

Free of Cost

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SCANNER™ Appendix

**IPCC Gr. I (New Course)
November - 2009**

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PAPER'S

Paper - 1 : Accounting

Chapter-1 : Accounting Standards

2009 - Nov [1] (vii) From the following data, find out value of inventory as on 30.04.2009 using (a) LIFO method, and (b) FIFO method :

(1)	01.04.2009 Purchased	10 units @ Rs. 70 per unit	
(2)	06.04.2009 Sold	6 units @ Rs. 90 per unit	
(3)	09.04.2009 Purchased	20 units @ Rs. 75 per unit	
(4)	18.04.2009 Sold	14 units @ Rs. 100 per unit.	(2 marks)

(viii) Explain contract costs as per Accounting Standard-7 related to 'Construction Contracts'. (2 marks)

Chapter-2 : Company Accounts—Preparation of Financial Statements

2009 - Nov [1] (ii) Year to year results of a company were not found comparable on the basis of gross profit margin. List out the probable reasons. (2 marks)

(v) What are the basic characteristics of a Pvt. Ltd. Company ? (2 marks)

- (vi) Sumo Ltd. has a profit of Rs. 25 lakhs before charging depreciation for Financial year 2008-09. Depreciation in the books was Rs. 11 lakhs and depreciation chargeable under Section 205 comes to Rs. 17 lakhs. Compute divisible profit for the year. (2 marks)
- (x) The Companies Act, 1956 limits the payment of managerial remuneration. What is the maximum managerial remuneration, which can be paid in case of a company consistently earning profits and has more than one managerial persons. (2 marks)

2009 - Nov [6] Answer the following :

- (v) A company provided Rs. 10,00,000 for dividend payment. Is the Corporate Dividend Tax payable in this case ? If yes, please compute corporate Dividend Tax assuming rate of 15% plus surcharge of 10% and disclose as it would appear in profit and Loss Account of the Company. (4 marks)

Chapter-5 : Accounting for business acquisition, Amalgamation and reconstruction

2009 - Nov [2] The following are the Balance Sheets of M Ltd. and N Ltd. as at 31st March, 2009 :

	(Rs. in lakhs)	
<i>Liabilities</i>	M Ltd.	N Ltd.
Fully paid equity shares of Rs. 10 each	3,600	900
10% preference Shares of Rs. 10 each, fully paid up	1,200	—
Capital Reserve	600	—
General Reserve	2,100	—
Profit and Loss Account	780	—
8% Redeemable debentures of Rs. 1,000 each	—	300
Trade Creditors	2,421	369
Provisions	870	93
	<u>11,571</u>	<u>1,662</u>
<i>Assets</i>		
Plant and Machinery	4,215	468
Furniture and Fixtures	2,400	183
Motor Vehicles	—	51
Stock	2,370	444
Sundry Debtors	1,044	237
Cash at Bank	1,542	240
Preliminary Expenses	—	33
Discount on Issue of Debentures	—	6
	<u>11,571</u>	<u>1,662</u>

A new Company MN Ltd. was got incorporated with an authorised capital of Rs. 15,000 lakhs divided into shares of Rs. 10 each. For the purpose of amalgamation in the nature of merger, M Ltd. and N Ltd. were merged into MN Ltd. on the following terms :

- (i) Purchase consideration for M Ltd.'s business is to be discharged by issue of 120 lakhs fully paid 11% preference shares and 720 lakhs fully paid equity shares of MN Ltd. to the preference and equity shareholders of M Ltd. in full satisfaction of their claims.
- (ii) To discharge purchase consideration for N Ltd.'s business, MN Ltd. to allot 90 lakhs fully paid up equity shares to shareholders of N Ltd. in full satisfaction of their claims.
- (iii) Expenses on the liquidation of M Ltd. and N Ltd. amounting to Rs. 6 lakhs are to be borne by MN Ltd.
- (iv) 8% redeemable debentures of N Ltd. to be converted into 8.5% redeemable debentures of MN Ltd.
- (v) Expenses on incorporation of MN Ltd. were Rs. 15 lakhs.

You are requested to :

- (a) Pass necessary Journal Entries in the books of MN Ltd. to record above transactions, and
- (b) Prepare Balance Sheet of MN Ltd. after merger. (16 marks)

2009 - Nov [5] (b) Rama Udyog Limited was incorporated on August 1, 2008. It had acquired a running business of Rama & Co. with effect from April 1, 2008. During the year 2008-09, the total Sales were Rs. 36,00,000. The Sales per month in the first half year were one-half of what they were in the later half year. The net Profit of the company, Rs. 2,00,000 was worked out after charging the following expenses (i) Depreciation Rs. 1,08,000, (ii) Audit fees Rs. 15,000, (iii) Directors' fees Rs. 50,000, (iv) Preliminary expenses Rs. 12,000, (v) Office expenses Rs. 78,000, (vi) Selling expenses Rs. 72,000 and (vii) Interest to vendors upto August 31, 2008 Rs. 5,000.

Please ascertain pre-incorporation and post-incorporation profit for the year ended 31st March, 2009. (6 marks)

2009 - Nov [6] Answer the following :

- (ii) As per Accounting Standard-14, what are the conditions which must be satisfied for an amalgamation in the nature of merger ? (4 marks)

Chapter-6 : Average due date

2009 - Nov [4] (b) A trader allows his customers credit for one week only beyond which he charges interest @ 12% per annum. Anil, a customer buys goods as follows :

Date of Sale/Purchase	Amount (Rs.)
January 2, 2009	6,000
January 28, 2009	5,500

February 17, 2009	7,000
March 3, 2009	4,700

Anil settles his account on 31st March, 2009. Calculate the amount of interest payable by Anil using average due date method. (8 marks)

Chapter-9 : Financial Statement of not for Profit organisation

2009 - Nov [1] (ix) Omshanti Club has 500 members with annual fee of Rs. 1,000 per member. At the end of the accounting year, accountant noticed that 40 members have not paid annual fee and 70 members had paid fee in advance. Help the accountant to compute Cash receipts of annual fee for the year. (2 marks)

2009 - Nov [5] (a) The Income and Expenditure Account of City Sports Club for the year ended 31st March, 2009 was as follows :

<i>Expenditure</i>	<i>Amount (Rs.)</i>	<i>Income</i>	<i>Amount (Rs.)</i>
To Salaries	1,20,000	By Subscriptions	1,60,000
To Printing and Stationery	6,000	By Entrance Fees	10,000
To Rent	12,000	By Contribution for	
To Repairs	10,000	Annual dinner	20,000
To Sundry Expenses	8,000	By Profit on Annual	
To Annual Dinner Expenses	30,000	Sports meet	20,000
To Interest to Bank	6,000		
To Depreciation on Sports equipment	6,000		
To Excess of Income over Expenditure	12,000		
Total	<u>2,10,000</u>	Total	<u>2,10,000</u>

The above account had been prepared after the following adjustments :

	Rs.
Subscriptions outstanding on 31.03.2008	12,000
Subscriptions received in advance on 31.03.2008	9,000
Subscriptions received in advance on 31.03.2009	5,400
Subscriptions outstanding on 31.03.2009	15,000

Salaries outstanding at the beginning and at the end of the financial year were Rs. 8,000 and Rs. 10,000 respectively. Sundry expenses included prepaid insurance expenses of Rs. 1,200.

The Club owned a freehold ground valued Rs. 2,00,000. The Club has sports equipment on 01.04.2008 valued at Rs. 52,000. At the end of the year after depreciation the sports equipment amounted to Rs. 54,000. The Club raised a loan of Rs. 40,000 from a bank on 01.01.2008, which was unpaid till 31.03.2009. On 31.03.2009 Cash in hand was Rs. 32,000.

Prepare Receipts and Payments account of the Club for the year ended 31st March, 2009 and Balance Sheet as on that date. (10 marks)

Chapter-10 : Accounts from Incomplete Records

2009 - Nov [1] (i) On 1st April, 2008, Chhotu started business with an initial Capital of Rs. 70,000. On 1st October, 2008, he introduced additional capital of Rs. 40,000. On 7th of every month, he withdraw Rs. 5,000 for household expenses. On 31st March, 2009 his Assets and Liabilities were Rs. 2,00,000 and Rs. 70,000 respectively.

Ascertain the Profit earned by Chhotu during the year ended 31st March, 2009.

(2 marks)

Chapter-12 : Investment Accounts

2009 - Nov [1] (iii) MY Ltd. had acquired 200 equity shares of YZ Ltd. at Rs. 105 per share on 01.01.2009 and paid Rs. 200 towards brokerage, stamp duty and STT. On 31st March, 2009 Shares of YZ Ltd. were traded at Rs. 110 per share. At what value investment is to be shown in the Balance Sheet of MY Ltd. as at 31st March, 2009.

(2 marks)

2009 - Nov [6] Answer the following :

- (iv) Rose Ltd. had made an investment of Rs. 500 lakhs in the equity shares of Nose Ltd. on 10.01.2009. The realisable value of such investment on 31.03.2009 became Rs. 200 lakhs as Nose Ltd. lost a case of patent rights. Rose Ltd. follows financial year as accounting year. How will you recognize this reduction in Financial statements for the year 2008-09.

(4 marks)

Chapter-13 : Insurance Claims for Loss of Stock and Loss of profit

2009 - Nov [4] (a) A fire broke out in the godown of a business house on 8th July, 2009. Goods costing Rs. 2,03,000 in a small sub-godown remain unaffected by fire. The goods retrieved in a damaged condition from the main godown were valued at Rs. 1,97,000.

The following particulars were available from the books of accounts :

Stock on the last Balance Sheet date at 31st March, 2009 was Rs. 15,72,000. Purchases for the period from 1st April, 2009 to 8th July, 2009 were Rs. 37,10,000 and sales during the same period amounted to Rs. 52,60,000. The average gross profit margin was 30% on sales.

The business house has a fire insurance policy for Rs. 10,00,000 in respect of its entire stock. Assist accountant of the business house in computing amount of claim of loss by fire.

(8 marks)

Chapter-14 : Introduction to partnership Accounts

2009 - Nov [1] (iv) On 1st April, 2008, X, Y and Z enter into partnership introducing Capital of Rs. 80,000, Rs. 50,000 and Rs. 50,000 respectively. They agree to share Profits and Losses equally. At the end of the accounting year on 31st March, 2009, X claims that he be paid interest on his additional Capital of Rs. 30,000 @ 10% per annum, while Z demands salary of Rs. 600

per month for the extra hours devoted by him daily at the shop. The partnership deed is silent on these matters.

Decide the matters with reasons. (2 marks)

2009 - Nov [3] E, F and G were partners Sharing Profits and Losses in the ratio of 5 : 3 : 2 respectively. On 31st March, 2009 Balance Sheet of the firm stood as follows :

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Capital A/cs		Buildings	55,000
E 50,000		Furniture	25,000
F 40,000		Stock	42,000
G <u>28,000</u>	1,18,000	Debtors	20,000
Creditors	33,500	Cash at Bank	11,200
Outstanding Expenses	<u>1,700</u>		
	<u>1,53,200</u>		<u>1,53,200</u>

On 31st March, 2009, E decided to retire and F and G decided to continue as equal partners. Other terms of retirement were as follows :

- Building be appreciated by 20%.
- Furniture be depreciated by 10%.
- A provision of 5% be created for bad debts on debtors.
- Goodwill be valued at two years' purchase of profit for the latest accounting year. The firm's Profit for the year ended 31st March, 2009 was Rs. 25,000. No goodwill account is to be raised in the books of accounts.
- Fresh capital be introduced by F and G to the extent of Rs. 10,000 and Rs. 35,000 respectively.
- Out of sum payable to retiring partner E, a sum of Rs. 45,000 be paid immediately and the balance be transferred to his loan account bearing interest @ 12% per annum. The loan is to be paid off by 31st March, 2011.

One month after E's retirement, F and G agreed to admit E's son H as a partner with one-fourth share in Profits/Losses. E agreed that the balance in his loan account be converted into H's Capital. E also agreed to forgo one month's interest on his loan.

It was also agreed that H will bring in his share of goodwill through book adjustment, valued at the price on the date of E's retirement. No goodwill account is to be raised in the books.

You are requested to Pass necessary Journal Entries to give effect to above transactions and prepare Partners' Capital Accounts. (16 marks)

2009 - Nov [6] Answer the following :

- SAD Enterprises, a partnership firm had purchased business of SWAD enterprises on 01.04.2008 and paid Rs. 50,000 towards goodwill. On

01.04.2009, SAD enterprises decided to admit W as partner and the goodwill was valued at Rs. 1,00,000 for the purpose.

Please explain with reasons, at what price goodwill can be shown in the books of Accounts. (4 marks)

Chapter-15 : Accounting in computerised environment

2009 - Nov [6] Answer the following :

- (i) Market is full of ready-made accounting softwares. What factors will you consider to choose one of them for your enterprise ? (4 marks)
- (iii) What do you mean by Customised Accounting Software ? (4 marks)

Paper - 2A : Business Laws**Chapter-2 : Consideration**

2009 - Nov [1] (a) Mr. Singh, an oldman, by a registered deed of gift, granted certain landed property to A, his daughter. By the terms of the deed, it was stipulated that an annuity of Rs. 2,000 should be paid every year to B, who was the brother of Mr. Singh. On the same day A made a promise with B and executed in his favour an agreement to give effect to the stipulation. A failed to pay the stipulated sum. In an action against her by B, she contended that since B had not furnished any consideration, he has no right of action.

Examining the provisions of Indian Contract Act, 1872, decide, whether the contention of A is valid ? (5 marks)

Chapter-4 : Performance of Contract

2009 - Nov [1] (c) Pick out the correct answer from the following and give reasons :

- (ii) A promises to paint a picture for B by a certain day, at a certain price. A dies before the day. The contract

- (1) can be enforced by A's representative
- (2) can be enforced by B
- (3) can be enforced either by A's representative or by B
- (4) can not be enforced either by A's representative or by B

(1 mark)

Chapter-8 : Contract of Indemnity and Guarantee

2009 - Nov [1] (c) Pick out the correct answer from the following and give reasons :

- (i) A contracts to save B against the consequences of any proceedings which C may take against B in respect of a certain sum of 500 rupees.

This is a

- (1) Contract of guarantee
- (2) Quasi contract

- (3) Contract of Indemnity
- (4) Void contract. (1 mark)

Chapter-9 : Bailment and Pledge

2009 - Nov [1] (b) State with reasons whether the following statements are correct or incorrect :

- (i) If the pawnor makes a default in the payment of debt, or performance of duty, as agreed, the pawnee has a right to sell the thing pledged for which no reasonable notice of the sale is required. (1 mark)

Chapter-10 : Agency

2009 - Nov [1] (b) State with reasons whether the following statements are correct or incorrect :

- (ii) An "Agency coupled with Interest" may be terminated, at the instance of principal, at any time. (1 mark)

Chapter-11 : The Negotiable Instruments Act, 1881

2009 - Nov [1] (c) Pick out the correct answer from the following and give reasons :

- (iii) A negotiable instrument drawn in favour of a minor is
 - (1) void
 - (2) void but not enforceable
 - (3) valid
 - (4) None of the above. (1 mark)

2009 - Nov [4] 'N' is the holder of a bill of exchange made payable to the order of 'P'. The bill of exchange contains the following endorsements in blank :

First endorsement	'P'
Second endorsement	'Q'
Third endorsement	'R'
Fourth endorsement	'S'

'N' strikes out, without S's consent, the endorsement by 'Q' and 'R'. Decide with reasons whether 'N' is entitled to recover anything from 'S' under the provisions of Negotiable Instruments Act, 1881. (5 marks)

Chapter-12 : The Payment of Bonus Act, 1965

2009 - Nov [3] Standard Airways Limited was incorporated at Chennai in the year 2005 employing 125 workmen. Due to strike of workers, mismanagement in the company and accidental loss of the assets the company suffered heavy losses continuously since its incorporation, resulting which the large part of the capital and assets were wiped out. Consequently, the company moved an application to the Government of Tamilnadu requesting to exempt the company fully from the application of the provisions of the Payment of Bonus Act, 1965.

Decide, whether the Government of Tamilnadu may grant exemption to the Company. State the provisions of law in this regard as stated under the Payment of Bonus Act, 1965. (5 marks)

Chapter-13 : The Employees' Provident Funds and Miscellaneous Provisions Act, 1952

2009 - Nov [6] An Executive Committee is to be constituted to assist the Central Board under the provisions of the Employees Provident Funds and Miscellaneous Provisions Act, 1952. State the composition of such Executive Committee. (5 marks)

Chapter-14 : The Payment of Gratuity Act, 1972

2009 - Nov [5] Mr. X was an employee of Mutual Developers Limited. He retired from the company after completing 30 years of continuous service. He applied to the company for the payment of gratuity within the prescribed time. The company refused to pay the gratuity and contended that due to stringent financial conditions the company is unable to pay the gratuity. Mr. X applied to the appropriate authority for the recovery of the amount of gratuity. Examine the validity of the contention of the company and also state the provisions of law to recover the gratuity under the Payment of Gratuity Act, 1972. (5 marks)

Chapter-15 : Company: Basic Concepts

2009 - Nov [2] (a) Noble Meters Limited was incorporated with the equity share capital of Rs. 50 lakh. The company received the certificate of Incorporation on 20th May, 2009. The company issued the prospectus inviting the public to subscribe for its equity shares. Meanwhile, the company intended to commence its business. Whether Noble Meters Ltd. is entitled to commence its business without obtaining the certificate to commencement of Business ? Advice the company stating the conditions to be fulfilled for obtaining the certificate to commencement of Business from the Registrar of Companies under Companies Act, 1956. (5 marks)

2009 - Nov [7] The United Traders Association was constituted by two joint Hindu Families consisting of 21 major and 5 minor members. The Association was carrying the business of trading as retailers with the object for acquisitions of gain. The Association was not registered as a company under the Companies Act, 1956 or other law.

State whether United Traders Association is having any legal status ? Will there be any change in the status of this Association if the members of the United Traders Association subsequently reduced to 15. (5 marks)

Chapter-16 : Memorandum of Association & Articles of Association

2009 - Nov [2] (b) State whether the following statements are true or false and give reasons :

- (i) The articles of Association of a Company can be altered by passing an ordinary resolution in the meeting of the shareholders. (1 mark)

Chapter-17 : Preliminary & Provisional Contracts

2009 - Nov [2] (c) Pick out the correct answer from the following and give reasons :

- (i) Contracts which entered into, by agents or trustees on behalf of a prospective company before it has come into existence are called :
- (1) Provisional contracts
 - (2) Pre-incorporation contracts
 - (3) Both provisional and pre-incorporation contracts
 - (4) None of the above. (1 mark)

Chapter-19 : Prospectus

2009 - Nov [2] (c) Pick out the correct answer from the following and give reasons :

- (ii) A prospectus issued by the financial institutions or bank for one or more issues of the securities or class of securities specified in the prospectus is called :
- (1) Deemed prospectus
 - (2) Red-herring prospectus
 - (3) Abridged prospectus
 - (4) Shelf prospectus. (1 mark)

2009 - Nov [9] Modern Furnitures Limited was willing to purchase teakwood estate in Chhattisgarh State. Its prospectus contained some important extracts from an expert report giving the number of teakwood trees and other relevant information in the estate in Chhattisgarh State. The report was found inaccurate. Mr. 'X' purchased the shares of Modern Furnitures Limited on the basis of the above statement in the prospectus. Will Mr. 'X' have any remedy against the company ? When an expert will not be liable ? State the provisions of the Companies Act, 1956 in this respect. (5 marks)

Chapter-22 : Share Capital

2009 - Nov [10] M.H. Company Limited served a notice of general meeting upon its shareholders. The notice stated that the issue of sweat equity shares would be considered at such meeting. Mr. 'A', a shareholder of the M.H. Company Limited Complains that the issue of sweat equity shares was not specified fully in the notice. Is the notice issued by M.H. Company Limited regarding issue of sweat equity shares valid according to the provisions of the Companies Act, 1956 ? Explain fully. (5 marks)

Chapter-24 : Transfer & Transmission of Shares

2009 - Nov [2] (b) State whether the following statements are true or false and give reasons :

- (ii) A transferee becomes a member of the company when the instrument of transfer is submitted with the company. (1 mark)

2009 - Nov [8] Mr. 'Y' the transferee, acquired 250 equity shares of BRS Limited from Mr. 'X', the transferor. But the signature of Mr. 'X', the transferor, on the transfer deed was forged. Mr. 'Y' after getting the shares registered by the company in his name, sold 150 equity shares to Mr. 'Z' on the basis of the share certificate issued by BRS Limited. Mr. 'Y' and 'Z' were not aware of the forgery. State the rights of Mr. 'X', 'Y' and 'Z' against the company with reference to the aforesaid shares. (5 marks)

Chapter-28 : Meetings

2009 - Nov [2] (c) Pick out the correct answer from the following and give reasons :

- (iii) The gap between two Annual General Meetings must not be more than
- (1) 12 months
 - (2) 15 months
 - (3) 18 months
 - (4) 15 months as may be extended by Registrar of Companies to 18 months. (1 mark)

Paper - 2B : Ethics**Chapter-1 : Principles of Business Ethics**

2009 - Nov [13] State with reasons whether the following statements are correct or incorrect :

- (b) There is no difference between ethics and morals. (2½ marks)

Chapter-2 : Corporate Governance and Corporate Social Responsibility

2009 - Nov [11] (b) Explain the meaning of the "Iron Law of Responsibility". State the resulting benefits which may be acquired by achieving the longterm objectives through the business activities. (5 marks)

Chapter-3 : Ethics in Workplace

2009 - Nov [11] (a) Explain the importance of ethical behaviour at the workplace. (5 marks)

2009 - Nov [13] State with reasons whether the following statements are correct or incorrect :

- (a) Fairness and honesty are the pillars of success in the business. (2½ marks)

Chapter-5 : Ethics in Marketing and Consumer Protection

2009 - Nov [12] Explain the pragmatic reasons for maintaining ethical behaviour in marketing through marketing executives. (5 marks)

Paper - 2C : Communication

Chapter-1 : Essentials of Communication

2009 - Nov [14] (a) What are the merits and demerits of grape-vine form of Communication. (5 marks)

Chapter-6 : Communication in Business Environment

2009 - Nov [14] (b) TKR Limited wants to hold its statutory meeting on 20th December, 2009 to discuss the matters relating to formation of the company and incidental matters thereto. (5 marks)

2009 - Nov [15] Fifth Annual General Meeting of the shareholders of Devrishi Limited was held on 20th August, 2009 at its registered office at Mumbai. 55 shareholders attended the meeting in person and 6 shareholders in proxy. Several ordinary business regarding adoption of audited Balance Sheet, declaration of dividend, appointment and re-appointment of directors and auditors were transacted at the meeting.

Draft the minutes of the Fifth Annual General Meeting of the shareholders of Devrishi Limited. (5 marks)

Chapter-7 : Legal Deeds and Documents

2009 - Nov [16] A partnership firm was constituted by A, B and C. A, the partner of the firm, expressed his desire to retire from the partnership firm by Mutual consent.

Draft a "Partnership Retirement Deed". (5 marks)

Paper - 3A : Cost Accounting

Chapter-1 : Basic Concepts

2009 - Nov [1] Answer the following :

(i) Define the following :

(a) Imputed cost

(b) Capitalised cost.

(2 marks)

Chapter-2 : Material Cost**2009 - Nov [4]** Answer the following :

- (iii) The following information relating to a type of Raw material is available:

Annual demand	2000 units
Unit price	Rs. 20.00
Ordering cost per order	Rs. 20.00
Storage cost	2% p.a.
Interest rate	8% p.a.
Lead time	Half-month

Calculate economic order quantity and total annual inventory cost of the raw material. (3 marks)

Chapter-3 : Employee Cost**2009 - Nov [4]** Answer the following :

- (i) Standard Time for a job is 90 hours. The hourly rate of Guaranteed wages is Rs. 50. Because of the saving in time a worker gets an effective hourly rate of wages of Rs. 60 under Rowan premium bonus system. For the same saving in time, calculate the hourly rate of wages a worker B will get under Halsey premium bonus system assuring 40% to worker. (3 marks)

Chapter-6 : Reconciliation of Cost and Financial Accounts**2009 - Nov [1]** Answer the following :

- (iii) List the Financial expenses which are not included in cost. (2 marks)
(vi) When is the reconciliation statement of Cost and Financial accounts not required ? (2 marks)

Chapter-8 : Contract Costing**2009 - Nov [1]** Answer the following :

- (iv) Mention the main advantage of cost plus contracts. (2 marks)

Chapter-9 : Operating Costing**2009 - Nov [4]** Answer the following :

- (ii) Explain briefly, what do you understand by Operating Costing. How are composite units computed ? (3 marks)

Chapter-10 : Process Costing**2009 - Nov [3]** (a) XP Ltd. furnishes you the following information relating to process II.

- (i) Opening work-in-progress—NIL
(ii) Units introduced 42,000 units @ Rs. 12
(iii) Expenses debited to the process :

	Rs.
Direct material	61,530
Labour	88,820
Overheads	1,76,400

- (iv) Normal loss in the process = 2% of input.
- (v) Closing work-in-progress— 1200 units
- | | | |
|------------------------|-----------|------|
| Degree of completion — | Materials | 100% |
| | Labour | 50% |
| | Overhead | 40% |
- (vi) Finished output— 39500 units
- (vii) Degree of completion of abnormal loss :
- | | | |
|--|----------|------|
| | Material | 100% |
| | Labour | 80% |
| | Overhead | 60% |
- (viii) Units scrapped as normal loss were sold at Rs. 4.50 per unit.
- (ix) All the units of abnormal loss were sold at Rs. 9 per unit.
- Prepare :
- (a) Statement of equivalent production.
- (b) Statement showing the cost of finished goods, abnormal loss and closing work-in-progress.
- (c) Process II account and abnormal loss account. (8 marks)

Chapter-12 : Standard Costing

2009 - Nov [3](b) The following information is available from the cost records of Vatika & Co. For the month of August, 2009 :

Material purchased 24,000 kg Rs. 1,05,600

Material consumed 22,800 kg

Actual wages paid for 5,940 hours Rs. 29,700

Unit produced 2160 units.

Standard rates and prices are :

Direct material rate is Rs. 4.00 per unit

Direct labour rate is Rs. 4.00 per hour

Standard input is 10 kg. for one unit.

Standard requirement is 2.5 hours per unit.

Calculate all material and labour variances for the month of August, 2009. (8 marks)

Chapter-13 : Marginal Costing

2009 - Nov [1] Answer the following :

- (v) A company sells two products, J and K. The sales mix is 4 units of J and 3 units of K. The contribution margins per unit are Rs. 40 for J and Rs. 20 for K. Fixed costs are Rs. 6,16,000 per month. Compute the break-even point. (2 marks)

2009 - Nov [2] Mega Company has just completed its first year of operations. The unit costs on a normal costing basis are as under :

		Rs.
Direct material 4 kg @ Rs. 4	=	16.00
Direct labour 3 hrs @ Rs. 18	=	54.00
Variable overhead 3 hrs @ Rs. 4	=	12.00
Fixed overhead 3 hrs @ Rs. 6	=	<u>18.00</u>
		<u>100.00</u>

Selling and administrative costs :

Variable	Rs. 20 per unit
Fixed	Rs. 7,60,000

During the year the company has the following activity :

Units produced	=	24,000
Units sold	=	21,500
Unit selling price	=	Rs. 168
Direct labour hours worked	=	72,000

Actual fixed overhead was Rs. 48,000 less than the budgeted fixed overhead. Budgeted variable overhead was Rs. 20,000 less than the actual variable overhead. The company used an expected actual activity level of 72,000 direct labour hours to compute the predetermine overhead rates.

Required :

- (i) Compute the unit cost and total income under :
 - (a) Absorption costing
 - (b) Marginal costing.
- (ii) Under or over absorption of overhead.
- (iii) Reconcile the difference between the total income under absorption and marginal costing. (15 marks)

Chapter-14 : Budgets & Budgetary Control

2009 - Nov [1] Answer the following :

- (ii) Calculate efficiency and activity ratio from the following data :

Capacity ratio	=	75%
Budgeted output	=	6000 units
Actual output	=	5000 units
Standard Time per unit	=	4 hours

(2 marks)

2009 - Nov [4] Answer the following :

- (iv) List the eight functional budgets prepared by a business. (3 marks)

Paper - 3B : Financial Management

Chapter-1 : Scope and Objectives of Financial Management

2009 - Nov [5] Answer the following :

- (iv) Differentiate between Financial Management and Financial Accounting.
(2 marks)

2009 - Nov [8] Answer the following :

- (i) Explain the two basic functions of Financial Management. (3 marks)

Chapter-3 : Financial Analysis and Planning

2009 - Nov [5] Answer the following :

- (i) Explain briefly the limitations of Financial ratios. (2 marks)
(vi) From the informations given below calculate the amount of Fixed assets and Proprietor's fund.

Ratio of fixed assets to proprietors fund = 0.75

Net working capital = Rs. 6,00,000

(2 marks)

2009 - Nov [6] The Balance Sheets of a Company as on 31st March, 2008 and 2009 are given below :

Liabilities	31.3.08	31.3.09	Assets	31.3.08	31.3.09
	Rs.	Rs.		Rs.	Rs.
Equity share capital	14,40,000	19,20,000	Fixed assets	38,40,000	45,60,000
Capital reserve	—	48,000	Less depreciation	11,04,000	13,92,000
General reserve	8,16,000	9,60,000		27,36,000	31,68,000
Profit & Loss A/c	2,88,000	3,60,000	Investment	4,80,000	3,84,000
9% debentures	9,60,000	6,72,000	Sundry debtors	12,00,000	14,00,000
Sundry creditors	5,50,000	5,90,000	Stock	1,40,000	1,84,000
Bills payables	26,000	34,000	Cash in hand	4,000	—
Proposed dividend	1,44,000	1,72,800	Preliminary		
Provision for tax	4,32,000	4,08,000	Expenses	96,000	48,000
Unpaid dividend	—	19,200			
	<u>46,56,000</u>	<u>51,84,000</u>		<u>46,56,000</u>	<u>51,84,000</u>

Additional informations :

During the year ended 31st March, 2009 the company :

- (i) Sold a machine for Rs. 1,20,000; the cost of machine was Rs. 2,40,000 and depreciation provided on it was Rs. 84,000.
(ii) Provided Rs. 4,20,000 as depreciation fixed assets.
(iii) Sold some investment and profit credited to capital reserve.
(iv) Redeemed 30% of the debenture @ 105
(v) Decided to write off fixed assets costing Rs. 60,000 on which depreciation amounting to Rs. 48,000 has been provided.

You are required to prepare Cash Flow Statement as per AS-3. (15 marks)

Chapter-4 : Financing Decision-Cost of Capital & Capital Structure**2009 - Nov [5]** Answer the following :

- (v) Y Ltd. retains Rs. 7,50,000 out of its current earning. The expected rate of return to the shareholders. If they had invested the funds elsewhere is 10%. The brokerage is 3% and the shareholders came in 30% tax bracket. Calculate the cost of retained earning. (2 marks)

2009 - Nov [8] Answer the following :

- (iii) What do you understand by Weighted average cost of Capital ? (3 marks)
- (iv) There are two firms P and Q which are identical except P does not use any debt in its capital structure while Q has Rs. 8,00,000, 9% debentures in its capital structure. Both the firms have earning before interest and tax of Rs. 2,60,000 p.a. and the capitalisation rate is 10%. Assuming the corporate tax of 30%, calculate the value of these firms according to MM Hypothesis. (3 marks)

Chapter-5 : Business Risk, Financial Risk & Leverage**2009 - Nov [5]** Answer the following :

- (ii) What do you understand by Business Risk and Financial Risk ? (2 marks)

2009 - Nov [7] (a) From the following Financial data of Company A and Company B :

Prepare their Income statements.

	Company A	Company B
	Rs.	Rs.
Variable cost	56,000	60% of sales
Fixed cost	20,000	—
Interest expenses	12,000	9,000
Financial Leverage	5 : 1	—
Operating Leverage	—	4 : 1
Income tax rate	30%	30%
Sales	—	105000

(8 marks)

Chapter-6 : Types of Financing**2009 - Nov [8]** Answer the following :

- (ii) Explain the following terms : (1.5 marks)
- (a) Ploughing back of profits

Chapter-8 : Capital Budgeting and Investment Decisions**2009 - Nov [7]**(b) A hospital is considering to purchase a diagnostic machine costing Rs. 80,000. The projected life of the machine is 8 years and has an expected salvage value of Rs. 6,000 at the end of 8 years. The annual operating cost of the machine is Rs. 7,500. It is expected to generate revenues of

Rs. 40,000 per year for eight years. Presently, the hospital is outsourcing the diagnostic work and is earning commission income is Rs. 12,000 per annum; net of taxes.

Required :

Whether it would be profitable for the hospital to purchase the machine.

Give your recommendation under :

(i) Net Present Value method

(ii) Profitability Index method.

PV factors at 10% are given below :

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
0.909	0.826	0.751	0.683	0.621	0.564	0.513	0.467

(8 marks)

2009 - Nov [8] Answer the following :

(ii) Explain the following terms :

(b) Desirability factor.

(1.5 marks)

New Chapter : Financing of working Capital

2009 - Nov [5] Answer the following :

(iii) Differentiate between Factoring and Bills discounting. (2 marks)

Paper - 4 : Taxation

Chapter-5 : Income from House Property

2009 - Nov [2] (b) Mr. Raman is a co-owner of a house property along with his brother.

Municipal value of the Property	Rs. 1,60,000
Fair Rent	Rs. 1,50,000
Standard Rent Under the Rent Control Act	Rs. 1,70,000
Rent received	Rs. 15,000 p.m.

The loan for the construction of this property is jointly taken and the interest charged by the bank is Rs. 25,000 out of which Rs. 21,000 have been paid. Interest on the unpaid interest is Rs. 450. To repay this loan, Raman and his brother have taken a fresh loan and interest charged on this loan is Rs. 5,000.

The Municipal Taxes of Rs. 5,100 have been paid by the tenant.

Compute the income from this property chargeable in the hands of Mr. Raman for AY 2009-10. (6 marks)

Chapter-7 : Capital Gains

2009 - Nov [2] (c) Compute the net taxable capital gains of Smt. Megha on the basis of the following information :

A house was purchased on 1.05.1997 for Rs. 4,50,000 and was used as a residence by the owner. The owner had contracted to sell this property in

June, 2007 for Rs. 10 lacs and had received an advance of Rs. 70,000 towards sale. The intending purchaser did not proceed with the transaction and the advance was forfeited by the owner. The property was sold in April, 2008 for Rs. 15,00,000. The owner, from out of sale proceeds, invested Rs. 4 lacs in a new residential house in January, 2009. (6 marks)

2009 - Nov [4] Answer the following :

- (b) What are the circumstances under which the Assessing officer can make reference to the valuation officer u/s 55A of the Income Tax Act, 1961? (3 marks)
- (c) Explain the concept of reverse mortgage and discuss its tax implications. (3 marks)

Chapter-8 : Income from other sources

2009 - Nov [2] Answer the following :

- (a) From the following particulars of Pankaj for the previous year ended 31st March, 09 compute the Income under the head "Income from other Sources" :

	Rs.
(i) Directors Fee from a Company	10,000
(ii) Interest on bank Deposits	3,000
(iii) Income from undisclosed source	12,000
(iv) Winnings from Lotteries (Net)	33,500
(v) Royalty on a book written by him	9,000
(vi) Lectures in Seminars	5,000
(vii) Interest on loan given to a relative	7,000
(viii) Interest on Debentures of a Company (listed in a Recognised Stock Exchange) Net of Taxes	3,588
(ix) Interest on Post Office Savings Bank Account	500
(x) Interest on Government Securities	2,200
(xi) Interest on Monthly Income Scheme of Post office	33,000
He paid Rs. 1,000 for typing the manuscript of book written by him.	

(6 marks)

Chapter-10 : Aggregation of Income, Set-off and Carry forward of Losses

2009 - Nov [3] Mr. Rajat submits the following information for the financial year ending 31st March, 2009. He desires that you should :

- (a) Compute the total Income and
- (b) Ascertain the amount of losses that can be carried forward.
- (i) He has two houses :

	Rs.
(a) House No. I—Income after all statutory deductions	72,000
(b) House No. II—Current year loss	(30,000)

- (ii) He has three proprietary businesses :
- (a) Textile Business :
- (i) Discontinued from 31st October, 2008—
Current year loss 40,000
- (ii) Brought forward business loss of the
assessment year 2005-2006 95,000
- (b) Chemical Business :
- (i) Discontinued from 1st March, 2007—hence
no Profit/Loss NIL
- (ii) Bad debts allowed in earlier years recovered
during this year 35,000
- (iii) Brought forward business loss of the assess-
ment year 2007-2008 50,000
- (c) Leather Business : Profit for the current year 1,00,000
- (d) Share of Profit in a firm in which he is Partner
since 2002 16,550
- (iii) (a) Short-term Capital Gain 60,000
(b) Long-term Capital Loss 35,000
- (iv) Contribution to LIC towards Premium 10,000
- (10 marks)

2009 - Nov [4] Answer the following :

- (d) Discuss briefly on carry forward and set off of losses in the case of
change in Constitution of Firm or Succession. (3 marks)

Chapter-12 : Computation of Total Income, Tax Payable, Rebate and Relief

2009 - Nov [1] (a) From the following details compute the total income of
Siddhant of Delhi and Tax payable for the Assessment year 2009-10 :

	Rs.
Salary including dearness allowance	3,35,000
Bonus	11,000
Salary of Servant provided by the employer	12,000
Rent Paid by Siddhant for his accommodation	49,600
Bills paid by the Employer for Gas, Electricity and Water Provided free of Cost at the above flat	11,000

Siddhant was provided with Company's Car (Self driven) also for
personal use and it is not possible to determine expenditure on personal use
and all expenses were borne by the employer.

Siddhant purchased a Flat in a Co-operative Housing Society for
Rs. 4,75,000 in April, 1990, which was financed by a loan from Life Insurance
Corporation of India of Rs. 1,60,000 @ 15% interest, his own savings of
Rs. 85,000 and a deposit from a nationalised bank for Rs. 2,50,000 to whom

this flat was given on lease for ten years. The rent payable was Rs. 3,500 per month. The following Particulars are relevant :

- | | Rs. |
|---|-------------|
| (a) Municipal Taxes Paid | 4,300 |
| | (per annum) |
| (b) Society charges for passage Lights, watchman's salary | 1,900 |
| | (per annum) |
| (c) Insurance | 860 |
| (d) He earned Rs. 2,700 in share speculation business and lost Rs. 4,200 in Cotton Speculation business. | |
| (e) In the year 2003-04 he had gifted Rs. 30,000 to his wife and Rs. 20,000 to his son who was aged 11. The gifted amounts were advanced to Mr. Rajesh, who was paying interest @19% per annum. | |
| (f) Siddhant received a gift of Rs. 25,000 each from four friends. | |
| (g) He contributed Rs. 5,600 to Public Provident Fund and Rs. 4,000 to Unit Linked Insurance Plan. | |
| (h) He received national award for humanitarian work from the Central Government in the form of a Land whose fair market value is Rs. 5,00,000 as on 31st March, 2009. | (16 marks) |

Chapter-13 : Advance Tax & TDS

2009 - Nov [4] Answer the following :

- (a) Explain the consequences of failure to deduct tax at source and payment of the same to the Government A/c under Income Tax Act, 1961. (3 marks)

Chapter-17 : Value Added Tax (VAT)

2009 - Nov [7] Answer the following :

- (a) What are the different rates under VAT system ?
(b) Under what circumstances registration can be cancelled under VAT ?
(c) Briefly explain the income variant of VAT.
(d) State with reasons in brief whether the following statement is true or false with reference to the provision of Value Added Tax.

The VAT Rate on sale of Lottery Ticket is 4% (2 × 4 = 8 marks)

2009 - Nov [8] (a) Mr. X, a manufacturer sells goods to Mr. B, a distributor for Rs. 2,000 (excluding of VAT). Mr. B sells goods to Mr. K, a wholesale dealer for Rs. 2,400. The wholesale dealer sells the goods to a retailer for Rs. 3,000, who ultimately sells to the consumers for Rs. 4,000.

Compute the Tax Liability, input credit availed and tax payable by the manufacturer, distributor, wholesale dealer and retailer under Invoice method assuming VAT rate @ 12.5%. (8 marks)

2009 - Nov [8] (b) Answer the following :

- (i) What are the different stages of VAT ? Can it be said that entire burden falls on the final consumer ?
- (ii) Discuss filing of Return under VAT.
- (iii) List out six purchases which are not eligible for input tax credit.

(3 × 3 = 9 marks)

Chapter-18 : Service Tax

2009 - Nov [5] Answer the following :

- (a) Should Service Tax be paid even, if it is not collected from the client or Service Receiver ?
- (b) Mr. Raju is a multiple service provider and files only a single return. State with reasons whether he can do so ?
- (c) Explain the term “Vocational Training Institute” under the provisions of Service Tax.
- (d) State with reason in brief whether the following statement is true or false with reference to the provisions of Service Tax.

Mr. Salim, an architect has received the fees of Rs. 4,48,500 after the deduction of Income Tax of Rs. 51,500. The Service Tax is payable on Rs. 4,48,500.

(2 × 4 = 8 marks)

2009 - Nov [6] (a) Rosy Tours Co. has arranged three package tours during F Y 2008-09. The particulars of the Services and Charges are as under :

- (i) Tour 1 : April, 2008—Charges received Rs. 3.5 Lacs
The package includes transportation, accommodation, food, tourist guide and entry fees for monuments.
- (ii) Tour 2 : October, 2008—Charges received Rs. 6.5 Lacs
The package includes transportation and accommodation for stay.
- (iii) Tour 3 : December, 2008—Charges received Rs. 4 Lacs
The charges are solely for arranging accommodation for stay. However, the bills issued to the clients do not mention it clearly that the charges are solely for arranging the accommodation for stay.

All the charges are excluding service tax. The rate of service tax is 12% + Education cess. Compute the taxable services and tax thereon.

(8 marks)

2009 - Nov [6] (b) Answer the following :

- (i) Whether export service provided by Service Provider is excluded for the purpose of Payment of Service Tax ?

- (ii) List the documents to be submitted alongwith the First Service Tax Return.
- (iii) What is the due date for payment in case of e-payment of Service Tax?
(3 × 3 = 9 marks)

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