

Free of Cost

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SCANNER™ Appendix

ATC/IPCC Gr. I

May - 2009

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PAPER'S

Paper - 1 : Accounting

Chapter - 1 : Accounting Standards

2009 - May [6] Answer the following :

- (a) Sony Pharma ordered 12,000 kg. of certain material at Rs. 80 per unit. The purchase price includes excise duty Rs. 4 per kg in respect of which full CENVAT credit is admissible. Freight incurred amounted to Rs. 77,400. Normal transit loss is 3%. The company actually received 11,600 kg. and consumed 10,100 kg. of material. Compute cost of inventory under AS-2 and abnormal loss. (4 marks)

Chapter - 2 : Company Accounts- Preparation of Financial Statements

2009 - May [5] Answer the following :

- (x) The Managing Director of A Ltd. is entitled to 5% of the annual net profits, as his remuneration, subject to a minimum of Rs. 25,000 per month. The net profits, for this purpose, are to be taken without charging income-tax and his remuneration itself. During the year, A Ltd. made net profit of Rs. 43,00,000 before charging MD's remuneration, but after charging provision for taxation of Rs.17,20,000. Compute remuneration payable to the Managing Director. (2 marks)

Chapter - 3 : Cash Flow Statement

2009 - May [2] (b) From the following summarised Cash account of S Ltd., prepare cash flow statement for the year ended 31st March, 2009 in accordance with AS-3 (revised) using direct method. The company does not have any cash requirement :

Summarised Cash Account

		(Rs. 000)	
Opening Balance	50	Payment to suppliers	2,000
Issue of Share capital	300	Purchase of Fixed assets	200
Received from customers	2,800	Overhead expenses	200
Sale of Fixed assets	100	Wages and salaries	100
		Tax paid	250
		Dividend paid	50
		Bank Loan	300
		Closing Balance	150
	<u>3,250</u>		<u>3,250</u>

(8 marks)

Chapter - 5: Accounting for business acquisitions. Amalgamation and reconstruction

2009 - May [5] Answer the following :

- (iii) Give the journal entry to be passed for accounting unrealised profit on stock, under amalgamation.. (2 marks)
- (ix) Name two methods of accounting for amalgamations as contemplated by AS-14.. (2 marks)

Chapter - 8 : Self Balancing Ledgers

2009 - May [6] Answer the following :

- (f) What is the difference between the Sectional and Self-balancing system? (4 marks)

Chapter - 9 : Financial Statement of not for profit organisation

2009 - May [1] Following is the Receipts and Payments Account of Nanoo Club for the year ended 31st March, 2009:

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Opening Balance :		Salaries	1,20,000
Cash	10,000	Creditors	15,20,000
Bank	3,850	Printing and Stationery	70,000
Subscription received	2,02,750	Postage	40,000
Entrance donation	1,00,000	Telephone and Fax	52,000
Interest received	58,000	Repairs and Maintenance	48,000
Sale of Fixed assets	8,000	Glass and Table linen	12,000
Miscellaneous Income	9,000	Crockery and Cutlery	14,000
Receipts at coffee room	10,70,000	Garden upkeep	8,000
Wines and Spirits	5,10,000	Membership fees	4,000
Swimming Pool	80,000	Insurance	5,000

Tennis court	1,02,000	Electricity	28,000
		Closing Balance :	
		Cash	8,000
		Bank	<u>2,24,600</u>
	<u>21,53,600</u>		<u>21,53,600</u>

Following additional information is provided to you:

- (i) Assets and liabilities as on 1.4.2008 were as follows:

	Rs.
Fixed assets (Net)	5,00,000
Stock	3,80,000
Investment in 12% government securities	5,00,000
Outstanding subscription	12,000
Gratuity fund	1,50,000
Prepaid insurance	1,000
Sundry creditors	1,12,000
Subscription received in advance	15,000
Entrance donation received pending membership	1,00,000

- (ii) Subscription received in advance as on 31.3.09 was Rs. 18,000
- (iii) Outstanding subscription as on 31.3.09 was Rs. 7,000.
- (iv) Outstanding expenses as on 31.3.09 are :
- | | |
|-------------|--------------|
| Salaries | : Rs. 8,000 |
| Electricity | : Rs. 15,000 |
- (v) 50% of the entrance donation was to be capitalised. There was no pending membership as on 31.3.09.
- (vi) The cost of assets sold as on 1.4.08 was Rs. 10,000.
- (vii) Depreciation was provided @ 10% p.a. on fixed assets on written down value basis.
- (viii) A sum of Rs. 20,000 received in October, 2008 as entrance donation from an applicant was to be refunded, as he has not fulfilled the requisite membership qualification. The refund was made on 3.6.09.
- (ix) Purchases made during the year 2008-09 amounted to Rs. 15,00,000.
- (x) The value of closing stock as on 31.3.09 was Rs. 2,10,000.
- (xi) The Club as a matter of policy charges off to Income and Expenditure account, all purchases made on account of crockery, cutlery, glass and linen in the year of purchase.

You are required to prepare :

- (i) Income and Expenditure account for the year ended 31st March, 2009.
- (ii) Balance Sheet as on 31st March, 2009. (20 marks)

Chapter - 10 : Accounts from Incomplete Records

2009 - May [2] (a) Following is the Balance Sheet of Mr. Ram, a small trader, as on 31st March, 2008 :

Liabilities	Rs.	Assets	Rs.
Creditors	1,00,000	Cash	10,000
Capital	4,00,000	Bank	20,000
		Stock	80,000
		Debtors	1,00,000
		Fixed Assets	<u>2,90,000</u>
	<u>5,00,000</u>		<u>5,00,000</u>

A fire occurred on the night of 31st March, 2009, destroying the accounting records as well as the closing cash of the trader. However, the following information was available :

- (i) Debtors and creditors as on 31st March, 2009 showed an increase of 20% as compared to 31st March, 2008.
- (ii) Credit period :
Debtors : 1 month
Creditors : 2 months
- (iii) Stock was maintained at the same level throughout the year.
- (iv) Cash sales constituted at 20% of the total sales.
- (v) All purchases were on credit basis only.
- (vi) Current ratio on 31st March, 2009 was exactly 2.
- (vii) Total expenses excluding depreciation for the year amounted to Rs. 5,00,000.
- (viii) Depreciation was provided @ 10% on the closing book value of fixed assets.
- (ix) Bank and cash transactions for the financial year 2008-09 were as under :
 - (a) Payment to creditors included Rs. 1,00,000 by cash.
 - (b) Received from debtors included Rs. 11,80,000 by way of cheques.
 - (c) Cash deposited into the Bank Rs. 2,40,000.
 - (d) Personal drawings from Bank Rs. 1,00,000.
 - (e) Fixed assets purchased and paid by cheques Rs. 4,50,000.
- (x) Assume that cash destroyed by fire is written off in the Profit and Loss account.

You are required to prepare :

- (i) Trading and Profit and Loss account of Shri Ram for the year ended 31st March, 2009.
- (ii) A Balance Sheet as at that date. (8 marks)

Chapter - 11 : Hire Purchase and Instalment Sale Transactions

2009 - May [5] Answer the following :

- (vii) Mr. X purchased a machine on hire-purchase system. Rs. 30,000 being paid on delivery and the balance in five instalments of Rs. 60,000 each, payable annually on 31st December. The cash price of the machine was Rs. 3,00,000. Compute the amount of interest for each year.. (2 marks)

Chapter - 12 : Investment Accounts

2009 - May [3] (b) On 1st April, 2008, Mr. Neel purchased 5,000 equity shares of Rs. 100 each in X Ltd. @ Rs. 120 each from a Broker, who charged 2% brokerage. He incurred 1/2% as cost of shares transfer stamps. On 31st January, 2009, Bonus was declared in the ratio of 1:2 Before and after the record date of bonus shares, the shares were quoted at Rs. 175 per share and Rs. 90 per share respectively. On 31st March, 2009, Mr. Neel sold bonus shares to a broker, who charged 2% brokerage.

Show the Investment Account in the books of Mr. Neel, who held the shares as current assets and closing value of investments shall be made at cost or Market value, whichever is lower. (8 marks)

2009 - May [5] Answer the following :

- (viii) Mr. T purchased 1,000 nos. 10% debentures of Rs. 100 each on 1st April, 2009 at Rs. 96 cum-interest, the previous interest date being 31st December, 2008. Compute cost of investment. (2 marks)

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

2009 - May [5] Answer the following :

- (ii) What is "average clause" under insurance claim? (2 marks)

Chapter - 14 : Introduction to partnership Accounts

2009 - May [5] Answer the following :

- (iv) A and M are partners, sharing profit and losses in the ratio of 3 : 2. G is admitted for 1/4th share. Thereafter, N enters the partnership for 20 Paise in a Rupee. Compute new profit sharing ratio. (2 marks)

Chapter - 15 : Accounting in computerised environment

2009 - May [6] Answer the following :

- (c) Mention, four advantages and four disadvantages of pre-packaged accounting software. (4 marks)

Paper - 2A : Business Law**Chapter - 1 : Basics of a Contract**

2009 - May [1] {C} (c) Pick out the correct answer from the following and give reasons :

- (i) An agreement to subscribe or contribute a plate or prize of the value of Rs. 500 or above to be awarded to the winner of a horse race is
(1) Void

- (2) Valid
- (3) Illegal
- (4) Unenforceable.. (1mark)

Chapter - 3 : Other Essential Elements of Contract

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

- (i) An agreement entered with a minor may be ratified on his attaining majority. (1mark)

Chapter - 4 : Performance of Contract

2009 - May [1] {C} (c) Pick out the correct answer from the following and give reasons :

- (ii) Substitution of new contract for an existing contract between the same parties is known as :
 - (1) Remission
 - (2) Alteration
 - (3) Rescission
 - (4) Novation.. (1mark)

Chapter - 8 : Contract of Indemnity and Guarantee

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

- (ii) Any variation in terms of contract made between principal debtor and a creditor without the consent of surety, automatically discharges the liability of the surety. (1mark)

Chapter - 9 : Bailment and Pledge

2009 - May [1] {C} (a) A, the bailor, pledges cinema projector and other accessories with Cine Association Co-operative Bank Limited, the bailee, for loan. A requests the bank to allow the pledged goods to remain in his possession and promises to hold the same in trust for the bailee and also further promises to handover the possession of the same to the bank whenever demanded. Examining the provisions of Indian Contract Act, 1872 decide, whether a valid contract of pledge has been made between A, the bailor and Bank, the bailee ? (5 marks)

Chapter - 11 : The Negotiable Instruments Act, 1881

2009 - May [1] {C} (c) Pick out the correct answer from the following and give reasons :

- (iii) In legal terms, person who takes the instrument bonafide for value before it is overdue, in good faith, is known as :
 - (1) Holder in the due course
 - (2) Holder
 - (3) Holder for value
 - (4) None of the above. (1 mark)

2009 - May [4] Mr. 'Wise obtains fraudulently from 'R' a crossed cheque " Not Negotiable ". He transfers the cheque to 'V', who gets the cheque encashed from ANS Bank Limited which is not the drawee bank. 'R' on coming to know about the fraudulent act of Mr. 'Wise' sues ANS Bank for the recovery of money. Examine with reference to the relevant provisions of the Negotiable Instruments Act, 1881, whether 'R' will succeed in his claim ? Would your answer be still the same in case Mr. 'Wise' does not transfer the cheque and gets the cheque encashed from ANS Bank himself ? (5 marks)

2009 - May [7] A issues an open 'bearer' cheque for Rs. 10,000 in favour of B who strikes out the word ' bearer' and put crossing across the cheque. The cheque is thereafter negotiated to C and D. When it is finally presented by D's banker, it is returned with remarks "Payment contermanded" by drawer. In response to this legal notice from D,A pleads that the cheque was altered after it had been issued and therefore he is not bound to pay the cheque. Referring to the provisions of the Negotiable Instruments Act, 1881 decide, whether A,s argument is valid or not ? (5 marks)

Chapter - 12 : The Payment of Bonus Act, 1965

2009 - May [3] Skypark Wooden Toys Limited was established at Kolkata in the year 2005 employing 100 workmen. Since then the company suffered the losses, but minimum bonus was paid in the accounting years of 2006 and 2007. In the accounting year 2008 the company earned huge profits. After mitigating the previous losses the company is having surplus profits and wants to pay the bonus to its workmen. Skypark Wooden Toys Limited wants the legal advice on the following issues:

- (a) How much minimum and maximum bonus may be paid to the workmen?
- (b) Whether the company may adjust the puja bonus already paid to the workmen while calculating the amount of bonus payable to workmen of that accounting year.
- (c) Company wants to give wooden toys as bonus instead in cash. Whether the Company can do so ?

Advice the Skypark Wooden Toys Limited, stating the provisions of the Payment of Bonus Act, 1965. (5 marks)

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

2009 - May [6] State the provisions of the Employees Provident Funds and Miscellaneous Provisions Act, 1952 relating to the protection of the amount standing to the credit of an employee in the provident fund against attachment. (5 marks)

Chapter - 14 : The Payment of Gratuity Act, 1972

2009 - May [5] National Steels Limited decided to forfeit the amount of gratuity of its employees A, B and C on account of disorderly conduct and

other acts which caused loss to the property belonging to the company. A, B and C, committed the following acts :

- (i) A refused to surrender the occupied land belonging to the company.
- (ii) B committed theft under law involves offence of moral turpitude.
- (iii) C after superannuation continued to occupy the quarter of the company for six months.

Against the decision of the company, A, B and C applied to the court for relief . The Company contented that the right to gratuity is not a statutory right and the forfeited amount of gratuity was within the law.

Examine the contention of the company and the decision taken by the company to forfeit the amount of gratuity in the light of the Payment of Gratuity Act, 1972. (5 marks)

Chapter - 15 : Company : Basic Concepts

2009 - May [8] F, an assessee, was a wealthy man earning huge income by way of dividend and interest. He formed three Private Companies and agreed with each to hold a bloc of investment as an agent for it. The dividend and interest income received by the company was handed back to F as a pretended loan. This way F divided his income into three parts in a bid to reduce his tax liability.

Decide, for what purpose three companies were established ? Whether the legal personality of all the three companies may be disregarded ? (5 marks)

Chapter - 16 : Memorandum of Association & Articles of Association

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

- (ii) Every Company which is registered under the Companies Act, 1956, need not have their own Articles of Association. (1 mark)

2009 - May [10] India Cosmetics Limited was a registered company Under Indian Companies Act, 1956. Later on, another company, India Cosmetics and Accessories Limited was formed and registered. Being similarity in the names of both Companies, India Cosmetics Limited lodged the complaint against India Cosmetics and Accessories Limited to the Registrar of Companies stating that there is sufficient similarity between these two names which may mislead or defraud to the public. India Cosmetics and Accessories Limited is intending to alter its name.

Advise the India Cosmetics and Accessories Limited to alter the name of the Company according to the provisions of the Companies Act, 1956. (5 marks)

Chapter - 19 : Prospectus

2009 - May [2] {C} (c) Pick out the correct answer from the following and give reasons :

- (iii) A "Statement in lieu of Prospectus" must be filed before the allotment of the shares with the Registrar of Companies by :
- (1) A Private Company
 - (2) A Guarantee Company
 - (3) A Public Company which issues the prospectus to the public
 - (4) A Public Company which does not issue the prospectus to the public. (1mark)

2009 - May [12] What is meant by "Abridged Prospectus" ? Is it necessary to furnish abridged form of prospectus alongwith the application form for shares. Under what circumstances an abridged prospectus need not accompany the detailed information regarding prospectus alongwith the application form ? (5 marks)

Chapter - 22 : Share Capital

2009 - May [2] {C} (c) Pick out the correct answer from the following and give reasons :

- (ii) The Securities Premium Account can not be utilised :
- (1) In writing off the preliminary expenses of the company
 - (2) In writing off the expenses of commission paid on issue of share of the company.
 - (3) For redemption of redeemable preference shares
 - (4) In providing for the premium payable on the redemption of redeemable preference shares. (1mark)

Chapter - 23 : Share Certificate & Share Warrant

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

- (i) A share warrant is a bearer instrument and bearer is entitled to the shares specified in the share warrant. (1mark)

Chapter - 27 : Registration of a Charge

2009 - May [11] While sanctioning working limit, the rate of interest has been fixed at a specified percentage above the bank rate as notified by the Reserve Bank of India. There was a change in the interest rate due to Reserve Bank of India notification issued later. The Bank insisted on filing a return of modification of charges. Is the stand of bank correct ? Discuss, in the light of the provisions of the Companies Act, 1956. (5 marks)

Chapter - 28 : Meetings

2009 - May [2] {C} (a) The articles of ABC Limited provided that only those shareholders would be entitled to vote whose names have been there on the Register of Members for two months before the date of the meeting. X' a member, of the ABC Limited was holding 200 equity shares of the company. X transferred his shares to Y before one month form the date on which the meeting was due. The name of Y could not be entered in the Register of Members as the application of transfer of shares was pending. X attended the

meeting but he was prohibited by the company from exercising his voting right on the ground that he has not hold his shares for specified period as provided in the articles before the date of the meeting.

State whether X can exercise his voting right in the meeting ? State also the grounds upon which X may be excluded from exercising his voting rights in the meeting of the shareholders. (5 marks)

2009 - May [2] {C} (c) Pick out the correct answer from the following and give reasons :

- (i) Statutory meeting is to be called by :
- (1) Government Company
 - (2) Private Company having share capital
 - (3) Public Company having share capital
 - (4) Foreign Company. . (1 mark)

2009 - May [9] Annual, General Meeting of MGR Limited is convened on 28th December, 2008. Mr. J, who is a member of the company, approaches the company on 28th December, 2008 and demands inspection of proxies lodged with the company. Explain the legal position as stated under the Companies Act, 1956 in this regard. (5 marks)

Paper - 2B : Ethics

Chapter - 1 : Principles of Business Ethics

2009 - May [13] {C} (a) " To maintain social contract between society and business, the trusteeship relations are essential". Describe the role of business ethics in this reference . (5 marks)

2009 - May [15] Answer the following . You are required to state whether the statement is correct or incorrect with brief reasons.

- (b) In the longrun those business firms who do not respond to society's needs favourably will survive. (2.5 marks)

Chapter - 2 : Corporate Governance and Corporate Social Responsibility

2009 - May [14] What is meant by Stakeholders ? Describe those stakeholders who are being affected by or can affect the organisation. (5 marks)

Chapter - 3 : Ethics in Workplace

2009 - May [13] {C} (b) Explain the factors that influence ethical behaviour of an employee. List out some examples of various ethical issues faced in a workplace. (5 marks)

2009 - May [15] Answer the following . You are required to state whether the statement is correct or incorrect with brief reasons.

- (a) Ethical behavior is not essential to work environment at the workplace. (2.5 marks)

Chapter - 4 : Environment Issues

2009 - May [15] Answer the following . You are required to state whether the statement is correct or incorrect with brief reasons.

(c) There is no economic growth without ecological costs. (2.5 marks)

Chapter - 5 : Ethics in Marketing and Consumer Protection

2009 - May [15] Answer the following . You are required to state whether the statement is correct or incorrect with brief reasons.

(d) 'Consumer interest' and 'Public interest' are synonymous. (2.5 marks)

Chapter - 6 : Ethics in Accounting and Finance

2009 - May [16] Explain the reasons for unethical behaviour among finance and accounting professional. (5 marks)

Paper - 2C : Communication

Chapter - 1 : Essentials of Communication

2009 - May [17] {C} (a) Explain the factors which are responsible for the growing importance of communication of an organisation. (5 marks)

Chapter - 2 : Interpersonal Communication Skills

2009 - May [18] What is meant by " Active listening" ? State the importance of ' Active listening' in the business communication skills. (5 marks)

Chapter - 6 : Communication in Business environment

2009 - May [17] {C} (b) Draft a circular for employees insisting on punctuality. (5 marks)

Chapter - 7 : Legal Deeds and Documents

2009 - May [19] A partnership firm was constituted by A, B and C partners, carrying on the business of shoe manufacturing. Lateron, Nickson Shoe Manufacturing Co. Limited proposed to purchase the business of the firm to the partners of the firm. The partners unanimously consented to it and agreed to dissolve the firm. Draft a Partnership Dissolution Deed in this respect.

(5 marks)

2009 - May [20] SVA Limited despatched Bonus Share Certificate to Mr. R.R did not receive the Bonus Share Certificate as it was lost in the transit. R applied to the Company to issue the Bonus share certificate in duplicate. SVA Limited asked Mr. R to submit an Indemnity Bond so that Bonus Share Certificate in duplicate may be issued to him. Draft an Indemnity Bond to be given by R to the company for seeking release of Bonus Share Certificate in duplicate. (5 marks)

Paper - 3A : Cost Accounting

Chapter - 1 : Basic Concepts

2009 - May [1] {C} Answer the following :

- (ii) Distinguish between product cost and period cost. (2 marks)

Chapter - 2 : Material Cost

2009 - May [4] {C} Answer the following :

- (i) Discuss accounting treatment of spoilage and defectives in cost accounting. (3 marks)

Chapter - 3 : Employee Cost

2009 - May [1] {C} Answer the following :

- (i) Two workmen, A and B, produce the same product using the same material. A is paid bonus according to Halsey plan, while B is paid bonus according to Rowan plan. The time allowed to manufacture the product is 100 hours. A has taken 60 hours and B has taken 80 hours to complete the product. The normal hourly rate of wages of workman A is Rs. 24 per hour. The total earnings of both the workers are same. Calculate normal hourly rate of wages of workman B. (2 marks)

2009 - May [4] {C} Answer the following :

- (ii) Discuss accounting treatment of idle capacity costs in cost accounting. (3 marks)

Chapter - 4 : Overheads

2009 - May [1] {C} Answer the following :

- (vi) Following information is available for the first and second quarter of the year 2008-09 of ABC Limited :

	Production (in units)	Semi-variable cost (Rs.)
Quarter I	36,000	2,80,000
Quarter II	42,000	3,10,000

You are required to segregate the semi-variable cost and calculate :

- (a) Variable cost per units; and
(b) Total fixed cost. (2 marks)

Chapter - 6 : Reconciliation of Cost and Financial Accounts

2009 - May [3] {C} (a) A manufacturing company has disclosed a net loss of Rs. 2,13,000 as per their cost accounting records for the year ended March 31, 2009. However, their financial accounting records disclosed a net loss of Rs. 2,58,000 for the same period. A scrutiny of data of both the sets of books of accounts revealed the following information :

	Rs.
(i) Factory overheads underabsorbed	5,000
(ii) Administration overheads overabsorbed	3,000
(iii) Depreciation charged in financial accounts	70,000
(iv) Depreciation charged in cost accounts	80,000
(v) Interest on investments not included in cost accounts	20,000
(vi) Income-tax provided in financial accounts	65,000
(vii) Transfer fees (credit in financial accounts)	2,000
(viii) Preliminary expenses written off	3,000
(ix) Over-valuation of closing stock of finished goods in cost accounts	7,000

Prepare a Memorandum Reconciliation Account. (7 marks)

Chapter - 8 : Contract Costing

2009 - May [4] {C} Answer the following :

- (iii) A contract is estimated to be 80% complete in its first year of construction as certified. The contractee pays 75% of value of work certified, as and when certified and makes the final payment on the completion of contract. Following information is available for the first year :

	Rs.
Cost of work-in progress uncertified	8,000
Profit transferred to Profit & Loss A/c at the end of year I on incomplete contract	60,000
Cost of work to date	88,000

Calculate the value of work-in-progress certified and amount of contract price. (3 marks)

Chapter - 9 : Operating Costing

2009 - May [1] {C} Answer the following :

- (iii) A lorry starts with a load of 24 tonnes of goods from station A. It unloads 10 tonnes at station B and rest of goods at station C. It reaches back directly to station A after getting reloaded with 18 tonnes of goods at station C. The distance between A to B, B to C and then from C to A are 270 kms, 150 kms and 325 kms respectively. Compute 'Absolute tonnes kms' and 'Commercial tonnes-kms'. (2 marks)

Chapter - 11 : Joint Products & By Products

2009 - May [3] {C} (b) Describe briefly, how joint costs upto the point of separation may be apportioned amongst the joint products under the following methods :

- Average unit cost method
- Contribution margin method
- Market value at the point of separation

- (iv) Market value after further processing
- (v) Net realizable value method (9 marks)

Chapter - 12 : Standard Costing

2009 - May [1] {C} Answer the following :

- (iv) Following details relating to product X during the month of April, 2009 are available :
 Standard cost per unit of X :
 Materials : 50 kg @ Rs. 40/kg
 Actual production : 100 units
 Actual material cost : Rs. 42/Kg
 Material price variance : Rs. 9,800 (Adverse)
 Material usage variance : Rs. 4,000 (Favourable)
 Calculate the actual quantity of material used during the month April, 2009. (2 marks)

Chapter - 13 : Marginal Costing

2009 - May [4] {C} Answer the following :

- (iv) Product Z has a profit-volume ratio of 28%. Fixed operating costs directly attributable to product Z during the quarter II of the financial year 2009- 10 will be Rs. 2,80,000.
 Calculate the sales revenue required to achieve a quarterly profit of Rs. 70,000. (3 marks)

Chapter - 14 : Budgets & Budgetary Control

2009 - May [1] {C} Answer the following :

- (v) Discuss the components of budgetary control system. (2 marks)

2009 - May [2] {C} Following is the sales budget for the first six months of the year 2009 in respect of PQR Ltd :

Months :	Jan.	Feb.	March	April	May	June
Sales (units) :	10,000	12,000	14,000	15,000	15,000	16,000

Finished goods inventory at the end of each month is expected to be 20% of budgeted sales quantity for the following month. Finished goods inventory was 2,700 units on January 1, 2009. There would be no work-in-progress at the end of any month.

Each unit of finished product requires two types of materials as detailed below :

Material X : 4 kgs @ Rs. 10/kg

Material Y : 6 kgs @ Rs. 15/kg

Material on hand on January, 1, 2009 was 19,000 kgs of material X and 29,000 kgs of material Y. Monthly closing stock of material is budgeted to be equal to half of the requirements of next month's production.

Budgeted direct labour hour per unit of finished product is 3/4 hour.

Budgeted direct labour cost for the first quarter of the year 2009 is Rs.10,89,000.

Actual data for the quarter one, ended on March 31, 2009 is as under :

Actual production quantity : 40,000 units	
Direct material cost	
(Purchase cost based on materials actually issued to production)	
Material X : 1,65,000 kgs @ Rs. 10.20/kg.	
Material Y : 2,38,000 kgs @ Rs. 15.10/kg.	
Actual direct labour hours worked :	32,000 hours
Actual direct labour cost :	Rs. 13,12,000

Required :

- (a) Prepare the following budgets :
 - (i) Monthly production quantity budget for the quarter one.
 - (ii) Monthly raw material consumption quantity budget from January, 2009 to April, 2009.
 - (iii) Materials purchase quantity budget for the quarter one.
- (b) Compute the following variances :
 - (i) Material cost variance
 - (ii) Material price variance
 - (iii) Material usage variance
 - (iv) Direct labour cost variance
 - (v) Direct labour rate variance
 - (vi) Direct labour efficiency variance. (6 + 9 = 15 marks)

Paper - 3B : Financial Management

Chapter - 1 : Scope and Objectives of Financial Management

2009 - May [5] {C} Answer the following :

- (iv) Discuss conflict in profit versus wealth maximisation objective. (2 marks)

Chapter - 3 : Financial Analysis and Planning

2009 - May [5] {C} Answer the following :

- (iii) How is Debt service coverage ratio calculated? What is its significance? (2 marks)

2009 - May [6] {C} Balance Sheets of RST Limited as on March 31, 2008 and March 31, 2009 are as under :

Liabilities	31.3.2008 Rs.	31.3.2009 Rs.	Assets	31.3.2008 Rs.	31.3.2009 Rs.
Equity Share Capital (Rs. 10 face value per share)	10,00,000	12,00,000	Land & Building	6,00,000	7,00,000
General Reserve	3,50,000	2,00,000	Plant & Machinery	9,00,000	11,00,000
9% Preference Share Capital	3,00,000	5,00,000	Investments (Long-term)	2,50,000	2,50,000
Share Premium A/c	25,000	4,000	Stock	3,60,000	3,50,000
Profit & Loss A/c	2,00,000	3,00,000	Debtors	3,00,000	3,90,000
8% Debentures	3,00,000	1,00,000	Cash & Bank	1,00,000	95,000
Creditors	2,05,000	3,00,000	Prepaid Expenses	15,000	20,000
			Advance Tax Payment	80,000	1,05,000
			Preliminary Expenses	40,000	35,000

Bills Payable	45,000	81,000		
Provision for Tax	70,000	1,00,000		
Proposed Dividend	1,50,000	2,60,000		
	<u>26,45,000</u>	<u>30,45,000</u>	<u>26,45,000</u>	<u>30,45,000</u>

Additional information :

- (i) Depreciation charged on building and plant and machinery during the year 2008-09 were Rs. 50,000 and Rs. 1,20,000 respectively.
- (ii) During the year an old machine costing Rs. 1,50,000 was sold for Rs. 32,000. Its written down value was Rs. 40,000 on date of sale.
- (iii) During the year, income tax for the year 2007-08 was assessed at Rs. 76,000. A cheque of Rs. 4,000 was received alongwith the assessment order towards refund of income tax paid in excess, by way of advance tax in earlier years.
- (iv) Proposed dividend for 2007-08 was paid during the year 2008-09.
- (v) 9% Preference shares of Rs. 3,00,000, which were due for redemption, were redeemed during the year 2008-09 at a premium of 5%, out of the proceeds of fresh issue of 9% Preference shares.
- (vi) Bonus shares were issued to the existing equity shareholders at the rate of one share for every five shares held on 31.3.2008 out of general reserves.
- (vii) Debentures were redeemed at the beginning of the year at a premium of 3%.
- (viii) Interim dividend paid during the year 2008-09 was Rs. 50,000.

Required :

- (a) Schedule of Changes in Working Capital; and
- (b) Fund Flow Statement for the year ended March 31, 2009.

(5 + 10 = 15 marks)

2009 - May [8] {C} Answer the following :

- (iv) Discuss the composition of Return on Equity (ROE) using the DuPont model. (3 marks)

Chapter - 4 : Financing Decision-Cost of Capital & Capital Structure

2009 - May [5] {C} Answer the following :

- (v) Discuss the concept of Debt-Equity or EBIT-EPS indifference point, while determining the capital structure of a company. (2 marks)

2009 - May [7] {C} (a) The capital structure of MNP Ltd. is as under :

9% Debentures	Rs. 2,75,000
11% Preference shares	Rs. 2,25,000
Equity shares (face value : Rs. 10 per share)	<u>Rs. 5,00,000</u>
	<u>Rs.10,00,000</u>

Additional information :

- (i) Rs. 100 per debenture redeemable at par has 2% floatation cost and 10 years of maturity. The market price per debenture is Rs. 105.

- (ii) Rs. 100 per preference share redeemable at par has 3% floatation cost and 10 years of maturity. The market price per preference share is Rs. 106.
- (iii) Equity share has Rs. 4 floatation cost and market price per share of Rs. 24. The next year expected dividend is Rs. 2 per share with annual growth of 5%. The firm has a practice of paying all earnings in the form of dividends.
- (vi) Corporate Income- tax rate is 35 %.

Required :

Calculate Weighted Average Cost of Capital (WACC) using market value weights. (9 marks)

Chapter - 6 : Types of Financing

2009 - May [5] {C} Answer the following :

- (vi) Discuss the benefits to the originator of Debt Securitisation (2 marks)

Chapter - 7 : International Financing

2009 - May [5] {C} Answer the following :

- (ii) Discuss the concept of American Depository Receipts. (2 marks)

Chapter - 8 : Capital Budgeting and Investment Decisions

2009 - May [7] {C} (b) A company is required to choose between two machines A and B. The two machines are designed differently, but have identical capacity and do exactly the same job. Machine A costs Rs. 6,00,000 and will last for 3 years. It costs Rs. 1,20,000 per year to run.

Machine B is an 'economy' model costing Rs. 4,00,000 but will last only for two years, and cost Rs. 1,80,000 per year to run. These are real cash flows. The costs are forecasted in Rupees of constant purchasing power. Opportunity cost of capital is 10%. Which machine company should buy ? Ignore tax .

$PVIF_{0.10,1} = 0.9091$, $PVIF_{0.10,2} = 0.8264$, $PVIF_{0.10,3} = 0.7513$. (7 marks)

2009 - May [8] {C} Answer the following :

- (iii) Explain the concept of discounted payback period. (3 marks)

Chapter - 10 : Treasury & Cash Management

2009 - May [5] {C} Answer the following :

- (i) Write a short note on functions of Treasury department. (3 marks)

2009 - May [8] {C} Answer the following :

- (i) A firm maintains a separate account for cash disbursement. Total disbursements are Rs. 2,62,500 per month. Administrative and transaction cost of transferring cash to disbursement account is Rs. 25 per transfer. Marketable securities yield is 7.5% per annum. Determine the optimum cash balance according to William J Baumol model. (3 marks)

Chapter - 12 : Management of Receivables

2009 - May [8] {C} Answer the following :

- (ii) A firm has a total sales of Rs. 12,00,000 and its average collection period is 90 days. The past experience indicates that bad debt losses are 1.5% on sales. The expenditure incurred by the firm in administering receivable collection efforts are Rs. 50,000. A factor is prepared to buy the firm's receivables by charging 2% commission. The factor will pay advance on receivables to the firm at an interest rate of 16% p.a. after withholding 10% as reserve. Calculate effective cost of factoring to the firm. Assume 360 days in a year. (3 marks)

Paper - 4 : Taxation

Chapter - 1 : Definitions

2009 - May [5] Answer the following five sub-divisions with regard to the provisions of the Income-tax Act, 1961 :

- (a) Explain "Previous year" for undisclosed sources of Income. (4 marks)
- (b) Define the meaning of "Infrastructure Capital Fund" as per section 2(26B) of the Income-tax. Act, 1961. (4 marks)

Chapter - 2 : Basic Concepts

2009 - May [1] Answer the following six sub-divisions, with reference to the provisions of the Income-tax Act, 1961 for the assessment year 2009-2010 :

- (e) Mr. X, Karta of HUF claims that the HUF is non-resident as the business of HUF is transacted from UK and all the policy decisions are taken there.. (2 marks)

Chapter - 3 : Income which do not form Part

2009 - May [1] Answer the following six sub-divisions, with reference to the provisions of the Income-tax Act, 1961 for the assessment year 2009-2010 :

- (a) Whether the income derived from saplings or seedlings grown in a nursery is taxable under the Income-tax Act, 1961 ?. (2 marks)
- (c) When does a charitable trust require filing audit report along with return of income ?. (2 marks)
- (f) Mr. P, a shareholder of a closely held company, holding 16% shares, received advances from that company which is to be deemed as dividend from an Indian Company, hence exempted under section 10(34) of the Income-tax Act, 1961. (2 marks)

2009 - May [5] Answer the following five sub-divisions with regard to the provisions of the Income-tax Act, 1961 :

- (c) Explain the meaning of expression "advancement of any other object of general public utility" in the context of "Charitable Purpose" defined under section 2(15) of the Act. (4 marks)

Chapter - 7 : Capital Gains

2009 - May [3] (b) Mr. Kumar is the owner of a residential house which was purchased in September, 1992 for Rs. 50,00,000. He sold the said house on 5th August, 2008 for Rs. 24,00,000. Valuation as per stamp valuation authority of the said plot of land was Rs. 35,00,000. He invested Rs. 8,00,000 in NHAI Bonds on 12th January, 2009. He purchased a residential house on 8th September, 2008 for Rs. 12,00,000. He gives other particulars as follows :

Interest on Bank Deposit Rs. 32,000

Investment in public provident fund Rs. 12,000

You are requested to calculate the taxable income for the assessment year 2009-2010 and the tax liability, if any.

Cost inflation index for F.Y. 1992-93 and 2008-09 are 223 and 582 respectively. (8 marks)

2009 - May [4] (a)

- (ii) Mr. Abhik's father, who is a senior citizen had pledged his residential house to a bank under a notified reverse mortgage scheme. He was getting loan from bank in monthly instalments. Mr. Abhik's father did not repay the loan on maturity and given possession of the house to the bank to discharge his loan. How will the treatment of long-term capital gain be made on such reverse mortgage transaction ? (3 marks)

Chapter-10 : Aggregation of income, Set-off and Carry Forward of Losses

2009 - May [4] (b) Ms. Geeta is a resident individual, provides the following details of her income/losses for the year ended 31.3.2009 :

- (i) Salary received as a partner from a partnership firm Rs. 7,50,000.
- (ii) Loss on sale of shares listed in BSE Rs. 3,00,000. Shares were held for 15 months and STT paid on sale.
- (iii) Long-term capital gain on sale of land Rs. 5,00,000.
- (iv) Rs.51,000 received in cash from friends in party.
- (v) Rs.55,000 received towards dividend on listed equity shares of domestic companies.
- (vi) Brought forward business loss of assessment year 2007-08 Rs.12,50,000. The return for assessment year 2008-09 was filed in time.

Compute gross total income of Ms. Geeta for the assessment year 2009-10 and ascertain the amount of loss that can be carried forward. (8 marks)

Chapter - 11 : Deductions from Gross Total Income

2009 - May [4] (a)

- (i) Mr. Abhik, an individual made payment of health insurance premium to GIC in an approved scheme. Premium paid on his health Rs. 10,000

and his spouse Rs. 15,000 during the year 2008-09. He also paid health insurance premium of Rs. 25,000 on his father's health who is a senior citizen and not dependent on him. The payments have not been made by cash. Compute the amount of deduction under chapter VI-A of the Act, available to Mr. Abhik from his total income for the assessment year 2009-10. (3 marks)

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

2009 - May [2] Mr. X is a resident individual. His Profit and Loss account for the year ending 31st March, 2009 is given below :

To	Amount Rs.	By	Amount Rs.
General charges	35,650	Gross Profit	5,25,860
Insurance	3,500	Commission	6,800
Safety salary	1,12,560	Rent received	37,500
Donation to political party	1,000	Interest on debentures	
Fringe benefit tax	2,400	(Net amount Rs. 22,450	
Depreciation	1,25,656	plus TDS Rs. 2,550)	25,000
Administrative expenses	42,500	Agricultural income	45,000
Advance Tax	17,000	Short-term Profit on sale	
Net Profit	3,44,894	on investment	29,000
		Dividend from	
		Indian Company	16,000
	<u>6,85,160</u>		<u>6,85,160</u>

- Depreciation has been calculated as per the Income Tax Rules at Rs. 75,000.
- He has deposited Rs.35,000 in a notified scheme under Post Office Time Deposit Rules, 1981 for five year time.
- He had bought 200 shares of AB Co. Ltd. on 5.12.2007 @ Rs. 75 each. 150 shares of PQ Co. Ltd. on 3.8.2008 @ Rs. 112 each and 150 shares of AB Co. Ltd. on 05.09.2008 @ Rs. 60 each. He sold all the shares of AB Co. Ltd. on 15.12.2008 @ Rs. 98 each and sold the shares of PQ Co. Ltd. on 10.3.2009 @ Rs. 102 each. All shares were sold in National Stock Exchange through a registered broker.
- One of his life insurance policy was matured on 14.6.2008. The sum assured was Rs. 1,00,000 and amount received on maturity was Rs. 1,62,850.
- Donation to the political party represented the contribution made to a political party registered under section 29A of the Representation of the People Act, 1951.
- Income tax department refunds Rs. 42,580 (including interest of Rs. 1,470) which was directly credited in his personal savings account.

- (vii) He incurred expenditure of Rs.40,000 on treatment of his dependent father who was suffering from specified disease as defined in rule 11DD of Income Tax Rules, 1962. The payment of medical expenses was made by cheque and an amount of Rs. 7,500 was reimbursed to him by an insurance company.
- (viii) Bad debt of a business which was discontinued in earlier years, recovered during the year Rs. 15,000.

Compute total Income and Tax payable there on by Mr. X for the assessment year 2009-2010. (20 marks)

2009 - May [3] (a) Mr. Ashok kumar, an employee of a PSU furnishes the following particulars for the previous year ending 31.3.2009 :

	Rs.
(i) Salary Income for the year	5,25,000
(ii) Salary for Financial Year 2006-07 received during the year.	40,000
(iii) Assessed Income for the Financial Year 2006-07	1,40,000

You are requested by the assessee to compute relief under section 89 of the Income-tax Act, 1961, in terms of tax payable for assessment year 2009-10.

The rates of Income-tax for the assessment year 2007-08 are :

	Tax Rate (%)
On first Rs. 1,00,000	Nil
On Rs. 1,00,000 – Rs. 1,50,000	10
On Rs. 1,50,000 – Rs. 2,50,000	20
Above Rs. 2,50,000	30
Education cess	2

(7 marks)

Chapter - 14 : Income Tax Authorities

2009 - May [1] Answer the following six sub-divisions, with reference to the provisions of the Income-tax Act, 1961 for the assessment year 2009-2010 : State with reason, whether the following statements are True or False :

- (d) A notice under section 143(2) of the Act for scrutiny/regular assessment shall not be issued on an assessee after the expiry of six months from the end of the financial year in which the return is furnished. (2 marks)

2009 - May [5] Answer the following five sub-divisions with regard to the provisions of the Income-tax Act, 1961 :

- (d) What is the meaning of 'Incorrect claim' apparent from any information in the return of Income which needs prima face adjustment under section 143(1) of the Act ? (4 marks)

Chapter - 16 : Appeals Reference and Revision

2009 - May [6] Answer the following :

- (e) Discuss the word " Transparency" in the context of VAT system. (2 marks)

2009 - May [7] (a) Compute the VAT amount payable by Mr. A who purchases goods from a manufacturer on payment of Rs. 2,25,000(including VAT) and earn 10% profit on sale to retailers ? VAT rate on purchase and sale is 12.5%. (3 marks)

2009 - May [8] Answer the following :

- (c) How can an auditor play role to ensure that the tax payers discharge their tax liability properly under the VAT system ? (3 marks)
- (d) Discuss the ' Subtraction method' for computation of VAT. (3 marks)

Chapter - 17 : Value Added Tax (VAT)

2009 - May [6] Answer the following :

- (a) Mr. X, a service provider who pays service tax regularly, was of the opinion that a particular service was not liable for service tax. He, therefore, did not charge service tax in his bill. He received the bill amount without service tax. How will service tax liability of Mr. X be determined in such case ?
- (b) Whether service tax return can be furnished after the due date ?
- (c) How can the excess payment of service tax be adjusted ?
- (d) Discuss the accountability of an " input service distributor" who may not be liable to pay service tax.
- (f) When does a small service provider require to register under the Service Tax Act, but not liable to collect and pay Service Tax ? (5 × 2 = 10)

2009 - May [7] (b) An unregistered "Service provider" provides following details in respect of taxable services provided during the Financial Year 2008-2009 :

Date	Particulars	Amount
30.6.2008	Advance received from a customer	1,00,000
30.9.2008	Part payment received against a bill of Rs. 9,50,000 raised on a customer	5,00,000
31.12.2008	Money received against taxable services provided during December, 08	3,00,000
31.1.2009	Taxable services rendered during January,09	1,00,000
31.3.2009	Taxable services provided during March, 09	2,00,000

The service tax provider complies with the provisions of registration and collection of service tax as per service tax laws. He gets registered during the year. He received the money against the bills raised during the months January and March, 2009. Compute the service tax liability of service provider for the year 2008-09 considering the rate of service tax @ 12.36%. (3 marks)

2009 - May [8] Answer the following :

- (a) How the value of taxable services determined when the consideration against taxable services is received in other than monetary terms ? (3 marks)

- (b) What are the sources of Service Tax Law ?. (3 marks)

New Chapter :

2009 - May [1] Answer the following six sub-divisions, with reference to the provisions of the Income-tax Act, 1961 for the assessment year 2009-2010 :

- (b) When will tax not required to be deducted at source on interest payable to a resident on any bond or security issued by a company though the aggregate amount of interest exceeds Rs. 2,500, the basic exemption limit under section 193 of the Act ? (2 marks)

2009 - May [5] Answer the following five sub-divisions with regard to the provisions of the Income-tax Act, 1961 :

- (e) Enlist the installments of advance tax and due dates thereon in case of companies. (4 marks)

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