(i) Duracare Ltd., a company producing consumer durables has been having severe production constraints due to frequent and long disruption of power supply. They have their own captive power generation facility which can meet 75% of their capacity. They are considering augmenting their own generation to take care of their entire capacity at an investment of Rs. 60 lakhs.

(ii) XYZ Ltd., produces blue detergent powder. Recent studies carried out by marketing indicate that there is a growing opportunity for white detergent powder. Producing detergent powders in two different colours in the same plant requires modification to the existing plant such as, additional facilities for storage and handling. The total investment involved would be Rs. 85 lakhs.

(iii) Economic Producers Ltd., is an ancillary unit producing components for trucks. Their main machinery was installed 17 years back. The equipment is frequently breaking down throwing the delivery schedules out of balance. The equipment can produce 700 components per day. New equipment available for producing the same component costs Rs. 25 lakhs with a delivery time of 3 months.

(iv) Sri Ajit Singh owns 25 acres of land on which he grows wheat. He is planning to buy a tractor to speed up his farm operations as well as reduce input costs.

(v) Milk Products Ltd, is in dairy business, producing milk powder and ghee. Recently, a market survey carried out by the consultants appointed by the company indicates an opportunity for selling cheese. The total outlay in terms of capital expenditure would be Rs. 270 Lakhs. (2 × 5 marks)

Chapter - 15 : Project Selection Consideration and Feasibility Studies

2008 - June [6] {C} (b) Distinguish between the terms :

(i) CAT & RAT Schedules;

(iii) BOO & BOT Projects;

(iv) Risk Purchase & Cash Purchase; (2 marks each)

Chapter - 16 : Project Appraisal

2008 - June [9] (a) Enumerate the factors that can lead to wrong results while conducting a Market Survey using Questionnaire. (5 marks)

2008 - June [10] Write short notes in the following :

(iii) Capital Rationing (5 marks)

Chapter - 21 : Project Cost Estimation

2008 - June [6] {C} (b) Distinguish between the terms :

(ii) Sensitivity Analysis & Risk Analysis; (2 marks)

2008 - June [7] (b) The Accounts Manager of Intel Project has studied his varying monthly cash flows and has arrived at the probabilities of cash inflows and outgo as detailed below :

Cash in flow (Rs.)	Probabilities	Cash outgo (Rs.)	Probabilities
14,000	0.35	11,000	0.15
15,000	0.20	12,000	0.25
16,000	0.15	13,000	0.30
17,000	0.14	14,000	0.15
18,000	0.11	15,000	0.11
19,000	0.05	17,000	0.04

The Manager, at the beginning of the year has Rs. 2,000 in bank.

Simulate his sales and expenses over a financial year (April to March) using the following two series of random numbers.

Assume that the Manager can avail of temporary overdraft facilities to cover any cash storage. How much money does the Accounts Manager has at the end of the year ?

Series I : 34, 84, 38, 82, 36, 92, 73, 91, 63, 29, 27, 26

Series II : 96, 57, 99, 84, 51, 29, 41, 11, 66, 30, 41, 80 (12 marks)

Chapter - 22 : Project Planning & Scheduling

2008 - June [6] {C} (b) Distinguish between the terms :

(v) L D Clause & Option Clause in a supply order. (2 marks)

2008 - June [8] The following gives data on normal time and cost and crash time and cost for a project :

Activity	Normal		Crash	
	Time (weeks)	Cost (Rs)	Time (weeks)	Cost (Rs)
1-2	3	300	2	400
2-3	3	30	3	30
2-4	7	420	5	580
2-5	9	720	7	810
3-5	5	250	4	300
4-5	0	----	0	----
5-6	6	320	4	410
6-7	4	400	3	470
6-8	13	780	10	900
7-8	10	1000	9	1200
Total		4,220		

Indirect cost = Rs. 50 per week.

(i) Draw the network and identify the critical path (2+1 marks)

(ii) What are the normal project duration and the associated cost ? (3 marks)

(iii) Find out the total float associated with each activity. (3 marks)

(iv) Crash the relevant activities systematically and determine the optimum project completion time and cost. (6 marks)

Chapter - 23 : Project Cost Control

2008 - June [10] Write short notes in the following :

(ii) Zero Date of a Project (5 marks)

Chapter - 25 : Objective Questions

2008 - June [1] {C} (a) Match each item in the left hand column-I with an appropriate item in the right hand column-II

	Column-1		Column-II
(A)	Assembly Line	(i)	F.W. Taylor
(B)	Scheduling	(ii)	Surface Treatment
(C)	Fractionalization	(iii)	Meredith & Gibbs
(D)	Work study	(iv)	Machining
(E)	Mortality Curve	(v)	Metal Forming
(F)	Black Oxidation	(vi)	Gilbreth
(G)	Counter boring	(vii)	Joining
(H)	Drawing	(viii)	Heat Treatment
(I)	Tempering	(ix)	Henry Ford
(J)	Erazing.	(x)	Henry Gantt

(½ ×10 marks)

2008 - June [1] {C} (b) Expand the following abbreviation :

(i) VFM;

(ii) SCM;

(iii) CNC;

(iv) DS/RO;

(v) MRP. (1×5 marks)

2008 - June [1] {C} (c) Select the appropriate Answer from the alternatives given :

(i) Market proximity is a must for which of the following Industries ?
- (A) OEM Industry;
- (B) Textile Industry;
- (C) Hotels and Hospitals;
- (D) Oil Refinery.

(ii) Rotable Spares are :
- (A) Repairable and reusable ;
- (B) not repairable;
- (C) not reusable;
- (D) supplied by OEM.

(iii) Job Evaluation Techniques do not include
- (A) Job Ranking;
- (B) Job classification;
- (C) Point Rating;
- (D) Retaining Needs.

(iv) Which of the following Industries can not hold an inventory of its outputs ?
- (A) Manufacturing Industry;
- (B) Transport Industry;

(C) Supply Industry;
(D) Restaurant Kitchen.

(v) Cutting tools are produced from
(A) High Speed Steel;
(B) Neckel;
(C) Cobalt;
(D) Silica. (1×5 marks)

2008 - June [1] {C} (d) Define the following terms in just a sentence or two:
(i) Statistical Quality Control;
(ii) Standard Time;
(iii) Work sampling;
(iv) Job Specification;
(v) Route Card. (1×5 marks)

2008 - June [6] {C} (a) Match each item in the left hand column-1 with an appropriate item in the right hand column-II :

	Column-I		Column-II
(a)	Short Term Financing for working capital	(i)	Burgess Principle
(b)	Resource Levelling	(ii)	Project Magmt software
(c)	Project Authority	(iii)	Plant Layout
(d)	Success Planned	(iv)	Commercial Paper
(e)	CRAFT	(v)	Linear Responsibility
(f)	Letter of Credit	(vi)	Project event
(g)	Beta Distribution	(vii)	Supply order
(h)	Option Clause	(viii)	Statutory
(i)	Milestone	(ix)	import
(j)	Pollution Control	(x)	Project Time Estimates

(1×10 marks)

Paper - 14
Advanced Financial Management and International Fiance

Chapter - 1 : Planning Environment

2008 - June [8] Write short notes on the following :
(d) Techniques of financial forecasting (4 marks)

Chapter - 3 : Exchange of Rate, Foreign Trade and Indices

2008 - June [4] (a) Venture Capital is considered to be a high risk capital. Do you agree ? Enumerate the main features of Venture Capital Investments.
(6 marks)

2008 - June [8] Write short notes on the following :
(e) Role of mutual funds in the financial market,
(f) Secondary market. (4 marks each)

Chapter - 5 : Operating & Financial Leverages

2008 - June [2] (a) The financial highlights of AMTEK LTD. for the year 2007-08 are as given under :

EBDIT	Rs. 830 crore
Depreciation	Rs. 6 crore
Effective Tax Rate	30%
EPS	Rs. 4.00
Book Value	Rs. 30 per share
Number of Outstanding shares	33 crore
D/E Ratio	1.5 : 1

Required :

(i) Calculate Degree of Financial leverage.

(ii) What is the Financial Break-even Point of Amtek Ltd.

(iii) What should be the impact of EPS if the EBIT is increased by 5%

(3+2+1 marks)

Chapter - 7 : Cost of Capital

2008 - June [3] (a) NEEL LTD. which is specialized in manufacturing garments is planning for expansion to handle a new contract which it expects to obtain. An investment bank have approached the company and asked whether the Co. had considered venture capital financing. In 2001, the company borrowed Rs. 100 lacs on which interest is paid at 10% p.a. The company shares are unquoted and it has decided to take your advice in regard to the calculation of value of the company that could be used in negotiations, using the following available information and forecast. Company's forecast turnover for the year ending 31st March, 2005 is Rs. 2000 lacs, which is mainly dependent on the ability of the company to obtain the new contract, the chance for which is 60%. Turnover for the following year is dependent to some extent on the outcome of the year ending 31st March, 2005.

Following are the estimated turnovers and probabilities :

Year 2005		Year 2006	
Turnover Rs. (in lacs)	Prob.	Turnover Rs. (In lacs)	Prob.
2,000	0.6	2.500	0.7
1,500	0.3	3,000	0.3
1,200	0.1	2.000	0.5
		1,800	0.5
		1,500	0.6
		1,200	0.4

Operating costs, inclusive of depreciation, are expected to be 40% and 35% of turnover, respectively, for the years 31 st March, 2005 and 2006. Tax is to be paid at 30%. It is assumed that profits after interest and taxes are FREE CASH FLOWS. Growth in earnings is expected to be 40% for the years 2007, 2008 and 2009, which will fall to 10% each year after that. Industry average cost of equity (net of tax) is 15%.

Note : Extracted from the table of PV.

P VIF at 15% for 0 to 5 years : 1.000, 0.870, 0.756, 0.658, 0.572, 0.497

(4+4+2+2 marks)

2008 - June [4] (b) Your client is holding the following securities :

Particulars of the securities	Cost Rs.	Dividends Rs.	Market price Rs.	Beta
Equity Shares				
Co. X	8000	800	8200	0.8
Co.Y	10000	800	10500	0.7
Co. Z	16000	800	22000	0.5
PSU Bonds	34000	3400	32300	1.0

Assuming the risk free rate of 15%, Calculate :

(i) Expected rate of return in each, using the Capital Asset Pricing Model (CAPM).

(ii) Average return of the portfolio. (3 + 3 marks)

2008 - June [8] Write short notes on the following :

(b) Objectives of portfolio management,

(c) Strategic rollup, (4 marks each)

Chapter - 8 : Capital Budgeting

2008 - June [6] SURAT PAPER MILLS is considering setting up a cogeneration power plant to minimize production losses that occurs due to frequent interruption of power supply. The proposed plant is contemplated to meet the power requirement of the duplex board paper manufacturing continuous process plant. The capital cost of the cogeneration plant is estimated to be Rs. 126 million with phasing of expenditure as given below :

Year	0	1
Capital expenditure (Rs. Million)	84	42

The capital cost will be met through company's own capital of Rs. 38 million and borrowing of the balance amount from the financial institution at an interest rate of 8.85 percent .

The savings in electricity cost is projected as given under :

Year	Generation in million kwh	Present supply cost (Rs. per kwh)	Cogeneration cost (Rs. per kwh)	Savings (Rs. per kwh)
1	7.55	4.88	3.87	1.01
2	24.53	5.07	3.99	1.08
3	24.53	5.26	4.11	1.15
4	24.53	5.47	4.23	1.24
5	24.53	5.68	4.36	1.32
6	24.53	5.90	4.49	1.41
7	24.53	6.14	4.62	1.52
8	24.53	6.37	4.76	1.61
9	24.53	6.63	4.90	1.73

Required :

(i) Do you think setting up a cogeneration plant a viable option for the company ? Support your answer with necessary calculations.

(ii) Also estimate levelized cost of generation per unit using the cogeneration plant. You may ignore tax effect and assume cost of equity of 16 percent.

Note : Extracted from the Table of PV

(i)	PVIF at 11% for O to 9 years are	:	1.0000, 0.9009, 0.8116, 0.7312, 0.6587, 0.5935, 0.5346, 0.4817, 0.4339, 0.3909.
(ii)	PVIF at 16% for O to 9 years are	:	1.0000, 0.8621, 0.7432, 0.6407, 0.5523,0.4761, 0.4104, 0.3538, 0.3050, 0.2630.
(iii)	PVIFA for 9 years at 11%	:	5.5370
(iv)	PVIFA for 9 years at 16%	:	4.6065 (2+7+6+1 marks)

Chapter - 10 : Financial Services

2008 - June [2] (b) PROGRESSIVE LTD. sells its products to wholesale distributors. The management is worried over the liquidity and is exploring methods of improving the cash flow, by speeding up collection from debtors. The following table summarises its turnover and profits for the last two years and comparable debtors level as at the end of last two years.

The alternatives before the management are :

(i) Offer a 2% discount to customers who settle within 10 days of invoicing. It is estimated that 50% of customers would take advantage of this offer.

(ii) Seek the services of a factor, who will operate on a "service only" basis, administering and collecting payments from customers. Savings are expected to be Rs. 5,00,000 annually; also debtor days will come down to 45 days. Charges payable to the factor would be 1.5% of turnover. Progressive Ltd. can borrow from bank at 15% per annum.

Amount in Rs.'000

	Year 0	Year I
Turnover	60000	80000
Profits	11500	15000
Debtors	8000	13000

Required :

Analyse the costs and benefits of both alternatives and state the preferred course of action.

[*Note:* Take 365 days in a year] (5+4+1 marks)

Chapter - 11 : Financial Statements Financial Ratio Analysis

2008 - June [7] (a) WELSH LTD has 150000 equity shares of Rs.10 each and 12%. Long-term debt of Rs. 1200000 outstanding at the beginning of the year 2008-09. The finance department of the company has generated the following forecast financial statistics for the year 2008-09.

Return on Total Assets (ROTA) (EBIT/Total Assets)	25 per cent
Debt ratio (External liabilities/equity)	0.75
Effective interest rate (EIR) (Interest expenses/Total liabilities)	10 per cent
Current Assets to Fixed Assets	0.60 : 1
Tax Rate	40%

The Assets, Liabilities and equity figures used to compute the above financial statistics are based on forecast balances as at 31.3.2009. The company has no plant to change its equity share capital and long-term debt.

Requirements :

(i) Prepare the forecast Balance Sheet as at 31st March, 2009 with as many details as possible; and

(ii) Forecast Earnings per share *(EPS)*. Show necessary workings.

(3+3+4 marks)

Chapter - 14 : Dividend Policies

2008 - June [4] (c) What are the determinants of Dividend Policy ?

(4 marks)

2008 - June [7] (b) The following information pertains to RICO LTD.

	(Amount in Rs. Lakh)
Net profit	60
Outstanding 12% preference shares	200
Number of shares outstanding	6 lakh
Return on Investment	20%
Equity capitalisation rate	16%

Required :

(i) What should be dividend pay-out ratio so as to keep the share price at Rs. 41.25 by using WALTER MODEL ?

(ii) What is the optimum dividend pay-out ratio according to Walter Model. (5+1 marks)

Chapter - 15 : Risk Management and International Finance

2008 - June [3](b) In March, 2008 SURAVESH INDUSTRIES makes the following assessment of the Dollar rates per British pound to prevail as on 1.09.2008.

$/Pound	Probability
1.6	0.15
1.7	0.20
1.8	0.25
1.9	0.20
2.0	0.20

(i) What is the expected spot rate for 1.09.2008 ?

(ii) If, as of March, 2008, the 6-month forward rate is $ 1.80, should the firm sell forward its pound receivables due in September, 2008 ?

(3 +1 marks)

2008 - June [5] (a) SUNSHINE LTD., an Indian based Company has subsidiaries in U.S. and U.K. whose forecast surplus funds for the next 30 days (June 2008) are given below :

U.S. subsidiary :	$ 12.00 million
U.K. subsidiary :	$ 6.00 million

The following informations pertaining to exchange rates are obtained :

	$ Rs.	£ /Rs.
Spot	0.0243	0.0148
30 days forward	0.0245	0.0150

The borrowing/deposit rates per annum (simple) are available :

Rs.	8.4%/7.5%
$	1.6%/1.5%
£	4.0%/3.8%

The Indian operation is forecasting a cash deficit of Rs. 400 million. It is assumed that interest rates over based on a year of 360 days.

Required :

(i) Calculate the cash balance in Rupees at the end of 30 days period (at the end of June, 2008) for each company under each of the following scenarios ignoring transaction costs and taxes :

(A) Each company invests/finances its own cash balances/deficits in local currency independently.

(B) Cash balances are pooled immediately in India and the net balances are invested/borrowed for the 30 days period.

(ii) Which method do you think preferable from the parent company's (Sunshine Ltd.) point of view ? (5+3+1 marks)

2008 - June [5] (b) MUMBAI LTD. is an Indian company, they are in the process of raising a US dollar loan and are negotiating the rates with City Bank. The company has been offered a fixed rate of 7% p.a. with a proviso that should they opt for a floating rate, the interest rate is likely to be linked to the Bench mark rate of 60 basis points over the 10-year US T Bill Rate, with interest refixation on a three monthly basis. The expectations of Mumbai Ltd are that the dollar interest rates with fall, and are inclined to have a flexible mechanisms built into their interest rates. On enquiry they find that they could go for a swap arrangement with CHENNAI INDIA LTD. who have been offered a floating rate of 120 basis points over 10-year US T Bill Rate, as against a fixed rate of 8.20%. Describe the swap on the assumption that the swap differential is shared between Mumbai Ltd. and Chennai India Ltd. in the proportion of 2 :1. (1+5+1 marks)

2008 - June [8] Write short notes on the following :

(a) Forward-to-forward contracts, (4 marks)

Chapter - 16 : Objective Questions

2008 - June [1] {C} (a) In each of the cases given below one out of four is correct. Indicate the correct answer (= 1 mark) and give your workings/reasons briefly : (1 mark)

(i) MILTON LTD. is foreseeing a growth rate of 10% per annum in the next 2 years. The growth rate is likely to 12% for the third and fourth year. After that the growth rate is expected to stabilize at 8% per annum. Given that, the present value of dividend stream for first 2 years is Rs. 3.03 and for next 2 years is Rs. 3.08. If the last dividend paid was Rs. 1.50 per share and the investor's required rate of return is 10%, the intrinsic value per share of Milton Ltd. as of date will be [Given PVIF (10%, 4 years) = 0.6830.]

(A) Rs. 90.20
(B) Rs.90.12
(C) Rs.89.95
(D) none of (A), (B), (C)

(ii) GEMINI LTD. has total assets of Rs. 60 crore and a Debt/equity ratio of 0.5. Its sales are Rs. 27 crore and it has total fixed cost of Rs. 7 crore. If the company's EBIT is Rs. 6 crore, its tax rate is 40 per cent and the interest rate on debt' is 12 per cent, the ROE of Gemini Ltd. would be

(A) 4.40%
(B) 5.40%
(C) 6.20%
(D) insufficient information

(iii) Ms. SHEETAL buys 10000 shares of Rudson Ltd. at Rs. 50 and obtains a complete hedge of shorting 400 Nifties at Rs. 2200 each. She closes out her position at the closing price of the next day at which point the share of Rudson Ltd. has dropped 2% and the Nifty future has dropped 1.5%. What is the overall profit/ (loss) of this set of transaction ?

(A) Gain Rs. 3200
(B) Gain Rs. 2200
(C) Loss Rs. 3200
(D) Loss Rs 2000

(iv) CITI Bank wants to calculate Rupee TT Selling rate of exchange for DM since a deposit of DM 1,00,000 in a FNCR A/c has matured, when:

EURO 1= DM 1.95583 (locked in rate)
EURO 1= US $ 1.02348/43
US $ 1= Rs. 40.51/53.

What would be the Rupee TT Selling rate for DM currency that the bank can consider for the said A/c. ?

(A) Rs. 25.3851
(B) Rs. 21.1988
(C) Rs. 21.2082
(D) None of (A), (B), (C)

(v) The total market value of the equity shares of ANKIT LTD. is Rs.60 lakh and the total value of debt is Rs. 40 lakh. The treasurer estimates that the beta of the stock is currently 1.5. Assume that debt beta is zero. If the expected risk premium on the market is 10% and the Treasury bill rate is 8%. What will be the cost of capital of Ankit Ltd. ?
(A) 23%
(B) 17%
(C) 16%
(D) Insufficient data (2×5 marks)

2008 - June [1]{C} (b) Match each item in the left hand Column I with an appropriate item in the right hand Column II :

	Column I		*Column II*
(i)	Dry lease	(A)	Lessor
(ii)	Record date	(B)	Lessee
(iii)	Residual value	(C)	Dividend payment
(iv)	A put on call option	(D)	Binary option
(v)	Cash or nothing	(E)	Compound option
		(F)	Asian option
		(G)	Barrier option

(1×5 marks)

2008 - June [1] {C} (c) State whether each of the following statements is *True (T)* or *False (F)* :

(i) Fair value of a share that is listed, is the price of the share in the Stock Exchange.
(ii) Excessive working capital results in production interruptions and inefficiencies.
(iii) Reviving a sick unit is far more risky than launching a new project.
(iv) As far as inventories are concerned, drawing power under Cash Credit System considers only the *paid* and *moving* items of the stock.
(v) Buy-back of shares always leads to reduction of capital. (1×5 marks)

Paper - 15

Strategic Management and Marketing

Chapter - 1 : Planning Environmental Economics

2008 - June [2] (a) 'The intensity of competition depends on several factors.' Identify these factors and discuss briefly on them. (8 marks)

2008 - June [3] (b) 'International business conditions are having an increasingly significant impact on organizations'. State these conditions in detail. (8 marks)

Chapter - 2 : Strategies

2008 - June [4] While pioneers generally enjoy certain advantages, sometimes, the crafty imitators or the later entrants too, enjoy their share after a pioneers' successful entry.

In view of the above —

(a) List the advantages enjoyed by the pioneers;

(b) Identify the benefits the imitators or the later entrants may enjoy; and

(c) Discuss some successful strategies taken by such non-pioneers in India.

(4+4+8 = 16 marks)

2008 - June [5] M/s. ABC Ltd., is a conglomerate that consists of five Strategic Business Units (SBUs). Information relating to each SBU (and the market leader or the nearest competitors) is given below :

	Current Market Share			**Expected Market Growth Rate**
S. B. U.	**M/s. ABC Ltd.**	**Market Leader %**	**Nearest Competitor %**	
Tiles	3	25		small
Cosmetic	1	6		nil
Food products	25		5	slowly declining
Cattle feed	0.025	0.5		high
Software	10		8	rapid

Required :

(a) Comment on M/s. ABC Ltd.'s overall competitive position by applying the BCG Growth Share Matrix.

(b) Highlight the problems in using the BCG Growth Share Matrix.

(8+8 = 16 marks)

2008 - June [7] Case Study :

Two Companies are discussing a potential merger. Company A is assessing the impact of a potential offer to Company B at a price of Rs.65, as compared to Company B's current price of Rs. 54.

Company A has a price-earning ratio of 12 X, with current EPS of Rs.8, a dividend of Rs. 2 and a market price of Rs. 90 to Rs. 100, with a recent price of Rs. 98. One crore shares are outstanding.

Company B has a price-earning ratio of 20 X and is growing at twice the 6% rate of Company A. Company B's current EPS is Rs. 3. It pays no dividend and its market price is ranging between Rs. 45 and Rs. 70. Ten lakh shares are outstanding.

Calculate the appropriate measures to assess the impact of these terms and discuss potential implications. (16 marks)

2008 - June [8] Write short notes on :

(a) Core business analysis (4 marks)

Chapter - 3 : Model Buildings and Models

2008 - June [2] (b) Can cost leadership strategy allow a firm to earn above-average returns despite strong competitive forces? Discuss using the case of Air Deccan or Nano. (8 marks)

2008 - June [3] (a) What is 'Portfolio Planning'? What is 'Boston Classification'? Why the public sector insurance companies have started using BCG services of late? (8 marks)

2008 - June [6] (b) What are the ways of strengthening a company's position relative to that of its competitors? Discuss. (8 marks)

Chapter - 4 : Basic Concepts of Marketing

2008 - June [8] Write short notes on :

(c) Classification of goods based on consumer habit (4 marks)

Chapter - 5 : Control or Applications of Management Accounting in Marketing

2008 - June [6] (a) The link between the formulation and the implementation of marketing strategy is the Marketing Action Plan. Define and discuss any four of the basic strategic decisions indicated in a Marketing Action Plan. (8 marks)

2008 - June [8] Write short notes on :

(b) Branding strategies; (4 marks)

Chapter - 6 : Evaluation of Sales Promotion and Advertisement

2008 - June [8] Write short notes on :

(d) Benchmarking. (4 marks)

Chapter - 7 : Objective Questions

2008 - 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 Planning' focuses on forecasting the future by using economic and technical tools;

(ii) 'Market forecast' by a company involves the selection of its market and setting as an objective a target share of each market segment;

(iii) 'Repositioning' involves moving the product or brand into a different market segment;

(iv) 'Divestment' means selling off a part of a firm's operations, or putting out of certain product-market operations;

(v) 'Debt recovery' is an arrangement to have debts collected by a factor company, which advances a proportion of the money it is due to collect. (1×5 = 5 marks)

2008 - June [1] {C} (b) Define the following terms (in not more than one/two sentences) :

(i) Exit barrier;

(ii) Acquisition;

(iii) Conglomerate diversification;

(iv) Eye Camera;

(v) Overtrading. (1×5 = 5 marks)

2008 - June [1] {C} (c) Choose the most appropriate one from the stated options and write it down :

(i) Attacking other niche markets and exploiting them one by one is;
(A) Aggressive strategy;
(B) Attack strategy;
(C) Acquisition strategy;
(D) Take over strategy.

(ii) For an actor in Bollywood, his outstanding performance would be a/an
(A) Asset;
(B) Strategic asset;
(C) Core competency;
(D) Capability.

(iii) If an airline firm purchases a hotel, this would be an example of
(A) Strategic alliance;
(B) Market expansion;
(C) Forward integration;
(D) Backward integration.

(iv) In product life cycle,'warhorses' indicates
(A) Negative cash flows;
(B) High share and negative growth;
(C) Low share and negative growth;
(D) High share, negative growth and positive cash flow.

(v) In product life cycle, 'cash cows' indicates
(A) High share;
(B) Low growth and negative cash flow;
(C) High share, low growth and large positive cash flow;
(D) Low share, high growth and large positive cash flow.

(vi) A new organization built through the combined resources of two or more existing entities is a
(A) Joint venture;
(B) Merger;
(C) Reorganization;
(D) Association.

(vii) According to Porter, three generic strategies available to business are
(A) Low cost, market development and diversification;
(B) Market development, niche and diversification;
(C) Differentiation, low cost and niche;
(D) Differentiation, diversification and market development.

(viii) A product that offers either a radical performance advantage over competition or drastic lower price or both is a
(A) Competitive product;
(B) Improved product;

(C) Breakthrough product;
(D) Credence product.

(ix) In value-chain model, primary activities include all of the following except
(A) In bound logistics;
(B) Operations;
(C) Customer service;
(D) Procurement.

(x) 3-'C' model in business management (value-based) consists of
(A) Customers, cost and competitors;
(B) Customers, context and channels;
(C) Cost, capital and capability;
(D) Competitors, channels and context. (1×10 = 10 marks)

Paper - 16

Strategic Tax Management

Chapter - 2 : Direct Tax Planning

2008 - June [2] Krishnan (HUF) furnishes the following particulars of income and expenditure for the year ended 31.3.2008 :

	Rs.		Rs.
To staff salaries	2,40,000	By Gross Profit from own business	7,00,000
"Mediclaim premium	18,000	"I.T. refund	14,000
"Life Insurance premium	80,000	"Interest on bank deposits	10,009
"PPF	22,000	"Interest accrued on PPF	14,000
"Loss under short-term "capital gain	40,000	"Share income from firm	92,000
"Net Surplus	5,20,009	"Interest on Capital from firms	90,000
	9,20,009		**9,20,009**

The following additional information are available :

(a) I.T. refund includes interest of Rs. 1,000.

(b) Assessee is a partner in a firm Hema & Co. in which Mr. Sugavanam, the kartha represents the HUF. Interest on capital is at the rate of 15%. In addition to share income and interest on capital, Mr. Sugavanam who is a working partner in the firm, was paid a salary of Rs. 2,40,000 by the firm. Another working partner was paid a salary of like amount. Under section 40(b), the amount deductible in the firm's hands in respect of salary to working partners, may be taken as Rs. 3,60,000. Mr. Sugavanam is not a senior citizen.

(c) Mr. Sugavanam runs his own individual business. For the year ended 31.3.2008, the result of the said business are :

Unabsorbed depreciation .... Rs. 50,000
Unabsorbed business loss .... Rs. 40,000
Mr. Sugavanam has received interest on bank deposits to the tune of Rs.30,000.
Compute the total income of Krishnan (HUF) and Mr. Sugavanam (individual) for the assessment year 2008-09, and the tax payable.
(16 marks)

2008 - June [8] Write short notes on the following :
(c) Conditions for allowing deduction of bad-debts under Income Tax Act.
(4 marks)

Chapter - 4 : Exemptions, Deductions and Rebates

2008 - June [4] (a) "Short-term capital loss can be set off only against short-term capital gains". Discuss. (6 marks)

Chapter - 6 : Corporate Structure Tax Implication

2008 - June [3] From the following information pertaining to Vivitha Petrochemicals Ltd. for the year ended 31.3.2008, compute the tax liability for the company under section 115-JB of the Income Tax Act, 1961 (you may ignore computation as per normal provisions) :

(a) The net profit of the company, after the adjustments/information given hereinafter, is Rs. 30 crores.
(b) FBT paid by the assessee is Rs. 50 lacs.
(c) Provision for income-tax of current year Rs. 8 crores, Deferred tax Rs. 2 crores.
(d) Depresiation debited to the P&L A/c is Rs. 2.3 crores. This includes depreciation on account of revaluation of assets to the tune of Rs.50 lacs. A sum of Rs. 30 lacs was withdrawn from the Revaluation Reserve and credited to the P&L A/c.
(e) Assessee sold shares held in A Ltd. for 12 months, for Rs. 20 crores. STT on sale was 0.1%. The same had been purchased 3 years back for Rs. 12 crores (excluding STT of 0.075%) Brokerage of 10 lacs was paid on sale.

The Profit arising from sale was not credited to the P&L A/c, but taken directly to Capital Reserve Account. (All workings may be in Rupees in crores) (16 marks)

Chapter - 7 : Tax Planning on Wealth Tax

2008 - June [4] (b) Mr. A has the following assets on 31.3.2008 :

Assets	Market value on 31.3.2008 Rs. lakhs	Loan outstanding on 31.3.2008 Rs. lakhs (loans taken to acquire the asset)	Security given for taking the Loan
Gold and silver	80	6	Shares
Shares	10	3	House B
Residential House A	50	4	Gold
Residential House B	42	38	Personal

Commercial House C (used for carrying on own business)	95	5	Personal
Boat	8	12	Gold
Motor cars	11	1	Silver
Bank deposit	1	1	—
Residential House D (Let out throughout the Financial Year 2007-08)	55	40	House D
Commercial complex (having 20 offices)	190	100	Commercial complex

A also took a bank loan of Rs. 75,000 against the security of his car for his friend's marriage. Out of the Rs. 12 lakh loan taken by him for purchasing the boat, he utilized Rs. 1 lakh for his foreign visit. Compute the net wealth for assessment year 2008-09. (10 marks)

Chapter - 8 : Central Excise - Classification and Valuation

2008 - June [5] (b) Deepak Bazar Ltd., a trading company, supplies fabrics to an independent processor. The cost of fabrics supplied is Rs. 8,150. The job worker charges Rs. 4,500 which includes Rs. 3,500 as processing charges and Rs. 1,000 as its profit. Deepak Bazar Ltd. sells the goods from the factory of job worker at Rs. 18,000. The rate of excise duty is 14% plus education cess as applicable. Determine the assessable value of the goods. (8 marks)

2008 - June [6] (a) Explain the non-applicability of "transaction value" with reference to section 4 of the Central Excise Act, 1944. (8 marks)

2008 - June [8] Write short notes on the following :

(b) Dutiability of waste and scrap. (4 marks)

(e) "Manufacture" under Central Excise Act. (4 marks)

Chapter - 9 : Other Aspects of Central Excise

2008 - June [6] (b) Discuss various circumstances where the small scale exemption will be available to the manufacturer of excisable goods bearing the brand name of another person. (8 marks)

Chapter - 10 : Customs Laws

2008 - June [5] (a) Explain highlights of new section 14 of Customs Act for valuation of imported goods. (8 marks)

2008 - June [8] Write short notes on the following :

(a) (i) Customs Port, (ii) Goods, both with reference to Customs Act. (4 marks)

(f) Remission of customs duty on lost, destroyed or abandoned goods. (4 marks)

Chapter - 11 : Central Sales Tax Laws

2008 - June [7] (b) Enumerate transactions, which are not 'sale' for purposes of CST Act. (8 marks)

2008 - June [8] Write short notes on the following :

(d) Declared goods under CST Act with six instances. (4 marks)

Chapter - 13 : Objective Questions

2008 - June [1] {C} (a) Fill in the blanks :

(i) Under section 194-I of the Income-tax Act, 1961 the rate at which tax has to be deducted at source is _____________ per cent for the use of any machinery and _____________ per cent for the use of land owned by a firm. (2 marks)

(ii) The expenses relating to special audit under section 142 (2A) of the Income-tax Act, 1961 is payable by ____________ . (1 marks)

(iii) Subsidy received from Govt. which is directly relatable to an individual clearance is _____________ (includible/not includible), since _____________ (state brief reason). (2 marks)

(iv) Steamer agents can file application for entry outwards _____________ days in advance. (1 marks)

2008 - June [1] {C} (b) State with reasons whether True or False :

(i) A computer manufacturer purchases mouse and sells them to buyers of personal computer, along with the computer. The value of the mouse does not form part of assessable value of the computer for excise duty purpose, chargeable to duty at 10%.

(ii) Import report in case of a vehicle is to be submitted prior to the arrival at customs station.

(iii) Only 'branded' software are regarded as 'goods' under the Central Sales Tax Act, 1956; 'unbranded' software is not so regarded.

(iv) The maximum amount which an eligible assessee can invest in 'long-term specified assets' like NABARD Bonds for claiming exemption under section 54 EC is fifty lakhs rupees.

(v) Where an application for settlement of a wealth tax case is rejected by the Settlement Commission, the information furnished in the settlement application are confidential and cannot be made use by the WTO in any subsequent proceeding.

(vi) Additional duty of customs u/s. 3(5) of the Customs Act is payable only on import of industrial products and not on import of agricultural products.

(vii) Central Government is empowered to publish names and other particulars of defaulters of central excise. (2×7 = 14 marks)

New Chapter -

2008 - June [7] (a) Discuss the principles relating to "Promissory Estoppel." (8 marks)