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# SCANNER™ Appendix

**IPCC Gr. II**  
**May - 2009**

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## PAPER'S

### Paper - 5 : Advanced Accounting

#### Chapter - 2 : Accounting Standards

**2009 - May [5]** Answer the following :

- (vi) Enumerate two points which the financial statements should disclose in respect of Borrowing costs as per AS-16. (2 marks)

**2009 - May [6]** Answer the following :

- (b) Explain the provisions of AS-5 regarding accounting treatment of prior period items. (4 marks)
- (d) From the following information relating to X Ltd. calculate Diluted earning per share as per AS-20 :

Net profit for the current year	Rs. 2,00,00,000
Number of equity shares outstanding	40,00,000
Basic earning per share	Rs.5.00
Number of 11% convertible debentures of Rs. 100 each	50,000
Each debenture is convertible into 8 equity shares.	
Interest expense for the current year	Rs. 5,50,000
Tax saving relating to interest expense (30%)	Rs. 1,65,000
	(4 marks)

**Chapter - 3 : Underwriting of Shares and Debentures**

**2009 - May [5]** Answer the following :

- (v) A company entered into an underwriting agreement with Mr. B for 60% of the issue of Rs. 50,00,000, 15% debentures, with a firm underwriting of Rs. 5,00,000. Marked applications were in respect of debentures worth Rs. 35,00,000. Compute liability of Mr. B and commission payable to him. (2 marks)

**Chapter - 6 : Liquidation of Companies**

**2009 - May [4]** (b) From the data relating to a company which went into voluntary liquidation, you are required to prepare the liquidator's Final Statement of Account.

- (i) Cash with liquidators (after all assets are realised and secured creditors and debenture holders are paid) is Rs. 7,50,000.  
(ii) Preferential creditors to be paid Rs. 35,000.  
(iii) Other unsecured creditors Rs. 2,30,000.  
(iv) 5,000, 10% preference shares of Rs. 100 each fully paid.  
(v) 3,000 equity shares of Rs.100 each, Rs. 75 per shares paid up.  
(vi) 7,000 equity shares of Rs. 100 each Rs. 60 per share paid up.  
(vii) Liquidator's remuneration is 2% on payments to preferential and other unsecured creditors. (8 marks)

**Chapter - 8 : Financial Statement of Insurance Companies**

**2009 - May [5]** Answer the following :

- (i) Amount of Life Assurance Fund is Rs. 5,000 lacs and net liabilities were Rs. 4,800 lacs. Calculate profit under Valuation Balance Sheet. (8 marks)

**2009 - May [6]** Answer the following :

- (e) The Revenue Account of a Life Insurance Company shows the Life Assurance Fund on 31st March, 2009 at Rs. 62,21,310 before taking into account the following items :
- (i) Claims recovered under re-insurance Rs. 12,000  
(ii) Bonus utilised in reduction of Life Insurance premium of Rs. 4,500.  
(iii) Interest accrued on securities Rs. 8,260.  
(iv) Outstanding premium Rs. 5,410.  
(v) Claims intimated but not admitted Rs. 26,500.  
Compute the Life Assurance Fund on 31st March, 2009, after taking into account the above omission. (4 marks)

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

**2009 - May [4]** (a) An electricity company decided to replace some parts of its plant by an improved plant. The plant to be replaced was built in 1995 for Rs. 35,00,000. It is estimated that it would cost Rs. 65,00,000 to build a new plant of the same size and capacity. The cost of the new plant as per the

improved design was Rs. 1,05,00,000 and in addition, material belonging to the old plant valued at Rs. 3,80,000 was used in the construction of the new plant. The balance of the plant was sold for Rs. 3,00,000.

Compute the amount to be written off to revenue and the amount to be capitalised. Also prepare Plant account and Replacement account. (8 marks)

**Chapter - 13: Amalgamation, Conversion and Sale of Partnership Firms 2009 - May [3]**

(a) The partnership of Sakshi Agencies decided to convert the partnership into Private Limited Company named Rameshwar Company Pvt. Ltd. with effect from 1st January, 2008. The consideration was agreed at Rs. 2,34,00,000 based on firm's Balance Sheet as on 31st December, 2007. However, due to some procedural difficulties, the company could be incorporated only on 1st April, 2008. Meanwhile, the business was continued on behalf of the company and the consideration was settled on that day with interest at 12% p.a. The same books of accounts were continued by the company, which closed its accounts for the first time on 31st March, 2009 and prepared the following summarised Profit and Loss account :

	Rs.		Rs.
To Cost of goods sold	3,27,60,000	By sales	4,68,00,000
To Salaries	23,40,000		
To Depreciation	3,60,000		
To Advertisement	14,04,000		
To Discount	23,40,000		
To Managing Director's remuneration	1,80,000		
To Miscellaneous office expenses	2,40,000		
To Office cum showroom rent	14,40,000		
To Interest	19,02,000		
To Profit	<u>38,34,000</u>		
	<u>4,68,00,000</u>		<u>4,68,00,000</u>

\_\_\_\_\_ The company's only borrowing was a loan of Rs. 1,00,00,000 at 12% p.a. to pay the purchase consideration due to the firm and for working capital requirements. The company was able to double the monthly average sales of the firm from 1st April, 2008, but the salaries trebled from the date. It had to occupy additional space from 1st July, 2008 for which rent was Rs. 60,000 per month.

Prepare a Profit and Loss account in columnar form apportioning costs and revenue between pre-incorporation and post-incorporation periods.

(8 marks)

<b>Paper - 6 : Auditing and Assurance</b>
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**Chapter - 2 : Basic Concepts in Auditing**

**2009 - May [1]** State with reasons (in short) whether the following statements are True or False, :

- (i) The principle of confidentiality precludes auditor to disclose the information about the client to third party at all circumstances without any exception. (2 marks)

**2009 - May [3]** In auditing, the auditor checks the specific assertions of the items appearing in the financial statements and opines about the overall assertions they signify. Explain specific assertions and overall assertions in this context. (10 marks)

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

**2009 - May [1]** State with reasons (in short) whether the following statements are True or False, :

- (ii) Auditing in depth implies that the auditor vouches almost all transactions in a manner that the chances of not checking any transaction are left at minimum. (2 marks)
- (iii) Taking management representation is a convenient, economical and equally acceptable auditing method even where the direct access by auditor to audit evidence is possible. (2 marks)

**2009 - May [8]** Write short notes on the following :

- (b) Letter of Weakness
- (c) Knowledge of Client's business (5 marks each)

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

**2009 - May [5]** (a) Mention any six points to be considered for good internal control for collection of tuition fees from students of college. (6 marks)

**Chapter - 6 : Audit of Payments**

**2009 - May [7]** How would you vouch/verify the following :

- (a) Production incentive paid to workers. (2 marks)

**Chapter - 8 : Verification of Bank Balance and Cash-in-hand**

**2009 - May [4]** (a) M. Statutory auditors of ABC Ltd. wants to verify cash on hand as on 31st March, 2009.

The Management informs Mr. M. that it is not possible to cooperate, as cashier has been hospitalised.

Advise Mr. M., how to deal with the situation. (4 marks)

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

**2009 - May [4]** (b) As an auditor of a Limited Company, you observe that during the month of March, 2009, sales invoices were not recorded in books of accounts. You also observe that payment of wages was much higher compare to last year. Keeping in mind above, analyse possible ways of manipulation of accounts. (6 marks)

**Chapter - 11 : Audit of Ledgers and other Transactions**

**2009 - May [2]** (b) On 31.12.2008, Amudhan Company Limited has invested Rs. 45 lakhs in cumulative fixed deposits of Algar Bank Ltd. The deposits carry interest @ 10% per annum compoundable quarterly and amount of interest is added to the principal and is due and payable at the maturity date which is 5 years from the date of investments.

For the year ended 31st March, 2009, the company did not book any revenue of interest on the ground that interest amount is not available at their disposal till maturity date of investment. (6 marks)

**2009 - May [7]** How would you vouch/verify the following :

(c) Bad debt (2 marks)

**Chapter - 13 : Depreciation and Reserves**

**2009 - May [7]** (c) How would you vouch/verify the following :

OR Proposed dividend. (2 marks)

**Chapter - 14 : Verification of Assets**

**2009 - May [1]** State with reasons (in short) whether the following statements are True or False, :

(x) The fixed deposit held with bank by a company is to be shown under the head investments in Balance Sheet as per the requirements of part I of schedule VI to the Companies Act, 1956. (2 marks)

**2009 - May [6]** (b) While conducting audit of a bank, you find that bank has advanced loan for purchase of machinery on the basis of valuation report prepared by a civil engineer. Will you approve the action taken by bank? Justify the answer. (4 marks)

**2009 - May [7]** How would you vouch/verify the following :

(b) Goods lying with third party. (5 marks)

**2009 - May [8]** Write short notes on the following :

(a) Physical attendance by auditor during inventory taking (5 marks)

**Chapter - 15 : Verification of Liabilities**

**2009 - May [1]** State with reasons (in short) whether the following statements are True or False, :

(ix) Contingent liabilities are provided for in the accounts if they crystallize between the end of the accounting year and the date of signing the audit report. (2 marks)

**Chapter - 16 : Other Verifications**

**2009 - May [6]** (a) A limited Company has filed a suit against debtor from whom Rs. 25 lakhs are receivable.

A judgement is received from court in favour of the company after the date of Balance Sheet. Discuss auditors' duty in this regard. (6 marks)

**Chapter - 17 : Company Auditor**

**2009 - May [1]** State with reasons (in short) whether the following statements are True or False, :

- (iv) An auditor of a company in which not less than 25% of authorized capital is held by public financial institution is to be appointed by a special resolution in general meeting. (2 marks)

**2009 - May [2]** (c) P, the first auditor of XYZ Ltd. resigned as auditors of the Co. Board of Director appointed Mr. Q as statutory auditors in their place. (6 marks)

**2009 - May [8]** (c) Write short notes on the following :

**Or** Responsibilities of Joint auditors. (5 marks)

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

**2009 - May [1]** State with reasons (in short) whether the following statements are True or False, :

- (v) It is no part of subsequent auditor's duty to verify opening balances of Ledger accounts of current years, on the basis of Balance Sheet audited by Previous Auditor. (2 marks)
- (xii) Disclaimer of opinion is issued when an auditor confronts a different stand by management in respect of a material issue which auditor does not approve of. (2 marks)

**2009 - May [2]** (a) Comment on the following situations :

Sri Limited charged depreciation on its plant and machinery comprised in fixed assets at rates different from what had been specified in schedule XIV to the Companies Act, 1956. The auditor insisted that the rates of depreciation adopted should be mentioned in the notes to the account, else, he would make qualification in his audit report. The Management of the company contended that there is no impact in profits due to its omission to disclose the fact and hence on considerations of principle of materiality, the auditor is wrong in mentioning this omission in his report by way of qualification. (8 marks)

**Chapter - 19 : The Company Audit**

**2009 - May [5]** (b) XYZ Ltd. has purchased plant and machinery costing Rs. 1 crore in the month of October, 2008 out of working capital limits sanctioned by Bank.

What are reporting requirements by Statutory Auditors of the Company in this regard, keeping in mind the provisions of CARO 2003. (4 marks)

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

**2009 - May [1]** State with reasons (in short) whether the following statements are True or False, :

- (vi) AAS 25 on 'comparatives' is applicable to corresponding previous years figures and not to comparative Financial statement.

- (vii) AAS 10-"Accounting for fixed assets" is also applicable to wasting assets like quarries, minerals and oil and natural gas.
- (viii) When Government grants are received in the form of assets such as Land, plant and equipments etc., free of cost, then, such assets should be entered in the books of accounts at nominal value.
- (xi) A branch auditor is a joint auditor according to AAS 12 and his relationship with the company auditor is governed by the said standard. (2 marks each)

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

**2009 - May [1]** (a) Describe briefly the following terms :

- (ii) Folder
- (v) Clock speed. (1 marks each)

**2009 - May [1]** (b) Explain each of the following :

- (ii) MMX (1 mark)

**Chapter - 3 : Software**

**2009 - May [1]** (a) Describe briefly the following terms :

- (iv) Index field (1 marks)

**2009 - May [1]** (b) Explain each of the following :

- (v) Operating system. (1 marks)

**2009 - May [2]** Answer the following questions :

- (a) Define an Expert system. Describe the components of an Expert system. (7 marks)

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

**2009 - May [1]** (a) Describe briefly the following terms :

- (iii) DDL compiler (1 marks)

**2009 - May [1]** (b) Explain each of the following :

- (i) Real time data warehouse
- (iii) Online backup
- (iv) Index field (1 marks each)

**2009 - May [3]** (b) What are the various views taken into account, while designing the architecture of a Database. Which view is user dependent and which one is user independent?

Which view is storage device oriented? (3 + 2 + 1 = 6 marks)

**2009 - May [3]** (c) Why documentation is required ? List any 4 types of documentations required to be prepared prior to delivery of customized software to a customer. (2 + 4 = 6 marks)

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

**2009 - May [1]** (a) Describe briefly the following terms :

- (i) VPDN

2009 - May [2] (b) Describe the ways a computer network can help business. (7 marks)

2009 - May [2] (Or) (c) What are the challenges faced by the management of a data centre? (3 marks)

2009 - May [3] (a) Describe in brief the various components of Client Server Architecture. (4 marks)

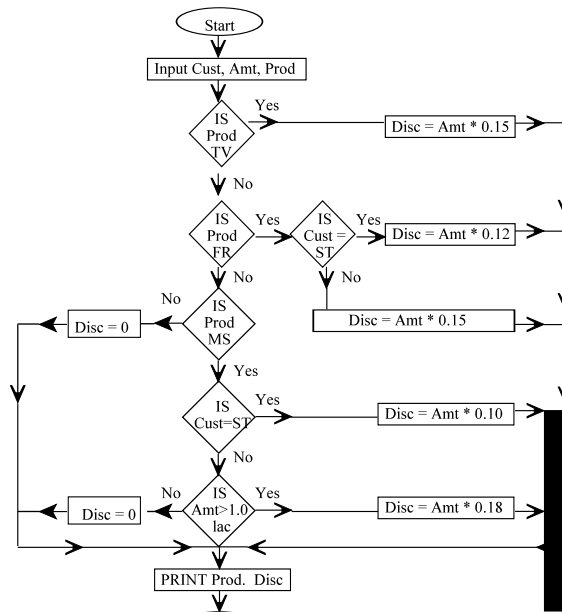
2009 - May [5] (b) Explain the OSI Model of communication. (5 marks)

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

2009 - May [5] (a) What do you understand by the term EFT ? Describe in brief, the different EFT systems in operations. (5 marks)

**Chapter - 8 : Flowcharting**

2009 - May [4] Frame the problem for which the given Flowchart has been drawn. See the Abbreviations defined below :



Cust : Client, Prod : Product, Amt : Amount, Disc : Discount, TV : Television, FR : Fridge, MS : Music System, ST : Student (10 marks)

**Paper - 7B : Strategic Management**

**Chapter - 1 : Business Environment**

2009 - May [6] State with reasons which of the following statements is correct or incorrect :

- (e) The rate and magnitude of changes that can affect organisations are decreasing dramatically. (2 marks)

**2009 - May [7]** Answer briefly of the following :

- (a) Can a change in the elected government affect the business environment? Explain. (2 marks)

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

**2009 - May [6]** State with reasons which of the following statements is correct or incorrect :

- (a) Strategic management is a bundle of tricks and magic. (2 marks)

**Chapter - 3 : Strategic Analysis**

**2009 - May [6]** State with reasons which of the following statements is correct or incorrect :

- (b) The purpose of SWOT analysis is to rank organisations. (2 marks)  
(d) PLC is an S shaped curve. (2 marks)

**Chapter - 4 : Strategic Planning**

**2009 - May [7]** Answer briefly the following :

- (c) Differentiate clearly between forward and backward integration. (2 marks)

**2009 - May [10]** Read the following case study and answer the questions given at the end :

Meters Limited is a company engaged in the designing, manufacturing, and marketing of instruments like speed meters, oil pressure gauges, and so on, that are fitted into two and four wheelers. Their current investment in assets is around Rs. 5 crores and their last year turnover was Rs. 15 crores, just adequate enough to breakeven. The company has been witnessing over the last couple of years, a fall in their market share prices since many customers are switching over to a new range of electronic instruments from the range of mechanical instruments that have been the mainstay of Meters Limited.

The company has received a firm offer of cooperation from a competitor who is similarly placed in respect of product range. The offer implies the following:

- (i) transfer of the manufacturing line from the competitor to Meters Limited;
- (ii) manufacture of mechanical instruments by Meters Limited for the competitor to the latter's specifications and brand name; and
- (iii) marketing by the competitor.

The benefits that will accrue to Meters Limited will be better utilization of its installed capacity and appropriate financial compensation for the manufacturing effort.

The production manager of Meters Limited has welcomed the proposal and points out that it will enable the company to make profits. The sales manager

is doubtful about the same since the demand for mechanical instruments is shrinking. The Chief Executive is studying the offer.

- (a) What is divestment strategy ? Do you see it being practised in the given case ? Explain. (5 marks)
- (b) What is stability strategy ? Should Meters Limited adopt it ? ( 5 marks)
- (c) What is expansion strategy ? What are the implications for Meters Limited in case it is adopted ? (5 marks)
- (d) What is your suggestion to the Chief Executive ? (5 marks)

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

**2009 - May [7]** Answer briefly the following :

- (b) Enlist the components of marketing mix. (5 marks)

**2009 - May [8]** Describe the construction of BCG matrix and discuss its utility in strategic management. (5 + 5 = 10 marks)

**Chapter - 6 : Strategy Implementation and Control**

**2009 - May [6]** State with reasons which of the following statements is correct or incorrect :

- (c) SBU concepts facilitate multi-business operations. (2 marks)

**Chapter - 7 : Reaching Strategic Edge**

**2009 - May [9]** Define Business Process Re-engineering. Briefly outline the steps therein. (4 + 6 = 10 marks)

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