APPENDICES
APPENDIX-A
QUESTIONNAIRE

SURVEY OF PUNJAB STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED PROMOTED COMPANIES

Research Project: Measurement and Management of Earnings in PSIDC Promoted Companies

QUESTIONNAIRE - 1 (MEASUREMENT OF EARNINGS)

1. Name of the Company: ____________________
2. Registered Address: ____________________
3. Year of Incorporation: ____________________
4. Year of PSIDC's equity participation: ____________________
5. Year of starting commercial production: ____________________
6. Name of the products of your company: ____________________
7. Profile of the Chief Executive/MD/Chairman
   i) Name: ____________________
   ii) Age: ____________________
   iii) Educational Background: ____________________
   iv) Background: Industrial/Academic/Technical (Please tick)
   v) No. of directorships held: ____________________
8. Is the price of your product controlled by the Government? 
   Yes / No
9. Which of the following factors have affected the operations of your company and in which year during the last decade?

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<th>FACTORS</th>
<th>YEAR</th>
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<td>i) Labour Problem</td>
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<td>ii) Extent of Competition</td>
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<td>iii) Infrastructural breakdown</td>
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<td>iv) Input deficiency</td>
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<td>v) Inflation</td>
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<td>vi) Change in product mix</td>
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<td>vii) Any other, please specify</td>
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10. Which year(s) the public issue takes place in your Company ? and Why ? (Please specify)

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<th>YEAR</th>
<th>SECURITIES OFFERED</th>
<th>AMOUNT</th>
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<td>(Debenture/Equity/Preference shares)</td>
<td>(In Rs.)</td>
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Q11. Do you follow the Indian Accounting standards in finalising your financial statements ? Yes/No

Q11a. If, No, then do you follow International Accounting standards in preparing financial statements ? Yes/No

Q12. Does the company follow undermentioned concepts / conventions while preparing the accounts of the company ?

i) Going Concern concept Yes/No
ii) Consistency Yes/No
iii) Accrual Concept Yes/No
iv) Materiality Yes/No

Q13. Which method of inventory valuation do you follow ?

i) Cost method
ii) Lower of cost or market value method
iii) Lower of cost or net realisable method
iv) Weighted average basis.

Q14. In case valuation of inventory at cost, which assumption of cost flow is employed in your company ?

i) First In - First Out (FIFO)
ii) Last In - First Out (LIFO)
iii) Average Price
iv) Any other (please specify)

Q15. Does your company classify the inventories into (a) ordinary interchangeable items, and (b) earmarked for specific purposes ? Yes/No

Q15a. If yes, what basis is used for the valuation ?

i) Ordinary Interchangeable Items (Cost/Market Value/Lower of Cost or Market Value / Any other)
ii) Specific items (Cost/ Market Value / Lower of Cost or Market Value/ Any other)
Q16. For determination of cost of inventory, which of the following is considered?

i) All costs of purchase

ii) (i) and costs of conversion

iii) (i), (ii) and other costs incurred in bringing inventories to their present location and condition.

OR

i) Factory Cost

ii) (i) and Administrative overheads.

iii) (i), (ii) and Marketing and distribution overheads.

Q17. In valuation of special items of inventory, which of the following assumption is employed by the company? (Please tick the correct).

i) Inventory of consumable stores of maintenance supplies (Valued at cost / Valued at below cost)

ii) Inventory of by-products (Lower of cost and net realisable value / Net realisable value)

iii) Inventory of reusable waste for which reprocessing facilities exist (Raw material cost / Raw Material cost less reprocessing cost)

iv) Inventory of non-reusable waste (Net Realisable Value / Any other method, please specify).

Q18. Do you provide depreciation according to the provisions of the Income Tax?

Yes/No

Q18a If no, which method of providing depreciation do you follow? (please specify the name and reasons, why?)

Q19. Does your company provide depreciation on the following?

i) Historical cost Yes/No

ii) Current cost or replacement cost Yes/No

iii) Revalued amount Yes/No

iv) Any other, please specify

Q20. What are the items included in determining historical cost of the asset?

i) Purchase price Yes/No

ii) Installation cost Yes/No

iii) Import duty Yes/No

iv) Octroi Yes/No

v) Any other, please specify
Q21. In case depreciable assets are revalued, which of the following is/are considered for determining the amount of annual depreciation? (Please tick)

   i) Revalued amount
   ii) Estimated useful lives of the asset
   iii) Combination of Both

Q22. Does the company have changed over from one method of depreciation to other? Yes/No

Q22a If yes, which year and why? (Please specify)

Q23. In case any addition or extension of capital nature takes place to an existing asset, does the company amortise the additional cost of asset?

   i) By applying the same method of depreciation Yes/No
   ii) By applying the same rate of depreciation Yes/No

Q24. If an asset is scrapped without realising any amount, how the unamortised amount is treated in financial statements?

   i) Charging to Profit and Loss Account
   ii) Transfer to Reserves
   iii) Any other, please specify.

Q25. How do you treat gains and losses on sale of depreciable assets?

   i) Charging to Profit and Loss Account
   ii) Transfer to Reserves
   iii) Any other, please specify.

Q26. When the company changes one method of depreciation by another, does the company aim at charging the unamortised depreciable amount to revenue over the remaining useful life of the asset by applying the new method? Yes/No

Q26a If no, what criteria the company uses for treating the unamortised depreciable amount? (Please specify)
Q27. Does your company prepare statement of changes in financial position?

Yes/ No

Q27a. If yes, which of the following basis is used for preparing such statement?

(Please tick)

i) Net working capital basis

Yes/No

ii) Cash basis

Yes/No

Q28. Does the company classify cash flows into:

Yes/No

Yes/No

Yes/No

Yes/No

Yes/No

i) Cash flow from operating activity

Yes/No

ii) Cash flow from investing activity

Yes/No

iii) Cash flow from financial activity

Yes/No

iv) Cash flow from any other activity

(Please specify)

Q29. Does your company treat cash flows from extraordinary items while preparing cash flow statement?

( Please tick the correct)

Yes/No

i) Sale of significant part of business

Yes/No

ii) Sale of permanent investment.

Yes/No

iii) Liability arising on account of legislative changes.

Yes/No

iv) Any other, please specify

Q30. Does the company have transactions in foreign exchange?

Yes/No

Q30a. If yes, which of the following is used to translate the cash flows into domestic currency at the time of recording the transaction:

i) Exchange rate at the date of transaction

Exchange rate at time of making the payment.

Q31. Which of the following rates is used for translating the foreign exchange denominated monetary assets/liabilities on the balance sheet date?

i) Foreign exchange rate on balance sheet date

ii) Historical rate at the inception of monetary assets/liabilities.

Q32. Which of the following is used for the treatment of gain or loss arising on the settlement or translation of monetary assets/liabilities?

i) Transfer to profit and loss account

ii) Transfer to reserves

iii) Any other (please specify)
Q33. In the event of increase in liability on account of exchange rate changes, in respect of acquisition of fixed assets, what treatment you accord to increase the amount of liability?
   i) Capitalise it by debit to Fixed Assets account
   ii) Any other, please specify

Q34. What treatment your company accord to research and development costs?
   a) As expense in the year in which it is incurred
   b) As deferred revenue expenditure and amortize it
      i) On the basis of benefit received over a period of time.
      ii) On any other basis, please specify.
   c) Combination of both

Q35. Does the cost of an asset exceeds the depreciable amount over its useful life? Yes/No

Q35a. If yes, specify the reasons:

Q36. At what price (cost) an item of property, plant and equipment acquired in exchange or part exchange for dissimilar asset, is measured?
   i) Fair value
   ii) Net carrying amount
   iii) Any other, please specify

Q37. At what price an item of property, plant and equipment acquired in exchange or part exchange for similar asset, is measured?
   i) Fair value
   ii) Net carrying amount
   iii) Any other, please specify

Q38. Do you have the policy for revaluating the property, plant and equipment? Yes/No

Q38a. If yes, then please specify:
   i) What is the periodicity of revaluation?
   ii) What is the basis of revaluation?
   iii) Mention the effective date(s) of revaluation?
iv) What is the nature of any indices used to determine the replacement cost?

Q39. How does the company treat any accumulated depreciation at the date of revaluation? (Please tick the correct)

i) Restate proportionately with change in gross carrying amount of asset.

ii) Eliminate against gross carrying amount of asset and net amount restated to revalued amount of the asset.

Q40. When an item of property, plant and equipment is revalued; Is the entire class of property, plant and equipment to which that asset belongs, revalued? Yes/ No

Q40a. If no, why so? (please specify)

Q41. When an assets carrying amount is increased or decreased as a result of revaluation, Does the increase or decrease, credited or debited directly to equity under “Revaluation Surplus”? Yes/ No

Q41a. If no, state the alternative treatment?

Q42. How do you disclose the following assets in the balance sheet? (Please specify)

i) Temporarily idle property, plant and equipment

ii) Fully depreciated property, plant and equipment that still in use

iii) Property, plant and equipment retired from active use and held for disposal.
Q43. How does the company treat financing cost relating to deferred credit or borrowed funds attributable to construction or acquisition of fixed asset for the period up to the completion of construction or acquisition of fixed assets:

a) As part of cost of fixed asset
b) As a revenue expense
c) Any other, please specify

Q44. Does the company own fixed assets jointly with other company? Yes/No

Q44a. If yes, how does the company treat fixed assets and depreciation thereon? (Please specify)

Q45. Does the company acquire fixed assets on hire-purchase basis? Yes/No

Q45a. If yes, which method does the company employ to record them in the balance sheet?

i) Cash value
ii) Any other if cash value is not readily available

Q46. Do you disclose the current investments as current assets and long-term investments as long-term assets? Yes/No

Q47. How does the company compute acquisition cost when the exchange or acquisition of investments takes place?

i) Investment acquired or partly acquired by issue of shares or other securities. [Fair value of securities issued/nominal (par) value]

ii) Investment acquired in exchange or part exchange of an asset [Fair value of asset given up / any other method]

Q48. What value does the company assign in showing the investment as following in balance sheet?

i) As current assets (Market value/Lower of cost and market value/Any other method, please specify)

ii) As long term assets (Cost basis/Revalued amount/Lower of cost & market value determined on portfolio basis)
Q49. If investments are held collectively and carried at lower of cost and market value, on what basis they are valued by company?
   i) Aggregate portfolio basis
   ii) Individual investment basis

Q50. Do you have the policy for revaluation of long term investment? Yes/No

Q50a. If yes, then please specify:
   i) Accounting policy employed by the company for determining the frequency of revaluation of long term investment?
   ii) Date (s) of latest revaluation of long term investments.
   iii) Basis of revaluation
   iv) The involvement of external valuer in revaluation

Q51. Does the company ever transferred the long term investments to current investments? Yes/No

Q51a. If yes, then transfer was made at:
   i) Lower of cost and carrying amount (if current investments are carried at lower of cost and market value)
   ii) Carrying amount (if current investments are carried at market value).

Q52. Does the company ever transferred the current investments to long term investments? Yes/No

Q52a. If yes, the transfers was made at:
   i) Lower of cost and market value
   ii) Market value
   iii) Any other, please specify

Q53. How does the company treat the following? (Please specify)
   i) Losses and gains arising on account of periodical revaluation of investment.
ii) Losses and gains arising on account of disposal of current investment.

iii) Losses and gains arising on account of disposal of long term investment.

iv) Losses and gains arising on account of transfer from current investments to long term investment.

v) Losses and gains arising on account of transfer from long term investments to current investments.

Q54. Do all the incomes and expenses recognized in a period, included in determination of net income or loss for that period by the company? Yes/No

Q54a. If no, why so? (please specify)

Q55. Was there any occasion that any event or transaction give rise to the extraordinary items? Yes/No

Q55a. If yes, then it was due to:

i) Expropriation of assets
ii) Earthquake or other natural disaster
iii) Both of them
iv) Any other (please specify)

Q56. What accounting policy the company follow in presenting extraordinary items (such as sale of significant part of business, sale of investment not acquired with the intention of resale etc.) while preparing financial statement? (Please tick the correct)

i) Separate disclosure
ii) Any other (please specify)
Q57. As a result of uncertainties inherent in business activities, many financial statement items cannot be measured with precision but can only be estimated. On which of the following, you make an accounting estimates?

i) Bad debts
ii) Inventory obsolescence
iii) Useful life of an asset
iv) Expected pattern of consumption of economic benefits of depreciable asset.
v) Any other, please specify.

Q58. Does the effect of change in accounting estimate included in determination of net income or loss?

i) In the period of change, if change affects the period only
Yes/No

ii) In the period of change and future periods, if change affects both
Yes/No

Q59. While preparing financial statements of the company, Is/Are any error(s) of one or more prior periods discovered by you in the current period?

Yes/No

Q59a. If yes, the errors occur because of:

i) Mathematical mistakes
ii) Mistakes in applying accounting policies
iii) Misinterpretation of facts
iv) Fraud or oversights
v) Any other (please specify)

Q60. How does the amount of correction of fundamental errors that relates to prior periods reported by you?

(Please tick the correct)

i) By adjusting the opening balance of retained earnings
ii) By restatement of comparative information

Q61. Does the company adjust the relevant affected assets and liabilities by events occurring after balance sheet date at the time of presentation of financial statement?

Yes/No

Q61a. If no, why so? (Please specify)

__________________________________________________________________________
__________________________________________________________________________

Q62. Do you adjust your financial statement for the effect of inflation?

Yes/No

Q62a. If yes, which method do you follow for the same?

i) Current cost accounting method
ii) Current purchasing power method
iii) Replacement cost accounting technique
iv) Any other (please specify)
Q63. During inflation, on which basis the depreciation is charged on fixed assets?
   i) Replacement cost basis
   ii) Historical cost basis
   iii) Any other (please specify)

Q64. During inflation, which method the company employ for valuing inventory?
   i) Last In - First Out (LIFO)
   ii) Highest In - First Out (HIFO)
   iii) Any other, please specify

Q65. Which of the following accounting principle is employed by the company while reporting revenue?
   i) Recognition at the time of sale
   ii) Recognition at the time when sales value is collected.
   iii) Recognition at the time when product is completed.
   iv) Recognition proportionately over the period of performance of contract.

Q66. Which method is employed by the company in recognising revenue from service transactions?
   i) Proportionate completion method
   ii) Completed service contract method

Q67. Does the recognition of revenue postponed due to the effect of uncertainties? Yes/No

Q67a. If yes, when and why such revenue is recognised? (Please specify)

Q68. Which of the following basis is/are selected by the company for recognising the expenses?
   i) Direct association with revenue of period (For e.g. sale of goods)
   ii) Indirect association with revenue of period (For e.g. office salaries and rent)
   iii) No association (For e.g. in case of flood or fire)

Q69. What cost basis the company employ for measurement of expenses?
   i) Historical cost
   ii) Replacement cost
   iii) Opportunity cost
   iv) Any other (please specify)

Q70. Which policy the company employ in writing off preliminary expenses and capital issue expenses? (Please specify)
Q1. Which policy does the company employ in amortizing the technical know-how fees/Intangibles like patents, trade marks etc.? (Please specify)
SURVEY OF PUNJAB STATE INDUSTRIAL DEVELOPMENT CORPORATION
LIMITED PROMOTED COMPANIES

QUESTIONNAIRE - II (MANAGEMENT OF EARNINGS)

1. Which decision do you take first?
   i) Distribution of profits
   ii) Retention of Profits

2. Do you consider changes in share prices in the recent past while deciding about dividend payments to be made by you?  Yes / No

3. Do you pay regular dividends?  Yes / No
   3a. If no, when do you skip or reduce dividends?
      i) In case of reduction in net profits or losses sustained by company.
      ii) Unsound liquidity position.
      iii) Requirement of funds for expansion
      iv) Decline in sales revenues
      v) Requirement of funds for discharging accumulated tax liability.
      vi) Increased research and development expenditure
      vii) Any other reason, please specify

4. Do you aim at maintaining a stable dividend policy?  Yes/ No
   4a. If yes, which of the following influences such a policy?
      i) A stable rate of dividend on market value of share.
      ii) A stable rate of dividend on face value of share.
      iii) A stable / constant payout ratio.

5. Do you strive for a long run rate of dividend?  Yes/ No
   5a. If yes to No. 5 which of the following influence such a rate?
      i) Prevailing rate of dividend of similar firms in the recent past.
      ii) Prevailing yield rate on equity shares for the industry or for the corporate sector as a whole.
      iii) Prevailing interest rates on debentures or term loans in the market.
      iv) Growth potential of the industry.
      v) Any other (please specify)

6. Do you consider the lagged dividend (dividend paid in previous year) while taking dividend decision for the current year?  Yes/No

7. Do you consider the lagged profits (profit earned during previous year) while declaring dividend?  Yes / No
8. In which situation do you increase the rate of dividend or provide extra dividend to the shareholders?

   i) Increase in net profits.
   ii) Improvement in liquidity position
   iii) Favourable reserve position.
   iv) A public issue is to launched in the near future.
   v) Substantial capital gains are realised.
   vii) Any other reason, please specify

9. Which of the following factors influences the allocation of profits between dividend and retention?

   i) Growth potential of the business.
   ii) Accumulated internal resources.
   iii) Cost of borrowing
   iv) Market value of the shares of the company
   v) Conditions in the capital market
   vi) Any other factor (please specify)

10. Does your company increased their capital base through bonus issues during its whole life, till now? Yes / No

10a. If yes, which years and why? (Please specify)

11. What is the ratio of bonus issues to equity capital in the years in which issued? (Please specify)

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<th>Ratio of bonus to equity</th>
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12. Does your company aim at maintaining dividend per share after bonus issue? Yes / No

13. Does the ratio of bonus issue to equity capital depended upon the amount of reserves to be capitalized? Yes / No

14. Does any fixed time pattern observed by the company between two issues?

14a. If yes, then why? (Please specify)
14b. If no, then why not? (Please specify)

15. Is any consistent policy followed as to reserve equity ratio before and after the bonus issue? Yes/No

16. Whether an issue of bonus share is accompanied with dividend increase or decrease? Yes/No

16a. If yes, then to what extent, is of utmost concern both to share holder and the company? (Please specify)

17. Do dividends increase due to bonus issue or other factors? Yes/No

18. What is the real motive regarding the issue of bonus shares?

   i) To bring down the rate of earning per share.
   ii) Paying larger dividend to shareholders, while maintaining the dividend per share.
   iii) To bring them within a more popular trading range.
   iv) For converting the divisible reserves and surplus of the company into equity capital.
   v) To build the confidence of shareholders and attract the investors to participate in further issue of capital of company.
   vi) To improve the image of company.
   vii) To preserve the liquidity.
   viii) Any other factor, please specify

19. Do you aim at retaining earnings? Yes/No

19a. If yes, which of the following influences you much?

   i) A cushion to absorb the shocks of the economy.
   ii) Economical method of financing
   iii) Help in smooth and undisturbed running of business.
   iv) Helps in following stable dividend policy.
   v) Flexible financial structure
   vi) No dependence on 'fair weather friends' or makes Co. self dependent.
   vii) Helps in making good the deficiencies of depreciation.
   viii) Enables to redeem long-term liabilities.
   ix) Any other factor, please specify.

20. Do you follow any particular criteria for retaining earnings? Yes/No
20a. If yes, then please specify?

_____________________________________________________________________

_____________________________________________________________________

21. Rank the following factors in terms of their effect on company's share price.

i) Dividends
ii) Bonus issue
iii) Retained earnings