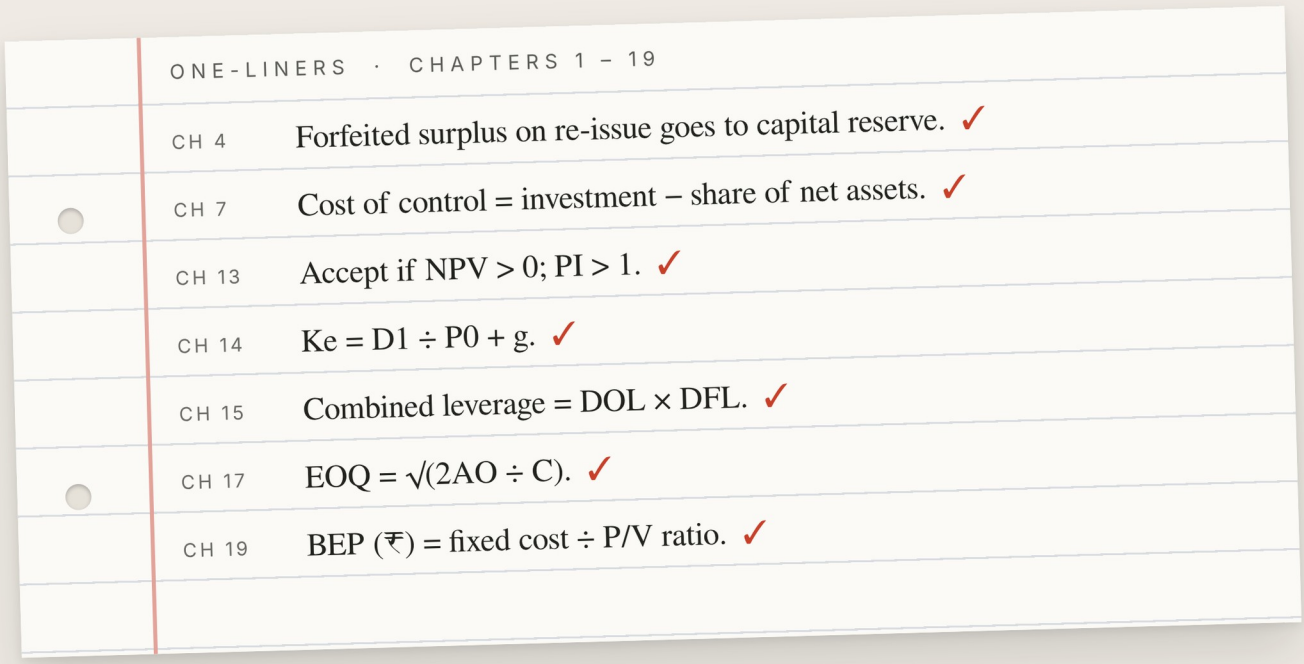
CS EXECUTIVE · PAPER 4

Corporate Accounting and Financial Management

Scanner Revision Pointers

Every Scanner question connected to the **ICSI Study Material (Syllabus 2022)** — and the one line that answers it.



19 CHAPTERS

677 SCANNER QUESTIONS

191 ONE-LINERS

Shuchita Prakashan PVT. LTD.

Introductory Note

Corporate Accounting and Financial Management is a paper of entries and formulas: forfeiture and re-issue, redemption out of profits into the capital redemption reserve, cost of control in consolidation, NPV and IRR, the cost of each source of capital, leverage, Walter and MM, EOQ and break-even. ICSI tests them mostly through practical problems. Every question in the Shuchita Scanner for CS Executive Paper 4 has been traced to the passage of the ICSI Study Material that teaches it, and the treatment or formula it turns on has been written down as a single line.

The result: 677 Scanner questions — every past ICSI examination question the Scanner carries, theory and practical, from the earlier and current syllabi (including old CS Foundation and Professional questions the Scanner retains), and 3 model questions the Scanner sets on topics not yet asked — reduced to 191 one-liners, and those condensed further into 145 revision pointers. Every one-liner follows the wording of the ICSI Study Material (Syllabus 2022). Where a printed answer and the Study Material differ, the one-liner teaches the Study Material position.

How each chapter is arranged

Part A — One-liners mapped to Scanner questions and Study Material. Topic by topic, in Scanner order. Each row gives:

- Ref — the row's address: Topic.Row (5.2 is the second row of Topic 5);
- One-liner — the rule, provision or distinction the question turns on, in Study Material language;
- Scanner Q — the Scanner questions it answers, by the Scanner's own numbers (TQ = theory question; PQ = practical question; NQ = the Scanner's model question on a topic not yet asked, numbered here in Scanner order);
- Asked in — every ICSI examination in which those questions were set;
- SM source — the Study Material section and page.

Part B — Revision Sheet. The same chapter compressed to short pointers, in Study Material order, each weighted by how often ICSI has asked it and linked back to its Part A row.

How to use this booklet

1. Work the chapter from the Study Material and the Scanner first; this booklet is for revision, not first learning.
2. Before attempting a question, read the one-liners for its topic — they tell you what the examiner is testing.
3. Revise from Part B. Where a pointer is not instantly clear, go to its Part A ref and re-attempt one of the Scanner questions listed against it.
4. In the final week, read only the ★★★ and ★★ lines of every chapter.

Conventions

Term	Meaning
TQ · PQ · NQ	Theory question · Practical question · Model question on a topic not yet asked (set by the Scanner; carries no weight)
SN · DB · DESC	Short note · Distinguish between · Descriptive
PYQ	Previous-year question from an ICSI examination (year and month shown)
2026-Jun	June 2026 paper: no answer is published until ICSI releases its Suggested Answer; the one-liner states the general rule only
★★★ ★★ ★	Asked 6 or more times · 3 – 5 times · once or twice
Not in SM	Examined but not covered in the Study Material module; the one-liner follows the Scanner's answer

The chapters at a glance

Ch	Chapter	Questions	One-liners	Pointers	★★★ share
1	Introduction to Accounting	62	17	12	79%
2	Introduction to Corporate Accounting	15	10	7	–
3	Accounting Standards	22	13	10	–
4	Accounting for Share Capital	60	15	10	82%
5	Accounting for Debentures	41	11	8	68%
6	Related Aspects of Company Accounts	30	6	5	83%
7	Consolidation of Accounts	30	8	6	80%
8	Financial Statement Analysis	39	8	7	72%
9	Cash Flow	35	5	5	80%
10	Forecasting Financial Statements	11	5	5	–
11	Introduction	23	12	7	26%
12	Time Value of Money	8	4	3	–
13	Capital Budgeting	40	12	10	32%
14	Cost of Capital	24	7	7	25%
15	Capital Structure	49	10	8	71%
16	Dividend Decisions	24	7	6	54%
17	Working Capital Management	67	17	10	73%
18	Security Analysis	44	13	9	59%
19	Operational Approach to Financial Decision	53	11	10	43%
	Total	**677**	**191**	**145**	

Prof. Arun Kumar
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CHAPTER 1

Introduction to Accounting

62 Scanner questions · 17 one-liners · 12 revision pointers

Part A — One-liners mapped to Scanner questions and Study Material

Introduction to Accounting

SM Lesson 1, pages 1 – 28

Topic 1 Accounting: meaning, users and limits

7 Scanner questions · ICSI appearances PYQ 7

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.1	Book-keeping is the recording stage; accounting goes further — classifying, summarising, analysing and interpreting. Objectives: systematic records, ascertaining profit or loss and financial position, and information for users. Accounting is a science (systematised principles) and an art (applying them with judgement). Its branches are financial, cost and management accounting. The accounting cycle runs: transaction → journal → ledger → trial balance → final accounts.	TQ 1.10, TQ 1.15, TQ 1.17, TQ 1.56, TQ 1.35	PYQ 2009-Dec, 1998-Dec, 1999-Dec, 2011-Dec, 2006-Jun	L1, pp. 1, 5
1.2	Users: internal (owners, management, employees) and external (investors, lenders, creditors, Government, tax authorities, public). Limitations: only money-measurable events are recorded, historical cost ignores price changes, estimates and personal judgement intrude, and window dressing is possible.	TQ 1.40, TQ 1.41	PYQ 2008-Dec, 2009-Jun	L1, pp. 4, 10

Topic 2 Concepts and conventions

19 Scanner questions · ICSI appearances PYQ 19

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.1	Concepts: business entity (business separate from owner); money measurement (only events measurable in money are recorded); going concern (assets at cost, not break-up value); accounting period (results measured period by period); matching (expenses set against the revenue of the same period); dual aspect — every transaction has a debit and a credit, giving Assets = Liabilities + Capital.	TQ 1.15, TQ 1.17, TQ 1.16, TQ 1.19, TQ 1.21, TQ 1.32, TQ 1.48, TQ 1.51	PYQ 1998-Dec, 1999-Dec, 1999-Jun, 2000-Dec, 2001-Dec, 2005-Jun, 2010-Jun, 2011-Jun	L1, pp. 6, 11
2.2	Accrual basis records income when earned and expenses when incurred, whatever the time of cash flow, and is required for companies (s. 128, Companies Act); cash basis records only receipts and payments, ignoring outstanding and prepaid items.	TQ 1.6, TQ 1.18, TQ 1.33, TQ 1.36, TQ 1.54	PYQ 2003-Dec, 2000-Jun, 2005-Dec, 2006-Dec, 2011-Dec	L1, p. 11

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.3	Conventions: consistency (same methods year to year; changes disclosed), full disclosure (all material information shown), conservatism or prudence (anticipate no profit, provide for all known losses — e.g. stock at lower of cost and net realisable value) and materiality (immaterial items may be grouped or ignored). Accounting policies are the specific principles and methods an entity adopts to prepare its statements and must be disclosed.	TQ 1.17, TQ 1.22, TQ 1.26, TQ 1.27, TQ 1.28, TQ 1.53	PYQ 1999-Dec, 2001-Dec, 2002-Jun, 2002-Dec, 2004-Jun, 2011-Dec	L1, p. 11; L3, p. 103
2.4	Golden rules: personal account — debit the receiver, credit the giver; real account — debit what comes in, credit what goes out; nominal account — debit expenses and losses, credit incomes and gains.	TQ 1.57	PYQ 2023-Dec	L1, p. 12

Topic 3 Books of account

14 Scanner questions · ICSI appearances PYQ 14

Ref	One-liner for the student	Scanner Q	Asked in	SM source
3.1	The journal is the book of original entry (chronological); the ledger, the principal book, classifies entries account-wise. The journal is sub-divided into cash book, purchases, sales and returns books, bills books and journal proper (for opening, closing, adjustment, rectification and transfer entries). Combined entries record related transactions on one date together. Balancing totals each side and carries the difference down.	TQ 1.12, TQ 1.29, TQ 1.45, TQ 1.46, TQ 1.50, TQ 1.47	PYQ 2010-Dec, 2004-Jun, 2010-Jun, 2011-Jun	L1, pp. 18, 20
3.2	Real accounts are for assets and properties (balances carried forward); nominal accounts are for expenses, losses, incomes and gains (closed to the profit and loss account). Revenue expenditure is consumed within the year; deferred revenue expenditure is revenue in nature but its benefit spreads over several years, so it is written off over them.	TQ 1.13	PYQ 2011-Jun	L1, p. 12
3.3	Subsidiary books record similar transactions in separate books (cash, purchases, sales, returns, bills, journal proper). Petty cash under the imprest system: the petty cashier gets a fixed float, spends on small items and is reimbursed exactly what he spent, so the float is restored each period.	TQ 1.15, TQ 1.17, TQ 1.25	PYQ 1998-Dec, 1999-Dec, 2002-Jun	L1, pp. 14, 16
3.4	The cash book is both a book of original entry and a ledger account (no separate cash or bank account is opened). The two-column cash book combines cash and bank accounts; a contra entry (marked 'C') records a transfer between cash and bank and appears on both sides.	TQ 1.23, TQ 1.34, TQ 1.39, TQ 1.42	PYQ 2001-Dec, 2006-Jun, 2007-Dec, 2009-Dec	L1, pp. 8, 16

Topic 4 Trial balance

5 Scanner questions · ICSI appearances PYQ 5

Ref	One-liner for the student	Scanner Q	Asked in	SM source
4.1	A trial balance lists ledger balances to check arithmetical accuracy and is the link between ledger and final accounts; it is not part of the accounts. Its agreement does not prove accuracy — errors of omission, commission, principle and compensating errors remain. Methods: totals, balances and compound. The balance sheet, by contrast, shows financial position and is a formal statement.	TQ 1.11, TQ 1.14, TQ 1.31, TQ 1.37, TQ 1.52	PYQ 2010-Jun, 2011-Dec, 2005-Jun, 2007-Jun, 2011-Jun	L1, p. 22

Topic 5 Capital and revenue

10 Scanner questions · ICSI appearances PYQ 10

Ref	One-liner for the student	Scanner Q	Asked in	SM source
5.1	Capital expenditure acquires or improves a fixed asset or raises earning capacity and benefits several years (shown in the balance sheet); revenue expenditure maintains the business and is consumed within the year (charged to profit and loss). Capital receipts (share capital, loans, sale of fixed assets) are non-recurring; revenue receipts (sales, interest) are recurring. Capital profits (e.g. on sale of fixed assets) are not ordinarily distributable; revenue profits are.	TQ 1.2, TQ 1.5, TQ 1.13, TQ 1.20, TQ 1.24, TQ 1.43, TQ 1.44	PYQ 2000-Dec, 2002-Dec, 2011-Jun, 2001-Jun, 2002-Jun, 2009-Dec	L1, p. 6
5.2	A provision is a charge against profit for a known liability or diminution in value (e.g. depreciation, doubtful debts); a reserve is an appropriation of profit to strengthen the business. A contingent liability depends on a future uncertain event and is disclosed by note, not provided.	TQ 1.7, TQ 1.18	PYQ 2004-Dec, 2000-Jun	L1, pp. 8 – 9
5.3	Trade discount is a reduction in list price to promote sales and is not recorded in the books; cash discount is allowed for prompt payment and is recorded as an expense of the seller and an income of the buyer.	TQ 1.3	PYQ 2001-Jun	L1, p. 7

Topic 6 Final accounts

15 Scanner questions · ICSI appearances PYQ 15

Ref	One-liner for the student	Scanner Q	Asked in	SM source
6.1	The trading account gives gross profit (sales less cost of goods sold, with direct expenses); the profit and loss account gives net profit (indirect expenses and incomes) for a period; the balance sheet shows assets and liabilities on a date — a statement of sources (capital, liabilities) and uses (assets) of funds. A statement of affairs is prepared from incomplete records to find capital, with balances partly estimated. Assets are classified as fixed, current, intangible, investments and fictitious.	TQ 1.1, TQ 1.8, TQ 1.4, TQ 1.9, TQ 1.38, TQ 1.49	PYQ 2000-Jun, 2008-Dec, 2002-Jun, 2009-Jun, 2007-Dec, 2011-Jun	L1, p. 23

Ref	One-liner for the student	Scanner Q	Asked in	SM source
6.2	The manufacturing account finds the cost of goods manufactured: opening work in progress + raw materials consumed + direct wages and factory overheads – closing work in progress; the result is transferred to the trading account.	TQ 1.15	PYQ 1998-Dec	L1, p. 23
6.3	Final accounts from a trial balance: closing stock given outside the trial balance goes to the trading account (credit) and the balance sheet; inside the trial balance it goes only to the balance sheet. Outstanding expenses are added to the expense and shown as a liability; prepaid expenses are deducted and shown as an asset; accrued income is added; depreciation, bad debts and the provision for doubtful debts are charged to profit and loss; closing entries transfer nominal accounts to trading and profit and loss.	TQ 1.20, TQ 1.30, TQ 1.55, PQ 1.1, PQ 1.2, PQ 1.3, PQ 1.4, PQ 1.5	PYQ 2001-Jun, 2005-Jun, 2011-Dec, 2004-Dec, 2005-Dec, 2007-Jun, 2007-Dec, 2010-Jun	L1, p. 23

Part B — Chapter 1 One-liner Revision Sheet

Deduplicated and in Study Material order. Click a 'Part A ref' to jump to the Part A row(s) carrying the full wording, the Scanner questions and the SM page. Refs read Topic.Row. Weight: ★★★ asked 6 or more times · ★★ 3 – 5 times · ★ once or twice, counting ICSI examinations. The ★★★ lines alone cover about 79% of ICSI appearances in this chapter.

Introduction to Accounting

#	One-liner	Weight	Part A ref
1	Book-keeping v. accounting; objectives, cycle, users, limitations.	★★★	1.1, 1.2
2	Entity, money measurement, going concern, period, matching, dual aspect.	★★★	2.1
3	Accrual v. cash basis.	★★	2.2
4	Consistency, disclosure, conservatism, materiality; accounting policies.	★★★	2.3
5	Golden rules: personal, real, nominal.	★	2.4
6	Journal, ledger, subsidiary books; real v. nominal.	★★★	3.1, 3.2, 3.3
7	Imprest petty cash; cash book as journal and ledger; contra.	★★★	3.3, 3.4
8	Trial balance: arithmetical check only.	★★	4.1
9	Capital v. revenue: expenditure, receipts, profits.	★★★	5.1
10	Provision v. reserve; contingent liability; trade v. cash discount.	★★	5.2, 5.3
11	Trading, P&L, balance sheet, statement of affairs; manufacturing account.	★★★	6.1, 6.2
12	Final accounts adjustments: stock, outstanding, prepaid, depreciation, provisions.	★★★	6.3

CHAPTER 2

Introduction to Corporate Accounting

15 Scanner questions · 10 one-liners · 7 revision pointers

Part A — One-liners mapped to Scanner questions and Study Material

Introduction to Corporate Accounting

SM Lesson 2, pages 29 – 72

Topic 1 Schedule III: form and disclosures

8 Scanner questions · ICSI appearances PYQ 8

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.1	Schedule III prescribes vertical formats: Part I balance sheet (equity and liabilities — shareholders' funds, non-current and current liabilities; assets — non-current and current) and Part II statement of profit and loss (revenue from operations, other income, expenses by nature, exceptional and extraordinary items, tax, profit from continuing and discontinued operations, EPS); figures for the previous year, notes for details, and rounding by turnover.	TQ 1.1, TQ 1.2, TQ 1.10	PYQ 2013-Dec, 2015-Jun, 2025-Dec	L2, pp. 34, 46
1.2	Loans and advances (long-term and short-term alike) are classified into capital advances, security deposits, loans to related parties and others; each sub-classified as secured and considered good, unsecured and considered good, and doubtful, with the allowance for bad and doubtful loans shown separately and dues from directors, officers or firms and companies in which directors are interested disclosed.	TQ 1.3, TQ 1.4	PYQ 2016-Jun	L2, pp. 53, 57
1.3	Reserves and surplus are shown as capital reserve, capital redemption reserve, securities premium, debenture redemption reserve, revaluation reserve, share options outstanding, other reserves (with nature and purpose) and surplus (balance in profit and loss after appropriations); a debit balance of profit and loss is shown as a negative figure under surplus.	TQ 1.5	PYQ 2017-Jun	L2, p. 43
1.4	Share capital note: for each class — authorised, issued, subscribed and fully paid, subscribed but not fully paid; par value; reconciliation of shares at the beginning and end; rights and restrictions; shares held by holding company; holders of more than 5%; shares reserved for options; bonus, buy-back and non-cash issues in the last five years; calls unpaid; forfeited shares; and promoters' shareholding.	TQ 1.6	PYQ 2017-Dec	L2, p. 40

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.5	Trade receivables are sub-classified as secured considered good, unsecured considered good, having significant increase in credit risk, and credit-impaired, with the allowance for bad and doubtful debts shown; dues from directors and related firms disclosed, and an ageing schedule given.	TQ 1.7	PYQ 2018-Jun	L2, p. 56

Topic 2 Books of account and XBRL

2 Scanner questions · ICSI appearances PYQ 2

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.1	Every company keeps books of account and other relevant papers at its registered office, on accrual basis and double entry, giving a true and fair view (s. 128); the Board may keep them elsewhere in India; they may be kept in electronic form, accessible in India at all times, with daily back-up on servers in India; preserved for eight years.	TQ 1.9	PYQ 2024-Jun	L2, p. 30
2.2	XBRL (Extensible Business Reporting Language) is a language for electronic communication of business and financial data: each item is tagged against a standard taxonomy so that data can be read, compared and analysed by software; specified companies file financial statements with the Registrar in XBRL.	TQ 1.8	PYQ 2023-Dec	L2, p. 66

Topic 3 Company final accounts and capital adjustments

5 Scanner questions · ICSI appearances PYQ 5

Ref	One-liner for the student	Scanner Q	Asked in	SM source
3.1	Company final accounts from a trial balance: prepare the statement of profit and loss and balance sheet in Schedule III form with notes — calls in arrears deducted from subscribed capital, provisions for tax and dividend as adjustments, depreciation and doubtful debts charged, proposed dividend shown as a contingent note, not a liability.	PQ 1.1, PQ 1.2, PQ 1.3	PYQ 2009-Jun, 2010-Jun, 2010-Dec	L2, p. 46
3.2	Dividend out of free reserves in a year of inadequate profit (rule 3): rate not above the average of the three preceding years; amount drawn not above 10% of paid-up capital and free reserves; it first sets off the current year's loss; reserves left must be at least 15% of paid-up capital.	PQ 1.4	PYQ 2015-Dec	Not in SM
3.3	Bonus issue from profit and loss: debit profit and loss, credit bonus to shareholders, then share capital. Rights or option issue at a premium: bank debit, share capital and securities premium credit. Debentures repaid at a premium: debit debentures and premium on redemption, credit debenture-holders, then pay them; write the premium off against securities premium or profit and loss. Then redraw the balance sheet.	PQ 1.5	PYQ 2026-Jun	L4, p. 168; L5, p. 198

Part B — Chapter 2 One-liner Revision Sheet

Deduplicated and in Study Material order. Click a 'Part A ref' to jump to the Part A row(s) carrying the full wording, the Scanner questions and the SM page. Refs read Topic.Row. Weight: ★★★ asked 6 or more times · ★★ 3 – 5 times · ★ once or twice, counting ICSI examinations. No line in this chapter reaches ★★★; every pointer has been asked fewer than six times.

Introduction to Corporate Accounting

#	One-liner	Weight	Part A ref
1	Schedule III: vertical balance sheet and statement of P&L; key features.	★★	1.1
2	Loans and advances, reserves and surplus, share capital, trade receivables disclosures.	★★	1.2, 1.3, 1.4, 1.5
3	Books at registered office; electronic form with Indian back-up; eight years.	★	2.1
4	XBRL tags data against a taxonomy.	★	2.2
5	Company final accounts in Schedule III form.	★★	3.1
6	Dividend out of reserves: average rate, 10% cap, 15% residue.	★	3.2
7	Bonus, rights at premium, debentures redeemed at premium.	★	3.3

CHAPTER 3

Accounting Standards

22 Scanner questions · 13 one-liners · 10 revision pointers

Part A — One-liners mapped to Scanner questions and Study Material

Accounting Standards

SM Lesson 3, pages 73 – 130

Topic 1 Accounting standards: need, setting and convergence

10 Scanner questions · ICSI appearances PYQ 10

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.1	Accounting standards are written policy documents on recognition, measurement, presentation and disclosure; they reduce alternative treatments, give comparability and credibility, and help produce a true and fair view. They are mandatory for companies once notified by the Central Government on NFRA's (earlier NACAS's) recommendation (s. 133); s. 129 requires compliance and disclosure of deviations.	TQ 1.13, TQ 1.20, TQ 1.5	PYQ 2017-Dec, 2026-Jun, 2009-Dec	L3, pp. 75, 77
1.2	The ICAI's Accounting Standards Board (1977) identifies areas needing standards, formulates them in line with IFRS and Indian conditions, consults stakeholders, reviews standards periodically and issues guidance.	TQ 1.6, TQ 1.16	PYQ 2013-Dec, 2018-Jun	L3, p. 90
1.3	International standards aim at globally comparable, high-quality reporting for cross-border capital; obstacles to their acceptance include differing legal and tax systems, national pride, varied levels of development and inflation, and the cost of change.	TQ 1.1, TQ 1.3	PYQ 2008-Dec, 2010-Jun	L3, pp. 86, 90
1.4	Convergence with IFRS (Ind AS, notified 2015, phased in from 2016 – 17 by net worth and listing) gives a common financial language, cheaper foreign capital, comparability and fewer reconciliations for multinational groups.	TQ 1.10, TQ 1.17	PYQ 2015-Jun, 2023-Dec	L3, p. 92
1.5	A Small and Medium-sized Company is unlisted, not a bank, insurer or financial institution, with turnover up to ₹ 250 crore and borrowings up to ₹ 50 crore, and not a holding or subsidiary of a non-SMC; it enjoys exemptions or relaxations from AS 3, 17, 15, 19, 20, 25, 28 and 29.	TQ 1.18	PYQ 2024-Jun	L3, p. 78

Topic 2 Individual standards

12 Scanner questions · ICSI appearances PYQ 12

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.1	AS 10 (PPE): recognised when future benefits are probable and cost is reliable; measured at cost (purchase price, duties, directly attributable costs, initial estimate of dismantling cost); after recognition, cost model or revaluation model; depreciated over useful life by components; derecognised on disposal. Ind AS 16 is largely aligned but follows the Ind AS framework (e.g. fair value at transition, deemed cost options, revaluation surplus through OCI).	TQ 1.2, TQ 1.4	PYQ 2009-Jun, 2026-Jun	L3, pp. 104, 116
2.2	Amalgamation in the nature of merger (AS 14): all assets and liabilities pass; holders of at least 90% of the transferor's equity (other than the transferee's) become shareholders of the transferee; consideration is only in equity, cash only for fractions; the business is intended to continue; no adjustment to book values except for uniform policies — pooling of interests method.	TQ 1.7	PYQ 2014-Jun	L3, p. 84
2.3	AS 9: revenue from sale of goods is recognised when significant risks and rewards of ownership pass and no significant uncertainty exists as to the consideration; from services, by proportionate completion or completed service contract method; interest on a time-proportion basis, royalties on accrual, dividends when the right to receive is established. Recognition is postponed where collection is uncertain.	TQ 1.8, TQ 1.15	PYQ 2014-Dec, 2017-Dec	L3, p. 117
2.4	AS 18: parties are related if one controls, or exercises significant influence over, the other; disclose the name and relationship (where control exists, even without transactions), and for transactions — nature, volume, outstanding balances, provisions for doubtful debts and amounts written off.	TQ 1.9, TQ 1.11	PYQ 2014-Dec, 2015-Jun	L3, p. 106
2.5	AS 28 disclosures, by class of assets: impairment losses and reversals recognised in profit and loss (and line items), and those in revaluation surplus; for material losses, the events, amount, nature of the asset or cash-generating unit, and whether recoverable amount is net selling price or value in use, with the discount rate.	TQ 1.12	PYQ 2016-Dec	L3, p. 124
2.6	AS 25 minimum notes in an interim report: same accounting policies as the annual statements or changes; seasonality; unusual items; changes in estimates; issues and repayments of securities; dividends; segment results; material subsequent events; changes in composition (acquisitions, restructuring); changes in contingent liabilities.	TQ 1.14	PYQ 2017-Dec	L3, p. 123

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.7	AS 16: borrowing costs (interest, commitment charges, ancillary costs, finance charges, exchange differences regarded as interest) directly attributable to a qualifying asset (one taking substantial time — ordinarily twelve months or more — to get ready) are capitalised from when expenditure and borrowing costs are incurred and activities begin, suspended during interruptions, and stopped when the asset is substantially ready.	TQ 1.19	PYQ 2025-Dec	L3, p. 105
2.8	AS 20: Basic EPS = net profit attributable to equity shareholders ÷ weighted average equity shares. Diluted EPS adds back post-tax interest on convertible instruments to the numerator and adds the potential equity shares (convertibles, options) to the denominator; computed when dilutive potential shares exist.	PQ 1.1, PQ 1.2	PYQ 2014-Jun, 2015-Dec	L3, p. 107

Part B — Chapter 3 One-liner Revision Sheet

Deduplicated and in Study Material order. Click a 'Part A ref' to jump to the Part A row(s) carrying the full wording, the Scanner questions and the SM page. Refs read Topic.Row. Weight: ★★★ asked 6 or more times · ★★ 3 – 5 times · ★ once or twice, counting ICSI examinations. No line in this chapter reaches ★★★; every pointer has been asked fewer than six times.

Accounting Standards

#	One-liner	Weight	Part A ref
1	Need for standards; mandatory once notified (s. 133).	★★	1.1
2	ASB objectives; international standards and obstacles.	★★	1.2, 1.3
3	IFRS convergence via Ind AS.	★	1.4
4	SMC: ₹ 250 crore turnover, ₹ 50 crore borrowings; relaxations.	★	1.5
5	AS 10 / Ind AS 16: PPE recognition and measurement.	★	2.1
6	AS 14 merger: 90% holders, equity consideration, pooling.	★	2.2
7	AS 9 revenue recognition; AS 18 related parties.	★★	2.3, 2.4
8	AS 28 impairment disclosure; AS 25 interim notes.	★	2.5, 2.6
9	AS 16: capitalise borrowing costs on qualifying assets.	★	2.7
10	AS 20: basic and diluted EPS.	★	2.8

CHAPTER 4

Accounting for Share Capital

60 Scanner questions · 15 one-liners · 10 revision pointers

Part A — One-liners mapped to Scanner questions and Study Material

Accounting for Share Capital

SM Lesson 4, pages 131 – 180

Topic 1 Kinds of share capital and issue

8 Scanner questions · ICSI appearances PYQ 8

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.1	Preference shares carry a preferential right to a fixed dividend and to return of capital on winding up, and vote only on matters affecting them (or when dividend is two years in arrear); equity shares carry residual rights, variable dividend and full voting.	TQ 1.8	PYQ 2016-Dec	L4, p. 134
1.2	If the minimum subscription (90% of the issue for public offers) is not received within the stipulated time, all application money must be refunded; under-subscription above that level needs no refund — the company allots what was applied for.	TQ 1.11	PYQ 2008-Dec	L4, p. 144
1.3	Issue entries: application money to Share Application A/c, transferred to capital on allotment; excess application money on pro rata allotment is applied first to allotment, then to calls, and any surplus refunded; allotment and calls debited when due; Calls in Arrears and Calls in Advance accounts record shortfalls and pre-payments (interest on arrears and on advance per Table F); premium credited when due, usually with allotment.	PQ 1.6, PQ 1.18, PQ 1.22, PQ 1.26, PQ 1.28	PYQ 2013-Jun, 2017-Jun, 2023-Dec, 2024-Jun, 2024-Dec	L4, pp. 145, 154
1.4	Shares issued for consideration other than cash: debit assets, credit vendor; then debit vendor, credit share capital and securities premium. Number of shares = balance consideration ÷ issue price (face value + premium).	PQ 1.35	PYQ 2025-Dec	L4, p. 147

Topic 2 Securities premium and discount

8 Scanner questions · ICSI appearances PYQ 8

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.1	Securities premium (s. 52) is credited to a separate account and may be applied only: to issue fully paid bonus shares; to write off preliminary expenses; to write off expenses, commission or discount on issue of shares or debentures; to provide for premium on redemption of preference shares or debentures; and for buy-back (s. 68). It is shown under reserves and surplus; misuse is treated as reduction of capital needing s. 66 compliance. 'Share premium' is the older term for the same concept.	TQ 1.7, TQ 1.15, TQ 1.18, TQ 1.20, TQ 1.23, PQ 1.22	PYQ 2014-Jun, 2013-Dec, 2015-Jun, 2016-Jun, 2017-Dec, 2023-Dec	L4, p. 141

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.2	Shares cannot be issued at a discount (s. 53) — such issue is void — except sweat equity shares (s. 54) and shares to creditors on conversion of debt under a statutory restructuring; a patentee paid partly in shares 'at a discount' must be issued sweat-equity-compliant shares or the discount is invalid; contravention attracts penalty equal to the discount amount or ₹ 5 lakh, whichever is less, and refund with 12% interest.	TQ 1.1, PQ 1.31	PYQ 2009-Jun, 2025-Jun	L4, p. 143

Topic 3 Calls, forfeiture and re-issue

11 Scanner questions · ICSI appearances PYQ 11

Ref	One-liner for the student	Scanner Q	Asked in	SM source
3.1	Calls in arrears are calls due but unpaid (deducted from called-up capital; interest up to 10% may be charged); calls in advance are amounts received before they are called (shown as a liability, carrying interest up to 12%, not part of capital, no dividend).	TQ 1.5	PYQ 2008-Dec	L4, p. 145
3.2	Forfeiture: debit share capital with the called-up amount (and securities premium if the premium has not been received), credit the unpaid calls and credit Share Forfeiture with the amount received. Re-issue: the discount on re-issue (not more than the forfeited amount on those shares) is debited to Share Forfeiture; the balance of forfeiture on the re-issued shares is transferred to Capital Reserve; forfeiture on shares not re-issued stays in the balance sheet under share capital.	PQ 1.1, PQ 1.3, PQ 1.4, PQ 1.7, PQ 1.9, PQ 1.17, PQ 1.20, PQ 1.28, PQ 1.36, PQ 1.26	PYQ 2008-Dec, 2009-Dec, 2012-Dec, 2013-Dec, 2015-Jun, 2017-Jun, 2018-Jun, 2024-Dec, 2026-Jun, 2024-Jun	L4, pp. 150, 154

Topic 4 Underwriting and rights

7 Scanner questions · ICSI appearances PYQ 7

Ref	One-liner for the student	Scanner Q	Asked in	SM source
4.1	Underwriters' liability: gross liability = issue × underwriting ratio; deduct marked applications; distribute unmarked applications (and surplus of over-subscribed underwriters) in the gross liability ratio; with firm underwriting, firm applications are treated as marked (or, as specified, as unmarked); a negative balance is redistributed among the others; net liability is what the underwriter must take up.	PQ 1.8, PQ 1.11, PQ 1.16, PQ 1.27	PYQ 2014-Dec, 2015-Dec, 2017-Jun, 2024-Dec	L6, pp. 240, 246
4.2	Bonus shares are issued free out of reserves and need no cash; rights shares are offered for cash to existing holders in proportion to their holding (s. 62), renounceable, open 15 – 30 days. Theoretical ex-rights price = (market value of existing shares + rights proceeds) ÷ total shares after the issue; value of a right = cum-rights price − ex-rights price (per existing share: ÷ number of old shares per new share).	TQ 1.6, TQ 1.9, PQ 1.10	PYQ 2011-Jun, 2018-Jun, 2015-Dec	L6, p. 234; L4, p. 168

Topic 5 Bonus shares

7 Scanner questions · ICSI appearances PYQ 7

Ref	One-liner for the student	Scanner Q	Asked in	SM source
5.1	Bonus shares (s. 63) may be issued from free reserves, securities premium or capital redemption reserve — not from revaluation reserve — if authorised by the articles, recommended by the Board and approved in general meeting, with no default in interest or principal on deposits or debt securities, or in statutory dues to employees, and partly paid shares made fully paid; not in lieu of dividend. Entries: debit reserve, credit Bonus to Shareholders; then debit it and credit share capital (or the calls account for making partly paid shares fully paid). A bonus issue by a subsidiary does not change the cost of control — the parent's share of capital rises and its share of reserves falls by the same amount.	TQ 1.4, TQ 1.16, TQ 1.21, PQ 1.12, PQ 1.24, PQ 1.32, TQ 1.12	PYQ 2024-Dec, 2013-Dec, 2016-Dec, 2016-Jun, 2023-Dec, 2025-Dec, 2009-Dec	L4, pp. 167 – 168

Topic 6 Buy-back

9 Scanner questions · ICSI appearances PYQ 9

Ref	One-liner for the student	Scanner Q	Asked in	SM source
6.1	Buy-back (ss. 68 – 70): authorised by articles; Board resolution up to 10% of paid-up capital and free reserves, special resolution up to 25%; equity bought back not more than 25% of paid-up equity in a year; post-buy-back debt-equity ratio not above 2:1; shares fully paid; only out of free reserves, securities premium or proceeds of a different issue; completed within one year; no fresh issue of the same kind for six months; no buy-back through subsidiaries or if in default. Entries: transfer nominal value bought from free reserves to capital redemption reserve (s. 69), pay holders, extinguish shares. Prudence keeps some free reserves for contingencies; misuse risk explains the safeguards.	TQ 1.2, TQ 1.3, TQ 1.10, TQ 1.13, TQ 1.17, TQ 1.22, PQ 1.29, PQ 1.34, PQ 1.15	PYQ 2012-Jun, 2013-Jun, 2008-Dec, 2010-Jun, 2014-Jun, 2017-Jun, 2024-Dec, 2025-Dec	L4, pp. 159 – 160

Topic 7 Redemption of preference shares

10 Scanner questions · ICSI appearances PYQ 10

Ref	One-liner for the student	Scanner Q	Asked in	SM source
7.1	Redemption of preference shares (s. 55): only fully paid shares; out of distributable profits or proceeds of a fresh issue made for the purpose; where out of profits, an amount equal to the nominal value redeemed is transferred to capital redemption reserve; premium on redemption is provided from securities premium (or profits); CRR may be used for fully paid bonus shares. Fresh issue needed = nominal value to be redeemed − profits available (rounded to the issue's denomination); calls in arrears shares cannot be redeemed until paid.	TQ 1.14, PQ 1.2, PQ 1.5, PQ 1.13, PQ 1.14, PQ 1.19, PQ 1.21, PQ 1.23, PQ 1.25, PQ 1.33	PYQ 2011-Jun, 2009-Jun, 2013-Jun, 2016-Jun, 2016-Dec, 2017-Dec, 2018-Jun, 2023-Dec, 2024-Jun, 2025-Dec	L4, p. 173

Topic 8 Sweat equity and ESOPs

3 Scanner questions · ICSI appearances PYQ 3

Ref	One-liner for the student	Scanner Q	Asked in	SM source
8.1	Sweat equity (s. 54): issued at a discount or for consideration other than cash to directors or employees for know-how or value additions; needs a special resolution specifying number, price, consideration and beneficiaries; for listed companies under SEBI (SBEB & SE) Regulations; locked in for three years; annual limit 15% of paid-up capital or ₹ 5 crore, whichever is higher, and total 25%.	TQ 1.19, TQ 1.24	PYQ 2015-Dec, 2017-Dec	L6, p. 228
8.2	ESOP accounting (intrinsic value method): compensation cost = (market price − exercise price) × options expected to vest, spread over the vesting period — debit Employee Compensation Expense, credit Share Options Outstanding; reverse for unvested lapses; on exercise transfer the option balance with cash to share capital and securities premium; for vested options lapsing unexercised transfer to general reserve.	PQ 1.30	PYQ 2025-Jun	L6, p. 218

Part B — Chapter 4 One-liner Revision Sheet

Deduplicated and in Study Material order. Click a 'Part A ref' to jump to the Part A row(s) carrying the full wording, the Scanner questions and the SM page. Refs read Topic.Row. Weight: ★★★ asked 6 or more times · ★★ 3 – 5 times · ★ once or twice, counting ICSI examinations. The ★★★ lines alone cover about 82% of ICSI appearances in this chapter.

Accounting for Share Capital

#	One-liner	Weight	Part A ref
1	Preference v. equity; minimum subscription; issue and pro-rata entries.	★★★	1.1, 1.2, 1.3
2	Shares for consideration other than cash.	★	1.4
3	Securities premium uses (s. 52); no issue at discount (s. 53) except sweat equity.	★★★	2.1, 2.2
4	Calls in arrears v. advance; forfeiture and re-issue — surplus to capital reserve.	★★★	3.1, 3.2
5	Underwriters: gross, less marked, unmarked in gross ratio.	★★	4.1
6	Bonus v. rights; ex-rights price and value of a right.	★★	4.2
7	Bonus (s. 63): sources and conditions; no change in cost of control.	★★★	5.1
8	Buy-back: 10% / 25%, 2:1 debt-equity, CRR transfer.	★★★	6.1
9	Preference redemption: profits → CRR; fresh issue; premium from securities premium.	★★★	7.1
10	Sweat equity limits and lock-in; ESOP expense over vesting.	★★	8.1, 8.2

CHAPTER 5

Accounting for Debentures

41 Scanner questions · 11 one-liners · 8 revision pointers

Part A — One-liners mapped to Scanner questions and Study Material

Accounting for Debentures

SM Lesson 5, pages 181 – 216

Topic 1 Debentures: nature and issue

17 Scanner questions · ICSI appearances PYQ 17

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.1	Shares are ownership capital earning dividend out of profits, with voting rights, repayable only on winding up or buy-back; debentures are borrowed capital earning fixed interest (a charge on profit, payable even in loss), usually secured, without voting rights, and redeemable.	TQ 1.3	PYQ 2009-Jun	L5, p. 183
1.2	Issue entries for the five terms: at par / par; at discount / par (debit discount); at premium / par (credit securities premium); at par / premium and at discount / premium (debit Loss on Issue of Debentures with discount + redemption premium, credit Premium on Redemption, a liability). Loss on issue is a non-current or current asset written off over the debentures' life against securities premium or profit and loss; application and allotment monies follow the share-issue pattern.	TQ 1.1, PQ 1.2, PQ 1.6, PQ 1.5, PQ 1.11, PQ 1.13, PQ 1.18, PQ 1.23, PQ 1.32, PQ 1.33	PYQ 2008-Dec, 2009-Dec, 2012-Dec, 2012-Jun, 2014-Dec, 2015-Dec, 2016-Dec, 2017-Dec, 2025-Dec, 2026-Jun	L5, p. 198
1.3	Writing off discount or loss on issue: if redeemed in one lump sum, equally over the life (time-proportioned for part years); if redeemed in instalments, by the outstanding-debentures method — discount × (debentures outstanding in the year ÷ sum of outstanding amounts over all years).	PQ 1.14, PQ 1.25, PQ 1.29	PYQ 2016-Jun, 2018-Jun, 2024-Dec	L5, p. 200
1.4	Debentures issued as collateral security: either no entry (shown by note below the loan), or debit Debenture Suspense and credit Debentures, shown as a deduction from debentures; no interest is payable on them; they are cancelled when the loan is repaid.	PQ 1.7, PQ 1.17	PYQ 2013-Dec, 2016-Dec	L5, p. 192
1.5	Debentures issued to a vendor for assets: debit assets (goodwill for excess of consideration over net assets, capital reserve for the reverse), credit vendor; then debit vendor, credit debentures (and premium) — number = consideration ÷ issue price.	PQ 1.30, PQ 1.33	PYQ 2025-Jun, 2026-Jun	L5, p. 192

Topic 2 Interest

6 Scanner questions · ICSI appearances PYQ 6

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.1	Interest accrued and due is unpaid interest already payable on the due date; interest accrued but not due has accrued up to the balance sheet date but is payable later — both shown under other current liabilities; interest is expensed for the period on accrual, after TDS.	TQ 1.6, PQ 1.9	PYQ 2015-Dec, 2014-Jun	L5, p. 196
2.2	Cum-interest price includes interest accrued since the last interest date; ex-interest excludes it. On purchase cum-interest, separate the interest (debit debenture interest) from capital; on ex-interest purchase, pay the accrued interest in addition. Interest for the period to the purchase date is a revenue item.	TQ 1.4, TQ 1.5, PQ 1.15, PQ 1.20	PYQ 2014-Jun, 2012-Dec, 2016-Jun, 2017-Jun	L5, p. 209

Topic 3 Redemption and DRR

11 Scanner questions · ICSI appearances PYQ 11

Ref	One-liner for the student	Scanner Q	Asked in	SM source
3.1	DRR (rule 18(7), as amended 2019): not required for AIFIs, banks, listed companies, listed NBFCs and HFCs; other (unlisted) companies create DRR of at least 10% of outstanding debentures out of profits. Companies covered must, before 30 April each year, invest or deposit at least 15% of debentures maturing in the year (fixed deposits with scheduled banks, unencumbered Government securities), used only for redemption; on redemption DRR is transferred to general reserve.	TQ 1.7, PQ 1.27	PYQ 2016-Jun, 2024-Jun	L5, pp. 201, 203
3.2	Sinking fund method: each year debit profit and loss (appropriation), credit Sinking Fund; invest the same plus interest received; interest on investments is credited to the fund; on sale of investments profit or loss goes to the fund; on redemption pay debenture-holders (with premium from the fund), and transfer the fund balance to general reserve.	PQ 1.1, PQ 1.3, PQ 1.10, PQ 1.12, PQ 1.16, PQ 1.19, PQ 1.22, PQ 1.24, PQ 1.26	PYQ 2009-Jun, 2011-Jun, 2014-Jun, 2015-Jun, 2016-Jun, 2016-Dec, 2017-Jun, 2018-Jun, 2023-Dec	L5, p. 210

Topic 4 Purchase of own debentures and conversion

9 Scanner questions · ICSI appearances PYQ 9

Ref	One-liner for the student	Scanner Q	Asked in	SM source
4.1	Purchase of own debentures: for cancellation — debit debentures at face value, credit bank; profit (bought below par) to capital reserve, loss to profit and loss; held as investment — debit Own Debentures A/c, interest on them is not an income or expense; on later cancellation the profit or loss is recognised then.	TQ 1.2, PQ 1.15, PQ 1.20, PQ 1.21	PYQ 2011-Jun, 2016-Jun, 2017-Jun	L5, p. 212

Ref	One-liner for the student	Scanner Q	Asked in	SM source
4.2	Conversion of debentures into shares or other debentures: number of new securities = amount due to holders (including any redemption premium) ÷ issue price of the new security; debit debentures (and premium on redemption), credit share capital and securities premium; debentures issued at a discount cannot be converted into shares at a discount on face value.	PQ 1.4, PQ 1.8, PQ 1.28, PQ 1.31, PQ 1.34	PYQ 2011-Dec, 2013-Dec, 2024-Dec, 2025-Jun, 2026-Jun	L5, p. 208

Part B — Chapter 5 One-liner Revision Sheet

Deduplicated and in Study Material order. Click a 'Part A ref' to jump to the Part A row(s) carrying the full wording, the Scanner questions and the SM page. Refs read Topic.Row. Weight: ★★★ asked 6 or more times · ★★ 3 – 5 times · ★ once or twice, counting ICSI examinations. The ★★★ lines alone cover about 68% of ICSI appearances in this chapter.

Accounting for Debentures

#	One-liner	Weight	Part A ref
1	Shares v. debentures.	★	1.1
2	Five issue/redemption terms; loss on issue written off over life.	★★★	1.2, 1.3
3	Collateral debentures: note or suspense; vendor issues.	★★	1.4, 1.5
4	Interest accrued and due v. accrued but not due; cum- v. ex-interest.	★★★	2.1, 2.2
5	DRR 10% (unlisted); 15% invested before 30 April.	★	3.1
6	Sinking fund: appropriation, investment, transfer to general reserve.	★★★	3.2
7	Own debentures: cancellation profit to capital reserve.	★★	4.1
8	Conversion: amount due ÷ issue price.	★★	4.2

CHAPTER 6

Related Aspects of Company Accounts

30 Scanner questions · 6 one-liners · 5 revision pointers

Part A — One-liners mapped to Scanner questions and Study Material

Related Aspects of Company Accounts

SM Lesson 6, pages 217 – 252

Topic 1 Underwriting

23 Scanner questions · ICSI appearances PYQ 23

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.1	Underwriting commission (s. 40(6), rule 13) is payable only if authorised by the articles and disclosed in the prospectus; maximum 5% of the issue price for shares and 2.5% for debentures, or the lower rate in the articles; computed on the whole of the shares underwritten (including those taken by the public); entries — debit Underwriting Commission, credit underwriter; settle net of shares or debentures the underwriter takes up.	TQ 1.1, PQ 1.5, PQ 1.6, PQ 1.9, PQ 1.10, PQ 1.20	PYQ 1999-Jun, 2005-Dec, 2006-Jun, 2010-Jun, 2012-Jun, 2025-Dec	L6, p. 236
1.2	Firm underwriting is an agreement to take up specified shares whether or not the public subscribes; marked applications bear an underwriter's stamp and are credited to him, unmarked ones are shared in the gross liability ratio. An underwriter guarantees the issue and is liable for the unsubscribed part; a broker only procures subscriptions for brokerage and bears no such liability.	TQ 1.2, TQ 1.4, TQ 1.6, TQ 1.5	PYQ 2001-Jun, 2003-Jun, 2008-Dec	L6, pp. 237, 240, 246
1.3	Net liability: gross liability (issue × ratio) − marked applications − unmarked applications shared in gross ratio (firm underwriting counted as marked or as unmarked as the question states) → reallocate any surplus of one underwriter to the others in gross ratio → add firm underwriting where the benefit is not given; total net liability = issue − public applications.	PQ 1.1, PQ 1.2, PQ 1.3, PQ 1.4, PQ 1.7, PQ 1.8, PQ 1.11, PQ 1.12, PQ 1.15, PQ 1.16, PQ 1.18, PQ 1.19, PQ 1.22	PYQ 2000-Jun, 2000-Dec, 2004-Dec, 2005-Jun, 2007-Jun, 2009-Dec, 2013-Jun, 2013-Dec, 2016-Dec, 2023-Dec, 2024-Jun, 2025-Jun, 2026-Jun	L6, pp. 240, 246

Topic 2 Employee stock options

6 Scanner questions · ICSI appearances PYQ 6

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.1	An ESOP gives employees the option to buy the company's shares at a predetermined price after a vesting period of at least one year; it aligns employees with shareholders and helps attract and retain talent. Conditions: special resolution (s. 62(1)(b), rule 12) with the scheme's particulars — total options, eligibility, vesting and exercise periods, exercise price; not to independent directors or promoters (except start-ups); options non-transferable; for listed companies, SEBI (SBEB & SE) Regulations, 2021.	TQ 1.7, TQ 1.8	PYQ 2017-Dec, 2024-Dec	L6, pp. 218, 230
2.2	ESOP / ESPP entries: compensation cost = intrinsic value (fair value − exercise price) × options expected to vest, charged over the vesting period (debit Employee Compensation Expense, credit Stock Options Outstanding), adjusted for forfeitures; on exercise debit bank and options outstanding, credit share capital and securities premium; vested options lapsing are transferred to general reserve. Under an ESPP, the discount on shares allotted is expensed at once.	PQ 1.13, PQ 1.14, PQ 1.17, PQ 1.21	PYQ 2015-Dec, 2016-Dec, 2024-Jun, 2025-Dec	L6, p. 218

Topic 3 Buy-back escrow

1 Scanner question · ICSI appearances PYQ 1

Ref	One-liner for the student	Scanner Q	Asked in	SM source
3.1	Escrow account in a buy-back by tender offer (SEBI Buy-back Regulations): the company opens an escrow account with a bank before the offer opens and deposits at least 2.5% of the consideration up to ₹ 100 crore and 1% of the balance (in cash, bank guarantee or securities with margin); it secures performance, and may be forfeited on default.	TQ 1.3	PYQ 2025-Jun	L6, p. 231

Part B — Chapter 6 One-liner Revision Sheet

Deduplicated and in Study Material order. Click a 'Part A ref' to jump to the Part A row(s) carrying the full wording, the Scanner questions and the SM page. Refs read Topic.Row. Weight: ★★★ asked 6 or more times · ★★ 3 – 5 times · ★ once or twice, counting ICSI examinations. The ★★★ lines alone cover about 83% of ICSI appearances in this chapter.

Related Aspects of Company Accounts

#	One-liner	Weight	Part A ref
1	Underwriting commission: 5% shares, 2.5% debentures, if articles allow.	★★★	1.1
2	Firm underwriting; marked v. unmarked; underwriter v. broker.	★★	1.2
3	Net liability: gross – marked – share of unmarked; add firm.	★★★	1.3
4	ESOP: special resolution, one-year vesting; accounting over vesting period.	★★★	2.1, 2.2
5	Buy-back escrow: 2.5% up to ₹ 100 crore, 1% above.	★	3.1

CHAPTER 7

Consolidation of Accounts

30 Scanner questions · 8 one-liners · 6 revision pointers

Part A — One-liners mapped to Scanner questions and Study Material

Consolidation of Accounts

SM Lesson 7, pages 253 – 320

Topic 1 Consolidation: concepts

11 Scanner questions · ICSI appearances PYQ 11

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.1	Consolidation covers every subsidiary including an LLP or partnership controlled by the parent: line-by-line combination of assets, liabilities, income and expenses; uniform policies and reporting dates; elimination of investment against the parent's share of capital; non-controlling interest shown separately.	TQ 1.4	PYQ 2024-Dec	L7, p. 257
1.2	Cost of control = cost of investment − (parent's share of the subsidiary's share capital + pre-acquisition reserves and profits ± revaluation on acquisition); a positive figure is goodwill (an asset, tested for impairment), a negative figure is capital reserve; goodwill and capital reserve may be netted.	TQ 1.1, PQ 1.14, PQ 1.22, PQ 1.24	PYQ 2014-Jun, 2015-Dec, 2023-Dec, 2024-Dec	L7, p. 285
1.3	Profits up to the date of acquisition are capital (pre-acquisition) and go to cost of control; profits after are revenue (post-acquisition) and go to consolidated reserves; the year of acquisition is split by time unless stated. Pre-acquisition losses reduce the parent's share of net assets and increase goodwill; losses attributable to minority are borne by minority up to their interest.	TQ 1.2, PQ 1.16, PQ 1.19, PQ 1.21	PYQ 2014-Dec, 2016-Dec, 2018-Jun, 2023-Dec	L7, p. 280
1.4	Dividend received from a subsidiary out of pre-acquisition profits is credited to the investment account (reducing cost of control); out of post-acquisition profits it is revenue income of the parent. Proposed dividend not yet declared is not adjusted.	TQ 1.3, PQ 1.10	PYQ 2015-Dec, 2013-Dec	L7, p. 286

Topic 2 Consolidated balance sheet

16 Scanner questions · ICSI appearances PYQ 16

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.1	Consolidated balance sheet steps: analyse the subsidiary's profits into pre- and post-acquisition; compute minority interest (their share of capital + all reserves and profits ± revaluation); cost of control; consolidated reserves (parent's reserves + its share of post-acquisition profits − unrealised profit). Eliminate mutual owings (bills, debtors–creditors; cash in transit added), and unrealised profit on stock in inter-company sales (on cost: profit × rate/(100 + rate)); the parent bears it in full where it is the seller, shared with minority where the subsidiary sells.	PQ 1.1, PQ 1.2, PQ 1.3, PQ 1.4, PQ 1.5, PQ 1.6, PQ 1.7, PQ 1.8, PQ 1.9, PQ 1.12, PQ 1.13, PQ 1.15, PQ 1.17, PQ 1.20, PQ 1.26	PYQ 2008-Dec, 2009-Jun, 2010-Jun, 2010-Dec, 2011-Jun, 2011-Dec, 2012-Jun, 2012-Dec, 2013-Jun, 2014-Dec, 2015-Jun, 2016-Jun, 2017-Jun, 2018-Jun, 2026-Jun	L7, pp. 273, 277
2.2	Consolidated statement of profit and loss: add items line by line; eliminate inter-company sales, purchases, interest, management fees and dividends; adjust unrealised profit in closing stock; share the subsidiary's profit between pre-acquisition (to cost of control), post-acquisition (to group) and minority interest.	PQ 1.18	PYQ 2017-Dec	L7, p. 269

Topic 3 Special adjustments

7 Scanner questions · ICSI appearances PYQ 7

Ref	One-liner for the student	Scanner Q	Asked in	SM source
3.1	Revaluation of the subsidiary's assets at acquisition is a capital item adjusted in cost of control (parent's share) and minority interest; depreciation on the revalued amount after acquisition adjusts post-acquisition profit.	PQ 1.5, PQ 1.7, PQ 1.12, PQ 1.13	PYQ 2011-Jun, 2012-Jun, 2014-Dec, 2015-Jun	L7, p. 280
3.2	Bonus shares by a subsidiary: out of pre-acquisition profits — cost of control is unchanged (capital rises, pre-acquisition reserves fall equally); out of post-acquisition profits — the parent's share is capitalised, reducing consolidated reserves and goodwill (or raising capital reserve) by that amount. In the parent's books no entry; only the number of shares held changes.	PQ 1.11, PQ 1.23, PQ 1.25	PYQ 2014-Jun, 2024-Jun, 2025-Jun	L7, p. 284

Part B — Chapter 7 One-liner Revision Sheet

Deduplicated and in Study Material order. Click a 'Part A ref' to jump to the Part A row(s) carrying the full wording, the Scanner questions and the SM page. Refs read Topic.Row. Weight: ★★★ asked 6 or more times · ★★ 3 – 5 times · ★ once or twice, counting ICSI examinations. The ★★★ lines alone cover about 80% of ICSI appearances in this chapter.

Consolidation of Accounts

#	One-liner	Weight	Part A ref
1	Consolidate every subsidiary, including LLPs and firms.	★	1.1
2	Cost of control: investment – share of capital and pre-acquisition reserves.	★★	1.2
3	Pre- v. post-acquisition profits and losses; dividend out of pre-acquisition profits to investment.	★★★	1.3, 1.4
4	CBS: minority interest, mutual owings, unrealised profit.	★★★	2.1
5	Consolidated P&L: eliminate inter-company items.	★	2.2
6	Revaluation; bonus by subsidiary.	★★★	3.1, 3.2

CHAPTER 8

Financial Statement Analysis

39 Scanner questions · 8 one-liners · 7 revision pointers

Part A — One-liners mapped to Scanner questions and Study Material

Financial Statement Analysis

SM Lesson 8, pages 321 – 350

Topic 1 Leverage and coverage

2 Scanner questions · ICSI appearances PYQ 2

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.1	Leverage is the use of fixed-cost funds or assets to magnify returns; trading on equity is using borrowed funds at a fixed cost lower than the return on assets, so that the surplus raises the return to equity shareholders — and magnifies losses when returns fall.	TQ 1.1	PYQ 2024-Jun	L8, p. 328
1.2	Debt service coverage ratio = earnings available for debt service (profit after tax + depreciation + interest + other non-cash charges) ÷ (interest + instalments of principal); it shows the ability to meet debt obligations from operations — lenders usually look for at least 1.5 to 2.	TQ 1.2	PYQ 2025-Jun	L8, p. 332

Topic 2 Liquidity and solvency ratios

7 Scanner questions · ICSI appearances PYQ 7

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.1	Current ratio = current assets ÷ current liabilities (ideal 2:1); liquid (quick) ratio = (current assets − inventory − prepaid) ÷ current liabilities (ideal 1:1; bank overdraft may be excluded for absolute liquidity); debt-equity = long-term debt ÷ shareholders' funds; proprietary ratio = shareholders' funds ÷ total assets; interest coverage = EBIT ÷ interest. Liquidity ratios judge short-term solvency, leverage and coverage ratios long-term solvency.	PQ 1.3, PQ 1.12, PQ 1.13, PQ 1.19, PQ 1.27, PQ 1.2	PYQ 1999-Jun, 2004-Jun, 2005-Jun, 2008-Jun, 2023-Dec, 1998-Dec	L8, pp. 326 – 328
2.2	Maximum bank loan under a stipulated current ratio: if the loan is current and its proceeds held as current assets, solve (CA + L) ÷ (CL + L) = required ratio for L; recast the balance sheet with the loan.	PQ 1.7	PYQ 2001-Jun	L8, p. 326

Topic 3 Turnover (activity) ratios

9 Scanner questions · ICSI appearances PYQ 9

Ref	One-liner for the student	Scanner Q	Asked in	SM source
3.1	Turnover ratios: receivables turnover = credit sales ÷ average receivables (debtors + bills receivable), collection period = 12 months (or 365 days) ÷ turnover; inventory turnover = cost of goods sold ÷ average inventory; payables turnover = credit purchases ÷ average payables (creditors + bills payable). Working back: sales = gross profit ÷ GP ratio; receivables = sales × collection months ÷ 12, less bills receivable; average stock = COGS × stock months ÷ 12, closing = average + half the increase; purchases = COGS + closing − opening stock; creditors = purchases × payment months ÷ 12, less bills payable. Operating cycle = inventory + collection − payment periods.	PQ 1.5, PQ 1.9, PQ 1.18, PQ 1.23, PQ 1.37, PQ 1.33, PQ 1.36, PQ 1.32, PQ 1.35	PYQ 2000-Jun, 2002-Dec, 2007-Dec, 2011-Jun, 2026-Jun, 2025-Jun, 2025-Dec, 2024-Dec	L8, pp. 332, 334

Topic 4 Profitability and return

8 Scanner questions · ICSI appearances PYQ 8

Ref	One-liner for the student	Scanner Q	Asked in	SM source
4.1	Gross profit ratio = gross profit ÷ net sales; net profit margin = profit after tax ÷ sales; operating ratio = (cost of goods sold + operating expenses) ÷ sales; ROI / ROCE = EBIT ÷ capital employed; comparing with industry averages shows where funds are locked up (e.g. reducing inventory or collection period to industry norms releases cash = excess days × sales per day).	PQ 1.4, PQ 1.30, PQ 1.6, PQ 1.22	PYQ 1999-Dec, 2024-Jun, 2000-Dec, 2010-Jun	L8, pp. 331, 336, 337
4.2	Return on equity = profit after tax ÷ shareholders' equity; DuPont: ROE = net profit margin × asset turnover × equity multiplier (assets ÷ equity). The company with higher ROE owes it to whichever component is higher — margin, efficiency or leverage; borrowing at a cost below the return on assets raises ROE (trading on equity).	PQ 1.28, PQ 1.29, PQ 1.31, PQ 1.34	PYQ 2024-Jun, 2024-Dec, 2025-Jun	L8, p. 341

Topic 5 Statements from ratios

13 Scanner questions · ICSI appearances PYQ 13

Ref	One-liner for the student	Scanner Q	Asked in	SM source
5.1	Balance sheet (or trading and P&L) from ratios: start from the given absolute figure; current ratio and working capital give current assets and liabilities (CA − CL = WC; CA = ratio × CL); liquid ratio gives stock; fixed assets to net worth and reserves to capital give net worth, capital and reserves; turnover ratios give sales, debtors and stock; balance the sheet with long-term debt or cash.	PQ 1.1, PQ 1.8, PQ 1.10, PQ 1.11, PQ 1.14, PQ 1.15, PQ 1.16, PQ 1.17, PQ 1.20, PQ 1.21, PQ 1.24, PQ 1.25, PQ 1.26	PYQ 1998-Dec, 2002-Jun, 2003-Jun, 2003-Dec, 2005-Dec, 2006-Jun, 2006-Dec, 2007-Jun, 2009-Jun, 2009-Dec, 2011-Dec, 2012-Jun, 2012-Dec	L8, pp. 328, 334

Part B — Chapter 8 One-liner Revision Sheet

Deduplicated and in Study Material order. Click a 'Part A ref' to jump to the Part A row(s) carrying the full wording, the Scanner questions and the SM page. Refs read Topic.Row. Weight: ★★★ asked 6 or more times · ★★ 3 – 5 times · ★ once or twice, counting ICSI examinations. The ★★★ lines alone cover about 72% of ICSI appearances in this chapter.

Financial Statement Analysis

#	One-liner	Weight	Part A ref
1	Trading on equity; DSCR.	★	1.1, 1.2
2	Current 2:1, quick 1:1; debt-equity, proprietary, interest coverage.	★★★	2.1
3	Maximum loan under a target current ratio.	★	2.2
4	Turnover ratios; work back sales, debtors, stock, creditors; operating cycle.	★★★	3.1
5	GP, NP, operating ratio, ROCE; industry comparison.	★★	4.1
6	ROE and DuPont.	★★	4.2
7	Balance sheet from ratios: start from the absolute figure.	★★★	5.1

CHAPTER 9

Cash Flow

35 Scanner questions · 5 one-liners · 5 revision pointers

Part A — One-liners mapped to Scanner questions and Study Material

Cash Flow

SM Lesson 9, pages 351 – 386

Topic 1 Cash flow statement: concepts

6 Scanner questions · ICSI appearances PYQ 6

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.1	Cash = cash on hand and demand deposits; cash equivalents = short-term, highly liquid investments readily convertible into known amounts of cash with insignificant risk of change in value — normally maturing within three months of acquisition; cash flows are inflows and outflows of both. Movements between cash and cash equivalents are not cash flows.	TQ 1.1, TQ 1.2	PYQ 2010-Jun, 2008-Dec	L9, p. 352
1.2	A cash flow statement (AS 3) is historical, classifying actual cash flows into operating, investing and financing; a cash budget is a forward-looking plan of receipts and payments. Cash flow analysis shows the ability to generate cash, meet obligations and pay dividends, explains the gap between profit and cash, aids comparison across firms, and — in projected form — supports decisions on financing, capital expenditure and dividends; used by management, lenders, investors and creditors.	TQ 1.3, TQ 1.4, TQ 1.5, TQ 1.6	PYQ 1999-Jun, 2000-Jun, 2009-Dec, 2026-Jun	L9, pp. 352 – 353

Topic 2 Preparing the cash flow statement

29 Scanner questions · ICSI appearances PYQ 29

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.1	Indirect method: net profit before tax and extraordinary items + non-cash and non-operating charges (depreciation, loss on sale of assets, goodwill written off, interest paid) – non-operating gains (profit on sale of assets or on redemption of debentures, interest and dividend received) = operating profit before working capital changes; – increase in current assets / + decrease; + increase in current liabilities / – decrease; – taxes paid = cash from operations. Investing: purchase and sale of fixed assets and investments, interest and dividend received. Financing: issue and redemption of shares and debentures, loans, interest and dividend paid. Find missing items (depreciation, sale proceeds, tax paid) from the asset and provision accounts.	PQ 1.1, PQ 1.2, PQ 1.3, PQ 1.4, PQ 1.7, PQ 1.10, PQ 1.11, PQ 1.16, PQ 1.17, PQ 1.19, PQ 1.20, PQ 1.21, PQ 1.22, PQ 1.24, PQ 1.26, PQ 1.29	PYQ 1999-Dec, 2000-Dec, 2001-Jun, 2001-Dec, 2003-Jun, 2004-Dec, 2005-Jun, 2007-Dec, 2008-Jun, 2009-Jun, 2010-Dec, 2011-Jun, 2011-Dec, 2012-Dec, 2024-Jun, 2026-Jun	L9, pp. 357, 361

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.2	Direct method: cash received from customers (sales ± change in debtors) − cash paid to suppliers and employees (purchases or expenses ± changes in creditors, stock, outstanding and prepaid items) − income tax paid = cash from operations; investing and financing as in the indirect method. For non-financial enterprises interest and dividends received are investing, interest and dividends paid are financing; taxes are operating unless specifically identified with investing or financing.	PQ 1.5, PQ 1.6, PQ 1.8, PQ 1.9, PQ 1.12, PQ 1.13, PQ 1.14, PQ 1.15, PQ 1.18, PQ 1.23, PQ 1.25, PQ 1.28	PYQ 2002-Jun, 2002-Dec, 2003-Dec, 2004-Jun, 2005-Dec, 2006-Jun, 2006-Dec, 2007-Jun, 2008-Dec, 2012-Jun, 2023-Dec, 2025-Dec	L9, pp. 357, 361
2.3	Return on equity = profit after tax ÷ owner's equity; return on assets = profit after tax (or EBIT) ÷ total assets; financing part of the business with debt at a cost below the return on assets raises ROE, and scenario analysis shows profit at different sales or cost levels.	PQ 1.27	PYQ 2025-Jun	L8, p. 341

Part B — Chapter 9 One-liner Revision Sheet

Deduplicated and in Study Material order. Click a 'Part A ref' to jump to the Part A row(s) carrying the full wording, the Scanner questions and the SM page. Refs read Topic.Row. Weight: ★★★ asked 6 or more times · ★★ 3 – 5 times · ★ once or twice, counting ICSI examinations. The ★★★ lines alone cover about 80% of ICSI appearances in this chapter.

Cash Flow

#	One-liner	Weight	Part A ref
1	Cash equivalents: maturity within three months.	★	1.1
2	Cash flow statement v. cash budget; uses of cash flow analysis.	★★	1.2
3	Indirect method: profit + non-cash − non-operating ± working capital − tax.	★★★	2.1
4	Direct method: receipts from customers − payments; classification of interest, dividends, tax.	★★★	2.2
5	ROE and ROA in a business-plan case.	★	2.3

CHAPTER 10

Forecasting Financial Statements

11 Scanner questions · 5 one-liners · 5 revision pointers

Part A — One-liners mapped to Scanner questions and Study Material

Forecasting Financial Statements

SM Lesson 10, pages 387 – 408

Topic 1 Financial forecasting

6 Scanner questions · ICSI appearances PYQ 3 · Not yet asked 3

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.1	Financial forecasting estimates future revenues, costs, cash flows and financing needs from past data and assumptions; it is the starting point of budgeting — the budget converts the forecast into a plan and control tool. A forecast is an estimate of what is likely to happen (probable), wider in scope and not a control device; a budget is the proposed plan under planned conditions and is used for control.	TQ 1.2, NQ 1, NQ 2	PYQ 2025-Jun; Not yet asked	L10, pp. 390, 407
1.2	Components and factors of financial forecasting: defined purpose; reliable historical data; a forward time horizon (12 – 24 months); method and weighting of data; internal and macro-economic risks; best and worst case scenarios for revenue and expenses; documentation, monitoring and revision for events that cannot be predicted.	TQ 1.3, NQ 3	PYQ 2026-Jun; Not yet asked	L10, p. 387
1.3	Free cash flow to firm (FCFF) = EBIT (1 − t) + depreciation − capital expenditure − increase in working capital — cash available to all providers of capital, discounted at WACC. Free cash flow to equity (FCFE) = FCFF − interest (1 − t) + net borrowing — cash available to equity holders, discounted at the cost of equity.	TQ 1.1	PYQ 2025-Dec	L10, p. 402

Topic 2 Projected statements

5 Scanner questions · ICSI appearances PYQ 5

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.1	Projected income statement: forecast sales (current × (1 + growth)); operating cost as the given percentage of sales; EBIT − interest (constant) − tax at the same rate = projected net income; dividend = net income × constant payout ratio (current dividend ÷ current net income); expected growth in dividend = (projected dividend − current dividend) ÷ current dividend.	PQ 1.1, PQ 1.4, PQ 1.5, PQ 1.2	PYQ 2023-Dec, 2025-Dec, 2026-Jun, 2024-Dec	L10, p. 392

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.2	Forecast cash flow from financing: new issues of shares and debt (inflows), redemption and repayments (outflows), interest at the respective rates on old and new debt and preference dividend (outflows), and equity dividend (outflow); interest is a financing outflow for a non-financial company.	PQ 1.3	PYQ 2024-Dec	L10, p. 396

Part B — Chapter 10 One-liner Revision Sheet

Deduplicated and in Study Material order. Click a 'Part A ref' to jump to the Part A row(s) carrying the full wording, the Scanner questions and the SM page. Refs read Topic.Row. Weight: ★★★ asked 6 or more times · ★★ 3 – 5 times · ★ once or twice, counting ICSI examinations. Questions on topics not yet asked (NQ) carry no weight. No line in this chapter reaches ★★★; every pointer has been asked fewer than six times.

Forecasting Financial Statements

#	One-liner	Weight	Part A ref
1	Forecast v. budget; forecasting starts budgeting.	★	1.1
2	Components of financial forecasting.	★	1.2
3	FCFF v. FCFE.	★	1.3
4	Projected income: sales growth, cost %, constant interest, tax and payout.	★★	2.1
5	Forecast financing cash flows.	★	2.2

CHAPTER 11

Introduction

23 Scanner questions · 12 one-liners · 7 revision pointers

Part A — One-liners mapped to Scanner questions and Study Material

Introduction

SM Lesson 11, pages 409 – 458

Topic 1 Objectives of financial management

5 Scanner questions · ICSI appearances PYQ 5

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.1	Profit maximisation is criticised because 'profit' is vague (which profit, short or long term), it ignores the timing of returns (time value of money) and risk, and it can neglect social responsibility, employees and other stakeholders; it is not a pre-requisite for wealth maximisation, though profits feed wealth.	TQ 1.6, TQ 1.20, TQ 1.18	PYQ 2006-Jun, 2026-Jun, 2014-Jun	L11, p. 439
1.2	Wealth (value) maximisation — maximising the market value of the firm and the shareholders' wealth — is the accepted objective: it uses cash flows, discounts them for time and risk, and considers long-run value; it is redefined as value maximisation to include all claimholders (equity and debt). The time value of money is essential to it, as value is the present value of future cash flows.	TQ 1.7, TQ 1.17	PYQ 2007-Jun, 2014-Jun	L11, pp. 440, 446

Topic 2 Scope and decisions

7 Scanner questions · ICSI appearances PYQ 7

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.1	The three finance decisions are inter-related: investment decisions decide the funds needed; financing decisions decide the mix and cost of funds, which sets the hurdle rate for investment; dividend decisions decide retained earnings available for investment. Financial policy must fit corporate strategy — growth, diversification and acquisitions all need matching funding — so both are top management's concern.	TQ 1.9, TQ 1.14	PYQ 2008-Dec, 2011-Dec	L11, pp. 410, 421
2.2	The traditional approach confined finance to raising funds (episodic events like issues, mergers, reorganisations) and ignored their efficient use; the modern approach covers both procurement and efficient utilisation. The finance manager's emerging role: strategic planning, value creation, risk and treasury management, investor relations, technology and data analytics, compliance and ESG.	TQ 1.12, TQ 1.19	PYQ 2010-Jun, 2023-Dec	L11, p. 409

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.3	The financial sector (institutions, markets, instruments) channels funds from net savers (households) to net borrowers (business, Government), pricing risk and providing liquidity. Taxation affects financial planning: interest is tax-deductible (tax shield favouring debt), dividends and capital gains are taxed differently, and depreciation and incentives shape investment and timing.	TQ 1.11, TQ 1.8	PYQ 2009-Dec, 2007-Dec	L11, pp. 411, 436
2.4	Liquidity and profitability compete: holding more cash and current assets improves liquidity but idle funds earn little, reducing profitability; investing them raises returns but risks inability to pay — the finance manager balances the two (risk-return trade-off).	TQ 1.15	PYQ 2013-Jun	L11, p. 434

Topic 3 Risk, distress and gearing

5 Scanner questions · ICSI appearances PYQ 5

Ref	One-liner for the student	Scanner Q	Asked in	SM source
3.1	Business risk is the variability of operating income (EBIT) from the nature of the business, demand, prices and operating leverage; financial risk is the additional variability of earnings to equity and risk of default caused by fixed-charge debt (financial leverage).	TQ 1.4	PYQ 2007-Dec	L11, p. 437
3.2	Financial distress is a condition where the firm finds it difficult to meet obligations — falling sales, cash shortages, missed payments, high leverage; its costs (direct legal costs and indirect lost sales, credit and staff) reduce value. Insolvency is the stage where liabilities exceed assets or debts cannot be paid as they fall due — distress may lead to insolvency but need not.	TQ 1.2, TQ 1.3, TQ 1.5	PYQ 2007-Jun, 2014-Jun, 2008-Jun	L11, pp. 421, 451
3.3	Financial gearing is double-edged: when return on assets exceeds the cost of debt, debt magnifies EPS and ROE; when it falls below, the fixed interest magnifies losses and raises the risk of distress.	TQ 1.13	PYQ 2011-Dec	L11, p. 436

Topic 4 Value measures

6 Scanner questions · ICSI appearances PYQ 6

Ref	One-liner for the student	Scanner Q	Asked in	SM source
4.1	EVA = NOPAT − (capital employed × weighted average cost of capital), with the cost of equity by CAPM ($R_f + \beta(R_m - R_f)$); positive EVA means value created above the cost of all capital — consistent with wealth maximisation and close to discounted cash flow (the present value of future EVAs equals NPV).	TQ 1.1, TQ 1.10, TQ 1.16, PQ 1.2	PYQ 2006-Dec, 2009-Jun, 2014-Jun, 2014-Dec	L11, p. 449

Ref	One-liner for the student	Scanner Q	Asked in	SM source
4.2	Market value added = market value of the firm (equity at market price × shares outstanding, excluding treasury stock, + debt) − capital invested (book value of equity and debt); it measures value created for investors.	PQ 1.3	PYQ 2025-Dec	L11, p. 450
4.3	Project appraisal for an import-substitution product: profit = sales at import price − costs (including depreciation); yield on investment = profit ÷ investment; profit on sales = profit ÷ sales; rate of cash generation = (profit + depreciation) ÷ investment.	PQ 1.1	PYQ 2005-Dec	L11, p. 425

Part B — Chapter 11 One-liner Revision Sheet

Deduplicated and in Study Material order. Click a 'Part A ref' to jump to the Part A row(s) carrying the full wording, the Scanner questions and the SM page. Refs read Topic.Row. Weight: ★★★ asked 6 or more times · ★★ 3 – 5 times · ★ once or twice, counting ICSI examinations. The ★★★ lines alone cover about 26% of ICSI appearances in this chapter.

Introduction

#	One-liner	Weight	Part A ref
1	Profit maximisation: vague, ignores time and risk.	★★	1.1
2	Wealth (value) maximisation and time value.	★	1.2
3	Investment, financing, dividend decisions inter-related; policy and strategy.	★	2.1
4	Traditional v. modern approach; finance manager's emerging role.	★	2.2
5	Financial sector as conduit; tax in planning; liquidity v. profitability.	★★	2.3, 2.4
6	Business v. financial risk; distress v. insolvency; gearing.	★★	3.1, 3.2, 3.3
7	EVA = NOPAT − capital × WACC; MVA; project yield.	★★★	4.1, 4.2, 4.3

CHAPTER 12

Time Value of Money

8 Scanner questions · 4 one-liners · 3 revision pointers

Part A — One-liners mapped to Scanner questions and Study Material

Time Value of Money

SM Lesson 12, pages 459 – 484

Topic 1 Time value of money

8 Scanner questions · ICSI appearances PYQ 8

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.1	PV of an ordinary annuity (payments at year-end) = A × [1 − (1 + r)^−n] ÷ r; an annuity due has payments at the beginning of each period, so its PV and FV are those of an ordinary annuity × (1 + r).	TQ 1.1, TQ 1.2	PYQ 2024-Dec, 2023-Dec	L12, pp. 465, 478
1.2	Rule of 69: doubling period ≈ 0.35 + 69 ÷ interest rate (%), for continuous compounding. Benefits: quick mental estimate; more accurate than the rule of 72 for continuous compounding. Limitations: approximate only; less accurate at very high or very low rates and for discrete compounding.	TQ 1.3	PYQ 2025-Dec	L12, p. 479
1.3	Present value = FV ÷ (1 + r)^n (or × PV factor); to value cash flows at another date, compound earlier flows forward and discount later ones back to that date; compare alternatives at the same point in time.	PQ 1.1, PQ 1.2, PQ 1.4	PYQ 2014-Jun, 2014-Dec, 2015-Jun	L12, p. 462
1.4	Future value of an annuity = A × [(1 + r)^n − 1] ÷ r for end-of-year deposits; for beginning-of-year deposits (annuity due) multiply by (1 + r).	PQ 1.3, PQ 1.5	PYQ 2015-Jun, 2025-Jun	L12, p. 472

Part B — Chapter 12 One-liner Revision Sheet

Deduplicated and in Study Material order. Click a 'Part A ref' to jump to the Part A row(s) carrying the full wording, the Scanner questions and the SM page. Refs read Topic.Row. Weight: ★★★ asked 6 or more times · ★★ 3 – 5 times · ★ once or twice, counting ICSI examinations. No line in this chapter reaches ★★★; every pointer has been asked fewer than six times.

Time Value of Money

#	One-liner	Weight	Part A ref
1	PV of annuity; annuity due = ordinary × (1 + r).	★	1.1
2	Rule of 69: 0.35 + 69/r.	★	1.2
3	PV and FV of single sums and annuities.	★★	1.3, 1.4

CHAPTER 13

Capital Budgeting

40 Scanner questions · 12 one-liners · 10 revision pointers

Part A — One-liners mapped to Scanner questions and Study Material

Capital Budgeting

SM Lesson 13, pages 485 – 540

Topic 1 Capital budgeting: nature and techniques

11 Scanner questions · ICSI appearances PYQ 11

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.1	Capital budgeting matters because projects involve large, long-term and largely irreversible commitments that shape future profitability, risk and growth, and are hard to reverse without heavy loss. Cash flows, not accounting profits, measure the benefits: they are objective, reflect the timing of receipts and payments (time value), and exclude non-cash allocations like depreciation (except for its tax shield).	TQ 1.15, TQ 1.8	PYQ 2026-Jun, 2006-Jun	L13, pp. 485, 533
1.2	NPV = PV of inflows − PV of outflows at the cost of capital (accept if positive; additive; assumes reinvestment at the cost of capital); IRR is the rate at which NPV = 0 (accept if above the cost of capital; may conflict with NPV for mutually exclusive projects of different size or timing, and give multiple rates — NPV prevails). Profitability index = PV of inflows ÷ PV of outflows (accept if > 1); useful to rank projects under capital rationing; for equal outlays NPV and PI agree.	TQ 1.3, TQ 1.4, PQ 1.20, PQ 1.1, PQ 1.5, PQ 1.18	PYQ 2005-Dec, 2008-Jun, 2023-Dec, 2006-Dec, 2013-Dec	L13, pp. 499, 502, 507
1.3	Terminal value: compound each inflow forward to the end of the project's life at the cost of capital and sum; MIRR = (terminal value of inflows ÷ PV of outflows)^(1/n) − 1.	PQ 1.24	PYQ 2025-Dec	L13, p. 507
1.4	Inflation: (1 + nominal rate) = (1 + real rate)(1 + inflation rate); discount nominal cash flows at the nominal rate or real cash flows at the real rate — never mix; tax shields on depreciation are nominal.	PQ 1.3, PQ 1.15	PYQ 2006-Jun, 2011-Dec	Not in SM

Topic 2 Capital rationing

5 Scanner questions · ICSI appearances PYQ 5

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.1	Capital rationing is a limit on funds for investment — external (market) or internal (self-imposed) — to control capital expenditure; projects are ranked by profitability index (divisible projects) or by trying feasible combinations for the highest total NPV (indivisible projects). It may not give optimum results, since some positive-NPV projects are rejected and indivisibility leaves funds idle. Capital budgeting is the wider process of planning and selecting all long-term investments.	TQ 1.1, TQ 1.7, TQ 1.10, TQ 1.11, PQ 1.14	PYQ 2007-Jun, 2014-Dec, 2011-Dec, 2013-Dec, 2010-Dec	L13, p. 511

Topic 3 Risk analysis

14 Scanner questions · ICSI appearances PYQ 14

Ref	One-liner for the student	Scanner Q	Asked in	SM source
3.1	Risk and uncertainty are inherent because cash flows are estimated over long periods. Techniques: payback, risk-adjusted discount rate, certainty equivalent, sensitivity and scenario analysis, probability distributions (expected NPV, standard deviation, coefficient of variation), decision trees and simulation.	TQ 1.9, TQ 1.12, TQ 1.5	PYQ 2011-Jun, 2014-Dec, 2012-Dec	L13, p. 513
3.2	Sensitivity analysis changes one variable at a time (price, volume, cost, life, discount rate) to see its effect on NPV and the change that would make NPV zero; scenario analysis changes several variables together under best, base and worst cases.	TQ 1.2, TQ 1.6, PQ 1.16, PQ 1.2	PYQ 2013-Dec, 2014-Jun, 2012-Dec, 2006-Jun	L13, p. 485
3.3	Risk-adjusted discount rate = risk-free rate + risk premium for the project's risk, applied to expected cash flows. Certainty equivalent: multiply each cash flow by a coefficient (certain amount ÷ risky amount, between 0 and 1) and discount at the risk-free rate; it adjusts for risk year by year.	TQ 1.14, PQ 1.21, PQ 1.22	PYQ 2024-Dec, 2024-Jun, 2025-Jun	L13, pp. 514 – 515
3.4	Probability approach: expected NPV = Σ (probability × NPV); standard deviation measures absolute risk; coefficient of variation = σ ÷ expected value measures relative risk — between projects, the higher CV is riskier; choose on the risk-return trade-off.	PQ 1.4, PQ 1.13, PQ 1.19, PQ 1.23	PYQ 2006-Dec, 2010-Jun, 2014-Jun, 2025-Dec	L13, pp. 518, 523

Topic 4 Project and replacement decisions

10 Scanner questions · ICSI appearances PYQ 10

Ref	One-liner for the student	Scanner Q	Asked in	SM source
4.1	Replacement decisions use incremental cash flows: initial outlay = cost of new machine − sale value of old (± tax on profit or loss on sale); annual flows = incremental savings after tax + tax shield on incremental depreciation; terminal flows = difference in salvage values and release of working capital; replace if incremental NPV is positive.	PQ 1.6, PQ 1.7, PQ 1.9, PQ 1.10, PQ 1.12	PYQ 2007-Jun, 2007-Dec, 2008-Jun, 2008-Dec, 2009-Dec	L13, p. 486
4.2	Projects with unequal lives: compare by equivalent annual NPV (or annual cost) = NPV ÷ annuity factor for the project's life, or by replacement chains to a common life; choose the higher equivalent annual benefit (lower annual cost). Process or make-or-buy decisions compare incremental after-tax cash flows of the alternatives.	PQ 1.8, PQ 1.11, PQ 1.17, PQ 1.25	PYQ 2007-Dec, 2009-Jun, 2012-Dec, 2026-Jun	L13, p. 509
4.3	EVA = NOPAT − capital employed × WACC; MVA = market value of the firm − capital invested. EVA rises when operating profit grows without more capital, when capital is reduced without loss of profit, when new investment earns more than WACC, or when WACC falls.	TQ 1.13	PYQ 2024-Jun	L11, pp. 449 – 450

Part B — Chapter 13 One-liner Revision Sheet

Deduplicated and in Study Material order. Click a 'Part A ref' to jump to the Part A row(s) carrying the full wording, the Scanner questions and the SM page. Refs read Topic.Row. Weight: ★★★ asked 6 or more times · ★★ 3 – 5 times · ★ once or twice, counting ICSI examinations. The ★★★ lines alone cover about 32% of ICSI appearances in this chapter.

Capital Budgeting

#	One-liner	Weight	Part A ref
1	Importance of capital budgeting; cash flow over accounting profit.	★	1.1
2	NPV, IRR, PI — and when they conflict.	★★★	1.2
3	Terminal value and MIRR; real v. nominal rates.	★★	1.3, 1.4
4	Capital rationing: rank by PI or best NPV combination.	★★	2.1
5	Risk techniques; sensitivity v. scenario.	★★★	3.1, 3.2
6	Risk-adjusted rate v. certainty equivalent.	★★	3.3
7	Expected NPV, σ and CV.	★★	3.4
8	Replacement: incremental cash flows.	★★	4.1
9	Unequal lives: equivalent annual NPV.	★★	4.2
10	EVA and MVA; when EVA rises.	★	4.3

CHAPTER 14

Cost of Capital

24 Scanner questions · 7 one-liners · 7 revision pointers

Part A — One-liners mapped to Scanner questions and Study Material

Cost of Capital

SM Lesson 14, pages 541 – 572

Topic 1 Cost of capital: concept

3 Scanner questions · ICSI appearances PYQ 3

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.1	Cost of capital is the minimum return a firm must earn on its investments to keep its market value unchanged — the hurdle rate for capital budgeting and the basis for capital structure and performance (EVA) decisions. Accounting profit charges interest but not the cost of equity, so it overstates economic profit. Component costs are interdependent: more debt raises the risk and cost of equity, so they are determined jointly, not independently.	TQ 1.2, TQ 1.3, TQ 1.4	PYQ 2010-Dec, 2013-Jun, 2014-Dec	L14, pp. 542, 567

Topic 2 Specific costs

10 Scanner questions · ICSI appearances PYQ 10

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.1	Cost of debt: irredeemable Kd = I(1 − t) ÷ net proceeds (or market price); redeemable Kd = [I(1 − t) + (RV − NP) ÷ n] ÷ [(RV + NP) ÷ 2]. Cost of preference: Kp = D ÷ NP, or for redeemable [D + (RV − NP) ÷ n] ÷ [(RV + NP) ÷ 2] — no tax adjustment. Flotation costs reduce net proceeds and raise the cost.	PQ 1.1, PQ 1.18, PQ 1.19	PYQ 2005-Dec, 2023-Dec, 2024-Jun	L14, pp. 546, 548
2.2	Cost of equity: dividend growth (Gordon) Ke = D1 ÷ P0 + g (D1 = D0 (1 + g); P0 net of flotation for new issues); g = retention ratio × return on equity; earnings-price approach Ke = E ÷ P where earnings are fully paid out or growth is nil; CAPM Ke = Rf + β (Rm − Rf). Share value with two-stage growth = PV of dividends in the high-growth years + PV of the terminal value D(n+1) ÷ (Ke − g2).	PQ 1.3, PQ 1.10, PQ 1.12, PQ 1.14, PQ 1.17, PQ 1.8	PYQ 2006-Jun, 2010-Dec, 2011-Jun, 2013-Jun, 2014-Dec, 2008-Jun	L14, pp. 550, 552
2.3	Cost of retained earnings is the opportunity cost of dividends forgone by shareholders — ordinarily equal to the cost of equity (no flotation cost); adjusted for shareholders' personal tax and brokerage: Kr = Ke (1 − tp)(1 − b).	TQ 1.1	PYQ 2011-Dec	L14, p. 555

Topic 3 Weighted and marginal cost

9 Scanner questions · ICSI appearances PYQ 9

Ref	One-liner for the student	Scanner Q	Asked in	SM source
3.1	WACC = Σ (cost of each source × its weight); weights at book value or market value (market weights preferred); with market weights, the equity market value is shared between share capital and retained earnings in proportion to their book values.	PQ 1.4, PQ 1.11, PQ 1.13, PQ 1.15, PQ 1.20	PYQ 2007-Jun, 2011-Jun, 2012-Dec, 2014-Jun, 2026-Jun	L14, pp. 557, 561
3.2	Marginal cost of capital is the WACC of additional funds raised; find break points where a component's cost rises (break point = amount of cheaper funds ÷ its weight), compute MCC for each range, and accept projects in descending order of return while return exceeds the MCC — that fixes the optimal capital budget.	PQ 1.5, PQ 1.6, PQ 1.9, PQ 1.16	PYQ 2007-Dec, 2008-Jun, 2010-Jun, 2014-Jun	L14, p. 562

Topic 4 Related valuation and structure questions

2 Scanner questions · ICSI appearances PYQ 2

Ref	One-liner for the student	Scanner Q	Asked in	SM source
4.1	MM arbitrage: an investor in the over-valued levered firm sells his shares, borrows personally in proportion to the firm's debt (home-made leverage) and buys the same proportion of the unlevered firm's shares — same income for less outlay; arbitrage continues until values equalise, limited by transaction costs, unequal borrowing rates and institutional restrictions. A change in capital structure is worthwhile only if it raises the share price (value of equity + debt).	PQ 1.2, PQ 1.7	PYQ 2006-Jun, 2008-Jun	L15, p. 594

Part B — Chapter 14 One-liner Revision Sheet

Deduplicated and in Study Material order. Click a 'Part A ref' to jump to the Part A row(s) carrying the full wording, the Scanner questions and the SM page. Refs read Topic.Row. Weight: ★★★ asked 6 or more times · ★★ 3 – 5 times · ★ once or twice, counting ICSI examinations. The ★★★ lines alone cover about 25% of ICSI appearances in this chapter.

Cost of Capital

#	One-liner	Weight	Part A ref
1	Cost of capital: minimum return; components interdependent.	★★	1.1
2	Kd = I(1 – t)/NP; Kp without tax; redeemable formulas.	★★	2.1
3	Ke = D1/P0 + g; E/P; CAPM; two-stage share value.	★★★	2.2
4	Cost of retained earnings ≈ Ke, adjusted for personal tax.	★	2.3
5	WACC with book or market weights.	★★	3.1
6	Marginal cost of capital and break points.	★★	3.2
7	MM arbitrage and home-made leverage.	★	4.1

CHAPTER 15

Capital Structure

49 Scanner questions · 10 one-liners · 8 revision pointers

Part A — One-liners mapped to Scanner questions and Study Material

Capital Structure

SM Lesson 15, pages 573 – 618

Topic 1 Capital structure: meaning and patterns

7 Scanner questions · ICSI appearances PYQ 7

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.1	Financial structure covers all sources on the liabilities side (long- and short-term); capital structure covers only long-term sources — equity, preference, retained earnings and long-term debt. Optimal capital structure is the debt-equity mix that minimises the overall cost of capital and maximises firm value; in deciding it the firm weighs cost, risk, control, flexibility, timing, tax and legal and lenders' limits.	TQ 1.3, TQ 1.2, TQ 1.11	PYQ 2006-Dec, 2009-Dec, 2010-Jun	L15, pp. 576, 578
1.2	Patterns: horizontal capital structure — no debt, equity with retained earnings, stable and low-risk; vertical — a small equity base topped by preference and debt layers (high gearing); pyramid-shaped — a large equity base with reserves and small debt, the opposite of the vertical (or inverted pyramid) structure, which carries high risk.	TQ 1.1, TQ 1.5, TQ 1.17	PYQ 2008-Dec, 2011-Jun, 2014-Dec	L15, p. 574
1.3	Return on capital employed = EBIT ÷ (equity + long-term debt) — the return on all long-term funds; return on net worth = profit after tax (less preference dividend) ÷ equity shareholders' funds — the return to owners; leverage makes them diverge.	TQ 1.4	PYQ 2010-Dec	L8, p. 337

Topic 2 Capital structure theories

13 Scanner questions · ICSI appearances PYQ 13

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.1	NI approach: Kd and Ke constant, so more debt lowers the overall cost and raises value — value of equity = (EBIT − interest) ÷ Ke, firm value = equity + debt, Ko = EBIT ÷ V. NOI approach: Ko constant, firm value = EBIT ÷ Ko independent of leverage; Ke rises with debt (Ke = (EBIT − I) ÷ (V − D)), so capital structure is irrelevant.	TQ 1.6, TQ 1.7, TQ 1.15, PQ 1.15, PQ 1.28	PYQ 2011-Dec, 2014-Dec, 2014-Jun, 2012-Jun, 2025-Dec	L15, pp. 581, 585

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.2	MM without taxes: firm value is independent of leverage — arbitrage (home-made leverage) equalises the values of levered and unlevered firms of the same risk class, so share price is unrelated to the debt-equity mix. With taxes: VL = VU + tD (tax shield), so debt adds value. Trade-off theory: optimal debt balances the tax benefit against expected costs of financial distress and agency; pecking order: internal funds, then debt, then equity.	TQ 1.13, TQ 1.8, PQ 1.21, PQ 1.22, PQ 1.26, PQ 1.19	PYQ 2011-Jun, 2006-Dec, 2014-Dec, 2024-Dec, 2013-Dec	L15, pp. 594 – 595
2.3	Hamada equation: βL = βU [1 + (1 − t) D/E] — separates business risk (unlevered beta) from financial risk; e.g. βU 0.80, D/E 0.65, t 35% → βL = 0.80 × (1 + 0.65 × 0.65) ≈ 1.14; the Hamada coefficient shows how much leverage raises equity beta.	TQ 1.20, PQ 1.24	PYQ 2025-Dec, 2023-Dec	L15, p. 616

Topic 3 Leverage

18 Scanner questions · ICSI appearances PYQ 18

Ref	One-liner for the student	Scanner Q	Asked in	SM source
3.1	Financial leverage is a 'fair-weather friend': it raises EPS when return on assets exceeds the cost of debt (good times) and depresses it sharply when returns fall. Operating leverage reflects business risk, financial leverage financial risk, and combined leverage (DOL × DFL) the total risk; a sound policy pairs high operating leverage with low financial leverage and vice versa — high financial leverage is preferable only when sales are stable.	TQ 1.9, TQ 1.12, TQ 1.14, TQ 1.10, TQ 1.18, TQ 1.19	PYQ 2008-Jun, 2010-Dec, 2014-Jun, 2008-Dec, 2024-Dec, 2025-Jun	L15, pp. 580, 601
3.2	Degree of operating leverage = contribution ÷ EBIT (= % change in EBIT ÷ % change in sales); degree of financial leverage = EBIT ÷ (EBIT − interest − preference dividend ÷ (1 − t)) (= % change in EPS ÷ % change in EBIT); combined leverage = DOL × DFL = contribution ÷ EBT. Working back an income statement: interest = EBIT − EBIT ÷ DFL; fixed cost = contribution − EBIT; break-even sales = fixed cost ÷ P/V ratio.	PQ 1.1, PQ 1.3, PQ 1.5, PQ 1.9, PQ 1.10, PQ 1.11, PQ 1.12, PQ 1.13, PQ 1.16, PQ 1.17, PQ 1.29, PQ 1.6	PYQ 2005-Dec, 2006-Dec, 2007-Jun, 2010-Dec, 2011-Jun, 2011-Dec, 2012-Jun, 2012-Dec, 2013-Jun, 2026-Jun, 2007-Dec	L15, pp. 599, 606

Topic 4 EBIT-EPS analysis

11 Scanner questions · ICSI appearances PYQ 11

Ref	One-liner for the student	Scanner Q	Asked in	SM source
4.1	EBIT-EPS analysis: EPS = (EBIT − I)(1 − t) − PD ÷ N for each plan; indifference point where EPS are equal: (X − I1)(1 − t) − PD1 ÷ N1 = (X − I2)(1 − t) − PD2 ÷ N2; financial break-even = I + PD ÷ (1 − t). Above the indifference EBIT the more levered plan gives higher EPS; it ignores risk and the cost of equity, so it is a useful but not complete guide.	TQ 1.16, PQ 1.2, PQ 1.7, PQ 1.8, PQ 1.14, PQ 1.18, PQ 1.20, PQ 1.23, PQ 1.25, PQ 1.27	PYQ 2014-Dec, 2006-Dec, 2009-Jun, 2009-Dec, 2012-Jun, 2013-Jun, 2024-Dec, 2025-Jun	L15, pp. 604 – 605

Ref	One-liner for the student	Scanner Q	Asked in	SM source
4.2	Single-period share value = (dividend + expected price at year-end) ÷ (1 + required return) — e.g. (₹ 10 + ₹ 180) ÷ 1.12 ≈ ₹ 169.64.	PQ 1.4	PYQ 2007-Jun	L14, p. 550

Part B — Chapter 15 One-liner Revision Sheet

Deduplicated and in Study Material order. Click a 'Part A ref' to jump to the Part A row(s) carrying the full wording, the Scanner questions and the SM page. Refs read Topic.Row. Weight: ★★★ asked 6 or more times · ★★ 3 – 5 times · ★ once or twice, counting ICSI examinations. The ★★★ lines alone cover about 71% of ICSI appearances in this chapter.

Capital Structure

#	One-liner	Weight	Part A ref
1	Financial v. capital structure; optimal structure; factors.	★★	1.1
2	Horizontal, vertical and pyramid structures; ROCE v. RONW.	★★	1.2, 1.3
3	NI v. NOI approaches.	★★	2.1
4	MM, arbitrage, tax shield; trade-off and pecking order.	★★★	2.2
5	Hamada: $\beta L = \beta U [1 + (1 - t) D/E]$.	★	2.3
6	Leverage and risk; fair-weather friend.	★★★	3.1
7	DOL, DFL, DCL formulas; working back statements.	★★★	3.2
8	EBIT-EPS indifference point; single-period valuation.	★★★	4.1, 4.2

CHAPTER 16

Dividend Decisions

24 Scanner questions · 7 one-liners · 6 revision pointers

Part A — One-liners mapped to Scanner questions and Study Material

Dividend Decisions

SM Lesson 16, pages 619 – 648

Topic 1 Dividend policy

9 Scanner questions · ICSI appearances PYQ 9

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.1	Considerations in dividend policy: legal limits (profits, reserves), liquidity, investment opportunities and growth, cost and access to external funds, stability of earnings, shareholders' preferences and tax position (large high-tax holders often prefer retention and capital gains), control, inflation, debt covenants, and the nature of the firm and industry — so policy must fit each firm's environment.	TQ 1.1, TQ 1.7, TQ 1.3	PYQ 2006-Jun, 2012-Dec, 2007-Jun	L16, p. 624
1.2	A stable dividend policy (constant dividend per share, constant payout, or a low regular dividend plus extra) signals confidence, meets income needs, attracts institutional investors and supports the share price; it is generally preferred, but not always — a firm with volatile earnings or rich investment opportunities may be better served by flexibility.	TQ 1.5, TQ 1.8, PQ 1.8	PYQ 2007-Dec, 2025-Jun, 2011-Dec	L16, p. 628
1.3	Residual theory: dividends are paid only from earnings left after financing all acceptable investments at the target capital structure — dividend policy is then a passive residual of the investment and financing decisions.	TQ 1.2, TQ 1.6	PYQ 2012-Dec, 2010-Dec	L16, p. 644
1.4	Information (signalling) content: in a world of asymmetric information a dividend change is a credible signal of management's view of future earnings — investors react to it more than to statements; this is one reason why dividends affect share prices despite MM.	TQ 1.4	PYQ 2007-Jun	L16, p. 629

Topic 2 Dividend models

15 Scanner questions · ICSI appearances PYQ 15

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.1	Walter's model: $P = [D + (r \div k)(E - D)] \div k$. If $r > k$ (growth firm) the optimum payout is nil; if $r < k$, 100%; if $r = k$, payout does not affect price. With P/E given, $k = 1 \div (P/E)$.	PQ 1.3, PQ 1.7, PQ 1.9, PQ 1.12, PQ 1.14, PQ 1.16, PQ 1.2	PYQ 2006-Dec, 2010-Jun, 2012-Dec, 2014-Jun, 2024-Jun, 2026-Jun, 2006-Jun	L16, p. 636

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.2	Gordon's model: P0 = E(1 − b) ÷ (k − br), where b = retention ratio and br = growth; with growth estimated from past dividends or earnings (compound growth rate) and k from CAPM. 'Bird in the hand': investors value near dividends more than uncertain future gains, so payout affects value.	PQ 1.1, PQ 1.5, PQ 1.14	PYQ 2005-Dec, 2009-Jun, 2024-Jun	L16, p. 641
2.3	MM dividend irrelevance: P0 = (D1 + P1) ÷ (1 + ke); price at year-end P1 = P0 (1 + ke) − D1; new shares to issue = (investment − (earnings − total dividend)) ÷ P1; value of the firm is the same whether or not dividends are paid — assuming perfect markets, no taxes or flotation costs and a fixed investment policy.	PQ 1.4, PQ 1.6, PQ 1.10, PQ 1.11, PQ 1.13, PQ 1.15	PYQ 2007-Dec, 2009-Jun, 2013-Jun, 2013-Dec, 2023-Dec, 2025-Jun	L16, p. 629

Part B — Chapter 16 One-liner Revision Sheet

Deduplicated and in Study Material order. Click a 'Part A ref' to jump to the Part A row(s) carrying the full wording, the Scanner questions and the SM page. Refs read Topic.Row. Weight: ★★★ asked 6 or more times · ★★ 3 – 5 times · ★ once or twice, counting ICSI examinations. The ★★★ lines alone cover about 54% of ICSI appearances in this chapter.

Dividend Decisions

#	One-liner	Weight	Part A ref
1	Factors in dividend policy; large holders and tax.	★★	1.1
2	Stable dividend: why preferred, when not.	★★	1.2
3	Residual theory; signalling content.	★★	1.3, 1.4
4	Walter: r > k pay nil, r < k pay all, r = k irrelevant.	★★★	2.1
5	Gordon: P = E(1 − b)/(k − br); bird in hand.	★★	2.2
6	MM: P1 = P0(1 + k) − D1; new shares = (I − retained)/P1.	★★★	2.3

CHAPTER 17

Working Capital Management

67 Scanner questions · 17 one-liners · 10 revision pointers

Part A — One-liners mapped to Scanner questions and Study Material

Working Capital Management

SM Lesson 17, pages 649 – 722

Topic 1 Working capital: concept and determinants

8 Scanner questions · ICSI appearances PYQ 8

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.1	Determinants of working capital: nature and size of business, production cycle, business cycle and seasonality, credit policy (to customers and from suppliers), growth, operating efficiency, price level changes, availability of credit and dividend policy — a liberal dividend drains cash that would otherwise finance current assets.	TQ 1.1, TQ 1.21, TQ 1.3	PYQ 2007-Jun, 2014-Dec, 2008-Dec	L17, p. 686
1.2	Operating cycle = raw material storage + work-in-progress + finished goods storage + receivables collection period − payables deferral period; the longer the cycle, the more working capital is needed.	TQ 1.6	PYQ 2011-Jun	L17, p. 663
1.3	Adequacy of current assets is relative — excess means idle funds and lower profit, shortage means risk of technical insolvency (inability to pay current obligations), which net working capital (current assets − current liabilities) measures. The balance sheet shows current assets at a single date and at book values, missing seasonal peaks and quality. Negative working capital (current liabilities exceeding current assets) in firms like supermarkets or quick-service restaurants signals strong bargaining power — they sell for cash and pay suppliers later.	TQ 1.10, TQ 1.16, TQ 1.20, TQ 1.22	PYQ 2007-Dec, 2012-Dec, 2014-Dec, 2024-Jun	L17, pp. 651, 652, 655

Topic 2 Financing working capital

5 Scanner questions · ICSI appearances PYQ 5

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.1	Fixed assets and permanent working capital are financed from long-term sources; temporary (fluctuating) working capital from short-term sources (matching or hedging approach) — current assets are not entirely financed by current liabilities. Spontaneous sources such as trade credit, outstanding expenses and deferred or provisional tax payments are a cost-free source of working capital until paid.	TQ 1.9, TQ 1.18, TQ 1.17	PYQ 2009-Jun, 2014-Jun, 2013-Dec	L17, pp. 690, 694

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.2	Tandon Committee maximum permissible bank finance: Method I — 75% of (current assets − current liabilities other than bank borrowing); Method II — 75% of current assets − current liabilities other than bank borrowing; Method III — as II, after excluding core current assets (financed long-term).	PQ 1.23, PQ 1.33	PYQ 2011-Jun, 2013-Jun	L17, p. 692

Topic 3 Cash management

7 Scanner questions · ICSI appearances PYQ 7

Ref	One-liner for the student	Scanner Q	Asked in	SM source
3.1	Motives for holding cash: transaction (routine payments), precautionary (contingencies), speculative (bargains, price changes) and compensating balances; effective cash management shortens the operating cycle — speeding collections, delaying payments within terms, investing surpluses and planning through cash budgets.	TQ 1.5, TQ 1.12, TQ 1.15	PYQ 2010-Dec, 2009-Dec, 2012-Jun	L17, p. 666
3.2	Cash budget: opening balance + receipts (cash sales, collections from debtors by the lag pattern, other) − payments (creditors by the lag, wages, expenses, capital items, tax, dividend) = closing balance; a deficit is the overdraft or borrowing needed.	PQ 1.9, PQ 1.43	PYQ 2008-Jun, 2026-Jun	L17, p. 674
3.3	Minimum cash balance = annual cash outflow ÷ cash turnover rate (360 ÷ cash cycle days); reducing the cash cycle frees cash, and the saving = funds released × opportunity rate.	PQ 1.16, PQ 1.7	PYQ 2009-Dec, 2007-Dec	L17, p. 670

Topic 4 Receivables management and factoring

19 Scanner questions · ICSI appearances PYQ 19

Ref	One-liner for the student	Scanner Q	Asked in	SM source
4.1	Receivables always carry risk — of bad debts, delay and collection cost; firms manage them through credit standards and analysis, credit terms (period and discount), collection policy, monitoring ageing and collection period, and factoring or credit insurance.	TQ 1.14, TQ 1.19	PYQ 2012-Jun, 2014-Jun	L17, p. 685
4.2	Credit policy evaluation (incremental approach): extra contribution from additional sales − cost of additional investment in receivables (at cost × required return) − extra bad debts − extra collection costs − cash discount; adopt the policy with the highest net benefit. Investment in receivables = cost of credit sales × collection period ÷ 360.	PQ 1.2, PQ 1.4, PQ 1.6, PQ 1.20, PQ 1.21, PQ 1.25, PQ 1.28, PQ 1.30, PQ 1.31, PQ 1.37	PYQ 2006-Jun, 2006-Dec, 2007-Jun, 2010-Dec, 2011-Jun, 2011-Dec, 2012-Jun, 2012-Dec, 2013-Jun, 2014-Jun	L17, p. 685

Ref	One-liner for the student	Scanner Q	Asked in	SM source
4.3	Factoring: the factor buys receivables, gives an advance (say 80 – 90%), collects and may bear credit risk (non-recourse) for a commission and interest; it differs from bill discounting (a loan against bills, recourse to drawer, no collection service) and from securitisation (pooling assets into tradable securities). Forfaiting is non-recourse purchase of medium-term export receivables. Cost of factoring = commission + interest – savings in bad debts and administration, compared as an annual rate with alternatives.	TQ 1.2, TQ 1.8, TQ 1.24, TQ 1.7, PQ 1.1, PQ 1.10, PQ 1.38	PYQ 2007-Jun, 2005-Dec, 2008-Dec, 2011-Dec, 2014-Dec	L17, pp. 698, 700

Topic 5 Inventory management

16 Scanner questions · ICSI appearances PYQ 16

Ref	One-liner for the student	Scanner Q	Asked in	SM source
5.1	ABC analysis classifies inventory by value: A items (about 10% of items, 70% of value) under strict control, B moderate, C (70% of items, 10% of value) simple control.	TQ 1.4	PYQ 2010-Jun	L17, p. 683
5.2	Inventory is held for transaction, precautionary and speculative motives (price rises, bulk discounts, scarcity), not only for smooth production and sales; safety stock is a buffer against variations in demand and lead time to avoid stock-outs, at the cost of carrying it.	TQ 1.11, TQ 1.13, TQ 1.23	PYQ 2009-Jun, 2011-Dec, 2025-Jun	L17, pp. 667, 680
5.3	EOQ = √(2AO ÷ C), where A = annual demand, O = cost per order, C = carrying cost per unit per year; at EOQ ordering cost = carrying cost. For a quantity discount, compare total cost (purchase + ordering + carrying) at EOQ and at each discount quantity. With back orders allowed, optimum order and stock-out levels use the back-order cost.	PQ 1.5, PQ 1.8, PQ 1.17, PQ 1.22, PQ 1.24, PQ 1.27, PQ 1.32, PQ 1.34, PQ 1.36, PQ 1.41, PQ 1.15	PYQ 2007-Jun, 2008-Jun, 2010-Jun, 2011-Jun, 2011-Dec, 2012-Jun, 2013-Jue, 2013-Dec, 2014-Jun, 2024-Dec, 2009-Dec	L17, p. 680
5.4	Re-order level = maximum usage × maximum lead time; maximum level = ROL + ROQ – minimum usage × minimum lead time; minimum level = ROL – normal usage × normal lead time; average inventory = (maximum + minimum) ÷ 2 (or minimum + ½ ROQ).	PQ 1.40	PYQ 2024-Jun	L17, p. 681

Topic 6 Estimating working capital

12 Scanner questions · ICSI appearances PYQ 12

Ref	One-liner for the student	Scanner Q	Asked in	SM source
6.1	Working capital estimate: raw materials (consumption × storage period), WIP (cost × process period, at the stated completion), finished goods (cost of production × period), debtors (at cost or, on cash-cost basis, excluding depreciation and profit × credit period), cash; less creditors (purchases × credit period) and lags in wages and overheads; add the contingency margin on net working capital.	PQ 1.3, PQ 1.12, PQ 1.13, PQ 1.14, PQ 1.18, PQ 1.19, PQ 1.26, PQ 1.29, PQ 1.35, PQ 1.39, PQ 1.44	PYQ 2006-Dec, 2008-Dec, 2009-Jun, 2009-Dec, 2010-Jun, 2010-Dec, 2011-Dec, 2012-Jun, 2013-Dec, 2023-Dec, 2026-Jun	L17, pp. 657, 702

Ref	One-liner for the student	Scanner Q	Asked in	SM source
6.2	Bond value = PV of coupons at the required rate + PV of redemption value; current yield = coupon ÷ market price; YTM is the rate equating the bond's price with the PV of its cash flows.	PQ 1.11	PYQ 2008-Dec	L18, pp. 765, 769

Part B — Chapter 17 One-liner Revision Sheet

Deduplicated and in Study Material order. Click a 'Part A ref' to jump to the Part A row(s) carrying the full wording, the Scanner questions and the SM page. Refs read Topic.Row. Weight: ★★★ asked 6 or more times · ★★ 3 – 5 times · ★ once or twice, counting ICSI examinations. The ★★★ lines alone cover about 73% of ICSI appearances in this chapter.

Working Capital Management

#	One-liner	Weight	Part A ref
1	Determinants of working capital; operating cycle.	★★	1.1, 1.2
2	Adequacy, technical insolvency, negative working capital.	★★	1.3
3	Matching approach; spontaneous sources; Tandon methods.	★★	2.1, 2.2
4	Cash motives; cash budget; minimum cash.	★★★	3.1, 3.2, 3.3
5	Receivables risk; incremental credit-policy evaluation.	★★★	4.1, 4.2
6	Factoring v. bill discounting v. securitisation; forfaiting; cost of factoring.	★★★	4.3
7	ABC; inventory motives; safety stock.	★★	5.1, 5.2
8	EOQ = √(2AO/C); quantity discounts; stock levels.	★★★	5.3, 5.4
9	Working capital estimate by component; cash-cost basis.	★★★	6.1
10	Bond value, current yield, YTM.	★	6.2

CHAPTER 18

Security Analysis

44 Scanner questions · 13 one-liners · 9 revision pointers

Part A — One-liners mapped to Scanner questions and Study Material

Security Analysis

SM Lesson 18, pages 723 – 774

Topic 1 Investment and markets

5 Scanner questions · ICSI appearances PYQ 5

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.1	Investment commits funds for a reasonable return over a longer period with moderate, measured risk, based on fundamentals (e.g. buying blue-chip shares or bonds to hold); speculation seeks large short-term gains from price movements, accepts high risk and relies on market sentiment and leverage (e.g. intraday or F&O trading). Investment decisions weigh risk, return, purpose, period, liquidity and tax.	TQ 1.8, TQ 1.10, TQ 1.25	PYQ 2008-Jun, 2011-Jun, 2026-Jun	L18, pp. 726, 728
1.2	The gilt-edged primary market is where Government securities (Central and State loans, treasury bills) are first issued, through RBI auctions, to banks, primary dealers and institutions; 'gilt-edged' because they carry no default risk.	TQ 1.4	PYQ 2008-Jun	Not in SM
1.3	Efficient market hypothesis: weak form — prices reflect all past price information (technical analysis cannot beat the market); semi-strong — prices reflect all publicly available information (fundamental analysis cannot); strong — prices reflect all information, public and private, so even insiders cannot earn abnormal returns.	TQ 1.7	PYQ 2007-Dec	L18, p. 762

Topic 2 Fundamental and technical analysis

10 Scanner questions · ICSI appearances PYQ 10

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.1	Common-size statements show each item as a percentage of a base (total assets or sales) for comparing firms and years. Intrinsic value is the present value of expected cash flows from fundamental analysis — valid only for the assumptions (growth, risk, discount rate) on which it is estimated.	TQ 1.6, TQ 1.16	PYQ 2025-Jun, 2013-Dec	L18, pp. 737, 762

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.2	Dow theory: the market discounts everything and moves in three trends — primary (long-term bull or bear, one year or more, in phases of accumulation, public participation and distribution or panic), secondary (corrections) and minor (daily); averages must confirm each other and volume confirms the trend. Technical charts — line, bar, candlestick, point and figure — show price patterns used to time trades.	TQ 1.1, TQ 1.22, TQ 1.2	PYQ 2006-Jun, 2024-Dec, 2006-Dec	L18, pp. 746, 748, 756
2.3	Indicators: RSI = 100 − 100 ÷ (1 + RS), RS = average gain ÷ average loss over 14 sessions — above 70 overbought, below 30 oversold. Aroon up/down = (period − periods since highest high / lowest low) ÷ period × 100, showing trend strength. Price rate of change = (current price − price n periods ago) ÷ price n periods ago × 100. Advance-decline ratio = advancing ÷ declining issues, measuring market breadth.	TQ 1.19, TQ 1.21, TQ 1.24, PQ 1.17, PQ 1.19	PYQ 2023-Dec, 2024-Jun, 2025-Dec, 2025-Jun	L18, pp. 754, 756

Topic 3 Risk and return

5 Scanner questions · ICSI appearances PYQ 5

Ref	One-liner for the student	Scanner Q	Asked in	SM source
3.1	Systematic (market) risk affects all securities and cannot be diversified — interest rate, inflation (purchasing power), market and exchange rate risk: changes in laws, interest rate hikes, foreign policy, currency volatility, tax reforms. Unsystematic (specific) risk is diversifiable — business and financial risk of one firm: expropriation of one company's assets, a product recall, a new competitor, fraudulent statements, a strike.	TQ 1.20, TQ 1.23	PYQ 2024-Jun, 2025-Dec	L18, pp. 757 – 758
3.2	Holding period return = (dividend + (sale price − purchase price)) ÷ purchase price (post-tax where taxes are given). Beta = covariance (security, market) ÷ variance of market (or correlation × σs ÷ σm).	PQ 1.18, PQ 1.6, PQ 1.16	PYQ 2024-Dec, 2009-Dec, 2014-Dec	L18, pp. 759, 769

Topic 4 Portfolio theory and CAPM

21 Scanner questions · ICSI appearances PYQ 21

Ref	One-liner for the student	Scanner Q	Asked in	SM source
4.1	Markowitz: investors prefer more return for given risk; efficient portfolios give the highest return for each level of risk (the efficient frontier); the optimal portfolio is the efficient one touching the investor's highest indifference curve. Portfolio return = Σ w × R; portfolio beta = Σ w × β; two-asset σp = √(w1²σ1² + w2²σ2² + 2w1w2ρσ1σ2) — diversification across imperfectly correlated assets (shares and debt) reduces risk; combining a risky portfolio with a risk-free asset reduces risk in proportion to the weight of the risky asset.	TQ 1.5, TQ 1.9, TQ 1.17, TQ 1.12, TQ 1.13, PQ 1.3, PQ 1.7, PQ 1.8, PQ 1.9, PQ 1.10	PYQ 2012-Dec, 2009-Dec, 2014-Jun, 2007-Dec, 2008-Jun, 2007-Jun, 2010-Dec, 2011-Jun, 2011-Dec	L18, pp. 769, 771

Ref	One-liner for the student	Scanner Q	Asked in	SM source
4.2	CAPM: E(R) = Rf + β (Rm − Rf) — the SML, relating expected return to systematic risk (beta) for any security; used to estimate the cost of equity. The CML relates expected return to total risk (σ) for efficient portfolios only: E(Rp) = Rf + [(Rm − Rf) ÷ σm] σp. A security is under-priced if its expected return is above the SML (buy), over-priced if below (sell).	TQ 1.15, TQ 1.18, TQ 1.11, PQ 1.1, PQ 1.2, PQ 1.5, PQ 1.13, PQ 1.15	PYQ 2009-Jun, 2014-Jun, 2014-Dec, 2005-Dec, 2006-Jun, 2008-Dec, 2012-Jun	L18, p. 769
4.3	Sharpe ratio = (Rp − Rf) ÷ σp (reward per unit of total risk); Treynor = (Rp − Rf) ÷ βp; Jensen's alpha = actual return − CAPM expected return — positive alpha means the stock or manager beat the risk-adjusted benchmark; rank managers on these measures.	TQ 1.3, TQ 1.14, PQ 1.11	PYQ 2007-Dec, 2008-Jun, 2012-Jun	L18, p. 771

Topic 5 Valuation

3 Scanner questions · ICSI appearances PYQ 3

Ref	One-liner for the student	Scanner Q	Asked in	SM source
5.1	Buy, hold or sell: value the share = D1 ÷ (Ke − g) with Ke by CAPM (Rf + β (Rm − Rf)) under the changed conditions; compare with market price — buy if value exceeds price, sell if below, hold if equal.	PQ 1.12, PQ 1.14	PYQ 2012-Jun, 2013-Dec	L18, p. 765
5.2	Bond value = Σ coupon ÷ (1 + y)^t + redemption value ÷ (1 + y)^n; when the required yield rises (e.g. by 80 basis points), the price falls — recompute at the new yield; duration approximates the sensitivity.	PQ 1.4	PYQ 2007-Dec	L18, p. 765

Part B — Chapter 18 One-liner Revision Sheet

Deduplicated and in Study Material order. Click a 'Part A ref' to jump to the Part A row(s) carrying the full wording, the Scanner questions and the SM page. Refs read Topic.Row. Weight: ★★★ asked 6 or more times · ★★ 3 – 5 times · ★ once or twice, counting ICSI examinations. The ★★★ lines alone cover about 59% of ICSI appearances in this chapter.

Security Analysis

#	One-liner	Weight	Part A ref
1	Investment v. speculation; gilt-edged market; EMH forms.	★★	1.1, 1.2, 1.3
2	Common-size statements; intrinsic value.	★	2.1
3	Dow theory trends; charts; RSI, Aroon, ROC, A/D ratio.	★★★	2.2, 2.3
4	Systematic v. unsystematic risk with examples.	★	3.1
5	Holding period return; beta.	★★	3.2
6	Markowitz, efficient v. optimal portfolio; portfolio return, beta, σ.	★★★	4.1
7	CAPM / SML v. CML; mispriced securities.	★★★	4.2
8	Sharpe, Treynor, Jensen's alpha.	★★	4.3
9	Buy/hold/sell by Gordon value; bond price and yield.	★★	5.1, 5.2

CHAPTER 19

Operational Approach to Financial Decision

53 Scanner questions · 11 one-liners · 10 revision pointers

Part A — One-liners mapped to Scanner questions and Study Material

Operational Approach to Financial Decision

SM Lesson 19, pages 775 – 817

Topic 1 Cost accounting and management

10 Scanner questions · ICSI appearances PYQ 10

Ref	One-liner for the student	Scanner Q	Asked in	SM source
1.1	Costing is the technique of ascertaining costs; cost accounting applies costing principles to classify, record and allocate costs and control them. Management accounting is wider — it uses cost and financial data for planning, control and decision-making. A system that only records costs to fix prices falls short: costing aids management through cost control, pricing, make-or-buy, budgeting and performance evaluation, and grows in relevance with competition and thin margins.	TQ 1.1, TQ 1.5, TQ 1.9, TQ 1.14, TQ 1.17	PYQ 2004-Jun, 2011-Jun, 1999-Jun, 2000-Jun, 2001-Jun	L19, pp. 787, 807
1.2	Cost control keeps costs within set standards or budgets (corrective, short-term); cost reduction achieves a real and permanent fall in unit cost without impairing quality (innovative, continuous) — the key to global competitiveness.	TQ 1.7, TQ 1.18	PYQ 2018-Jun, 2001-Dec	L19, p. 776
1.3	Methods of costing suit the industry: bridge construction — contract costing (per contract); sugar, chemicals — process costing (per tonne or litre); printing — job costing (per job); hospitals and transport — operating costing (patient-day, passenger-km). A cost centre is a location or activity for which costs are collected; a profit centre is responsible for both revenue and cost. Controllable costs can be influenced by a given manager; non-controllable ones cannot at that level.	TQ 1.19, TQ 1.20, TQ 1.21	PYQ 2001-Dec, 2002-Dec	L19, p. 778

Topic 2 Cost concepts

7 Scanner questions · ICSI appearances PYQ 7

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.1	Explicit costs involve cash payment (wages, rent); implicit (imputed or notional) costs involve no cash outlay — interest on own capital, rent of owned premises — relevant for decisions though not recorded; common costs are shared by several products or departments and must be apportioned. Interest is normally excluded from cost but considered as a notional cost where capital intensity differs, for comparability.	TQ 1.2, TQ 1.3, TQ 1.22, TQ 1.26	PYQ 2007-Dec, 2008-Jun, 2004-Jun, 2008-Dec	L19, p. 779

Ref	One-liner for the student	Scanner Q	Asked in	SM source
2.2	Fixed costs remain constant in total within a relevant range regardless of output (per unit they fall as output rises); variable costs vary in total in direct proportion to output (constant per unit).	TQ 1.4	PYQ 2009-Jun	L19, p. 795
2.3	Decision-making costs are future, differential costs: relevant, differential (incremental), opportunity, out-of-pocket, imputed and replacement costs. Sunk costs — already incurred and unaffected by the decision — are irrelevant.	TQ 1.15, TQ 1.27	PYQ 2000-Jun, 2011-Jun	L19, p. 779

Topic 3 Marginal costing

9 Scanner questions · ICSI appearances PYQ 9

Ref	One-liner for the student	Scanner Q	Asked in	SM source
3.1	Marginal costing charges only variable costs to products and treats fixed costs as period costs; absorption costing charges both, so stock values and profits differ when production and sales differ. Marginal costing aids pricing, make-or-buy, product mix, key factor and shut-down decisions; marginal cost is the floor price in the short run (any price above it contributes to fixed costs), though not in the long run.	TQ 1.6, TQ 1.8, TQ 1.11, TQ 1.16	PYQ 2012-Dec, 1998-Dec, 1999-Jun, 2000-Dec	L19, p. 787
3.2	Selling price is not always based on total cost: in the short run, under competition, recession or for special orders, prices may be fixed between marginal and total cost. Costing gives the facts (cost is a reality); pricing is a policy shaped by demand, competition and strategy.	TQ 1.10, TQ 1.25	PYQ 1999-Jun, 2008-Jun	L19, p. 784
3.3	Make or buy: compare the purchase price with the marginal cost of making; with a limiting factor, rank by contribution per unit of that factor. Cost indifference point between two machines = difference in fixed costs ÷ difference in variable cost per unit.	PQ 1.4, PQ 1.13, PQ 1.23	PYQ 2002-Jun, 2005-Jun, 2012-Dec	L19, p. 791

Topic 4 Cost-volume-profit analysis

27 Scanner questions · ICSI appearances PYQ 27

Ref	One-liner for the student	Scanner Q	Asked in	SM source
4.1	Break-even analysis shows the level of sales where profit is nil and the profit at any volume. Margin of safety = actual sales − break-even sales (= profit ÷ P/V ratio); improved by raising price, cutting variable or fixed costs, raising volume or changing mix. P/V ratio applications: break-even, profit at any sales, sales for a target profit, product mix and pricing decisions. Its assumptions (linear costs and revenues, constant mix and price, fixed costs fixed) limit accuracy.	TQ 1.12, TQ 1.13, TQ 1.23, TQ 1.24	PYQ 1999-Jun, 1999-Dec, 2005-Dec, 2007-Dec	L19, pp. 792, 798, 799

Ref	One-liner for the student	Scanner Q	Asked in	SM source
4.2	CVP formulas: contribution = sales − variable cost; P/V ratio = contribution ÷ sales (or change in profit ÷ change in sales); BEP (units) = fixed cost ÷ contribution per unit; BEP (₹) = fixed cost ÷ P/V ratio; sales for target profit = (fixed cost + target profit) ÷ P/V ratio (target pre-tax profit = after-tax profit ÷ (1 − t)); fixed cost = sales × P/V − profit; margin of safety = profit ÷ P/V ratio.	PQ 1.1, PQ 1.2, PQ 1.3, PQ 1.5, PQ 1.6, PQ 1.7, PQ 1.8, PQ 1.9, PQ 1.10, PQ 1.11, PQ 1.12, PQ 1.14, PQ 1.15, PQ 1.16, PQ 1.17, PQ 1.18, PQ 1.19, PQ 1.20, PQ 1.21, PQ 1.22, PQ 1.24, PQ 1.25, PQ 1.26	PYQ 1998-Dec, 2001-Jun, 2001-Dec, 2002-Jun, 2002-Dec, 2003-Jun, 2003-Dec, 2004-Jun, 2004-Dec, 2006-Dec, 2007-Jun, 2007-Dec, 2008-Dec, 2009-Dec, 2010-Jun, 2010-Dec, 2011-Dec, 2012-Jun, 2023-Dec, 2024-Dec, 2025-Dec	L19, pp. 792, 798

Part B — Chapter 19 One-liner Revision Sheet

Deduplicated and in Study Material order. Click a 'Part A ref' to jump to the Part A row(s) carrying the full wording, the Scanner questions and the SM page. Refs read Topic.Row. Weight: ★★★ asked 6 or more times · ★★ 3 – 5 times · ★ once or twice, counting ICSI examinations. The ★★★ lines alone cover about 43% of ICSI appearances in this chapter.

Operational Approach to Financial Decision

#	One-liner	Weight	Part A ref
1	Costing, cost accounting, management accounting; costing as an aid.	★★	1.1
2	Cost control v. cost reduction.	★	1.2
3	Methods of costing by industry; cost and profit centres; controllable costs.	★★	1.3
4	Explicit, implicit, common costs; interest as notional cost.	★★	2.1
5	Fixed v. variable cost; sunk costs irrelevant.	★★	2.2, 2.3
6	Marginal v. absorption costing; marginal cost as floor price.	★★	3.1
7	Costing a reality, pricing a policy.	★	3.2
8	Make or buy; key factor; cost indifference point.	★★	3.3
9	Break-even, margin of safety, P/V uses and limits.	★★	4.1
10	CVP formulas: BEP, target sales, MOS.	★★★	4.2