

Free of Cost

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SCANNER™ Appendix

PCC Gr. II

May - 2010

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PAPER'S

Paper - 4A : Cost Accounting

Chapter - 1 : Basic Concepts

2010 - May [1] Answer the following :

- (i) What is Cost accounting ? Enumerate its important objectives.
(2 marks)

Chapter - 2 : Material Cost

2010 - May [1] Answer the following :

- (iii) Re-order quantity of material 'X' is 5,000 kg; Maximum level 8,000 kg.; Minimum usage 50 kg. per hour; minimum re-order period 4 days; daily working hours in the factory is 8 hours. You are required to calculate the re-order level of material 'X'.
(2 marks)

Chapter - 3 : Employee Cost

2010 - May [4] Answer of the following :

- (iii) Which is better plan out of Halsey 50 percent bonus scheme and Rowan bonus scheme for an efficient worker ? In which situation the worker get same bonus in both schemes ?
(3 marks)

Chapter - 4 : Overheads

2010 - May [1] Answer the following :

- (ii) Distinguish between Fixed overheads and Variable overheads.
(2 marks)

2010 - May [4] Answer of the following :

- (ii) Explain the treatment of over and under absorption of Overheads in Cost accounting.
(3 marks)

Chapter - 5 : Integrated & Non-Integrated Accounts

2010 - May [1] Answer the following :

- (v) What are the main advantages of Integrated accounts ? (2 marks)

Chapter - 9 : Operating Costing

2010 - May [3] (b) A transport company has been given a 40 kilometre long route to run 5 buses. The cost of each bus is Rs. 6,50,000. The buses will make 3 round trips per day carrying on an average 80 percent passengers of their seating capacity. The seating capacity of each bus is 40 passengers. The buses will run on an average 25 days in a month. The other information for the year 2010-11 are given below :

Garage rent	Rs. 4,000 per month
Annual repairs and maintenance	Rs. 22,500 each bus
Salaries of 5 drivers	Rs. 3,000 each per month
Wages of 5 conductors	Rs. 1,200 each per month
Manager's salary	Rs. 7,500 per month
Road tax, permit fee, etc.	Rs. 5,000 for a quarter
Office expenses	Rs. 2,000 per month
Cost of diesel per litre	Rs. 33
Kilometre run per litre for each bus	6 kilometres
Annual depreciation	15% of cost
Annual Insurance	3% of cost

You are required to calculate the bus fare to be charged from each passenger per kilometre, if the company wants to earn a profits of 33⅓ percent on taking (total receipts from passengers). (8 marks)

Chapter - 10 : Process Costing

2010 - May [3] (a) Pharma Limited produces product 'Glucodin' which passes through two processes before it is completed and transferred to finished stock. The following data relates to March, 2010.

	Process- I	Process- II	Finished Stock
	Rs.	Rs.	Rs.
Opening Stock	1,50,000	1,80,000	4,50,000
Direct materials	3,00,000	3,15,000	—
Direct Wages	2,24,000	2,25,000	—
Factory overheads	2,10,000	90,000	—
Closing Stock	74,000	90,000	2,25,000
Inter process profit included in			
Opening stock	NIL	30,000	1,65,000

Output of process I is transferred to process II at 25 percent profit on the transferred price, whereas output of process II is transferred to finished stock at 20 percent on transfer price. Stock in processes are valued at prime cost. Finished stock is valued at the price at which it is received from process II. Sales for the month is Rs. 28,00,000.

You are required to prepare Process-I a/c, Process-II a/c, and Finished Stock a/c showing the profit element at each stage. (8 marks)

Chapter - 12 : Standard Costing

2010 - May [2] SB Constructions Limited has entered into a big contract at an agreed price of Rs. 1,50,00,000 subject to an escalation clause for material and labour as spent out on the contract and corresponding actuals are as follows :

Material	Standard		Actual	
	Quantity (tonnes)	Rate per tonne Rs.	Quantity (tonnes)	Rate per tonne Rs.
A	3,000	1,000	3,400	1,100
B	2,400	800	2,300	700
C	500	4,000	600	3,900
D	100	30,000	90	31,500
Labour	Hours	Hourly Rate Rs.	Hours	Hourly Rate Rs.
L ₁	60,000	15	56,000	18
L ₂	40,000	30	38,000	35

You are required to :

- (i) Give your analysis of admissible escalation claim and determine the final contract price payable. (4 marks)
- (ii) Prepare the contract account, if the the all expenses other than material and labour related to the contract are Rs. 13,45,000. (3 marks)
- (iii) Calculate the following variances and verify them :
 - (a) Material cost variance
 - (b) Material price variance
 - (c) Material usage variance
 - (d) Labour cost variance
 - (e) Labour rate variance
 - (f) Labour efficiency variance. (8 marks)

Chapter - 13 : Marginal Costing

2010 - May [1] Answer the following :

- (iv) What do you understand by Key factor ? Give two examples of it. (2 marks)

2010 - May [4] Answer of the following :

- (i) Following informations are available for the year 2008 and 2009 of PIX Limited :

Year	2008	2009
Sales	Rs. 32,00,000	Rs. 57,00,000
Profit/(Loss)	(Rs. 3,00,000)	Rs. 7,00,000

Calculate—(a) P/V ratio, (b) Total fixed cost, and (c) Sales required to earn a Profit of Rs. 12,00,000. (3 marks)

Paper - 4B : Financial Management

Chapter - 1 : Scope and Objectives of Financial Management**2010 - May [8]** Answer of the following :

- (ii) State the role of a Chief Financial Officer. (3 marks)

Chapter - 2 : Time Value of Money**2010 - May [5]** Answer of the following :

- (v) Ascertain the compound value and compound interest of an amount of Rs. 75,000 at 8 percent compounded semiannually for 5 years. (2 marks)

Chapter - 3 : Financial Analysis and Planning**2010 - May [6]** The following figures and ratios are related to a company :

(i) Sales for the year (all credit)	Rs. 30,00,000
(ii) Gross Profit ratio	25 percent
(iii) Fixed assets turnover (basis on cost of goods sold)	1.5
(iv) Stock turnover (basis on cost of goods sold)	6
(v) Liquid ratio	1 : 1
(vi) Current ratio	1.5 : 1
(vii) Debtors collection period	2 months
(viii) Reserve and surplus to Share capital	0.6 : 1
(ix) Capital gearing ratio	0.5
(x) Fixed assets to net worth	1.20 : 1

You are required to prepare :

- (a) Balance Sheet of the company on the basis of above details. (11 marks)
- (b) The statement showing Working capital requirement, if the company wants to make a provision for contingencies @ 10 percent of net working capital including such provision. (4 marks)

2010 - May [8] Answer of the following :

- (iii) Distinguish between Fund Flow Statement and Cash Flow Statement. (3 marks)

Chapter - 4 : Financing Decision-Cost of Capital & Capital Structure**2010 - May [5]** Answer of the following :

- (i) What do you understand by Capital structure ? How does it differ from Financial structure ? (2 marks)

2010 - May [8] Answer of the following :

- (i) SK Limited has obtained funds from the following sources, the specific cost are also given against them :

Source of funds	Amount Rs.	Cost of Capital
Equity shares	30,00,000	15 percent
Preference shares	8,00,000	8 percent
Retained earnings	12,00,000	11 percent
Debentures	10,00,000	9 percent (before tax)

You are required to calculate weighted average cost of capital. Assume that Corporate tax rate is 30 percent. (3 marks)

Chapter - 6 : Types of Financing

2010 - May [5] Answer of the following :

- (iii) Briefly discuss the concept of seed capital assistance. (2 marks)

Chapter - 8 : Capital Budgeting and Investment Decisions

2010 - May [7] (a) The management of P Limited is considering to select a machine out of the two mutually exclusive machines. The company's cost of capital is 12 percent and corporate tax rate for the company is 30 percent. Details of the machines are as follows :

	Machine-I	Machine-II
Cost of machine	Rs.10,00,000	Rs. 15,00,000
Expected life	5 years	6 years
Annual income before tax and depreciation	Rs. 3,45,000	Rs. 4,55,000

Depreciation is to be charged on straight line basis.

You are required to :

- Calculate the discounted pay-back, period, net present value and internal rate of return for each machine.
- Advise the management of P Limited as to which machine they should take up.

The present value factors of Re. 1 are as follows :

Year	1	2	3	4	5	6
At 12%	.893	.797	.712	.636	.567	.507
At 13%	.885	.783	.693	.613	.543	.480
At 14%	.877	.769	.675	.592	.519	.456
At 15%	.870	.756	.658	.572	.497	.432
At 16%	.862	.743	.641	.552	.476	.410

(9 marks)

Chapter - 10 : Treasury & Cash Management

2010 - May [7] (b) The following details are forecasted by a company for the purpose of effective utilisation and management of cash :

- (i) Estimated sales and manufacturing costs :

Year and month	Sales Rs.	Materials Rs.	Wages Rs.	Overheads Rs.
2010				
April	4,20,000	2,00,000	1,60,000	45,000
May	4,50,000	2,10,000	1,60,000	40,000
June	5,00,000	2,60,000	1,65,000	38,000
July	4,90,000	2,82,000	1,65,000	37,500
August	5,40,000	2,80,000	1,65,000	60,800
September	6,10,000	3,10,000	1,70,000	52,000

- (ii) Credit terms :

- Sales—20 percent sales are on cash, 50 percent of the credit sales are collected next month and the balance in the following month.
- Credit allowed by suppliers is 2 months.
- Delay in payment of wages is $\frac{1}{2}$ (one-half) month and of overheads is 1 (one) month.

- (iii) Interest on 12 percent debentures of Rs. 5,00,000 is to be paid half-yearly in June and December.
- (iv) Dividends on investments amounting to Rs. 25,000 are expected to be received in June, 2010.
- (v) A new machinery will be installed in June, 2010 at a cost of Rs. 4,00,000 which is payable in 20 monthly instalments from July, 2010 onwards.
- (vi) Advance income-tax to be paid in August, 2010 is Rs. 15,000.
- (vii) Cash balance on 1st June, 2010 is expected to be Rs. 45,000 and the company wants to keep it at the end of every month around this figure, the excess cash (in multiple of thousand rupees) being put in fixed deposit.

You are required to prepare monthly Cash budget on the basis of above information for four months beginning from June, 2010.

(7 marks)

Chapter - 12 : Management of Receivables

2010 - May [5] Answer of the following :

- (ii) Explain briefly the accounts receivable systems. (2 marks)

Chapter - 13 : Financing of Working Capital

2010 - May [5] Answer of the following :

- (iv) Enumerate the various forms of bank credit in financing working capital of a business organisation. (2 marks)

Paper - 5 : Taxation

Chapter-1 : Definitions

2010 - May [1] Answer the following with reasons having regard to the Provisions of the Income-tax Act, 1961 for the Assessment Year 2010-11:

- (v) In what status and tax rate Limited Liability Partnership (LLP) is taxed under the Act ? (2 marks)

2010 - May [5] (i) Answer the following with reference to Income-Tax Act, 1961:

- (i) Briefly explain the term "Manufacture" defined in Section 2 (29BA). (4 marks)

Chapter-2 : Basic Concepts

2010 - May [1] Answer the following with reasons having regard to the Provisions of the Income-tax Act, 1961 for the Assessment Year 2010-11 :

- (i) State the scope of total income in the case of an individual, whose residential status is 'non-resident' with reference to Section 5(2) of the Act. (2 marks)

Chapter-3 : Income Which do not form Part of Total Income

2010 - May [1] Answer the following with reasons having regard to the Provisions of the Income-tax Act, 1961 for the Assessment Year 2010-11 :

- (ii) Mr. X a citizen of India received salary from the Government of India for the services rendered outside India. Is the salary income chargeable to tax ? (2 marks)
- (iii) Mr. Anil earned Rs. 5,00,000 from sale of Coffee grown and cured (processed) by him. He claims the entire income as agricultural income, hence exempt from tax. Is he correct ? (2 marks)
- (iv) What is the time limit for filing application seeking registration in the case of Charitable Trusts/Institutions under Section 12AA of the Act? (2 marks)

Chapter-6 : Profits & Gains of Business or Profession

2010 - May [3] (b) Mr. Prakash has the following Assets which are eligible for depreciation at 15% on Written Down Value (WDV) basis :

1.4.2006	WDV of plant 'X' and Plant 'Y'	Rs. 2,00,000
10.12.2009	Acquired a new plant 'Z' for	Rs. 2,00,000
22.1.2010	Sold Plant 'Y' for	Rs. 4,00,000
	Expenditure incurred in connection with transfer	Rs. 10,000

Compute eligible depreciation claim/chargeable capital gain if any, for the Assessment Year 2010-11. (7 marks)

Chapter-9 : Income of other Persons Included in Assessee's Total Income

2010 - May [5] Answer the following with reference to Income-tax Act, 1961:

- (ii) In whose hands the income from an asset is chargeable to tax in the case of transfer which is not revocable during the life time of the beneficiary/transferee ? (4 marks)

Chapter-11 : Deductions from Gross Total Income

2010 - May [5] Answer the following with reference to Income-tax Act, 1961:

- (iii) List the conditions for deduction under Section 80-1D for hotels located in specified district having “World Heritage Site”. (4 marks)

Chapter-12 : Computation of Total Income, Tax Payable, Rebate and Relief

2010 - May [2] Mr. Raman (aged 70 years), Karta of Hindu Undivided Family (HUF) furnishes the following information for the Financial Year 2009-10 :

- (i) Income from the business of Poultry farming Rs. 4,00,000.
- (ii) Income by way of winning from Horse race Rs. 30,000 (Horse race won on 28.2.2010)
- (iii) Net profit from the business of dealing in Equity shares Rs. 88,500. (Computed after deducting Securities Transaction Tax (STT) of Rs. 11,500).
- (iv) Brought forward business loss relating to discontinued automobile business Rs. 38,500 (relates to Assessment Year 2007-08).
- (v) Payment of Life Insurance Premium (on self) Rs. 22,500.
- (vi) Contribution to Pension Fund of LIC Rs. 17,500.
- (vii) Contribution made in the name of a member of HUF in Public Provident Fund Account Rs. 20,000.
- (viii) Interest income from Company deposits Rs. 15,100.
- (ix) Housing Loan principal repaid Rs. 30,000.
- (x) Interest on Housing loan Rs. 36,000 (actually paid Rs. 25,000).
- (xi) The HUF gave the right to receive furniture rent of Rs. 26,000 per annum by Mrs. Raman without transferring the ownership rights in her favour.

The HUF owns a residential property which has three identical residential units. Unit 1 and Unit 2 are self occupied by the members of the HUF for residential purpose. Municipal tax paid @ Rs. 5,000 per annum for each residential unit. Unit 3 is let out for a rent of 8,000 per month. The tenant paid the Municipal tax in respect of Unit 3 as per agreement.

The Assessee realised Rs. 1,20,000 on 16.4.2009 as per court order towards arrear rent for the period from 1.1.2007 to 31.12.2008.

Compute the Total Income and tax payable for the Assessment Year 2010-11. (20 marks)

2010 - May [3] (a) Mr. John commenced a proprietary business in the year 2000. His capital as on 1.4.2008 was Rs. 6,00,000.

On 10.4.2008 his wife gifted Rs. 2,00,000 which he invested in the business on the same date.

Mr. John earned profit from his proprietary business as given below :

Previous year 2008-09	=	Profit Rs. 3,00,000
Previous year 2009-10	=	Profit Rs. 4,40,000

Compute the Income from business chargeable to tax in the hands of Mr. John for the Assessment Year 2010-11.

During the Financial Year 2009-10, he sold a vacant site which resulted in chargeable long-term capital gain of Rs. 5,00,000 (computed). The vacant site was sold on 20.12.2009.

Compute the total Income and tax liability of Mr. John and the instalments of advance tax payable for the Financial Year 2009-10.(8 marks)

2010 - May [4] (b) Mr. Banerjee furnishes you the following details for the year ended 31.3.2010 :

Income (loss) from house property	Rs.
House-1	36,000
House-2-Self occupied	(20,000)
House-3	60,000
Profits and gains from Business or Profession	
Textile Business	2,00,000
Automobile Business	(3,00,000)
Speculation Business	2,00,000
Capital Gains	
Long-term capital gain from sale of shares (STT paid)	1,50,000
Long-term capital gain from sale of vacant site	2,00,000
Short-term capital loss from sale of building	1,00,000

(Note : Assume that the figures given above are computed and arrived at after considering eligible deductions).

Other sources :

Gift from a Friend (non-relative) on 5.6.2009	60,000
Gift from Maternal Uncle on 25.2.2010	1,00,000
Gift from Grandfather's Younger Brother on 10.2.2010	1,00,000

Compute the total income of Mr. Banerjee for the Assessment Year 2010-11.

Compute :

- The amount of taxable service for the first two quarters of the Financial Year 2009-10.
- The amount of Service tax payable. (6 marks)

Chapter-13 : Income Tax Authorities

2010 - May [4] (a) State with reasons, whether tax deduction at source provisions are applicable to the following transactions and if so, the rate of tax deduction :

- (i) An Insurance Company paid Rs. 45,000 as Insurance Commission to its agent Mr. Hari.
- (ii) X & Co. (Firm) engaged in wholesale business assigned a contract for construction of its godown building to Mr. Ravi, a contractor. It paid Rs. 25,00,000 to Mr. Ravi as contract payment.
- (iii) AB Ltd. allowed a discount of Rs. 50,000 to XY & Co. (a firm) on prompt payment of its dues towards supply of automobile parts.
- (iv) Y & Co. engaged in real estate business conducted a lucky dip and gave Maruti car to a prize winner.

Note: Assume that all the facts given above relate to Financial Year 2009-10. (8 marks)

Chapter-15 : Appeals, References and Revision

2010 - May [5] Answer the following with reference to Income-tax Act, 1961:

- (iv) State the provisions for self assessment prescribed under Section 140A of the Act. (4 marks)

Chapter-17 : Service Tax

2010 - May [6] Answer the following :

- (iv) Do you agree with the statement that 'Tax cannot be evaded under VAT system' ? (2 marks)

2010 - May [8] (a) Compute the VAT liability of Mr. P Kapoor for the month of October, 2009, using the 'Invoice method' of Computation of VAT.

Purchases from the local market

(Includes VAT @ 4%) Rs. 65,000

Storage cost incurred Rs. 750

Transportation Cost Rs. 1,750

Goods sold at a margin of 5% on the cost of such goods.

VAT rate on Sales 12.5%. (3 marks)

- (c) What are the three variants of VAT ? Which of these methods is most widely used and why ? (3 marks)

Chapter-18 : Miscellaneous

2010 - May [6] Answer the following :

- (i) Is Service tax payable on free-service ? (2 marks)
- (ii) State the due dates for payment of Service tax in the case of an individual rendering taxable service. (2 marks)
- (iii) A Company located in the State of Jammu & Kashmir rendered service rendered service in Delhi. Is the service provided by the Company liable for Service tax ? (2 marks)
- (v) Mr. Raj rendered taxable service in February, 2010. The amount was however realised on 18.4.2010. What is the due date for payment of Service tax ? (2 marks)

2010 - May [7] X & Co. Received the following amounts :

Date of receipt	Nature of receipt	Amount	Time of providing Service
20.4.2009	For service	Rs. 1,00,000	Services rendered in July, 2009
30.6.2009	Advance for service	Rs. 50,000	Services were rendered in July and August, 2009
5.8.2009	For service	Rs. 50,000	For services rendered in March, 2009
10.9.2009	Advance for service	Rs. 3,50,000	A sum of Rs. 50,000 was refunded in April, 2010 after termination of agreement. For the balance amount, service was provided in September, 2009.

Compute :

- (i) The amount of taxable service for the first two quarters of the Financial Year 2009-10.
- (ii) The amount of Service tax payable. (6 marks)

2010 - May [8] (b) State briefly about Provisional payment of Service tax. (3 marks)

Paper - 7A : Information Technology
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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 calculated 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	Percent 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)

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