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SCANNER™ Appendix

ICWA Inter Gr. I (New Course)
December - 2009

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PAPER'S

Paper - 5 : Financial Accounting

Chapter-1 : Accounting Concepts and Conventions

2009 - Dec [8] Write notes on :

(d) Accounting Bases;. (3 marks)

Chapter-3 : Capital and Revenue Expenditure

2009 - Dec [1] {C} (h) Distinguish between capital receipts and revenue receipts. (4 marks)

Chapter-4 : Royalty Accounts

2009 - Dec [8] Write notes on :

(e) Recoupment of short workings in Royalty Account. (3 marks)

Chapter-5 : Hire Purchase and Instalment Payment

2009 - Dec [2] (b) Distinguish between hire purchase system & instalment system. (5 marks)

Chapter-7B : Admission of Partner

2009 - Dec [5] (a) The balance sheet of a firm as on 31.3.2007 was

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Capital: Sun	50,000	Property	35,000
Moon	41,000	Motor car	7,500
Loan (Sun)	5,000	Furniture	1,000
General Reserve	5,000	Debtors	25,000
Sundry Creditors	15,000	Stock	45,000
Outstanding Expenses	<u>1,500</u>	Cash	<u>4,000</u>
	<u>1,17,500</u>		<u>1,17,500</u>

The profit sharing ratio between Sun & Moon was 3 : 2. They decided to admit Pluto as a new partner from 1st April, 2007 on the following terms & conditions :

- (1) Property & Motor Car to be revalued at Rs. 45,000 & Rs. 6,500 respectively and 5% provision to be created on debtors.
- (2) Pluto should pay premium for goodwill to be valued at 2 years' purchase of last three years average profits. Such amount of premium was to be credited to old partners loan accounts.
- (3) Pluto should pay Rs. 37,500 as capital.
- (4) The new profit sharing ratio should be 2 : 1 : 1.
- (5) Last three years' profit were Rs. 5,000, Rs. 6,000 and Rs. 7,500.

The last three years' books of accounts, on verification, disclosed the following discrepancies :

2004-05—Bad debts previously written of recovered Rs. 400, credited to Debtors Account, Closing Stock under valued by Rs. 1,250.

2005-06—Furniture purchased Rs. 300 debited to Purchases Account, Depreciation was provided @ 10% on reducing balance method but Closing Stock was over valued by Rs. 2,000.

2006-07—A purchase invoice of Rs. 1,000 was omitted from the books and Closing Stock was under valued by Rs. 1,000.

Pass the journal entries at the time of admission of Pluto and prepare the balance sheet just after his admission. (10 marks)

2009 - Dec [8] Write notes on :

- (b) Memorandum revaluation account; (3 marks)

Chapter-8 : Branch Accounts

2009 - Dec [6] (a) From the following particulars, prepare a Memorandum Trading and Profit & Loss A/c of Branch and also show the Branch Account as it would appear in the Head Office Books at the end of the year.

Branch Cash Account

Dr			Cr		
2008			2009		
April 1			March 31		
	To Balance	10,500.00		By Bank	59,000.00
2009				" Petty Expenses	1,500.00
March 31	" Sundry Debtors	37,000.00		" Balance	9,500.00
	" Cash Sales	<u>22,500.00</u>			
		<u>70,000.00</u>			<u>70,000.00</u>

Branch Debtors Account

Dr			Cr		
2008			2009		
April, 1			March, 31		
	To Balance	4,000.00		By Cash	37,000.00
				" Bills Receivable	2,000.00

			" Discount	1,000.00	
			" Baddebts	500.00	
2009			" Balance	23,500.00	
March, 31					
" Sales		<u>60,000.00</u>			
		<u>64,000.00</u>			<u>64,000.00</u>
		Branch Account			
Dr					Cr
2008			2008		
April, 1			April, 1		
To Balance b/d			By Balance b/d		
" Stock 5,000.00			" Expenses outstanding	1,000.00	
" Cash 10,500.00					
" Sundry Debtors 4,000.00			2009		
" Prepaid Expenses 500.00			March, 31		
		20,000.00	" Bank	59,000.00	
2009			" Balance	28,000.00	
March 31					
" Goods Transferred	60,000.00				
" Sundry Expenses	<u>8,000.00</u>				
	<u>88,000.00</u>				<u>88,000.00</u>

Closing Stock at Branch was Rs. 6,000 and Expenses outstanding were Rs. 2,000. (10 marks)

Chapter-10 : Accounting Standards

2009 - Dec [3] (b) What is sale & lease back ? Enumerate accounting treatment of sale & lease back under AS 19. (5 marks)

Chapter-11 : Issue and Forfeiture of Shares

2009 - Dec [1] {C} (d) Can dividend be declared out of profit on :

- (i) revaluation of Fixed Assets, and
- (ii) on re-issue of forfeited shares ? (3 marks)

2009 - Dec [4] (b) Enumerate the objectives of Buy back of shares.(5 marks)

2009 - Dec [8] Write notes on :

- (a) Issue of Shares in consideration other than cash; (5 marks)

Chapter-12 : Redemption of Preference Shares

2009 - Dec [4] (a) The following is the balance sheet of Sachin Ltd. as on 31.03.2008 :

<i>Liabilities</i>	Rs.	<i>Assets</i>	Rs.
Share Capital :		Fixed Assets :	
Authorised		Gross Block	6,00,000
20,000, 10% redeemable		Less Depreciation	<u>2,00,000</u> 4,00,000
preference shares of Rs.		Investments	2,00,000
10 each	2,00,000	Current Assets,	
1,80,000 Equity Shares		Loans & Advances :	
of Rs. 10 each	<u>18,00,000</u>	Inventory	50,000
	<u>20,00,000</u>	Debtors	50,000

Issued, Subscribed and paid up capital :	Cash & Bank balances	1,00,000	2,00,000
20,000, 10% redeemable preference share of Rs. 10 each	Miscellaneous Expenditure		40,000
20,000 equity shares of Rs. 10 each	to the extent not written off		
		<u>2,00,000</u>	
		<u>4,00,000</u>	
<i>Reserve and Surplus :</i>			
General Reserve		2,40,000	
Securities premium		1,40,000	
Profit and Loss Account		37,000	
Current Liabilities & Provision		<u>23,000</u>	
Total		<u>8,40,000</u>	<u>8,40,000</u>

For the year ended 31.3.2009, the company made a net profit of Rs. 30,000 after providing for Rs. 40,000 depreciation and writing off miscellaneous expenditure of Rs. 40,000. The following additional information is available with regard to company's operation.

- (1) The preference dividend for the year ended 31.3.2009 was paid before 31.3.2009.
 - (2) Except cash & bank balances, other current assets and current liabilities on 31.3.2009, was the same as on 31.3.2008.
 - (3) The company redeemed the preference share at a premium of 10%.
 - (4) The company issued bonus shares in the ratio of 1 share for every two equity shares held as on 31.3.2009.
 - (5) To meet the cash requirements of redemption, the company sold a portion of the investments, so as to leave a minimum balance of Rs. 60,000 after such redemption.
 - (6) Investments were sold at 90% of cost as on 31.3.2009.
- Prepare
- (i) Necessary journal entries to record redemption and issue of shares.
 - (ii) Cash & Bank Account.
 - (iii) Balance Sheet as on 31.3.2009 (10 marks)

Chapter-13 : Issue and Redemption of Debenture

2009 - Dec [7] (a) The following balances appeared in the books of Gomex Ltd. on 1.04.2008:

- (i) Debenture Redemption Fund A/c—Rs. 40,000 represented by investment at cost of an equal amount (nominal value Rs. 50,000).

- (ii) The 12% Debentures stood at Rs. 90,000.
The company sold Rs. 30,000 investments at Rs. 90 for the purpose of Redemption of Rs. 25,000 Debentures at a premium of 2% during the year.
Show (a) 12% Debentures account, (b) Debenture Redemption Fund A/c, (c) Debenture Redemption Fund investment A/c. for the year ending 31.3.2009.
Ignore interest and brokerage etc. (10 marks)

Chapter-14 : Company Final Accounts

2009 - Dec [6] (b) Distinguish between Reserve and Provisions. (5 marks)

2009 - Dec [7] (b) State the respective heads of the following items in the Balance sheet of a company:

- (i) Loose Tools, (ii) Discount of issue of shares, (iii) Mortgage loan, (iv) Interest Accrued but not due on loans. (v) Public Deposit. (5 marks)

Chapter-17 : Banking Companies

2009 - Dec [2] (a) From the following information, prepare the Profit and Loss Account of German Bank Ltd. for the year ending 31st March, 2009 :

	Rs.
Interest on Loans	2,56,000
Interest on Fixed Deposits	2,75,000
Commission	5,200
Establishment	54,000
Discount on Bills discounted	1,46,000
Interest on Cash Credit	2,23,000
Interest on Current Accounts	42,000
Rates and Taxes	18,000
Interest on Overdrafts	1,54,000
Directors' Fees	3,000
Auditor's Fees	1,200
Interest on Savings Bank Deposits	68,000
Postage and Telegrams	1,400
Printing and Stationery	2,900
Sundry Charges	1,700
Income from Investments	2,000
Profit on Sale of Investment	4,000

Bad Debts to be written off amounted to Rs. 40,000. Provision for taxation may be made @ 55%. (10 marks)

2009 - Dec [5] (b) Explain the accounting treatment to be made with regard to Interest on Doubtful Debts regarding Banking Companies. (5 marks)

Chapter-19 : Insurance Companies

2009 - Dec [8] Write notes on :

- (c) Valuation balance sheet; (3 marks)

Chapter-20 : Interpretation of financial Statement

2009 - Dec [1] {C} (a) How do the limitation of financial statements also become the limitations of Analysis of Financial statements ? (2 marks)

2009 - Dec [3] (a) From the following details, prepare the balance sheet of XYZ company :

Stock velocity	6
Capital turnover ratio	2
Fixed asset turnover ratio	4
Gross Profit	0.2
Debt collection period	2 months
Creditors turnover ratio	5

The gross profit is Rs. 60,000. Closing Stock is Rs. 5,000 in excess of opening stock. (10 marks)

Chapter-21 : Objective Questions

2009 - Dec [1] {C} (b) Indicate the correct answer :

- (i) Sec. 37 of the Partnership Act provides interest on the amount left by the retiring partner at (1) 5%, (2) 6%, (3) bank rate.
- (ii) under Hire purchase system the last instalment paid comprises—
(1) Cash price only, (2) Interest only, (3) Cash price and Interest. (2 marks)
- (c) Fill in the blanks :
- (i) Increase in one equity with no change in the asset will result in _____ of another equity.
- (ii) Final Accounts of a company are prepared according to _____ of the Companies Act, 1956.
- (iii) A debit balance in the Income and Expenditure A/c denotes excess of _____ over _____. (3 marks)
- (e) State whether the following statements are true or false :
- (i) All Insurance contracts are contracts of indemnity.
- (ii) The valuation balance sheet is prepared every year.
- (iii) A banking company cannot grant any loan or advances on the security of its own shares.
- (iv) Calls in arrear is shown in the balance sheet under the heading current assets. (4 marks)

- (f) X and Y divide profit in the ratio 5:3 as partners. Z is admitted for $\frac{1}{5}$ th share in the business. The new profit sharing ratio is
(i) 15 : 9 : 8, (ii) 5 : 3 : 2, (iii) 6 : 4, (iv) 5 : 4 : 2. (3 marks)
- (g) Match the following :
(i) AS—4 (1) Disclosure of Accounting policies.
(ii) AS—10 (2) Contingencies and events occurring after balance sheet date.
(iii) AS—26 (3) Accounting for Fixed Assets.
(iv) AS—1 (4) Intangible assets. (4 marks)

Paper - 6A : Commercial & Industrial Laws
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Chapter-4 : Free Consent

2009 - Dec [2] (h) Mr. A approached Union Bank for loan of Rs. 1,00,000 which was not available from others due to tight money market, Bank agreed but at a high rate of interest. Mr. A accepted. Can he repudiate on the ground of undue influence? (2 marks)

2009 - Dec [4] (d) Mr. Sham informs Mr. Ram that Mr. Sham's estate is free from encumbrances. Mr. Ram buys the property fully relying on Mr. Sham. Subsequently it revealed that the estate was mortgaged. What will be the position of Mr. Ram? (2 marks)

Chapter-5 : Legality of Object

2009 - Dec [4] (f) In a contract with employer an employee agrees not to institute any legal proceeding against his employer. Can the agreement be enforced by the employer? (2 marks)

Chapter-6 : Discharge of Contract

2009 - Dec [2] (d) 'B' offered to sell his car to 'A' for Rs. 75,000. 'A' accepted to purchase at Rs. 74,950. 'B' refuses. Subsequently 'A' agrees to purchase at Rs. 75,000 but 'B' refused. 'A' sued 'B' for specific performance of the contract. State legal position. (2 marks)

2009 - Dec [4] (c) On 30.11.09 Mr. Sham agrees to sell a painting to Mr. Ram for Rs. 5,000/- but Mr. Sham died on 8.12.09. Mr. Sham's son claimed Rs. 10,000/-. Can Mr. Ram obtain the painting at Rs. 5,000/- which was agreed to by Mr. Sham? (2 marks)

Chapter-8 : Agency

2009 - Dec [3] (a) Write short notes on :

- (v) Agency of necessity. (4 marks)

Chapter-9 : Contract of Indemnity and Guarantee

2009 - Dec [4] (i) Statesman publishes at the request of Mr. D.D. a libel upon Mr. S.S. Mr. D.D. agrees to indemnify the Statesman the consequences of the publication if any. Mr. S.S. sued Statesman to pay damages. Statesman paid Rs. 2,00,000 to Mr. S.S. and demanded the amount from D.D. who refused. State legal provision. (2 marks)

Chapter-12 : Sale of Goods Act, 1930

2009 - Dec [1] {C} Comment on the following statements based on legal provisions :

- (f) Mr. Sham agrees to sale Mr. Ram 10 bags of wheat out of 100 bags lying in his godown for Rs. 10,000. Wheat is completely destroyed by fire. Mr. Ram cannot compel Mr. Sham to supply wheat as per contract. (2 marks)

2009 - Dec [2] (b) Mr. Sham orders on Mr. Ram to deliver certain goods at Mumbai. While the goods are lying at Mumbai Rly. Station, Station Master informs Mr. Sham that the goods are held at station at Mr. Sham's risk, but Mr. Sham became insolvent. Has Mr. Ram has any right as an unpaid seller? (2 marks)

2009 - Dec [3] (a) Write short notes :

- (i) Termination of lien; (4 marks)

2009 - Dec [4] (e) Mr. Ram gives some diamond to Mr. Sham on "sale or return" basis. On the same day, Mr. Sham gives those diamonds to Mr. Jadu on "sale or return" basis. Those diamonds were lost from Mr. Jadu on the same day, who will bear the loss? (2 marks)

Chapter-13 : Factories Act, 1948

2009 - Dec [1] {C} Comment on the following statements based on legal provisions :

- (c) A factory owner can close a place of employment of his own. (2 marks)
(g) Creches are compulsory in a factory where women employees are employed. (2 marks)

Chapter-14 : Industrial disputes Act, 1947

2009 - Dec [2] (i) The Charitable Institutions are not industry (Industrial Disputes Act, 1947). Do you agree? (2 marks)

2009 - Dec [3] (a) Write short notes on :

- (iii) Award—Ind. Disputes Act; (2 marks)

Chapter-15 : Workmen's Compensation Act, 1923

2009 - Dec [2] (g) Mr. A a workman while working was attacked by another workman at the instance of an outsider and consequently Mr. A was injured. Whether employer was responsible? (2 marks)

2009 - Dec [3] (a) Write short notes :

- (iv) Notional extension; (4 marks)

Chapter-17 : Payment of Wages Act, 1936

2009 - Dec [1] {C} Comment on the following statements based on legal provisions :

- (a) Wages of all the workers shall be paid before 5th of following month. (2 marks)

2009 - Dec [3] (b) Mr. Sham was terminated from employment by the employer on 25.11.09. Personnel Manager directed him to collect his wages earned on 1.12.09. Mr. Sham objected to the date. State legal provision as to the date of payment. (2 marks)

2009 - Dec [4] (b) Manager of ABC Ltd. told that total amount of deduction which may be made from the wages of any workman during a month shall not exceed 90% of such wages.— State legal provisions. (2 marks)

Chapter-18 : Provident Fund Act

2009 - Dec [1] {C} Comment on the following statements based on legal provisions :

- (d) Mr. Sham joining on 1.11.09 as an accountant wanted to become member of PF from 1.11.09 but Personnel Manager disagreed. (2 marks)

Chapter-20 : Payment of Gratuity act, 1972

2009 - Dec [1] {C} Comment on the following statements based on legal provisions :

- (e) Mr. Sham, who retired on 30.11.09 did not vacate office quarter which was provided by his employer. Employer withheld the Gratuity to force him to vacate the quarter.

2009 - Dec [4] (a) Whether Mr. Sham who joined the company on 1.7.05 and died on 30.11.09 is entitled to Gratuity. Answer citing Rules. (2 marks)

Chapter-21 : The Consumer Protection Act, 1986

2009 - Dec [1] {C} Comment on the following statements based on legal provisions :

- (b) A complaint can be filed under Consumer Protection Act within 30 days from the date on which the cause of action arose. (2 marks)

Chapter-22 : Limited Liability Partnership

2009 - Dec [4] (h) How the profit of a limited liability partnership are treated for the purpose of Tax Acts? (2 marks)

Chapter-23 : RTI Act

2009 - Dec [4] (g) Right of information does not include the right of obtaining information in the form of disketts, floppy, tapes and video cassetts or in any other electronic mode. State correct position. (2 marks)

Chapter-24 : The Competition Act, 2002

2009 - Dec [2] (c) 'Predatory price means the sale of goods or provision of services at price which is above cost with a view to reduce competition or, eliminate competition or, eliminate competition. Is it correct? (2 marks)

(f) Objectives of Competition Act is to avoid competition.— Comment with legal provisions. (2 marks)

2009 - Dec [3] (a) Write short notes :

(ii) Bid Rigging (Competition Act, 2002); (4 marks)

Chapter-25 : Negotiable Instruments Act, 1881

2009 - Dec [2] (a) Mr. E draws a cheque in favour of Mr. F (a minor). Mr. F endorses it in favour of Mr. G, who in turn indorses in favour of Mr. H. The cheque is dishonoured by the Bank. Discuss the rights of Mr. G and Mr. H and state against whom their rights can be exercised. (2 marks)

(e) A cheque for Rs. 10,000 was dishonoured. Drawer of the cheque submitted valid reasons and justification. Due to relevant reasons for dishonour, the drawer is not responsible, Answer with legal provisions. (2 marks)

Paper - 6B : Auditing

Chapter-1 : Auditing techniques and Practices

2009 - Dec [6] (a) As per India GAAP there is no requirement as to disclosure of assets and liabilities. State correct position. (2 marks)

2009 - Dec [7] (d) Concept of materiality in audit has no relevance. Do you agree? (2 marks)

2009 - Dec [8] (g) Find out the difference between India's GAAP and US GAAP in respect of "Related party transactions." (2 marks)

Chapter-2 : Verification of Assets and Liabilities

2009 - Dec [5] {C} Comment on the following statements based on legal provisions:

(b) It is mandatory to provide cash flow statement with annual accounts of all the companies. Do you agree? (2 marks)

(f) Interest on loan for purchase of raw materials is included in the cost of production. (2 marks)

2009 - Dec [6] (b) As an auditor, how you will verify the loan against security of stock and shares? (2 marks)

(g) How you will audit the Depreciation. (3 marks)

2009 - Dec [7] (c) How you will deal with the following which have not been reflected in the company's accounts?

- (i) Plant valuing Rs. 10,000 was ordered before the year end but has not been delivered. (2 marks)
- (e) How you will verify "copy right"? (3 marks)
- (f) How the previous year's transaction are adjusted and treated in current year's accounts? (2 marks)

2009 - Dec [8] (h) It is mandatory that all the companies and the auditor shall disclose fundamental accounting assumptions in the accounts.—State the correct position. (2 marks)

Chapter-4 : Statutory Auditors

2009 - Dec [5] {C} Comment on the following statements based on legal provisions:

- (d) M/s. S.S. & Associates, Chartered Accountants who were appointed as Auditor by the members in A.G.M. refuses to accept the appointment. In such cases Central Govt. only appoint another Auditor. (2 marks)
- (h) Auditor has no liability to the third party as there is no contract between Auditor and third party. Do you agree? (4 marks)

2009 - Dec [6] (f) As a Branch Auditor how you will conduct Branch Audit? (3 marks)

2009 - Dec [7] (b) Bright Ltd. was incorporated on 1.6.09. Mr. E who was related to the Chairman of the Company was appointed as Auditor of the company by the Director in its meeting held on 14.7.09. Whether the appointment was valid? (3 marks)

Chapter-5 : Audit Report

2009 - Dec [5] {C} Comment on the following statements based on legal provisions:

- (e) ABC Ltd. is not listed on any stock exchange., Hence provision relating to Audit Committee is not applicable. (2 marks)

2009 - Dec [8] (i) In course of audit, auditor advised to amend the Profit & Loss A/c which was faulty but the directors did not follow his advice. As an auditor, what you will do? (2 marks)

Chapter-6 : Divisible Profits

2009 - Dec [5] {C} Comment on the following statements based on legal provisions:

- (g) ABC Ltd. has made provision for payment of dividend out of capital redemption reserve fund. (2 marks)

Chapter-7 : Auditor and Internal Auditor

2009 - Dec [6] (c) To avoid liability, Auditor in his Report remarked that “I have relied upon the review of purchases undertaken by the Internal Auditor.”—Can he avoid his liability? (2 marks)

Chapter-9 : CARO and Internal Audit

2009 - Dec [7] (a) Explain how the following are dealt with under the CARO:

- (i) Inventory;
- (ii) Public Deposit. (3 + 3 = 6 marks)

2009 - Dec [8] (c) In case of ABC Pvt. Ltd. whose paid up capital is Rs. 80 lakhs, accumulated loss is Rs. 20 lakh and misc. expenditure of Rs. 15 lakhs (yet to be written off) whether the auditor is to report under CARO?

(2 marks)

(d) To comply with CARO in respect of “fixed deposit”, the auditor is to report on certain points.—What are those? (2 marks)

Chapter-11 : Planning of Internal Audit

2009 - Dec [8] (e) As an Internal Auditor how you will audit the ‘Sales Return’? (2 marks)

Chapter-14 : Internal Control

2009 - Dec [8] (f) Internal Audit and Internal Control are one same. Explain. (2 marks)

Chapter-17 : Internal Auditor and Investigation of fraud

2009 - Dec [5] {C} Comment on the following statements based on legal provisions:

- (a) Internal Auditor has a big role to play in preventing fraud. (2 marks)

Chapter-19 : Information Systems Audit

2009 - Dec [5] {C} Comment on the following statements based on legal provisions:

- (c) While auditing in computer Information system, auditor should make assessment of inherent risk. (2 marks)

2009 - Dec [6] (d) Under information system, auditor is to verify different types of audit. As an auditor, what are the items you will cover? (4 marks)

2009 - Dec [8] (b) In conducting information system audit, auditor is to be guided by systematic approach.—Comment. (2 marks)

Chapter-20 : Management Audit

2009 - Dec [6] (e) Management Audit is useful for society as large.—Comment. (2 marks)

2009 - Dec [8] (a) Management audit is beneficial to the Foreign Collaborators also. How? (2 marks)

Paper - 7 : Applied Direct Taxation

Chapter-1 : Basics of Income Tax Law

2009 - Dec [1] {C} (d) (iv) A company which has its head office in India operated in Pakistan declared dividend subject to remittance from Pakistan. During the previous year relevant to the assessment year, the remittance could not be recovered from Pakistan. What is the tax liability in the hands of shareholder? Discuss. (2 marks)

2009 - Dec [6](d) X got an employment in Singapore during the previous year 2008-09. He left for Singapore on August 9,2008. He is an Indian Citizen. Determine the residential status for the Assessment Year 2009-10. (2 marks)

Chapter-2 : Incomes Exempt from Tax

2009 - Dec [1] {C} (d) (ii) Income earned by a mutual concern from mutual activities is not taxable. comment. (2 marks)

2009 - Dec [7] (b) Amount received from superannuation fund on resignation before specified age is exempt from income tax. Comment. (2 marks)

Chapter-3 : Income from Salaries

2009 - Dec [5] (b) An employee instructs his employer to pay a certain portion of his salary to a charity and claims it as exempt as it is diverted by overriding charge or title. Comment. (2 marks)

2009 - Dec [8](b) Distinguish between foregoing of salary and surrender of salary. (4 marks)

Chapter-4 : Income from House Property

2009 - Dec [8](d) X and Y are co-owners of two houses with equal share of both the houses. While the first house is used by them for their residence, the second house is let to a tenant at a monthly rent of Rs. 2,500. The other relevant particulars of the houses for the year 2008-09 are as follows :

	First House	Second House
Construction completed on	30.06.91	31.03.94
Municipal Tax	Rs. 2,000	Rs. 2,500
Insurance Premium	Rs. 2,500	Rs. 2,500
Interest on loan	Rs. 10,000	Rs. 9,000

Compute income from house property of X and Y for the relevant assessment year. (4 marks)

Chapter-5 : Profits & Gains of Business or Profession

2009 - Dec [1] {C} (d) (iii) Whether profit arises on the valuation of closing stock is a source of income? Discuss. (2 marks)

2009 - Dec [4] (a) X, a retail trader of Mumbai gives the following Trading and Profit and Loss Account for the year ended 31st March, 2009

Trading and Profit and Loss account for the year ended 31.03.2009

	Rs.		Rs.
To Opening Stock	86,000	By Sales	12,11,500
" Purchases	10,00,000	" Other business receipts	6,500
" Gross profits	3,06,000	" Income from UTI	2,400
		" Closing Stock	1,71,600
	<u>13,92,000</u>		<u>13,92,000</u>
To Salaries	60,000	By Gross Profit B/D	3,06,000
" Rent and rates	40,000		
" Interest on Loan	10,000		
" Depreciation	1,02,000		
" Postage and Telegram	1,640		
" Printing and Stationary	23,200		
" Loss on sale of Shares	8,100		
(Short term)			
" General Expenses	11,060		
" Net Profit	<u>50,000</u>		
	<u>3,06,000</u>		<u>3,06,000</u>

Additional Information:

- Some stocks were found to be not included in both the opening and Closing Stock, the value of which were : Opening Stock Rs. 12,000, Closing stock Rs. 21,000.
- Salary include Rs. 18,000 paid to his brother, which is unreasonable to the extent of Rs. 2,000.
- The whole amount of Printing and Stationary was paid in cash.
- Depreciation as per Income Tax rules is Rs. 66,000.
- Rent and Rates includes Sales Tax Liability of Rs. 5,000 paid on April, 4, 2009.
- Other Business Receipts include Rs.3,000 received as refund of Sales Tax relating to the year, 2007-08.
- General expenses include Rs. 1,500 paid as donation to A Public Charitable Trust.

You are required to Advise X whether he can offer his Business Income under sec 44 AF, i.e. presumptive Taxation. (10 marks)

2009 - Dec [7] (c) Simplex Ltd. a company providing telecommunication service, obtain a Telecom Licence on April 20, 2008 for a period of 10 years which ends on March 31, 2018 (Licence Fee being Rs. 18 lakh). Find out the amount of deduction under Sec. 35ABB if—

- (i) The entire amount is paid on May 6, 2008; or
- (ii) The entire amount is paid on April 1, 2009; or
- (iii) The entire amount is paid in 3 equal instalments on April 30, 2008, April 30, 2009 and April 30, 2010. (5 marks)

2009 - Dec [8] (a) Indicate, with reasons whether the following expenses are deductible in computing income from business for the Assessment Year 2009-10.

- (i) Rs. 10,000 paid to a Lawyer to examine the Title Deed which the Assessee intends to purchase.
- (ii) Compensation of Rs. 20,000 paid to an employee who has been retrenched for continuously committing some fraudulent Acts.
- (iii) Rs. 5,000 paid for shifting the factory from one place to another for easier supply of raw materials.
- (iv) Penalties of Rs. 10,000 paid to the West Bengal Government for the non-fulfilment of contract entered into with the said Government.

(4 marks)

Chapter-6 : Income from other Sources

2009 - Dec [4] (b) State briefly with regard to deduction allowable under Sec. 57 of the Income Tax Act, 1961 in respect of income from other sources.

(5 marks)

Chapter-7 : Capital Gains

2009 - Dec [2] (b) Miss. Rama sells a residential building at Jodhpur for Rs. 15,00,000 on July 1, 2008. The building was acquired for Rs. 1,50,000 on June 1, 2001.

She pays brokerage @ 2% at the time of sale of the Building. She invests Rs. 7 lakh in purchase a residential building on December, 2008 and deposit Rs. 2 lakh under Section 54EC in bonds of NHAI (Redeemable after 3 years) on March, 2009.

Compute the capital gain Chargeable to tax for the assessment year 2009-10.

(3 marks)

Chapter-8 : Clubbing of Income and

2009 - Dec [7] (a) C is the minor child of Mr. and Mrs. X, Mr. X has business income of Rs. 2,80,000. Mrs. X has salary income of Rs. 2,20,000. C earns income of Rs. 60,000 from a dancing programme. C also earns interest of Rs. 20,000 from a fixed deposit with a Bank. Compute total income of Mr. X, Mrs. X and C.

(3 marks)

Chapter-9 : Deductions, Rebates & Reliefs

2009 - Dec [3](b) State briefly the deduction available under Sec. 80E in respect of interest on loan taken for Higher Education.

(5 marks)

(c) From the following information compute the total income of Mr. Ramesh for the assessment year 2009-10;

	Rs.
Income from salary	2,60,000
Income from House Property	1,00,000
Business loss (non speculative)	3,20,000
Short-term capital loss	1,40,000
Long-term capital gain	2,80,000
	(5 marks)

Chapter-10 : Assessment of Individuals

2009 - Dec [3] (a) The total income of Mrs. Z computed for the assessment year 2009-10 is Rs. 2,00,000 which includes the following.

	Rs.
Long term capital gains	30,000
Winning from lotteries	20,000
Short term capital gains covered by Section IIIA	10,000

Agricultural Income earned by her was Rs.50,000. Compute the tax payable by Mrs Z. (5 marks)

2009 - Dec [5] (a) P.K. retired as General manager of XYZ Co Ltd. on November 30,2008 after rendering service for 20 years and 10 months. He received Rs. 3,20,000 as gratuity from the employer. He is not covered by the payment of Gratuity Act, 1972.

His salary particulars are given below

Basic pay	Rs. 10,000 p.m. up to June 30, 2008
Basic pay	Rs. 12,000 p.m. from July 1, 2008
Dearness Allowance	50% of basic pay
(Eligible for Retirement Benefits)	

Transport Allowance Rs. 1,500 p.m.

He resides his own house. Interest on moneys borrowed for the self occupied house is Rs. 20,000 for the year ended March 31,2009.

From a fixed deposit with a Bank he earned interest income of Rs. 14,000 for the year ended 31.03.09

Compute taxable income of P.K. for the year ended March 31,2009.

(10 marks)

Chapter-12 : Assessment of Firms & Associations of Other Persons

2009 - Dec [6] (a) P, Q and R are partners in a firm sharing profits and losses in the ratio of 1 : 1 : 2 provide the following information. Find firm's Net Income assuming that salary and interest are not paid to partners.

- (i) Net income of the firm is (–) Rs. 1,20,000, out of which unadjusted depreciation is Rs. 40,000.

- (ii) On 31.05.08 R retires from the firm and the other partners carry on the same business.
- (iii) The firm's income for the Assessment Year 2009-10 before adjusting the aforesaid loss and depreciation is Rs. 1,20,000. (5 marks)

Chapter-15 : Tax Administration & Assessment Procedure

2009 - Dec [1] {C} (d) (i) Is it compulsory to file a claim for refund? discuss. (2 marks)

2009 - Dec [2] (a) Raja who was born on 1.06.1943 is a retired Government Officer. Approximately he earns Rs. 1,80,000 as interest on company deposits. Besides, he gets Rs. 1,00,000 pension. He invested Rs. 1,00,000 in securities and other investments qualified for deduction u/s 80C. He also paid Rs. 20,000 as Medical Claim Insurance Premium. Can he submit the declaration in Form No. 15H to the Company which will pay interest on company deposits so that tax is not deducted by the payer company u/s 194A read with Section 197A. (3 marks)

2009 - Dec [2](d) A single letter of enquiry was issued by the Income Tax Department to X of Mumbai. In this letter there was no specific mention of any provision of the Income Tax Act, Can X be treated as an 'Assessee'? (2 marks)

2009 - Dec [6](b) A firm filed a Return of Income disclosing an income of Rs. 60,000 on June 30, 2009 in respect of Assessment Year 2007-08. The Assessing Officer completed the assessment on September 30, 2009 under Sec. 143(3) on an income of Rs. 90,000. Apart from questioning the merits of the addition made by the Assessing Officer, on what other ground will you challenge the assessment? (4 marks)

(c) Mr. D.K. is employed with X Ltd. drawing salary of Rs. 75,000 per month (Eligible deduction under Sec. 80C Rs. 1,00,000). He furnishes the following particulars of income and losses from other sources as follows:

Loss from House property	Rs. 25,400
Bank interest (after deduction of tax Rs. 3,090)	Rs. 26,910
Dividend from Reliance Industries	Rs. 30,000

Compute the liability of X Ltd. to deduct Tax at source. (4 marks)

2009 - Dec [7] (d) Is there any option for an employer, not to deduct Tax at Source, in respect of perquisites portion of salaries paid to an employees? Discuss. (5 marks)

Chapter-17 : Wealth Tax Act

2009 - Dec [1] {C} (d) (v) The tax liability under the wealth tax act is determined solely on the basis of residential status of an assessee. comment. (2 marks)

2009 - Dec [2] (c) State the assessee whose net wealth is not chargeable to tax u/s 45. (4 marks)

(e) What are the assets defined in Section 2(EA) of the Wealth Tax Act. (3 marks)

2009 - Dec [5] (c) Discuss the treatment of the following items for the purpose of Wealth Tax Assessment.

- (i) A three storied residential house at Kolkata – One floor is occupied by the Assessee for his residence and the other floors are let out.
- (ii) A personal motor car of the assessee transferred to Hindu Undivided Family of which he is a member without any adequate consideration.
- (iii) By profession A is an architect and the value of the tools and instruments required by him for his professional use is Rs. 50,000. (3 marks)

2009 - Dec [8] (c) Under what circumstances will urban land be not considered as an 'Asset' for Wealth Tax purposes? (3 marks)

Chapter-21 : Objective Questions

2009 - Dec [1] {C} (a) Fill up the blanks :

- (i) Compensation received from an insurer on account of damage to the crops is _____ income.
- (ii) Time limit for filing revised return when assessment has not been completed is _____ from the end of the relevant assessment year.
- (iii) A _____ means A company which is not a domestic Company.
- (iv) The deduction for amortisation of preliminary expenses under section 35D is allowable at _____ of the qualifying expenditure in each of the _____ successive years beginning with the year in which business commences.
- (v) _____ is a non-recurring expenditure where as _____ is normally a recurring one.
- (vi) The term business would include _____ and accordingly the term business used in section _____ would also include a professional connection.
- (vii) Any commission due or received by a partner of a firm from the firm shall _____ be regarded as _____ under sec. _____ .

(7 marks)

(b) State with reasons, whether the following statements are True or False :

- (i) Depreciation is allowed only when it is claimed.
- (ii) X is employed in complex Ltd. as a Chartered Accountant. The annual membership fee of X paid by complex Ltd is not a perquisite and hence not chargeable to tax.

- (iii) In the case of a dealer in shares, Income by way of dividend is taxable under the heads “profits and gains of business or profession”.
 - (iv) In case of an artificial judicial person, no surcharge is payable where the total income exceeds Rs. 10,00,000.
 - (v) Partnership firm deriving loss need not file return of income.
 - (vi) The term ‘Individual’ as defined in the wealth tax act, 1957 means only a single human being. (6 marks)
- (c) Expand abbreviations:
- (i) ITAT, (ii) Mat; (2 marks)

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