

Free of Cost

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SCANNER™ Appendix

ICWA Stage-I (Old Course)

June - 2009

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PAPER'S

Paper - 5 : Cost and Management Accounting

Chapter 4 : Labour Cost

2009 - June [5] (a) Discuss the essential feature of a successful wage payment plan. (8 marks)

(b) The employees in a plastic toy making unit are paid wages at the rate of Rs. 7 per hour for an eight hour shift. Each employee produces 5 units per hour. The overhead in this department is Rs. 10 per direct labour hour. Employees and management are considering the following piece rate wage proposal :

Upto 45 units per day of 8 hours,	Rs. 1.30 per unit
From 46 units to 50 units	Rs. 1.60 per unit
From 51 units to 55 units	Rs. 1.65 per unit
From 56 units to 60 units	Rs. 1.70 per unit
Above 60 units	Rs. 1.75 per unit

The working hours are restricted to 8 hours per day. Overhead rate does not change with increased production. Prepare a statement indicating advantages to the employees as well as the management at production levels of 40, 45, 55 and 60 units. (8 marks)

Chapter 5 : Overheads

2009 - June [8] Write short notes :

- (c) Administrative overhead;
- (d) Machine-hour rate; (4 marks each)

Chapter 7 : Reconciliation of Cost and Financial Accounts

2009 - June [3] The Trading and Profit & Loss Account of a company for the year ended 31st December, 2008 is as follows :

<i>Particulars</i>	<i>Rs.</i>	<i>Particulars</i>	<i>Rs.</i>
To Materials consumed	1,09,600	By Sales (2,400 units)	2,40,000
" Wages	60,400	" Stock of finished goods	6,400
" Factory Expenses	33,200	" Work-in-progress (80 units)	
" Administration Expenses	15,296	" Materials	3,360
" Selling & Distribution Expenses	18,000	Wages	1,440
" Preliminary Expenses	1,400	Factory Expenses	800
" Interest on Loan	1,000		5,600
" Net Profit	13,824	" Dividend received	720
	<u>2,52,720</u>		<u>2,52,720</u>

The company manufactures a standard unit. In the cost accounts, factory expenses have been charged to the production at 20% on prime cost; administration expenses at Rs. 6 per unit on total units produced and selling and distribution expenses at Rs. 8 per unit sold.

You are required to prepare (a) the costing Profit and Loss Account of the company and (b) the reconciliation statement for reconciling the difference in the net profits as shown by the financial Profit and Loss Account and the costing Profit and Loss Account. (8 + 8 = 16 marks)

Chapter 11 : Service or Operating Costing

2009 - June [4] (a) Distinguish between 'operating costing' and 'operation costing'. (4 marks)

(b) A transport company maintains a fleet of buses as follows:

No. of buses	Carrying capacity
10	60 passengers each
5	40 passengers each

Each bus makes 4 trips (i.e. both upward and downward journeys in one trip) in a day, covering a distance of 5 kilometres in each one way journey in each trip. On an average, 75% of the seats are occupied in each trip. Assuming that the company operates its fleet 25 days in a month, ascertain operating cost per passenger-kilometre, taking into account the following further information:

	<i>Rs. Per month</i>
Wages of 15 drivers.	250 each
Petrol, oil etc.	3,000
Repairs	1,500
Tyre, tube etc.	375
Depreciation	90,000
Garage rent	9,000
Interest on capital	12,000
General supervising charges	3,000
	(12 marks)

Chapter 12 : Marginal Costing and Decision Making

2009 - June [2] (a) The following particulars are extracted from the records of ABC Ltd :

	Per Unit	
	Product A	Product B
Sales	Rs. 100	Rs. 120
Consumption of material	2 Kg	3 Kg
Material cost	Rs. 10	Rs. 15
Direct wages cost	Rs. 15	Rs. 10
Direct expenses	Rs. 5	Rs. 6
Machine hours used	3	2
Fixed overhead	Rs. 5	Rs. 10
Variable overhead	Rs. 15	Rs. 20

Direct wages per hour is Rs. 5. Comment on the profitability of each product (both use the same raw material) when-

- (1) Total sales potential in units is limited,
- (2) Total sales potential in value is limited,
- (3) Raw material is in short supply,
- (4) Production capacity (in terms of machine hours) is the limiting factor.

Assume that only one constraint is effective at a time when other factors do not pose a problem. (10 marks)

(b) Assuming raw material as the key factor, availability of which is 10,000 kg, and maximum sales potential of each product being 3,500 units, find the product mix which will yield maximum profit for ABC Ltd. (6 marks)

2009 - June [7] The summarized profit and loss statement of Shivaji Ltd. for the last year is as follows :

		(In Rs.'000)
Sales (50,000 units)		1,000
Direct materials	350	
Direct wages	200	
Fixed production overhead	200	
Variable production overhead	50	
Administration overhead	180	
Selling and distribution overhead	<u>120</u>	<u>1,100</u>
Profit/(loss)		<u>Rs. (100)</u>

You are required as management assistant, to evaluate the following alternative proposals to improve the situation, and to comment briefly on each:

- (a) Pay salesman a commission of 10% of sales and thus increase sales to achieve break-even point. (5 marks)

- (b) Reduce selling price by 10%, which it is estimated would increase sales volume by 30%. (3 marks)
- (c) Increase sales by additional advertising of Rs.3,00,000, with an increased selling price of 20%, setting a profit margin of 10% (8 marks)

Chapter 13 : Budgetary Control

2009 - June [8] Write short notes :

- (a) Basic budget;
- (f) Zero-base budgeting. (4 marks each)

Chapter 15 : Uniform Costing and Inter-Firm Comparison

2009 - June [8] Write short notes :

- (b) Limitations of Inter-firm comparison; (4 marks)

Chapter 16 : Cost Reduction and Value Analysis

2009 - June [8] Write short notes :

- (e) Cost reduction; (4 marks)

Chapter 17 : Ratio Analysis

2009 - June [6] The capital of Akshoy Ltd. is as follows :

	Rs.
9% Preference shares, Rs. 10 each	4,00,000
Equity shares of Rs. 10 each	<u>10,00,000</u>
	<u>14,00,000</u>

Additional information :

Profit (after tax at 33%)	Rs. 3,60,000
Depreciation	Rs. 80,000
Equity dividend paid	40 per cent
Market price of equity shares	Rs. 80

You are required to compute the following, showing the necessary workings:

- (a) Dividend yield on the equity shares, (4 marks)
- (b) Cover for the preference and equity shares, (4 marks)
- (c) Earnings per share, (4 marks)
- (d) Price-earnings ratio. (4 marks)

Chapter 22 : Objective Questions

2009 - June [1] {C} (a) State if each of the following statements is T (= true) or F (= false) :

- (i) A blanket overhead rate is a single overhead rate computed for the entire factory.
- (ii) A production order is in order received from the customer.
- (iii) Process accounts should always be presented in conventional 'T' forms.
- (iv) Opportunity costs are out-of packet costs.
- (v) Marginal costing is basically relevant for short-term decision making.

(1 × 5 = 5 marks)

2009 - June [1] {C} (b) Each of the following sums gives four possible answers. Find the correct answer. Show working in support of your chosen answer :

- (i) Fixed cost of operating Plant A is Rs. 30,000, while the variable cost is Rs. 4 per unit. For Plant B of the same firm the variable cost per unit of identical product is Rs. 3 but its fixed cost amounts to Rs. 40,000 for the same period. At what production level will the total cost of production be same for both the plants?

- (a) 8,000 units
- (b) 10,000 units
- (c) 11,000 units
- (d) 12,000 units

- (ii) A hospital's records show that the costs of carrying out health checks in the last five accounting periods have been as follows:

Period	No. of patients seen	Total cost (Rs.)
1	650	17,125
2	940	17,800
3	1,260	18,650
4	990	17,980
5	1,150	18,360

Using the high-low method and ignoring inflation, the estimated cost of carrying out health checks on 850 patients in period 6 is

- (a) Rs. 17,515
 - (b) Rs. 17,570
 - (c) Rs. 17,625
 - (d) Rs. 17,680
- (iii) Budgeted variable overheads of a factory was Rs. 12,000 per month and budgeted production was 3,000 units. During a month, actual production was 3,200 units and variable overhead expenses amounted to Rs. 12,500. Variable production overhead variance for the month was.
- (a) Rs. 800 favourable
 - (b) Rs. 500 favourable
 - (c) Rs. 300 adverse
 - (d) Rs. 300 favourable
- (iv) A K Chemicals produces high quality plastic sheeting in a continuous manufacturing operation. All materials are input at the beginning of the process. Conversion costs are incurred evenly throughout the process. A quality control inspection occurs 75% through the manufacturing

process, when some units are separated out as inferior quality. The following data are available for May:

Materials costs	Rs. 90,000
Conversion costs	Rs. 70,200
Units started	40,000
Units completed	36,000

There is no opening or closing work- in-progress. Past experience indicates that approximately 7.5% of the units started are found to be defective on inspection by quality control.

The cost of abnormal loss for May is then

- (a) Rs. 3,600
- (b) Rs. 4,050
- (c) Rs. 4,680
- (d) Rs. 10,800

- (v) A Limited has fixed costs of Rs. 6,00,000 per annum. It manufactures a single product which it sells for Rs. 200 per unit. Its contribution to sales ratio is 40%.

A Limited's break-even point in units is

- (a) 7,500
- (b) 8,000
- (c) 3,000
- (d) 1,500

(2 × 5 = 10 marks)

2009 - June [1] {C} (c) From the following two groups of words match one capital letter with one small letter by their underlying relevance (*any five*) :

Group I

- A. Perpetual inventory
- B. Point rating
- C. Normal capacity
- D. Composite unit
- E. Key factor
- F. Value analysis
- G. Debt equity ratio

Group II

- a. Operating cost
- b. Technique of cost reduction
- c. Profitability
- d. Source and application of funds
- e. Stock control by maintaining records
- f. Method of job evaluation
- g. Marginal costing
- h. Relates to overhead rates
- i. Tool for financial analysis

(1 × 5 = 5 marks)

Paper - 6 : Information Systems and Technology**Chapter 2 : Hardware and Software**

2009 - June [2] (a) Distinguish between the following :

- (iv) Impact Printers and Non-impact printers. (2 marks)

(b) What is system software? How does it differ from application software?
List any four types of system software. (4 marks)

2009 - June [5] (b) What is I/O interface? Give the functions and example of I/O interface. (5 marks)

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

- (c) Operating system. (4 marks)

Chapter 3 : Computing Concepts

2009 - June [2] (a) Distinguish between the following :

- (iii) Sequential files are suited for online inquiry processing. (2 marks)

2009 - June [2] (c) Convert to binary :

- (i) $(14.625)_{10} = (\text{_____})_2$
(ii) $(0.875)_{10} = (\text{_____})_2$ (4 marks)

Chapter 4 : Database System

2009 - June [7] (a) What are the responsibilities discharged and the nature of problems during implementation phase handled by a System Analyst in a database environment ? (5 marks)

(b) Describe the database along with its key functions. (5 marks)

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

- (c) Data independence
(f) Hierarchical database (4 marks each)

Chapter 5 : System Development and Implementation

2009 - June [2] (a) Distinguish between the following :

- (ii) System Maintenance and System Development; (2 marks)

2009 - June [4] (a) Explain the terms ' Validity Check' and ' Hash Total'.

(5 marks)

(b) What is debugging ? Explain the two kinds of the errors, which programmers usually deal with. (5 marks)

(c) What is prototyping approach of developing a system ? What are the advantages and disadvantages of it ? What are the two types of prototyping approaches to system development ? (6 marks)

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

- (a) Characteristics of a good coding system ? (4 marks)

Chapter 6 : Information System Audit

2009 - June [6] (b) Describe the objectives which are supported by an information system auditing. (5 marks)

(c) What do you understand Software Quality ? What are main tools that are normally employed for quality assurance of software ? (6 marks)

2009 - June [7] (c) What are the major tasks performed by the Generalized Audit Programmes ? (6 marks)

Chapter 7 : Enterprise Integration

2009 - June [3] (c) What is an automated office ? List the automated office components along with their major functions. (6 marks)

2009 - June [5] (a) What are the characteristics and features of an ERP? (5 marks)

Chapter 8 : Network & Internet

2009 - June [2] (a) Distinguish between the following :

(i) Internet and Extranet; (2 marks)

2009 - June [3] (a) What is a Firewall ? Can it prevent a virus from entering the system ? What steps must be taken to prevent virus from infecting a computer ? (5 marks)

(b) Explain the Client Server model with respect to Internet. (5 marks)

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

(b) TCP/IP

(d) Protocol options (4 marks each)

Chapter 9 : Information Technology Act, 2000

2009 - June [5] (c) Which act defines Certifying Authority in India? Mention the functions of Certifying Authorities (CA) in India in the context of digital signature ? (6 marks)

Chapter 10 : Objective Questions

2009 - June [1] {C} (a) Match Column 1 with Column 2 and write your answers only in A, B, -, J for each part below :

1	2
(i) Hybrid Computer	A. Relating to measurement of network speed
(ii) Query language	B. Analogue or digital output
(iii) Encryption	C. Very Large Scale Integration (VLSI)
(iv) TCP/IP	D. Use of more than one media for information presentation
(v) Bandwidth	E. Removing program error
(vi) Fourth generation	F. Eliminating duplication
(vii) Redundancy	G. Scrambling of data
(viii) Debugging	H. A method used to make hypertext documents readable on the World Wide Web.
(ix) Multimedia	I. Selection of data in a database.
(x) HTTP	J. Software that converts data into small packets and passes the same from one host computer to another. (1×10 = 10 marks)

2009 - June [1] {C} (b) Fill up the blanks with appropriate words:

- (i) A group of circuits interconnecting all sections of the microprocessor is called a _____.
- (ii) _____ defined as the capacity to change the schema at one level of database without having to change the schema at the next higher level.
- (iii) A _____ is a set of standards or rules.
- (iv) _____ are sets of corresponding tracks in all the surfaces in a disk pack.
- (v) _____ are information processing system frequently used by accountants, managers and auditor to assist them in the decision making process. (1 × 5 = 5 marks)

2009 - June [1] {C} (c) State whether the following statements are TRUE or FALSE:

- (i) Cache memory operates between CPU and main memory.
- (ii) A Cyber Appellate Tribunal shall consist of one person only.
- (iv) Online processing and real-time processing are same.
- (v) One of the major functions of Public Key infrastructure includes issuing and revoking public key certificates. (1 × 5 = 5 marks)

2009 - June [6] (a) Write the full form of the following abbreviations:

- (i) MAC
- (ii) NIC
- (iii) USART
- (iv) RDBMS
- (v) OT-PROM (5 marks)

Paper - 7 : Business Laws & Communication Skills

SECTION 1
(Business Laws)

Chapter 1 : Basics of Companies Act, 1956

2009 - June [1] {C} (a) Comment on the following statements :

- (iv) Section 25 companies are bound by certain specific restrictions. (2 marks)

2009 - June [3] (b) What are the steps necessary for alteration of object clauses of the Memorandum of Association. (4 marks)

2009 - June [6] Write explanatory notes :

- (b) Doctrine of ultra vires. (4 marks)

Chapter 2 : Management of Company Operation

2009 - June [2] (b) Distinguish between Executive Director and non-Executive Director. (4 marks)

2009 - June [3] (d) What do you understand by Principle of Proportional representation? (4 marks)

2009 - June [4] (d) There are a few statutory duties which are enjoined upon the Directors in the Act itself. Narrate in brief such statutory duties. (4 marks)

2009 - June [5] (b) State the legal consequences, if any in the following cases:

(i) ABC Ltd. given loan to a Director without obtaining previous approval of the Central Government. (2 marks)

(ii) XYZ Pvt. Ltd. having paid up capital of Rs. 7 crores failed to appoint Managing Director. (2 marks)

Chapter 3 : Company Meetings

2009 - June [2] (e) ABC Ltd. whose Regd. Office is in Noida, U.P. wants to hold AGM in Kolkata. How it is possible? (2 marks)

2009 - June [4] (b) What are the businesses transacted in the Annual General Meeting? (4 marks)

(c) (ii) Director of ABC Ltd. whose Registered office is in Kolkata, wants to hold the EGM in Mumbai on Sunday, the 7th June, 2009. Whether possible and how? (2 marks)

2009 - June [5] (b) State the legal consequences, if any in the following cases:

(iii) ABC Ltd. obtained certificate of commencement of business on 31.10.2008. Statutory meeting was held on 15.05.2009. (2 marks)

Chapter 4 : Meeting - Procedure

2009 - June [4] (c)

(i) Notice for Annual General Meeting is to be signed by Managing Director only and none else – Answer stating the position. (2 marks)

2009 - June [5] (c) Explain the difference between Ordinary Resolution and Special Resolution. (4 marks)

2009 - June [6] Write explanatory notes:

(e) Essential of valid motion. (4 marks)

Chapter 6 : Capital

2009 - June [3] (c) Comment on the following statements :

(ii) The company may retain the amount of over-subscription. (1 mark)

(iii) Over-subscribed amount shall be refunded within 42 days. (1 mark)

(iv) Share certificates shall be issued within 30 days after the allotment of shares. (1 mark)

2009 - June [6] Write explanatory notes:

- (f) Sweat Equity shares. (4 marks)

Chapter 7 : Accounts & Audit

2009 - June [1] {C} (a) Comment on the following statements :

- (iii) Secretarial compliance certificate is mandatory for all companies. (2 marks)

2009 - June [2] (c) How qualifications in the Audit Report are treated under the Companies Act, 1956? (2 marks)

(d) State the provisions on good Corporate Governance. (4 marks)

Chapter 9 : Winding Up

2009 - June [1] {C} (a) Comment on the following statements :

- (ii) A company can be wound up if it is unable to pay its Debts. (2 marks)

Chapter 10 : Indian Legal System

2009 - June [1] {C} (a) Comment on the following statements :

- (i) Doctrine of precedence is based on certain Principles. (2 marks)

Chapter 11 : Contract Act: Basic Concepts

2009 - June [3] (a)

- (i) Mr. ABC of his own promised to subscribe to Jawharlal Memorial Fund by 30.04.2009 but did not pay. Under the circumstances, he can be enforced. – Comment. (2 marks)

Chapter 19 : Contract of Indemnity & Guarantee

2009 - June [1] {C} (a) Comment on the following statements :

- (v) A Bank is called Guarantor when it gives Guarantee on behalf of a Principal Debtor. (2 marks)

Chapter 20 : Contract of Bailment

2009 - June [6] Write explanatory notes :

- (d) Bailee's particular lien. (4 marks)

Chapter 21 : Contract of Pledge

2009 - June [5] (b) State the legal consequences, if any in the following cases

- (iv) Pawnee received a property from Pawner who pledged the property as security for payment of a Debts of Rs.10,000. Pawner failed to repay. Pawnee sold the property at Rs. 15,000. (2 marks)

Chapter 22 : Sale of Goods Act

2009 - June [1] {C} (a) Comment on the following statements :

- (ix) Risk is transferred only when goods are delivered to the buyer until then the buyer is not responsible for loss or damage of goods. (2 marks)

Chapter 23 : Negotiable instruments Act

2009 - June [4] (a) Notice of dishonour is not necessary. State with Rule position. (4 marks)

Chapter 24 : Partnership Act

2009 - June [1] {C} (a) Comment on the following statements :

- (vii) Mere sharing of Profit is not conclusive evidence of Partnership. (2 marks)

2009 - June [5] (a) Implied Authority of a partner has certain limitations – Explain. (4 marks)

Chapter 25 : The Payment of Bonus Act, 1965

2009 - June [1] {C} (a) Comment on the following statements :

- (vi) Payment of Bonus is limited to available surplus. (2 marks)

Chapter 26 : The Payment of Gratuity Act, 1972

2009 - June [2] (a) Gratuity can be forfeited any time without giving any intimation to the employee. (4 marks)

Chapter 30 : The Foreign Exchange Management Act, 1999

2009 - June [1] {C} (b) Distinguish between “Capital Account transaction” and “Current Account transaction”. (4 marks)

2009 - June [3] (c) Comment on the following statements :

- (i) No approval is necessary for allotment of Equity shares to NRIs. (1 mark)

Chapter 31 : MRTP Act, 1969

2009 - June [3] (a)

- (ii) Every trade practice is not necessarily a restrictive Trade practice. – Comment. (2 marks)

2009 - June [6] Write explanatory notes:

- (a) Resale price maintenance. (4 marks)

Chapter 32 : The Consumer Protection Act, 1986

2009 - June [6] Write explanatory notes:

- (c) Remedies under consumer Protection Act. (4 marks)

Chapter 34 : The Water (Prevention & Control of Pollution) Act, 1974

2009 - June [1] {C} (a) Comment on the following statements :

- (viii) A person shall be guilty of an offence for “Putting accumulated deposits of a well/pond/reservoir into a stream”. (2 marks)

SECTION-II
(Communication Skills)

Chapter 6 : Circular Letter

2009 - June [7] (a) Certain staff of administrative office are not punctual in attendance. Besides, few of them smoke in office and even discuss politics during office hrs. Draft an office order to bring about discipline and decorum. (8 marks)

Chapter 8 : Cash Credit Limit

2009 - June [10] (b) Write a letter to your banker for increasing the cash credit limits from 100 lakhs to 150 lakhs. (7 marks)

Chapter 9 : Insurance Claim

2009 - June [9] (a) Write suitable letter to the Insurance company claiming compensation for the loss of goods by fire. (8 marks)

Chapter 10 : Inter-departmental Communication

2009 - June [9] (b) Draft a termination letter to be issued to Sri S.K. Poddar employee no. 05670, foreman, packing dept, who has been found guilty after proper enquiry. (7 marks)

Chapter 12 : Report Drafting & Writing

2009 - June [7] (b) For civil works, ABC Ltd. entered a contract with XYZ Ltd., who have done some extra work not provided in the contract. Claim for extra work was disallowed by ABC Ltd. XYZ Ltd. filed a suit in the High Court for winding up of ABC Ltd. on the ground of inability to pay debt. Prepare draft statement in reply. (7 marks)

2009 - June [8] (a) Discuss terms of reference of audit committee of a listed company. (8 marks)

(b) Draft 'Directors responsibility' statement which will form part of the directors report to the shareholders in terms of Sec. 217(2AA) of the Companies Act, 1956. (7 marks)

2009 - June [10] (a) Draft the notice of the Annual General Meeting of a Public Ltd. company including at least one item of special business. (8 marks)

Paper - 8 : Business Taxation

Chapter 4 : Income from House Property

2009 - June [4] (b) Discuss the following issues, relating to Income from House property:

- (i) Income earned by residents from house properties situated in foreign countries.
- (ii) Properties which are used for agricultural purposes. (3 marks)

Chapter 5 : Profits & Gains of Business or Profession

2009 - June [2] (c) Somesh has hired certain premises temporarily for use as his office. The premises are not taken on rent as a tenant and Somesh is paying monthly compensation for the temporary use, Somesh incurred Rs. 50,000/- on current repairs to the premises. Rajesh, his accountant, advises him that he can claim the whole of the repair expenses in computing his business income. Advise Somesh. (2 marks)

2009 - June [3] (b) Mr. A transfers plant and machinery used in his business for several years for a consideration for Rs. 20,00,000 to Mr. B. The written down value in the books of Mr. A for the said asset is Rs. 5,00,000. The market value of the asset as on the date of transfer was Rs. 4,00,000. Determine the

actual cost of the asset in the case of Mr. B for computing depreciation under section 32. Can the Assessing Officer take the same as Rs. 4,00,000?

(6 marks)

Chapter 6 : Income from other Sources

2009 - June [2] (b) Gopal received Rs. 5,00,000 being the maturity proceeds of LIC policy that he had taken out in the name of his wife. Can it be said that as he received the maturity amount himself, being alive, the entire amount is taxable as income from other sources in the year of receipt. (2 marks)

Chapter 8 : Clubbing of Income and Agricultural Income

2009 - June [4] (a) Mrs. X is a qualified Cost Accountant. She is a salaried employee in a firm of Cost Accountants in which Mr. X (her husband) is a partner. Mr X's share in the firm is 20%. Mrs. X draws a salary of Rs. 8,000 per month from the firm. Mr. X's income by way of sitting fees from the various board meetings of the companies in which he is an independent director is Rs. 1,50,000. Will Mrs. X's income be clubbed with that of Mr. X under section 64 (1) of the Income-tax Act, 1961? (4 marks)

Chapter 9 : Deductions. Rebates & Reliefs

2009 - June [4] (c) Mr. A furnishes the following information for the year ending 31.03.2009:

(i)	Income from business:	Rs.
	—Loss from trading in securities in the nature of derivatives	50,000
	—Profit from non- speculative business	1,50,000
(ii)	Capital gains:	
	—Long-term capital loss on sale of unlisted shares	(25,000)
	—Short-term capital loss on sale of shares	(90,000)
	—Short-term capital gain on sale of jewellery	75,000

From the above information, compute the gross total income of Mr. A, and the loss to be carried forward. (4 marks)

Chapter 14 : Assessment of Companies

2009 - June [2] (a) Vasudha Tyers Ltd., carrying business in manufacture, sale and export of tyres, tubes and accessories, has disclosed a net profit of Rs. 12,00,000 in its profit and loss account for the year ending March 31, 2009. On the basis of the following particulars furnished by the company and ascertained on inquiry, compute, giving reasons for each item, its total income from the assessment year 2009-10. The company follows the mercantile system of accounting.

- (1) A sum of Rs. 50,000 is debited to compensation account. The company had placed an order for machinery to manufacture tyres with a UK company. However, due to a sudden increase in the price of machinery by the UK company, the assessee cancelled the contract. It was required

to pay Rs. 50,000 as compensation. The company claims the said amount as deduction on revenue account or, in the alternate, as loss under the head "Capital gains" as the payment was made towards extinguishment of right to acquire a capital asset.

- (2) "Loss on export of tyre account" shows a debit of Rs. 2 lakhs. In this connection it is explained that two trucks belonging to the company carrying tyres and tubes valued at Rs. 2 lakhs were intercepted at the international border and seized by customs authorities for illegal export of tyres and tubes. The goods were confiscated by the customs authorities and fine of Rs. 1 lakh was levied. The Company claims the value of confiscated goods as a trading loss under section 28 and the payment of the fine of Rs. 1 lakh which is debited to rates and taxes account as an expenditure in the course of business under-section 37 (1).
- (3) The company had set up a separate unit for manufacture of plastic tubes at Bangalore in 1995. The said unit suffered heavy losses. As a result the same was closed down and the plant and machinery were sold away. The company, however, claims unabsorbed depreciation amounting to Rs 5 lakh in its return of income. It is not debited to the profit and loss account.
- (4) During the previous year 1991-92, the assessee-company acquired 5,000 shares of E Ltd., an Indian company, as a result, the entire share capital of the said company is now held by the assessee-company. In May, 2008, the assessee-company sold to E Ltd., plant and machinery for Rs. 6,00,000. The actual cost is ascertained at Rs. 4,00,000 and written down value at Rs. 1,50,000.
- (5) In the years 1997 - 98 and 1998 - 99, the Government of India arranged exports of tyres and tubes through the Federation of Tyre Dealers, of which the company was a member. The exports which were made to Far Eastern countries resulted in loss which was shared by all members including the company. The Federation thereafter took up the questions of reimbursement of losses with the Government, which after protracted discussion and correspondence agreed to grant a subsidy calculated at a certain percentage of exports. The assessee-company received its shares of subsidy amounting to Rs. 3 lakh in the previous year. The amount stands credited to the "Capital reserve account" and claimed as exempt.
- (6) Under voluntary retirement scheme framed by the company, four of its employees take voluntary retirement during the previous year 2008-09. A compensation of Rs. 28 lakh is paid to them. The entire amount is debited to the P & L account. The scheme is not in accordance with the guidelines framed under section 10 (10C).

(14 marks)

Chapter 18 : Wealth Tax Act

2009 - June [3] (a) Mr. R has the following assets and liabilities on the valuation date 31.03.2009.

	Rs. in lakhs
(i) Residential House	60.5
(ii) A farm house 22 kms away from the local limits of Kolkata	30.0
(iii) A car for personal use	16.0
(iv) Jewellery	24.0
(v) Aircraft for personal use	180.0
(vi) Urban land (Under acquisition proceedings of State Government)	40.0
(vii) Cash in hand	11.0
(viii) Loan taken to purchase the aircraft	80.0

Compute the Net wealth of Mr. R for the assessment year 2009-2010.

(12 marks)

2009 - June [4] (d) Mr. A owns a commercial house property which is situated at Pune. The difference between unbuilt area and specified area is 22% of the aggregate area. The property was acquired on 31.05.1988 for Rs. 12.50,000. The property is built on freehold land. How will the property be valued for wealth-tax purposes?

(3 marks)

(e) What are the situations in which the Assessing Officer can make reference to Valuation Officer under section 16 A of the Wealth-tax Act, 1957?

(4 marks)

Chapter 20 : Central Sales Tax Act, 1956

2009 - June [8] (a) Vivitha & Co., is a dealer in an electronic product, chargeable to CST at 3%. For the year ended 31.03.2009, the dealer has shown total turnover (including CST) at Rs. 39,14,000. In the above, the dealer has treated the following amounts thus:

(i) Dharmada collected from buyers, shown separately in invoices	Rs. 28,000
(ii) Weighment charges incidental to sale	Rs. 14,000
(iii) Central excise duty collected (including cess)	Rs. 2,06,000

The dealer has recorded the following amounts in separate folios in the ledger:

(i) Packing charges (These have been collected separately from buyers through Debit Notes)	Rs. 45,000
(ii) Cash discounts allowed to buyer	Rs. 18,000
(iii) Indemnity/Guarantee charges collected from buyers to cover loss during transit.	Rs. 12,000
(iv) Marine insurance premium for transporting goods to the premises of buyers. collected from buyers	Rs. 32,000

Determine the total and taxable turnover under the Central Sales Tax Act, 1956 for the financial year 2008 -09. You are required to show the treatment of each and every item distinctly. (12 marks)

(b) Detail 6 instances of declared goods under section 14 of the Central Sales Tax Act, 1956 and state restrictions, if any, on State taxation on such goods. (6 marks)

Chapter 21 : The Customs Act, 1962

2009 - June [6] (a) An importer has imported a machine from UK at FOB cost of 10,000 UK pounds. Other details are as follows:

- (i) Freight from port in UK to Indian port was 700 pounds.
- (ii) Insurance was paid to insurer in India: Rs. 6,000
- (iii) Design and development charges of 2,000 UK pounds were paid to a consultancy firm in UK.
- (iv) The importer also spent an amount of Rs. 50,000 in India for development work connected with the machinery.
- (v) Rs. 10,000 were spent in transporting the machinery from Indian port to factory importer.
- (vi) Rate of exchange as announced by RBI was : Rs.. 68.82 = one UK pound.
- (vii) Rate of exchange as announced by CBE & C (Board) by notification under section 14 (3) (a) (i): Rs. 68.70 = one UK pound.
- (viii) Rate at which bank recovered the amount from importer: Rs. 68.35 = one UK pound.
- (ix) Foreign exporters have an Agent in India. Commission is payable to the agent in Indian Rupees @ 5% of FOB price.

If similar goods were produced in India, excise duty payable as per tariff is 24%. There is an excise exemption notification which exempt the duty as in excess of 16%. Find customs duty payable.

How much Cenvat can be availed by importer, if he is (1) a manufacturer, and (2) trader? (13 marks)

Chapter 22 : The Central Excise and Salt Act, 1944

2009 - June [6] (b) Discuss briefly about incidental or ancillary process under the Central Excise Act, 1944. (5 marks)

2009 - June [7] (a) Discuss the dutiability of waste and scrape. (6 marks)

(b) "Every manufacture is production; every production is not manufacture." Explain this statement. (4 marks)

(c) State with reason whether the following would amount to manufacture under the Central Excise Act, 1944:

- (i) Reconditioning, repairs;
- (ii) Printing of colour logo on Glass bottle;
- (iii) Assembly and fitting of different parts into one articles. (6 marks)

Chapter 23 : The Central Excise Act and Rules

2009 - June [7] (d) How should "Value" be calculated for determining SSI limits for Central Excise purposes? (2 marks)

Chapter 25 : Objective Questions

2009 - June [1] {C} (a) Choose the correct answer :

- (i) The basic exemption limit for Income-tax for assessment year 2009-10 for a woman assessee resident in India and below the age of 65 years during the previous year is
 - (1) Rs. 1,00,000
 - (2) Rs. 1,25,000
 - (3) Rs. 1,50,000
 - (4) Rs. 1,80,000
- (ii) Under section 40A(3) of the Income-tax Act, 1961, any payment made otherwise than by an account payee cheque drawn on a bank or account payee bank draft is disallowed if
 - (1) the payment or aggregate of payment made to a person in a day exceeds Rs. 20,000.
 - (2) the payment or aggregate of payments made to a person in a day exceeds Rs. 25,000.
 - (3) single payment exceeds Rs. 10,000.
 - (4) single payment exceeds Rs. 20,000 and multiple payments in a day exceeds Rs. 50,000.
- (iii) The due date of filing Income-tax returns in respect of a company and a person (other than a company) whose accounts are required to be audited under the Income-tax Act or under any other law is
 - (1) 31st October of the assessment year
 - (2) 30th September of the assessment year
 - (3) 30th September of the previous year
 - (4) 31st October of the previous year
- (iv) Surcharge of 10% payable by a partnership firm where the total income exceeds
 - (1) Rs. 7,50,000
 - (2) Rs. 10,00,000
 - (3) Rs. 1,00,00,000
 - (4) None of the above.
- (v) Mr. A aged about 55, has paid through net banking, mediclaim insurance premium of Rs. 16,000 for himself and Rs. 18,000 for his non-dependant mother aged 66. The deduction available under section 80 D of the Income-tax Act, 1961 is
 - (1) Rs. 15,000
 - (2) Rs. 34,000

- (3) Rs. 30,000
- (4) None of the above.
- (vi) Exemption under section 5 (v) of the Wealth Tax Act, 1957 is available in respect of urban land belonging to an individual of an areas of _____sq. metres or less.
 - (1) 500
 - (2) 600
 - (3) 400
 - (4) None of the above. (1 × 6 = 6 marks)

2009 - June [1] {C} (b) State **with reasons** whether true or false (Answers without reasons will not deserve any credit):

- (i) Capital gains of Rs. 75 lakh from transfer of long term capital asset on 14.5.2008 will be exempt from tax if such capital gains is invested within six months from the date of transfer, in specified bonds issued by the National Highway Authority of India under section 54EC of the Income-tax Act.
- (ii) It is condition precedent to write off in the books of account, amount due from a debtor to claim deduction for bad debt.
- (iii) Where a house property is mortgaged to a bank in an approved transaction of reverse mortgage, the same is deemed to be “transfer” for capital gains purposes.
- (iv) Where the minor lives with his grandfather, the assets held by a minor acquired from income clubbed under section 64 (1A) of the Income-tax Act, 1961 shall not be included in the hands any parent for wealth tax purposes. (4 × 2 = 8 marks)

2009 - June [5] {C} (a) State whether **True** or **False** (answer without reasoning will not deserve any credit):

- (i) For the purpose of classification of goods under the Central Excise Act, resort should be had to the scientific and technical meaning of the terms and expression used therein.
- (ii) Specific duty leviable under Central Excise Act is based on the value of the article/goods being assessed.
- (iii) Taxable even of imports is complete when the goods enter the territorial water of India.
- (iv) Insurance company which takes possession of damaged goods for which it has paid insurance sells the damaged goods. The insurance company is a dealer under Central Sales-tax Act. (2 × 4 = 8 marks)

2009 - June [5] {C} (b) Fill up the blanks:

- (i) Inter-State sale takes place if two conditions are fulfilled:
(1)_____of goods, and (2)_____goods from one State to another:

- (ii) Under the Customs Act, customs duty is recoverable from _____
(person liable to pay duty/any person.)
- (iii) Declared goods are those declared under section 14 of the Central Sales-tax Act, to be goods of _____ in inter-state trade or commerce.
- (iv) Customs duty on project imports is _____ %.
- (v) The peak rate of customs duty is _____.
- (iv) Mere repacking or relabelling _____ (will/will not) be 'deemed manufacture' for excise purposes. (1 × 6 = 6 marks)

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