

**PRIME ACADEMY**  
**28<sup>TH</sup> SESSION - PROGRESS TEST**  
**COST ACCOUNTING & FINANCIAL MANAGEMENT**

**TIME: 2 hours**

**PART A**

**Maximum Marks: 75**

**(20X1=20)**

1. Which of the following is the correct valuation base for finished goods for balance sheet valuation purposes?
  - a. Prime cost per unit
  - b. Production margin per unit
  - c. Production cost per unit
  - d. Total cost per unit
  
2. Which of the following production batch sizes will minimize cost where annual output is 20,000 units, setup costs per batch are Rs.25, holding costs are Rs.3 per unit
  - a. 69 units
  - b. 267 units
  - c. 577 units
  - d. 4,800 units
  
3. The cost of idle time incurred by employees that is considered normal for the production process should be charged to
  - a. Work in process inventory
  - b. Direct labour
  - c. Administrative expenses
  - d. Factory overhead
  
4. Costs which are inventoriable are
  - a. Manufacturing costs incurred to produce units of output
  - b. The sum of direct labour costs and all factory overheads
  - c. The sum of raw material costs and direct labour costs
  - d. Costs which are associated with marketing, shipping & ware housing
  
5. Re order quantity may be measured as
  - a. Maximum stock level – reorder level +(minimum usage x minimum reorder period)
  - b. Reorder level + minimum stock - (minimum usage x minimum reorder period)
  - c. Maximum stock level – reorder level - (minimum usage x maximum reorder period)
  - d. Normal usage x normal reorder period
  
6. An example of fixed cost is
  - a) Direct labour cost
  - b) Factory manager salary
  - c) Direct materials
  - d) Power cost
  
7. The costs of goods manufactured, under a periodic cost accumulation system is equal to
  - a) Beginning finished goods inventory plus purchases
  - b) Beginning work in process plus cost of goods in process during the year
  - c) Cost of goods put into production plus beginning WIP less ending WIP
  - d) Cost of goods sold less beginning work in process

8. Which of the following is a service department

- a) Machine shop
- b) Assembly shop
- c) Foundry shop
- d) Power house

9. A labour payment system follows as below

Efficiency	Payment
Upto 83-1/3%	Ordinary piece rate
83-1/3% to 100%	110% of ordinary piece rate
Above 100 %	120% of ordinary piece rate

Identify the above labour payment system

- a) Halsey premium bonus plan
- b) Rowan premium bonus plan
- c) Taylor differential piece work system
- d) Merrick differential piece rate system

10. When the amount of under or over absorption is significant, it should be disposed off by

- a) Supplementary rate
- b) Transferring to costing profit and loss a/c
- c) Carrying over to next accounting period as deferred charge
- d) All the above

11. A company has produced a set of cost figures for its accounting period

Direct labour	Rs. 98,000
Direct expenses	Rs. 5,000
Administration overheads	Rs. 15,000
Indirect factory costs	Rs. 20,000
Direct materials	Rs.2,00,000
Selling & distribution overheads	Rs. 22,000

The production cost of units in this period is

- a) Rs.3,03,000
- b) Rs.3,23,000
- c) Rs.3,38,000
- d) Rs.3,60,000

12. Pick out the incorrect statement

- a) Variable overhead is a period cost
- b) Fixed overhead is a committed cost
- c) Fixed expenses will move up by jumps if the output exceeds the capacity
- d) Variable cost per unit remains constant

13. Pick out the correct statement

- a) Fixed cost vary with volume rather than time
- b) Variable overheads vary with time
- c) Factory overhead and other expenses are synonymous terms
- d) Linking overhead to cost unit is known as overhead absorption

14. Expired cost of plant, machinery and other facilities used is

- a) Long run capacity fixed overhead
- b) Operating fixed overhead
- c) Programmed fixed overhead
- d) Other overhead

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15. Which of the following is usually classified as stepped cost?

- a) Supervisor's wages
- b) Raw materials

- c) Rates
- d) Telephone

16. Which of the following is usually prepared daily by employees for each job worked on?
- a) Labour job ticket
  - b) Time card
  - c) Punch card
  - d) Cost control card
17. Spare parts used for upkeep of delivery vans is
- a. An administrative overhead
  - b. Material overhead
  - c. Distribution overhead
  - d. Factory overhead
18. When factory overhead control has an ending debit balance, factory overhead was
- a. Over applied
  - b. Under applied
  - c. No effect
  - d. None of the above
19. Pick out the correct statement
- a) The stores department is a production department
  - b) The bin card is a perpetual inventory record
  - c) Average inventory is the same as inventory turnover
  - d) The store keeper is not responsible for material losses while in storage
20. In this method cost of material stated is more nearly at current market price and thus unrealised inventory profits are not reflected in accounts
- a) Last in First out method
  - b) FIFO method
  - c) Simple average method
  - d) Weighted average method
- (5x2=10)**
21. ABC Ltd uses a predetermined overhead recovery rate based on machine hours. Budgeted factory overhead for a year amounted Rs.4,20,000 but the actual factory overhead incurred was Rs.4,16,010. During the year, the company absorbed Rs. 4,06,000 of factory overhead on a budgeted machine hours of 60,000. The actual machine hours worked for the year is.
- a) 59,430
  - b) 58,000
  - c) 60,000
  - d) 61,500
  - e) 59,000

22. From the following data calculate the unit price of the item  
Annual usage 20,000 units, Ordering cost Rs.10 per order  
Cost of carrying inventory – 10% , average inventory when purchased  
in EOQ lots is 100 units. The cost per unit is

- a) Rs.100
- b) Rs.125
- c) Rs.110
- d) Rs.115
- e) Rs.200

23. Mr.X of M/s.ABC Ltd , a purchase manager gives the following information for a component used in production.

Annual Demand - 8000 Nos

Ordering costs per order – Rs.100

Carrying costs per unit per year – Rs.10

Mr. X places an order for 200 units at a time.

If X places order opposed to EOQ M/s.ABC Ltd would loose annually

- a) Rs.2,000 loss
- b) No Loss
- c) Rs.1,000 loss
- d) Rs.1,000 profit
- e) Rs. 2,000 profit

24. A factory employs 2000 workers. Standard output for a period is set at 10,00,000 pieces. During that period the actual output is 13,00,000 pieces. If 80% of the increase in efficiency is paid to the group under group bonus scheme the rate of bonus payable is

- a) 10% b) 24% c) 30% d) 40% e) 18%

25. In a factory

No. of workers at the beginning of the period 900

No. of workers at the end of the period 1,100

During the period 10 workers quit while 40 persons discharged, 150 workers are recruited during the period. Of these 25 workers are recruited in the vacancies of those leaving while the rest are engaged for expansion. The labour turnover rate under separation method is

- a) 5% b) 10% c) 15% d) 7.5% e) 20%

**PART B**  
**Answer all questions**

**(45 Marks)**

1. From the following particulars, calculate the group bonus payable and the amount that will be paid to each member of the group. Standard production in a week 120 units. It is agreed that for every 10% increase in production, bonus 5 % of total wages payable of the week will be paid and the same will be shared by the group consisting of 4 members in proportion to their total wages of the group. Total production for the week is 145 units. Wages earned by the four members of the group are A – Rs.80 B- Rs.78 C – Rs.72 and D – Rs.68.

(10 marks)

2. A company has three production and two service departments. The following details are extracted from the books of the company.

	Rs.
Rent	20,000
Indirect wages	6,000
Depreciation	40,000
Lighting	2,400
Power	6,000
Others	40,000

	A	B	C	D	E
Floor Space (sq.ft)	4,000	5,000	6,000	4,000	1,000
Lighting points	20	30	40	20	10
Direct wages	9,000	6,000	9,000	9,000	7,000
H.P of machines	75	30	35	10	-
Value of machinery (Rs.)	1,20,000	1,60,000	2,00,000	10,000	10,000
Working hours	3,113	2,014	2,033		

The expenses of service departments D and E are to be allocated as follows:

	A	B	C	D	E
D	20%	30%	40%	-	10%
E	40%	20%	20%	20%	-

Distribute the service department expenses to the production department (A,B & C) under simultaneous equation method and calculate hourly rate of each production department.

(15 marks)

3. The following figures are extracted from the Trial balance of a company on 31<sup>st</sup> March 2008.

	Rs.	Rs.
Inventories		
Finished stock	80,000	
Raw materials	1,40,000	
Work in progress	2,00,000	
Office appliances	17,400	
Plant & Machinery	4,60,500	
Buildings	2,00,000	
Sales		7,68,000
Sales return and rebates	14,000	
Materials purchased	3,20,000	
Freight incurred on materials	16,000	
Purchase returns		4,800
Direct labour	1,60,000	
Indirect labour	18,000	
Factory supervision	10,000	
Repairs and upkeep of factory	14,000	
Heat, light and power	65,000	
Rates & Taxes	6,300	
Miscellaneous factory expenses	18,700	
Sales commission	33,600	
Sales traveling	11,000	
Sales promotion	22,500	
Distribution dept salaries & expenses	18,000	
Office salaries & expenses	8,600	
Interest on borrowed funds	2,000	
Other details are		
Closing inventories		
Finished stock	1,15,000	
Raw materials	1,80,000	
Work in progress	1,92,000	
Accrued expenses on		
Direct labour	8,000	
Indirect labour	1,200	
Interest on borrowed funds	2,000	
Depreciation to be provided on		
Office appliances	5%	
Plant & Machinery	10%	
Buildings	4%	

Distribution of the following costs

Heat, light and power to Factory: Office : Distribution 8:1:1

Rates & Taxes : two thirds to factory and one third to office

Depreciation on buildings Factory: Office: Selling – 8:1:1

With above information prepare a condensed profit & loss statement for the year ended 31<sup>st</sup> March 2008  
(20 marks)

SUGGESTED ANSWERS

**PART – A**

1) c

2) c

3) d

4) a

5) a

6) b

7) c

8) d

9) d

10) a

11) b

12) a

13) d

14) a

15) d

16) d

17) c

18) b

19) b

20) a

- 21) Pre determined over head rate / hr = Budgeted O.H / Budgeted hours  
 $= 4,20,000/60,000 = \text{Rs.}7$   
 Actual Overhead absorbed = Actual hours  $\times$  pre determined o.h rate/hr  
 $4,06,000 = \text{Actual hours} \times 7$   
 Actual hours =  $4,06,000/7 = 58,000$  hours
- 22)  
 $\text{EOQ} = \text{Avg inventory} \times 2 = 200$  units  


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 $\text{EOQ} = \sqrt{2 \times 20,000 \times 10 / P} \times 0.10 = 200$  units  
 Price P = Rs.100
- 23)  
 $\text{EOQ} = \sqrt{2 \times 8000 \times 100 / 10} = 400$  units  
 At EOQ Ordering cost =  $(8,000/400) \times 100 = \text{Rs.}2,000$   
 Holding cost =  $1/2 \times 400 \times 10 = \text{Rs.}2,000$   
 Total Cost = Rs.4,000  
 When ordering is done at 200 units at a time  
 Ordering cost =  $(8,000/200) \times 100 = \text{Rs.}4,000$   
 Holding cost =  $1/2 \times 200 \times 10 = \text{Rs.}1,000$   
 Total Cost = Rs.5,000  
 Loss = Rs.5,000 – Rs.4,000 = Rs.1,000
- 24)  
 Actual output 13,00,000  
 Standard output 10,00,000  
 Increase 3,00,000  
 % increase 30%  
 Bonus payable 80% of 30% = 24%
- 25)  
 Average number of workers during the month =  $(900+1100)/2 = 1000$   
 Labour turnover under separation method =  
 $\frac{\text{No. of separations during the period} \times 100}{\text{Avg.no of workers during the same period}}$   
 $= (10+40) / 1000 \times 100 = 5\%$



**PART – B**

1. Actual production during the week 145 units  
 Standard production 120 units  
 Excess over standard production 25 units  
 % of excess production over standard  $25/120 \times 100 = 21\%$   
 Group bonus  
     First 10% increase 5 % of total wages  
     Next 10% increase 5% of total wages  
     Total 10% of total wages  
 Total wages = Rs. 80 + 78 + 72+ 68 = Rs.298  
 Bonus 10% of total wages = Rs.29.80  
 Bonus  
 A =  $(29.8/298) \times 80$  Rs.8.00  
 B =  $(29.8/298) \times 78$  Rs.7.80  
 C =  $(29.8/298) \times 72$  Rs.7.20  
 D =  $(29.8/298) \times 68$  Rs.6.80

2.

Items	Basis of Allocation	Total Rs.	Production departments			Service departments	
			A Rs.	B Rs.	C Rs.	D Rs.	E Rs.
Rent	Floor space	20,000	4,000	5,000	6,000	4,000	1,000
Indirect Wages	Direct wages	6,000	1,350	900	1,350	1,350	1,050
Depreciation	Value of M/c	40,000	9,600	12,800	16,000	800	800
Lighting	Light Points	2,400	400	600	800	400	200
Power	H.P of machine	6,000	3,000	1,200	1,400	400	-
Others	Direct wages	40,000	9,000	6,000	9,000	9,000	7,000
		<u>1,14,000</u>	<u>27,350</u>	<u>26,500</u>	<u>34,550</u>	<u>15,950</u>	<u>10,050</u>

Let X be the overheads of service department D and Y be the overhead of service department E

$$X = 15950 + 20\% \text{ received from Dept E} \quad X = 15,950 + 0.2Y$$

$$Y = 10,950 + 10\% \text{ received from Dept.D} \quad Y = 10,950 + 0.1X$$

$$10X - 2Y = 159500$$

$$-X + 10Y = 109500$$

Solving X and Y, X = Rs. 18,326 and Y = Rs.11,880

Secondary Overhead Distribution Statement

Overhead	Total Rs.	Production Department			Service Department	
		A Rs.	B Rs.	C Rs.	D Rs.	E Rs.
As per primary Allocation	1,14,400	27,350	26,500	34,550	15,950	10,050
Service department D		3,665	5,498	7,330	(18,326)	1,833
		<u>4,775</u>	<u>2,376</u>	<u>2,376</u>	<u>2,376</u>	<u>(11,833)</u>
	<u>1,14,400</u>	<u>35,770</u>	<u>34,374</u>	<u>44,256</u>		

Working hours 3,113 2,014 2,033

Hourly rate - Rs. 11.49 17.06 21.76

3.

	Rs.	Rs.
Opening stock of raw materials		1,40,000
Materials purchased	3,20,000	
Less : returns	<u>4,800</u>	3,15,200
Freight on raw materials		<u>16,000</u>
		4,71,200
Less: Closing stock of raw materials		<u>1,80,000</u>
Raw materials consumed		2,91,200
Direct labour	1,60,000	
Add: accrued	<u>8,000</u>	<u>1,68,000</u>
Prime cost		4,59,200
Factory overheads		
Indirect labour	18,000	
Add: accrued	1,200	19,200
Factory supervision		10,000
Repairs and upkeep of factory		14,000
Heat, light and power (8/10)x 65,000		52,000
Rates & Taxes (2/3)x6,300		4,200
Miscellaneous factory expenses		18,700
Depreciation		
Plant	46,050	
Building (4/100)x(8/10)X2,00,000	<u>6,400</u>	52,450
Works cost		<u>1,70,550</u>
Add: Opening cost of work in progress		6,29,750
Less: Closing cost of work in progress		2,00,000
Works cost		<u>1,92,000</u>
Admn. overheads		
Heat, light and power (1/10)x 65,000	6,500	
Rates & Taxes (2/3)x6,300	2,100	
Depreciation		
Building (4/100)x(1/10)X2,00,000	800	
Office appliances	870	
Office salaries & expenses	<u>8,600</u>	<u>18,870</u>
Total cost		6,56,620
Add: Opening stock of finished goods		80,000
Less: Closing stock of finished goods		<u>1,15,000</u>
Cost of production		6,21,620
Selling & distribution expenses		
Heat, light and power (1/10)x 65,000	6,500	
Depreciation		
Building (4/100)x(1/10)X2,00,000	800	
Sales commission	33,600	
Sales traveling	11,000	
Sales promotion	22,500	
Distribution dept expenses	<u>18,000</u>	<u>92,400</u>
Cost of sales		7,14,020
Sales less returns		<u>7,54,000</u>
Profit before interest		39,980
Interest		<u>4,000</u>
<b>Net profit</b>		<b><u>35,980</u></b>

**28<sup>TH</sup> SESSION PROGRESS TEST  
SUGGESTED ANSWERS  
INCOME TAX, VAT AND SERVICE TAX**

**Part A**

1. c
2. d
3. b
4. d
5. a
6. b
7. d
8. d
9. b
10. a
11. a
12. b
13. a
14. c
15. d

16. False, Sec.5, the scope of total income speaks about the quantum of the income that is chargeable to tax in India, by the person on the basis of his residential status for that year.

Residential status (if he is:)	Incomes that are chargeable to tax in India.
Resident	Global income is chargeable. That is not only income earned in India but also income earned outside also chargeable to tax.
Resident but not ordinary resident	Global income is chargeable to tax in India except the income which he earned outside India from a business not controlled in India and profession not set up in India. All other incomes are chargeable to tax in India.
Non-Resident	Not Only Income Earned In India But Also The Following Incomes Are Chargeable To Tax In India. 1) Income earned outside Indian to the extent received in India. 2) Income deemed to be received in India 3) Income deemed to accrue or arise in India.

17. False. The residential status of HUF is not dependent on the Residential status of its members/ Kartha. However To verify whether such HUF is Not Ordinary resident, we may use the data about the number of days Karta is in India during 7 Preceding previous years and his residential status during 10 Preceding Previous Years.

For easy purposes the provisions are given below

<p><b><u>RESIDENT</u></b> The control and Management of its affairs is situated wholly or partly in India.</p>
<p><b><u>NON-RESIDENT</u></b> The control and Management of its affairs is situated wholly outside India.</p>
<p><b><u>RESIDENT BUT NOT ORDINARILY RESIDENT</u></b> If the HUF is a resident by satisfying the condition that atleast a part of its control and management is in India, then only we have to investigate whether it is a RBNOR. The conditions being the same as in step 2 for individuals. Since HUF is a group of persons, we have to apply the step to the kartha(manager) of the HUF.</p> <p><u>IF kartha (manager) of the family</u>            is NR for 9 out of 10 preceding previous years preceding the previous year            is in India for 729 days or less during the 7 PPY preceding the previous year</p>

18. True. If the contract between Mr, Bhramayyah and M/S. Satyamevjayathe Ltd, is setting employer employee relationship, the resulting consideration takes shape of salary. On the other hand the if the relationship is not employer and employee the consideration is chargeable to tax in the hands of Mr.Bhramayyah as Profits and Gains of Business or Profession.  
 (This questioned can be answered in a opposite direction also. The important point is employer employee relationship – the crucial factor for the head salaries.)

19. False.

- 1) The limit of interest under the head Income from house property is fixed only W.r.t. the property
  - i. Which is Self Occupied or

- ii. Could not be occupied because of his employment / business / profession outside the city, and in such city he is residing in a building which he is not owning and he is not in receipt of any benefit from his own building.
- 2) First of all Rs. 1,50,000/- is the maximum amount of interest that can be claimed if the following conditions are fulfilled
- a. If, the Loans is taken on or after 1.4.1999
  - b. the purpose of the above loan is acquisition or for construction of the house property
  - c. Such construction or acquisition is completed within 3 years from the end of the financial year in which the loan was taken
- 3) If the above conditions are not fulfilled then the limit is 30,000/- instead of 1.5 lakhs.
- 4) The interest above is both pre-construction and post construction together.

20. False. The basic exemption of women assesses are as follows

- I) If the Woman assessee is resident and below the age of 65years, the basic exemption is Rs. 1,80,000/- for the A.Y 2009-10.
- II) If the Woman assessee is resident and her age is 65years and above, the basic exemption is Rs. 2,25,000/- for the A.Y 2009-10.
- III) If the Woman assessee is NON-RESIDENT, the basic exemption is Rs. 1,50,000/- for the A.Y 2009-10(*Irrespective of the fact whether such women is less than more than 65 year of age*)

Part B

1.

Sl.No	Resident Rs.	Resident but not ordinary resident Rs.	Non-Resident Rs.
1)	5,000	5,000	5,000
2)	22,000	22,000	
3) (a)	20,000	20,000	20,000
(b)	20,000	-	-
4)	10,000	-	-
5) (a)	30,000	30,000	30,000
(b)	30,000	-	-
6) (a)	40,000	40,000	40,000
(b)	30,000	30,000	-
7)	45,000	45,000	45,000
8)	50,000	-	-
9)	46,000	46,000	46,000
10)	25,000	25,000	25,000

(a) --> Deemed to accrue or arise in India.

(b) --> It will not be taxable in India.

2. a. To determine whether he is resident or not

- He is resident for previous year 2008-09 as he satisfies the second condition as he was here during the previous year for 69 days and in the preceding 4 years for 365 days.

b. To determine whether he is ordinarily resident or not

- He should satisfy both of the additional conditions.

Year	stay in India	Whether resident or non-resident
2007-08	Nil	Non-resident
2006-07	Nil	Non-resident
2005-06	365 days	Resident
2004-05	Nil	Non-resident
2003-04	Nil	Non-resident
2002-03	6 days	Non-resident
2001-02	17 days	Non-resident
2000-01	Nil	Non-resident
And earlier years	Nil	Non-resident

He was in India for less than 730 days in the 7 preceding previous years. He is also non-resident in 9 out of 10 previous years preceding the previous year. Hence he is "resident but not ordinary resident".

c. The residential status of the spouse will not influence residential status of such individual.

3.

Alternative specified employee	Alternative I	
	Rs.	Rs.
Basic pay	40,000	40,000
Bonus	2,000	-
Education allowance[Rs.4,400-2,400(100x2x12) Education facility Exempted	4,400	-
Club facility	-	Exempted
Servant allowance	3,000	-
Free domestic servant	-	Exempted
Entertainment allowance	6,000	6,000
Conveyance allowance for private purposes	3,000	-
Free car facility foe private purposes	-	-
Allowance for gas, electricity and Water	1,000	-
Free gas, electricity and water	-	Exempted
Rent free house (15% of salary)	8,550	7,200
Gross salary	65,550	55,200
Less: Deduction u/s 16	Nil	Nil
Salary income	65,000	55,200

**Note:-**

In the case of second alternative, he is a non-specified employee as his income under the head salary exclusive of non-monetary benefits does not exceed Rs.50,000/-. Hence, in his case only rent free accommodation will be a perquisite. Other perquisites which are provided in the form of facility shall be tax free.

The employer will have to pay fringe benefit tax (FBT) on the value of fringe benefit of club facility and free car.

4. Computation of income from House Property:

	Rs.	Rs.
Annual Rent		84,000
Less: Municipal Taxes paid by owner		<u>15,000</u>
Annual Value		69,000
Less: Deduction u/s 24		
i. Statutory deduction @ 30%	20,700	
ii. Interest Paid to non- resident without Deducting Tax at source, hence Not deduct able	_____	<u>20,700</u>
		48,300

Add: : Unrealized rent recovered: Unrealized rent less deduction  
 Claimed Rs.40,000 – 30,000 = 10,000. Rent recovered less  
 Unrealized rent not deducted Rs. 20,000 – 10,000. 10,000

Income from house property 58,300

5. Assesment Year 2008-09:

Sl. No.	Person	Total Income Rs.	Tax & Surcharge Rs.	Marginal Relief Rs.	Net After Marginal Relief Rs.	Total Tax (Incl. Cess) Rs.
1	Mr. Ramesh (Indian)	10,36,000	2,85,780	780	2,85,000	2,93,814
2	Ms. Lakshmi Priya (Indian)(Non resident)	10,36,000	2,85,780	780	2,85,000	2,93,814
3	Ms. Sangeetha (Foreign national & Non Resident)	10,36,000	2,85,780	780	2,85,000	2,93,814
4	Ms. Nisha (Resident & Indian)	10,36,000	2,81,930	430	2,81,500	2,89,945
5	ABC & CO (Partnership Firm)	1,00,30,000	33,09,900	2,79,900	30,30,000	31,20,900
6	XYZ & CO (AOP – X is having a total income of Rs.3Lakhs and YZ nil income)	1,00,30,000	33,09,900	0	33,09,900	34,09,197
7	XYZ & CO (AOP - none of the members are having taxable income)	1,00,30,000	32,53,800	0	32,53,800	33,51,414
8	Mitai Inc. (Foreign company)	1,00,30,000	41,12,300	82,300	40,30,000	41,50,900



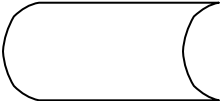
**PRIME ACADEMY**  
**28<sup>th</sup> SESSION PROGRESS TEST**  
**INFORMATION TECHNOLOGY and STRATEGIC MANAGEMENT**

**TIME: 2 hours**  
**Marks: 75**

**PART A**

**Maximum**  
**(25x1=25 Marks)**

- (1) A set of magnetic concentric circles created when formatted is known as
  - a. Magnetic disk
  - b. Diskette
  - c. FAT
  - d. Tracks
  
- (2) Cache memory is a
  - a. Secondary Storage
  - b. Primary storage
  - c. Main memory
  - d. None of the above
  
- (3) MMX stands for
  - a. Media Multiplexes
  - b. Multi Media Extractor
  - c. Multi Media Extensions
  - d. None of the above
  
- (4) Port is a
  - a. Software
  - b. System device
  - c. Hardware device
  - d. All of the above
  
- (5) EEPROM stands for
  - a. Electronic Programmable Read Only memory
  - b. Electrically Erasable programmable Read Only Memory
  - c. Electronically Executable Programmable Read Only memory
  - d. Easily Executable Programmable Read Only memory
  
- (6) The execution of an instruction measured in one billionth of a second is called as
  - a. Millisecond
  - b. Microseconds
  - c. Nanoseconds
  - d. Pico seconds
  
- (7) Flow charts are tools used in the ----- stage of SDLC
  - a. Analysis
  - b. Design
  - c. Coding
  - d. All of the above
  
- (8) A Sales order processing Flow Chart is an example of
  - a. System Flow Chart
  - b. Run Flow Chart
  - c. Program Flow Chart
  - d. All of the above

(9)  refers to -----

- a. Off-line Storage
- b. Floppy Diskette
- c. Document
- d. None of the above

(10)  refers to

- a. An operation
- b. A document
- c. An execution of an operation
- d. An Output

(11)  $A=17$  means that

- a. The value of  $A=17$
- b. The value of  $A$  irrespective value becomes 17 with this operation
- c. The initial value of  $A=17$
- d. All of the above

(12) A perfect integer

- a. Is a positive integer
- b. Is an even
- c. Equals the sum of its proper divisors
- d. All of the above

(13) A file, which contains the permanent data, is called

- a. A System File
- b. A Master File
- c. A transaction file
- d. None of the above

(14) Consumers are part of

- a. Business Environment
- b. Micro Environment
- c. Competitive Environment
- d. All of the above

(15) The group that influence an Organization are

- a. Owners
- b. Board of Directors
- c. Employees
- d. All of the above

(16) Environmental Forces influences

- a. Inputs
- b. Processing
- c. Outputs
- d. All of the above

- (17) Environment is ----- in nature
- Complex
  - Static
  - Erratic
  - All of the above
- (18) SWOT analysis has ----- environmental influences
- Five
  - Four
  - Six
  - Two
- (19) The relationship between an organization and its environment can best be described in terms of
- Exchange of information
  - Exchange of resources
  - Exchange of influence and power
  - All of the above
- (20) Macro Environment includes
- Organization
  - Suppliers
  - Government
  - Competitors
- (21) Population size matters in
- Microenvironment
  - Macro environment
  - Demographic environment
  - Geographic environment
- (22) Bargaining power of suppliers determines
- Profitability
  - Quality
  - Competition
  - Cost of the raw materials and other inputs
- (23) Weakness
- Is a limitation
  - An inherent limitation
  - Vulnerability
  - All of the above
- (24) Business has
- Single objective
  - Multiple objectives
  - General objectives
  - All of the above
- (25) Economic environment determines
- Strength and size of the market
  - Purchasing Power
  - Liquidity of the business
  - None of the above



**PART –B**

**(50 MARKS)**

**Question No.1 is compulsory and Answer any three from the rest**

1. a. Draw a program flow chart for finding the sum of first 100 odd numbers
- b. What are the objectives of a business

**(10+10 = 20 Marks)**

2. a. Explain the elements of Micro Environment
- b. Describe a Workstation

**(5+5=10 Marks)**

3. a. What do you understand by environmental influences on the environment? Discuss the problems associated with the efforts for understanding the environment
- b. What are the elements of Porter's Five Forces Model? Explain how is determined in three steps?

**(5+5=10 Marks)**

4. What are the advantages of a computer? What are the components of CPU

**(5+5=10 Marks)**

5. a. What is a kieretsus?
- b. Give the Computer Flow chart symbols for the following:
  - a. Magnetic Drum
  - b. Input/Output
  - c. Decision
  - d. Manual operation
  - e. Connectors

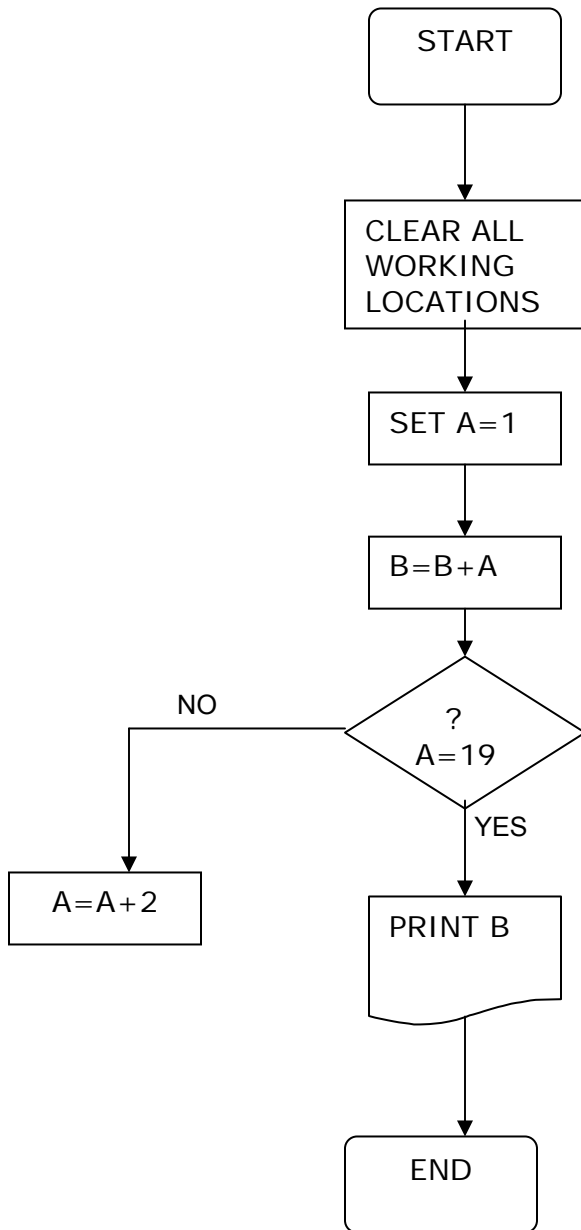
**(5+5=10 Marks)**

PRIME ACADEMY  
28TH SESSION PROGRESS TEST  
SUGGESTED ANSWERS  
INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT  
PART –A

- (1) d. Tracks
- (2) b. Primary Storage
- (3) c. Multi Media Extensions
- (4) c. Hardware Device
- (5) b. Electrically Erasable Programmable Read Only Memory
- (6) c. Nanoseconds
- (7) b. Design
- (8) b. Run flow chart
- (9) b. Floppy diskette
- (10) b. A document
- (11) b. The value of a irrespective value becomes 17 with this operation
- (12) c. Equals the sum of its proper divisors
- (13) b. A master file
- (14) b. Micro environment
- (15) d. All of the above
- (16) d. All of the above
- (17) a. Complex
- (18) b. Four
- (19) d. All of the above
- (20) c. Government
- (21) c. Demographic environment
- (22) d. Cost of the raw materials and other inputs
- (23) b. An inherent limitation
- (24) b. Multiple objectives
- (25) b. Purchasing power

PART -B-

1.a.



b.

A business has some purpose. A valid purpose of a business is to create customers. It is for the business to create a customer or market. Enterprises pursue multiple objectives rather than a single objective. Some of the more important objectives of business are:

**Survival:** it is the will and anxiety to perpetuate into the future as long as possible. It is a basic, implicit objective of most organizations. The ability to survive is a function of the nature of ownership, nature of business competence of management, general and industry conditions, financial strength of the enterprise etc.

**Stability:** It is cautious, conservative objective. A stable and steady enterprise minimizes managerial tensions and demands less dynamism from managers. It is a strategy of least resistance in a hostile environment.

**Growth:** This is promising and popular objective which is equated with dynamism, vigor, promise and success. Enterprise growth may take one or more of the forms like increase in assets, manufacturing facilities, increase in sales volume in existing or new products.

**Efficiency:** Business enterprises seek efficiency in rationally choosing appropriate means to achieve their goals, doing things in the best possible manner and utilizing resources in a most suitable combination to get highest productivity

**Profitability:** Generally business enterprises are primarily motivated by the objective of profit. All other objectives are facilitative objectives and are meant to be subservient to the profit motive.

2.a.

Microenvironment also known as task environment and affects business and marketing the daily operating level. Organizations have to closely analyze and monitor all the elements of microenvironment in order to stay competitive.

**Consumers/Customers:** The aim of business to create and retain customers according to Peter Drucker. Customers are the persons who pay money to acquire the products of the organization. Customers may or may not be a consumer. A consumer occupies the central position in the marketing environment. The marketer has to closely monitor and analyze changes in consumer tastes and preferences and their buying habits.

**Competitors:** are the other business entities that compete for resources as well as markets. Competition shapes the business. It may be direct or indirect.

**Organization:** Individuals occupying different positions or working in different capacities in organizations consists of individuals who come from outside, they have different and varied interests in microenvironment analysis, nothing is important as self-analysis by the organization itself. Understanding its own strengths and capabilities should be the goal of firm's internal analysis. The objectives, goals and resource availabilities of a firm occupy a critical position in the microenvironment. Owners, Board of directors and employees consists of the specific groups that influence an organization.

**Market:** It is larger than customers. The market needs to be studied in terms of its actual and potential size, its growth prospect and also its attractiveness. The trend and development, the key success factors of the market should also be considered.



**Suppliers:** form an important component of the microenvironment. They provide raw materials, equipment, and services and with their bargaining power affect the cost structure of the industry. They are a major force, which shapes the competition in the industry. Decision on outsourcing or in-house production is made depending on the supplier environment.

**Intermediaries:** exert a considerable influence on the business organizations. They can also be considered as the major determining force in the business. They buy product from the local retailers or manufacturer and sell .

b.

**Workstations** are powerful desktop computers designed to meet the needs of engineers architects and other professionals

- The CPU uses RISC which results in faster processing of instructions
- Work stations generally run in the Unix operating system or a variation of it
- They are used for CAD and are used as servers for LAN

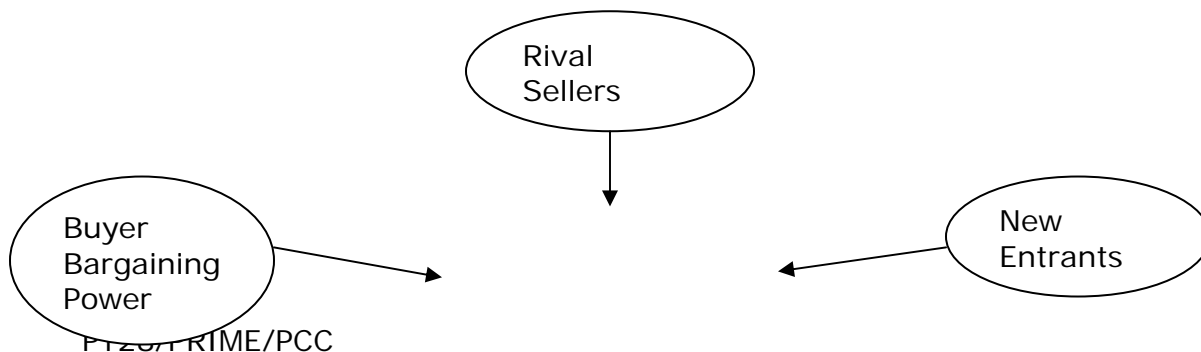
3.a. Businesses function within its relevant environment and have to continuously interact with it. To be successful businesses have to recognize different elements of the environment. They have to adapt or evolve themselves or have to manage and influence the elements. Disturbances in the environment may spell extreme threats or open up new opportunities for the firm. A successful business has to identify, appraise, and respond to the various opportunities and threats in its environment.

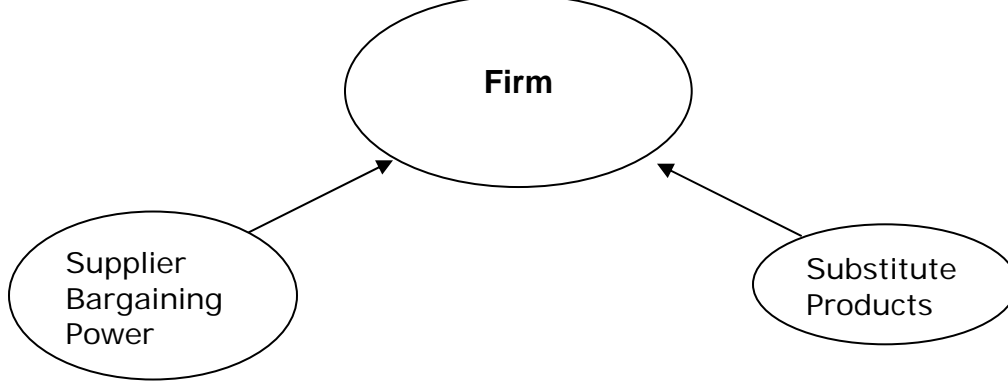
Business functions as a part of broader environment. The inputs in the form of human, physical, financial and other related resources are drawn from the environment. The business converts these resources through various processes into outputs of products and/or services. The latter are partly exchanged with the external client groups, say customers. The exchange process brings in some surplus (or profits, reputation, good public image and so on) to the business, which could be stored and used for further development and growth.

In trying to understand the environment, managers face different problems as follows:

- The environment encapsulates many different influences; the difficulty is in making sense of this diversity in a way, which can contribute to strategic decision-making. Listing all conceivable environmental influences may be possible, but it may not be of much use.
- The second difficulty is that of uncertainty. Managers typically claim that the pace of technological change and the speed of global communications mean more and faster change now than ever before. It is very difficult to understand future external influences on an organization.
- Managers are no different from other individuals in the way they cope with complexity. They tend to simplify such complexity by focusing on aspects of the environment, which, perhaps, have been historically important, or confirm prior views. These are the natural behavior of everyone faced with complexity.

b.





**Porter's Five Model Competitive Analysis** is a powerful and widely used tool for systematically diagnosing the principal competitive pressures in a market and assessing the strength and importance of each. The five forces together determine industry attractiveness /profitability

1. **Competitive Pressures:** This model states that the state of competition in an industry is the result of competitive pressures operating in five areas of the overall market –

- (a) Competitive pressures associated with the market, maneuvering and jockeying for buyer patronage that goes on among rival sellers in the industry
- (b) Competitive pressures associated with the threat of new entrants into the market
- (c) Competitive pressures coming from the attempts of Companies in other industries to win buyers over their own substitute products
- (d) Competitive pressures stemming from supplier bargaining power & Supplier –seller collaboration
- (e) Competitive pressures stemming from buyer bargaining power and seller-buyer collaboration

2. **Steps:** The steps to determine competition in a given industry are –

Step	Description
1	Identify the specific competitive pressures associated with each of the five forces
2	Evaluate how strong the pressures comprising each of the five forces are- (a) fierce, (b) strong, (c) moderate to normal or (d) weak
3	Determine whether the collective strength of the five competitive forces is conducive to earning attractive profits

4. **Advantages of a Computer:**

The advantages of computers are fast, accurate and reliable.

- **Speed:** Computer operations are measured in milliseconds, microseconds, nanoseconds and Pico seconds.
- **Accuracy:** It is called garbage in , garbage out. If the input is done correctly, output is also most accurate
- **Reliability:** Computer systems are particularly adept at repetitive tasks. Proper back up will ensure continuity.

- **Memory capability:** Computer systems have total and instant recall of data and an almost unlimited capacity to store these data.

**Components of Central processing unit:** The heart of any computer is the central processing unit (CPU). It is this central processor that makes comparisons, performs calculations, reads, interprets and controls the execution of the instructions. It consists of two separate sub-units.

- The control unit;
- The arithmetic and logic unit;

**5.a.**

Large cooperative networks of business are known as KIERETSUS. These are formed by companies in related industries, in order to enhance the abilities of individual member business to compete in their respective industries.

Kieretsus members are peers and may own significant amounts of each other's capital and may have board members in common.

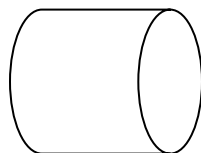
In Kieretsus, members remain independent companies in their own right. The only strategy they have in common, is to prefer to do business with other Kieretsus members, both when buying and when selling.

Kieretsus are different from conglomerates where in all members are lineated through ownership pattern.

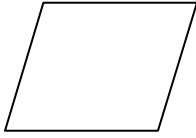
A Kierestus also differs from a consortium or an association as the primary purpose of a Kieretsus is not to share information or agree industry standards, but to share purchasing, distribution or any other function.

**b.**

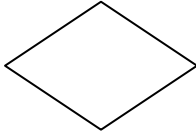
**f. Magnetic Drum**



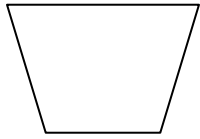
**g. Input/Output**



**h. Decision**



**i. Manual operation**



**j. Connectors**

