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# SCANNER™ Appendix

IPCC Gr. II (New Course)  
May - 2010

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## PAPER'S

### Paper - 5 : Advanced Accounting

#### Chapter - 1 : Preparation and Presentation of Financial Statements

2010 - May [1] Answer the following questions :

- (ix) From the following information, calculate the amount of Sundry Debtors as on 31.3.2010 :
- Balance as on 1.4.2009 is Rs. 50,000.  
Bad debts are 2% and discount to the customers is given @ 1% of the opening balance of Sundry Debtors.  
Returns from the customers are Rs. 3,000.  
Cash received from Debtors is Rs. 2,30,000.  
Cash received from Debtors in transit is Rs. 14,000.  
Cash Sales are Rs. 5,00,000.  
Credit Sales are Rs. 2,50,000. (2 marks)
- (x) Closing stock for the year ending on 31.3.2010 is Rs. 50,000 which includes stock damaged in a fire in 2008-09. On 31.3.2009 the estimated net realisable value of the damaged stock was Rs. 12,000. The revised estimate of net realisable value included in closing stock of 2009-10 is Rs. 4,000.  
Find the value of Closing stock to be shown in Profit and Loss account for the year 2009-10. (2 marks)

#### Chapter - 2 : Accounting Standards

**2010 - May [1]** Answer the following questions :

- (ii) Santosh Ltd. has received a grant of Rs. 8 crores from the Govt. for setting up a factory in a backward area. Out of this grant, the company distributed Rs. 2 crores as dividend. Also, Santosh Ltd. received land free of cost from the State Government but it has not recorded it at all in the books as no money has been spent. In the light of AS 12, examine, whether the treatment of both the grants is correct. (2 marks)
- (iii) Rohini Limited has obtained loan from an Institution for Rs. 500 lacs for modernization and renovating its Plant and Machinery. The installation of plant and machinery was completed on 31.3.2009 amounting to Rs. 320 lacs and Rs. 50 lacs advanced to suppliers of additional assets and the balance of Rs. 130 lacs has been utilized for working capital requirements. Total interest paid for the above loan amounted to Rs. 65 lacs during 2008-09. You are required to state how the interest on institutional loan is to be accounted for in the year 2008-09. (2 marks)
- (iv) A Company follows April to March as its Financial Year. The Company recognizes cheques dated 31<sup>st</sup> March or before, received from customers after balance sheet date, but before approval of Financial statement by debiting cheques in hand A/c and crediting Debtors A/c. The cheques in hand is shown in the Balance Sheet as an item of cash and cash equivalents. All cheques in hand are presented to bank in the month of April and are also realised in the same month in normal course after deposit in the bank. State with reasons, whether the collection of cheques bearing date 31<sup>st</sup> March or before, but received after Balance Sheet date is an adjusting event and how this fact is to be disclosed by the company ? (2 marks)

**2010 - May [6]** (c) B & P Ltd. availed a lease from N & L Ltd. The conditions of the lease terms are as under :

- (i) Lease period is 3 years, in the beginning of the year 2009, for equipment costing Rs. 10,00,000 and has an expected useful life of 5 years.
- (ii) The Fair market value is also Rs. 10,00,000.
- (iii) The property reverts back to the lessor on termination of the lease.
- (iv) The unguaranteed value is estimated at Rs. 1,00,000 at the end of the year 2011.
- (v) 3 equal annual payments are made at the end of each year.

Consider IRR = 10%

The present value of Re. 1 due at the end of 3<sup>rd</sup> year at 10% rate of interest is Re. 0.7513.

The present value of annuity of Re. 1 due at the end of 3<sup>rd</sup> year at 10% IRR is Rs. 2,4868.

State whether the lease constitute finance lease and also calculate unearned Finance income. (4 marks)

**Chapter - 4 : Underwriting of Shares and Debentures**

**2010 - May [6]** Answer the following :

(a) Chaitanya Limited issues 40,000 shares. Issue is underwritten by A, B and C in the ratio of 5 : 3 : 2 respectively. Unmarked applications totalled 2000 whereas marked applications are as follows :

A	—	16,000
B	—	5,700
C	—	8,300

Calculate the Net liability of each one of the underwriters. (4 marks)

**Chapter - 5 : Amalgamation and Reconstruction**

**2010 - May [3]** Following is the Balance Sheet of XYZ Ltd. as on 31<sup>st</sup> March, 2010 :

Liabilities	Rs.	Assets	Rs.
8000 – 7 % Preference shares @ Rs. 100 each fully paid	8,00,000	Plant and Machinery	8,50,000
1,80,000 Equity shares @ Rs. 10 each fully paid	18,00,000	Furniture and Fittings	1,60,000
11% Debentures	10,00,000	Patents and Copy right	60,000
Bank overdraft	1,65,000	Goodwill	35,000
Loan from director	15,000	Investments (at cost)	65,000
Trade creditors	<u>6,20,000</u>	Sundry debtors	12,00,000
	<u>44,00,000</u>	Stock	13,00,000
		Cash in hand	12,000
		Profit & Loss A/c	<u>7,18,000</u>
			<u>44,00,000</u>

Due to heavy losses and overvaluation of Assets, the following scheme of reconstruction was finalised :

- (i) Preference shareholder will surrender their 20% shares and they have been allotted 9% (new) preference shares for remaining amount .
- (ii) Debentureholders having charge on plant and machinery would accept plant and machinery in full settlement.
- (iii) Trade creditors accepted to take over the stock upto the value of Rs. 6,20,000.
- (iv) Equity shareholders are to accept reduction of Rs. 4 per share.
- (v) Investment is to be valued at market price i.e. Rs. 60,000.
- (vi) Sundry debtors and remaining stock is to be valued at 90% of their book value.

- (vii) Directors have to forgo their loan in full.
- (viii) Patents and Copy Right and Goodwill have on more value.

Pass necessary Journal entries in the books of XYZ Ltd. assuming that all the legal formalities have been completed. Prepare Capital reduction account and Balance Sheet of the company after reduction. (16 marks)

**Chapter - 6 : Redemption of Debentures**

**2010 - May [1]** Answer the following questions :

- (i) A Company had issued 20,000, 13% Convertible debentures of Rs. 100 each on 1<sup>st</sup> April, 2007. The debentures are due for redemption on 1<sup>st</sup> July, 2009. The terms of issue of debentures provided that they were redeemable at a premium of 5% and also conferred option to the debentureholders to convert 20% of their holding into equity shares (Nominal value Rs. 10) at a price of Rs. 15 per share. Debentureholders holding 2,500 debentures did not exercise the option. Calculate the number of equity shares to be allotted to the Debentureholders exercising the option to the maximum. (2 marks)

**Chapter - 7 : Liquidation of Companies**

**2010 - May [5]** (b) From the following Trial Balance of PQ Ltd. on 31.12.2009, prepare liquidators Final statement of account :

	Rs.	Rs.
9% Preference share capital (1250 Pref. shares @ 100 each fully paid)	—	1,25,000
Equity share capital :		
2,000 Equity shares @ 100 each fully paid	—	2,00,000
2,000 Equity shares @ 100 each Rs. 50 paid up	—	1,00,000
Plant	3,00,000	—
Stock-in-trade	3,60,000	—
Sundry Debtors	85,000	—
Sundry Creditors	—	2,21,000
Bank balance	1,20,000	—
Preliminary expenses	6,000	—
6% Mortgage loan	—	2,30,000
Outstanding liabilities for expenses	—	25,000
Profit and Loss A/c (Trading loss for the year 2009)	30,000	—
	<u>9,01,000</u>	<u>9,01,000</u>

Following points should be kept in mind :

- (i) On 21 January, 2010 the liquidator of PQ Ltd. sold plant for Rs. 2,95,000 and stock in trade at 10% less than the book value. He realised 80% of Sundry debtors and incurred cost of collection of Rs. 1,850 (remaining debtors are to be treated as bad).

- (ii) The loan mortgage was discharged as 31<sup>st</sup> January, 2010 alongwith interest for 6 months. Creditors were discharged subject to 5% discount. Out standing expenses paid at 20% less.
- (iii) Preference share dividend is due for one year and paid with final payment.
- (iv) Liquidation expenses incurred are Rs. 1,800 and liquidators remuneration is settled at 4% on disbursement to members, subject to minimum of Rs. 10,000. (8 marks)

### Chapter - 8 : Financial Statements of Banking Companies

**2010 - May [1]** Answer the following questions :

- (viii) Mention the condition when a Cash credit overdraft account is treated as 'Out of order'. (2 marks)

**2010 - May [5]** (a) Given below is an extract from the trial-balance of T.K. Bank Limited as on 31<sup>st</sup> December, 2009 :

Particulars	Debit Rs.	Credit Rs.
Bills discounted	12,64,000	—
Rebate on bills discounted (1.1.2009)	—	8,340
Discount received for the year	—	85,912

An analysis of the bills discounted is shown below :

Amount Rs.	Due date in 2010	Rate of discount (% p.a)
1,40,000	March 6 <sup>th</sup>	5
4,36,000	March 12 <sup>th</sup>	4.5
2,82,000	March 26 <sup>th</sup>	6
4,06,000	April 6 <sup>th</sup>	4

Show the workings, how the relevant items appear in the Bank's Profit and Loss account as on 31<sup>st</sup> December, 2009 and in Bank's Balance Sheet as on 31<sup>st</sup> December, 2009.

(8 marks)

**2010 - May [6]** (b) How will you disclose the following Ledger balances in the Final accounts of DVD bank :

	Rs. in Lacs
Current accounts	700
Saving accounts	500
Fixed deposits	700
Cash credits	600
Term Loans	500
Bills discounted & purchased	800

Additional information :

- (i) Included in the Current accounts ledger are accounts overdrawn to the extent of Rs. 250 lacs.

- (ii) One of the Cash Credit account of Rs. 10 lacs (including interest Rs. 1 lacs) is doubtful.
  - (iii) 60% of term loans are secured by government guarantees, 20% of cash credits are unsecured, other portion is secured by tangible assets.
- (4 marks)

**Chapter - 9 : Financial Statements of Insurance Companies**

**2010 - May [1]** Answer the following questions :

- (vi) Briefly explain “Reserve for Unexpired Risks” under General Insurance Business. What are the percentages of such reserve to be created under IRDA Act for various General Insurance? (2 marks)

**2010 - May [4]** (b) From the following information furnished to you by Ayushman Insurance Co. Ltd., you are required to pass Journal entries relating to unexpired risk reserve and show in columnar form “Unexpired Risks Reserve A/c” for 2009.

- (a) On 31.12.2008, it had reserve for unexpired risks amounting to Rs. 40 crores. It comprised of Rs. 15 crores in respect of Marine Insurance business, Rs. 20 crores in respect of Fire Insurance business and Rs. 5 crores in respect of Miscellaneous Insurance business.
- (b) Ayushman Insurance Co. Ltd. creates reserves at 100% of net premium income in respect of Marine Insurance policies and at 50% of net premium income in respect of Fire and Miscellaneous income policies.
- (c) During 2009, the following Business was conducted :

	(Amount in crores)		
	Marine	Fire	Miscellaneous
Premium collected from :			
(a) Insured in respect of policies issued	18.00	43.00	12.00
(b) Other insurance companies in respect of risks undertaken	7.00	5.00	4.00
Premium paid/payable to other insurance companies on business ceded	6.70	4.30	7.00

(8 marks)

**Chapter - 10 : Financial Statements of Electricity Companies**

**2010 - May [6]** (d) ABC Electricity Company laid down a main at a cost of Rs. 24,00,000. Some years later the company replaced by improving the plant 2/3 portion of the main at a cost of Rs. 40,00,000. The cost of material and labour having gone up by 25%. Sale of old material realised Rs. 95,000. Old material value Rs. 1,05,000 were used in renewal (included in above).

Calculate the amount to be Capitalised and show the Journal entries for recording the transaction. (4 marks)

**Chapter - 12 : Branch Accounts & Foreign Branches**

**2010 - May [1]** Answer the following questions :



2010 - May [1] Answer the following questions :

- (v) What is Piecemeal payments method under Partnership Dissolution ?  
Briefly explain the two methods followed for determining the order in which the payments are made ? (2 marks)

**Chapter - 14 : Amalgamation, Conversion and Sale of Partnership Firms**

2010 - May [2] P and Q are partners of P & Co. sharing Profit and Losses in the ratio of 3 : 1 and Q and R are partners of R & Co., sharing Profits and Losses in the ratio of 2 : 1. On 31<sup>st</sup> March, 2009, they decide to amalgamate and form a new firm M/s. PQR & Co., wherein P, Q and R would be partners sharing Profits and Losses in the ratio of 3 : 2 : 1. The Balance Sheets of two firms on the above date are as under :

Liabilities			Figures in Rs.	
	P & Co.	R & Co.	P & Co.	R & Co.
Capitals :			Fixed Assets :	
P	2,40,000	—	Building	50,000
Q	1,60,000	2,00,000	Plant & Machinery	1,50,000
R	—	1,00,000	Office equipment	20,000
Reserves	50,000	1,50,000	Current Assets :	
Sundry Creditors	1,20,000	1,16,000	Stock-in trade	1,20,000
Due to P & Co.	—	1,00,000	Sundry Debtors	1,60,000
Bank Overdraft	80,000	—	Bank Balance	30,000
			Cash in hand	20,000
			Due from R & Co.	1,00,000
	<u>6,50,000</u>	<u>6,66,000</u>		
				<u>6,50,000</u> <u>6,66,000</u>

The amalgamated firm took over the business on the following terms :

- Building of P & Co. was valued at Rs. 1,00,000.
- Plant and Machinery of P & Co. was valued at Rs. 2,50,000 and that of R & Co. at Rs. 2,00,000.
- All Stock in Trade is to be appreciated by 20%.
- Goodwill valued of P & Co. at Rs. 1,20,000 and R & Co. at Rs. 60,000, but the same will not appear in the books of PQR & Co.
- Partners of new firm will bring the necessary cash to pay other partners to adjust their capitals according to the Profit sharing ratio.
- Provisions for doubtful debts has to be carried forward at Rs. 12,000 in respect of debtors of P & Co. and Rs. 26,000 in respect of debtors of R & Co.

You are required to prepare the Balance Sheet of new firm and Capital accounts of the partners in the books of old firms. (16 marks)

<b>Paper - 6 : Auditing and Assurance</b>
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**Chapter - 1 : Nature of Auditing**

**2010 - May [1]** State with reasons (in short) whether the following statements are True or False :

- (ii) The auditor compares entries in the books of accounts with vouchers and if two agrees, his work is done. (2 marks)
- (vi) When an auditor identifies a Misstatement resulting from fraud, it is his responsibility to communicate it to the regulatory and enforcement authorities apart from those charged with governance. (2 marks)

**Chapter - 2 : Basic Concepts in Auditing**

**2010 - May [1]** State with reasons (in short) whether the following statements are True or False :

- (iii) Confirmations received by the auditor directly from third parties are conclusive evidence in support of a transaction. (2 marks)

**2010 - May [8]** Write short notes on the following :

- (a) Substantive Procedures (5 marks)

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

**2010 - May [8]** Write short notes on the following :

- (b) Audit Working Papers. (5 marks)

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

**2010 - May [6]** (a) 'Doing the audit in EDP environment is simpler since Trial Balance always tallies.'

Analyse the statement critically. (5 marks)

**Chapter - 7 : Cash Receipts**

**2010 - May [7]** How would you vouch/verify the following ?

- (b) Receipt of Capital subsidy. (5 marks)

**Chapter - 9 : Audit of Trading Transactions and Purchases**

**2010 - May [3]** A trader is worried that inspite of substantial increase in sales compared to earlier year, there is considerable fall in Gross Profit after satisfying himself that sales and expenses are correctly recorded and that the valuation of inventories is on consistent basis, he wants to ensure that purchases have been truthfully recorded.

How will you proceed with this assignment ? (10 marks)

**Chapter - 13 : Depreciation and Reserves**

**2010 - May [1]** State with reasons (in short) whether the following statements are True or False :

- (v) A company can not declare dividends without providing for depreciation. (2 marks)

**Chapter - 17 : Company Auditor**

**2010 - May [1]** State with reasons (in short) whether the following statements are True or False :

- (vii) The auditor should study the Memorandum and Articles of Association to see the validity of his appointment. (2 marks)
- (x) The company in which 15% of subscribed capital is held by State Financial Corporation and 10% of Subscribed capital is held by General Insurance Co., the appointment of auditor can be done by passing a general resolution at annual general meeting. (2 marks)

**2010 - May [2]** Comment on the following situations :

- (a) Mr. Y was appointed as an auditor of PQR Ltd. for the year ended 31.3.2009 at Annual General Meeting held on 16.08.2008. Mr. Y has been indebted to the company for sum of Rs. 10,000 as on 1.4.2008, the opening date of accounting year which has been subject to his audit. However, Mr. Y having come to know that he might be appointed as auditor, he repaid the amount on 10.8.2008. One of the shareholders, complains that the appointment of Mr. Y as an auditor was invalid because he incurred disqualification u/s 226 of the Companies Act, 1956. (6 marks)

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

**2010 - May [2]** Comment on the following situations :

- (b) XYZ (Pvt.) Ltd. has paid up Capital and Reserves of Rs. 60 lacs and secured Loans of Nationalised Banks having sanctioned limit of Rs. 28 lacs and outstanding balance of Rs. 23 lacs. The turnover of the company is 5.10 crores for the year ended 31.3.2009. A customer returns goods worth 40 lacs on 2.4.2009, out of sales made during the year ended 31.3.2009. The management of CO. is of the opinion that CARO, 2003 is not applicable to the company. (6 marks)

**2010 - May [2]** Comment on the following situations :

- (c) C Ltd. declared dividend amounting to Rs. 5 lacs out of Profits for the year ended 31.3.2009. Subsequently, it was noticed that company had failed to make provisions for Outstanding expenses of Rs. 7.80 lacs and Closing stock was also over valued, which was not reported by auditors of the company. Management of C Ltd. holds auditors responsible for this situation. (8 marks)

**2010 - May [4]** (b) Differentiate between 'Qualified report' and 'Adverse report'.

**2010 - May [6]** (b) 'A Joint Auditor is not bound by the views of the majority of the joint auditors regarding matters to be covered in the report.'

Justify this statement in the light of responsibilities of Joint Auditors under AAS 12. (5 marks)

#### **Chapter - 19 : The Company Audit**

**2010 - May [1]** State with reasons (in short) whether the following statements are True or False :

- (iv) Audit Committee is to be formed by each and every company and the auditor has no compulsion to attend the meeting of the Audit Committee. (2 marks)
- (viii) A special resolution is required by company to authorise issue of shares at discount. (2 marks)
- (ix) The Investments made by the company in Government Securities like NSC, Government Bonds, etc. should be kept in personal custody of Financial Controller of the Company. (2 marks)

**2010 - May [7]** How would you vouch/verify the following ?

- (a) Reduction in Share Capital (5 marks)

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

**2010 - May [1]** State with reasons (in short) whether the following statements are True or False :

- (i) While conducting audit of Government Companies, the auditors are paid their Professional Fees as prescribed by the Government. (2 marks)

**2010 - May [5]** (a) Draft an audit programme for conducting audit of accounts of a Local Body. (5 marks)

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

**2010 - May [5]** (b) 'The extent of audit procedure performed on corresponding figure is less compared to audit of current period figures', reporting. Justify the statement with regard to auditor's duties for reporting of comparatives under AAS 25. (5 marks)

<b>Paper - 7A : Information Technology</b>
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**Chapter - 1 : Introduction of Computer**

**2010 - May [1]** (a) Describe briefly the following terms :

- (i) RISC (1 mark)
- (ii) SCSI (1 mark)

**Chapter - 3 : Software**

**2010 - May [1]** (b) Explain each of the following :

- (ii) Open Source Software (1 mark)
- (v) Multitasking. (1 mark)

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

**2010 - May [1]** (a) Describe briefly the following terms :

- (iv) Linked List (1 mark)
- (v) Metadata. (1 mark)

**2010 - May [1]** (b) Explain each of the following :

- (i) Mirror Log (1 mark)

**2010 - May [2]** Answer the following :

(b) Explain different core phases that are required in developing a backup and recovery strategy. (5 marks)

**2010 - May [5]** Write short notes on the following :

(a) Stages of Data Mining (5 marks)

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

**2010 - May [1]** (b) Explain each of the following :

(iii) Fire wall (1 mark)

**2010 - May [2]** Answer the following :

(a) Explain the value added services that a Data Centre provides (5 marks)

**2010 - May [3]** (a) Discuss the various attributes of Local Area Network (LAN). (5 marks)

(b) What is Integrated Services Digital Network (ISDN) ? Write its advantages. (5 marks)

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

**2010 - May [1]** (a) Describe briefly the following terms :

(iii) WiFi (1 mark)

**2010 - May [1]** (b) Explain each of the following :

(iv) Intranet (1 mark)

**2010 - May [5]** Write short notes on the following :

(b) Bluetooth Technology. (5 marks)

**Chapter - 8 : Flowcharting**

**2010 - May [4]** The Income-tax for the employees of an organization is calculated on the basis of their Gross Income and the Investments made by them, under Section 80CCC. The taxable income is calculated according to the following rules :

Taxable Income = Gross Income – Investments provided investments are less than 1 lac. Otherwise

Taxable Income = Gross Income – 1,00,000

Following rules are applied to calculate the Income-tax, on the Taxable Income :

Taxable Income	Income-tax
(i) 0–1,60,000	Nil
(ii) 1,60,001–3,00,000	10%, on the excess of 1,60,000
(iii) 3,00,001–5,00,000	14,000 + 20% on the excess of 3,00,000
(iv) 5,00,001 – and above	54,000 + 30% on the excess of 5,00,000

Also an educational cess of 3% of Income-tax is levied on all the employees, irrespective of the income.

Employee number, Name, Gross Income, Investment amount is given as input. Draw a flow chart to calculate the Income-tax payable by each employee. (10 marks)

**Paper - 7B : Strategic Management**

**Chapter - 1 : Business Environment**

**2010 - May [6]** State with reasons which of the following statements is correct or incorrect :

- (a) Globalisation means different things to different people. (2 marks)

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

**2010 - May [7]** (c) 'Shared Vision' and 'Vision Shared'. (2 marks)

**2010 - May [8]** (i) What tips can you offer to write a 'right' Mission Statement ? (4 marks)

**2010 - May [9]** Michael E. Porter has suggested three generic strategies. Briefly explain them. What is the basic objective to follow a generic strategy ? In what situations can the three strategies be used ? Identify the type of strategy used in the following examples :

- (a) Dell Computer has decided to rely exclusively on direct marketing. (4 marks)
- (b) "Our basic strategy was to charge a price so low that microcomputer makers couldn't do the software internally for that cheaply." (3 marks)
- (c) 'NDTV', a TV Channel has identified a profitable audience niche in the electronic media. It has further exploited that niche through the addition of new channels like 'NDTV Profit' and 'Image'. (3 marks)

**2010 - May [10]** Read the following case and answer the questions given at the end :

Subhiksha (prosperity in Sanskrit) began with a single grocery store at Chennai in 1997. Subhiksha stores increased from 50 in 2000 to 140 by 2002-03 (spread across 30 towns in Tamilnadu) to 670 by 2006-07 to 1650 by September, 2008. Its early success was due to its business model based upon no-frills/deep discount and high level of neighbourhood focus. Its decision in 2004 to go national from a regional player at a rapid pace proved wrong. With the growing ambition to go national, focus shifted from value to customers to creating valuation for self. The company had recruited all the employees to foray into consumer durables also. Its revenue increased from Rs. 278 crore from 140 stores in 2005 to Rs. 2305 crore in 2008 with a capital base of Rs. 32 crore. Subhiksha's profit after tax for 2007-08 was Rs. 41 crore. It had invested heavily, largely using debt, and paybacks took longer than expected. Repayment of debt had no relationship to cash flow. In the end the company had liabilities of Rs. 900 crore.

Around January, 2009, the company had started to shut down stores pan-India and in February, the top management quit the firm, not just because it defaulted on rentals of its outlets and salaries since October, 2008. Today all the stores are closed. Major suppliers had stopped supplies after it defaulted on payments. It asked its employees to take home groceries; and go on leave without pay. Many employees did not get their salaries. Initially the company was confident to restructure and remain in business.

Indian retail industry comprises of 12 million mom-and-pop stores and kirana stores (many of whom have also started innovating) and unknown number of hawkers in the unorganized sector working on small-sized stores and with low or no rentals and salaries and the organized retailers (market share not more than 5%).

The emergence of a large young population and a growing middle class with strong disposable incomes and credit card culture are the drivers of the organized retail, a mix of two types — ones going in for huge expansion announcements and others following “slow and steady wins the race strategy”. The industry operates not on a very hefty margin. The yearly top-line growth is likely to remain around 10-15% as against forecasted 35% this year. Compared with players like Pantaloon, Reliance, More, RPG and even Nilgiri’s (which has private equity funding), Subhiksha has no large group’s backing (except Shri Azim Premji having 10% stake). The strategy was to raise more debt and keep equity low. During 2006, Subhiksha had a good chance to make an initial IPO or raise private equity money, but it was in quest of creating higher valuations. Suddenly retail was no longer so hot and the capital tap had gone dry. Due to inability to raise more debt, working capital was diverted to expand. Many of the organized retailers have survived the downturn through transformation in their strategies and tactics. However, one thing is certain that footfalls have declined for the organized retail.

Debt-ridden retailer Subhiksha Trading Services Ltd. has begun its second innings in February, 2010, with the launch of its first cash-and-carry store (the board outside the outlet reads Subhiksha Maligai Arisi Mandi) in Thiruvanniyur in Chennai — at its first ever retail outlet). “Subhiksha’s model will be different this time around and will not directly engage with customers,” said an industry source.

Questions :

- (a) “To understand the nature of competition certain questions need to be answered.” What those questions are ? (3 marks)
- (b) Who were the competitors of Subhiksha ? Do you think they were better equipped than it ? (5 marks)
- (c) What, where and how the business strategy of Subhiksha might have gone wrong ? (4 marks)

- (d) If you were the strategy consultant to the Organised Retailers Association of India, what will you advise to control the cost and convert the threat of dropping footfalls and declining sales into an opportunity ?(6 marks)
- (e) How is a Cash-and-carry store different from a Retail store ? Name any other such Cash-and-carry store in India. (2 marks)

**Chapter - 3 : Strategic Analysis**

**2010 - May [8]** (ii) An industry comprises of only two firms—Soorya Ltd. and Chandra Ltd. From the following information relating to Soorya Ltd., prepare BCG Matrix :

Product	Revenues (in Rs.)	Percent Revenues	Profit (in Rs.)	Percent Profits	Percentage Market Share	Percentage Industry Growth rate
A	6 crore	48	120 lakh	48	80	+ 15
B	4 crore	32	50 lakh	20	40	+ 10
C	2 crore	16	75 lakh	30	60	- 20
D	50 lakh	4	5 lakh	2	5	- 10
Total	12,5 crore	100	250 lakh	100		(4 marks)

**Chapter - 4 : Strategic Planning**

**2010 - May [7]** Briefly answer the following :

- (a) Need for Turnaround Strategy (2 marks)
- (b) Grand Strategy Alternative during Recession (2 marks)

**Chapter - 5 : Formulation of Functional Strategy**

- (b) Production strategy implements, supports and drives higher strategies. (2 marks)

**Chapter - 7 : Reaching Strategic Edge**

**2010 - May [6]** (c) Benchmarking and Business Process Reengineering are one and the same. (2 marks)

**Shuchita Prakashan (P) Ltd.**

25/19, L.I.C. Colony, Tagore Town,  
Allahabad - 211002

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