

Free of Cost

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SCANNER™ Appendix

IPCC Gr. I (New Course)
May - 2010

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PAPER'S

Paper - 1 : Accounting

Chapter - 1 : Accounting Standards

2010 - May [1] (v) A company acquired a machine on 1.4.2006 for Rs. 5,00,000. The company charged depreciation upto 2008-09 on straight line basis with estimated working life of 10 years and scrap value of Rs. 50,000. From 2009 -10, the company decided to change depreciation method at 20% on reducing balance method. Compute the amount of depreciation to be debited to Profits and Loss A/c for the year 2009 - 10. (2 marks)

(viii) According to Accounting Standard-9, when revenue from sales should be recognised ? (2 marks)

2010 - May [6] Answer the following :

(a) Weak Ltd. acquired the fixed assets of Rs. 100 lakhs on which it received the grant of Rs. 10 lakhs. What will be the cost of the fixed assets as per AS-12 and how it will be disclosed in the financial statements. (4 marks)

(b) During the current year 2009 - 10 M/s L & C Ltd. made the following expenditure relating to its plant and machinery :

- | | |
|--|-----------|
| | Rs. |
| General repairs | 4,00,000 |
| Repairing of Electric Motors | 1,00,000 |
| Partial Replacement of parts of Machinery | 50,000 |
| Substantial improvements to the electrical wiring system which will increase efficiency of the plant and machinery | 10,00,000 |
| What amount should be capitalised according to AS-10 ? | (4 marks) |
- (d) Raw materials inventory of a company includes certain material purchased at Rs. 100 per kg. The price of the material is on decline and replacement cost of the inventory at the year end is Rs. 75 per kg. It is possible to convert the material into finished product at conversion cost of Rs. 125.
- Decide whether to make the product or not to make the product, if selling price is (I) Rs. 175 and (ii) Rs. 225. Also find out the value of inventory in each case. (4 marks)

Chapter - 3 : Cash Flow Statement

2010 - May [5] (b) The following particulars relate to Bee Ltd. for the year ended 31st March, 2010 :

- (i) Furniture of book value of Rs. 15,500 was disposed off for Rs. 12,000.
 - (ii) Machinery costing Rs. 3,10,000 was purchased and Rs. 20,000 were spent on its erection.
 - (iii) Fully paid 8% preference shares of the face value of Rs. 10,00,000 were redeemed at a premium of 3%. In this connection 60,000 equity shares of Rs. 10 each were issued at a premium of Rs. 2 per share. The entire money being received with applications.
 - (iv) Dividend was paid as follows :

On 8% preference shares	Rs. 40,000
On equity shares for the year 2009 - 10	Rs.1,10,000
 - (v) Total sales were Rs. 32,00,000 out of which cash sales were Rs. 11,50,000.
 - (vi) Total purchases were Rs. 8,00,000 including cash purchase of Rs. 60,000.
 - (vii) Total expenses were Rs. 12,40,000.
 - (viii) Taxes paid including dividend tax of Rs. 22,500 were Rs. 3,30,000.
 - (ix) Cash and cash equivalents as on 31st March, 2010 were Rs. 1,25,000.
- You are requested to prepare Cash Flow Statement as per AS-3 for the year ended 31st March, 2010 after taking into consideration the following also :

	On 31 st March, 2009	On 31 st March, 2010
	Rs.	Rs.
Sundry debtors	1,50,000	1,47,000
Sundry creditors	78,000	83,000
Unpaid expenses	63,000	55,000

(8 marks)

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

2010 - May [3] The Balance Sheet of Reckless Ltd. as on 31st March, 2008 is as follows :

Assets		Rs.
Freehold Premises		2,20,000
Machinery		1,77,000
Furniture & Fittings		90,800
Stock		3,87,400
Sundry Debtors	80,000	
Less : Provision for Bad Debts	<u>4,000</u>	76,000
Cash in Hand		2,300
Cash at bank		1,56,500
Bills Receivable		<u>15,000</u>
		<u>11,25,000</u>
Liabilities		
60,000 Equity Shares of Rs. 10 each		6,00,000
Prior Incorporation profit		21,000
Contingency Reserve		1,35,000
Profit & Loss Appropriation Account		1,26,000
Acceptances		20,000
Creditors		1,13,000
Provision for Income-tax		<u>1,10,000</u>
		<u>11,25,000</u>

Careful Ltd. decided to take over Reckless Ltd. from 31st March, 2008 with the following assets at value noted against them :

Bills Receivable	15,000
Freehold Premises	4,00,000
Furniture and Fittings	80,000
Machinery	1,60,000
Stock	3,45,000

1/4 of the consideration was satisfied by the allotment of fully paid preference share of Rs. 100 each at par which carried 13% dividend on cumulative basis. The balance was paid in the form of Careful Ltd.'s equity shares of Rs.10 each, Rs. 8 paid up.

Sundry Debtors realised Rs. 79,500. Acceptances were settled for Rs. 19,000. Income-tax authorities fixed the taxation liability at Rs. 1,11,600. Creditors were finally settled with the cash remaining after meeting liquidation expense amounting to Rs. 4,000.

You are required to :

- (i) Calculate the number of equity shares and preference shares to be allotted by Careful Ltd. in discharge of consideration.
- (ii) Prepare the important ledger accounts in the books of Reckless Ltd.; and
- (iii) Pass Journal entries in the books of Careful Ltd. with narrative (16 marks)

Chapter - 6 : Average due date

2010 - May [1] (iv) Swaminathan owed to Subramaniam the following sums :

Rs. 5,000 on 20th January, 2009

Rs. 8,000 on 3rd March, 2009

Rs. 6,000 on 5th April, 2009

Rs. 11,000 on 30th April, 2009

Ascertain the average due date. (2 marks)

Chapter - 9 : Financial statement of not for Profit organisation

2010 - May [5] (a) On the basis of the following informations, prepare Income and Expenditure Account for the year ended 31st March, 2010 :

Receipts and Payments Account for the year ended 31st March, 2010

Receipts	Rs.	Payments	Rs.
To Cash in hand (opening)	1,300	By Salaries	2,58,000
To Cash at Bank (opening)	3,850	By Rent	71,500
To Subscriptions	4,94,700	By Printing & Stationery	3,870
To Interest on 8% Govt. Bonds	4,000	By Conveyance	10,600
To Bank Interest	160	By Scooter purchased	50,000
		By 8% Govt. Bonds	1,00,000
		By Cash in hand (closing)	840
		By Cash at Bank (closing)	9,200
	<u>5,04,010</u>		<u>5,04,010</u>

- (i) Salaries paid includes Rs. 6,000 paid in advance for April, 2010. Monthly salaries paid were Rs. 21,000.
- (ii) Outstanding rent on 31st March, 2009 and 31st March, 2010 amounted to Rs. 5,500 and Rs. 6,000 respectively.
- (iii) Stock of printing and stationery material on 31st March, 2009 was Rs. 340; it was Rs. 365 on 31st March, 2010.
- (iv) Scooter was purchased on 1st October, 2009. Depreciation @ 20% per annum is to be provided on it.
- (v) Investments were made on 1st April, 2009.
- (vi) Subscriptions due but not received on 31st March, 2009 and 31st March, 2010 totalled Rs. 14,000 and Rs. 12,800 respectively. On 31st

March, 2010 subscriptions amounting to Rs. 700 had been received in advance for April, 2010. (8 marks)

Chapter - 10 : Accounts from incomplete Records

2010 - May [2] The books of account of Ruk Ruk Maan of Mumbai showed the following figures :

	31.3.2008	31.3.2009
	Rs.	Rs.
Furniture & Fixtures	2,60,000	2,34,000
Stock	2,45,000	3,20,000
Debtors	1,25,000	?
Cash in hand & Bank	1,10,000	?
Creditors	1,35,000	1,90,000
Bills Payable	70,000	80,000
Outstanding Salaries	19,000	20,000

An analysis of the cash book revealed the following :

	Rs.
Cash sales	16,20,000
Collection from debtors	10,58,000
Discount allowed to debtors	20,000
Cash purchases	6,15,000
Payment to Creditors	9,73,000
Discount received from creditors	32,000
Payment for bills payable	4,30,000
Drawings for domestic expenses	1,20,000
Salaries paid	2,36,000
Rent paid	1,32,000
Sundry trade expenses	81,000

Depreciation is provided on furniture & fixtures @ 10% p.a. on diminishing balance method. Ruk Ruk Maan maintains a steady gross profit rate of 25% on sales.

You are required to prepare trading and profit and loss account for the year ended 31st March, 2009 and Balance Sheet as on that date. (16 marks)

Chapter - 11 : Hire Purchase and Instalment Sale Transactions

2010 - May [1] (ii) From the following, calculate the cash price of the asset :

	Rs.
Hire purchase price of the asset	50,000
Down payment	10,000

Four annual instalments at the end of each year	10,000
Rate of Interest	5% p.a.

(2 marks)

(x) On 1st April, 2009 a car company sold to Arya Bros., a motor car on hire-purchase basis. The total hire-purchase price was Rs. 4,60,000 with down payment of Rs. 1,60,000. Balance amount was to be paid in three annual instalments of Rs. 1,00,000 each. The first instalment payable on 31st March, 2010. The cash price of the car was Rs. 4,00,000.

How will Arya Bros. account for interest over three accounting years assuming books of accounts are closed on 31st March every year. (2 marks)

2010 - May [4] (a) Easilife Ltd. has a hire-purchase department which fixes hire-purchase price by adding 40% to the cost of the goods. The following additional information is provided to you :

	Rs.
On 1 st April, 2009 :	
Goods out on hire-purchase (at hire-purchase price)	2,10,000
Instalments due	14,000
Transactions during the year :	
Hire-purchase price of goods sold	9,80,000
Instalments received	8,12,000
Value of goods repossessed due to defaults (hire-purchase instalments unpaid Rs. 5,600)	7,800

On 31st March, 2010 :

Goods out on hire-purchase (at hire-purchase price)	3,78,000
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You are required to prepare Hire-purchase Trading Account, ascertaining the profit made by the department during the year ended 31st March, 2010.

(10 marks)

Chapter - 12 : Investment Accounts

2010 - May [1] (iii) Mr. X purchased 1,000, 6% Government Bonds of Rs. 100 each on 31st January, 2009 at Rs. 95 each. Interest is payable on 30th June and 31st December. The price quoted is sum interest. Journalise the transaction.

(2 marks)

- (vi) An unquoted long-term investment is carried in the books at cost of Rs. 2 lac. The published accounts of unlisted company received in May, 2009 showed that the company has incurred cash losses with decline market share and the long-term investment may not fetch more than Rs. 20,000. How you will deal with it in the financial statement of investing company for the year ended 31.3.2009. (2 marks)

2010 - May [4] (b) Gamma Investment Company hold 1,000, 15% debentures of Rs. 100 each in Beta Industries Ltd. as on April 1, 2009 at a cost of Rs. 1,05,000. Interest is payable on June, 30 and December, 31 each year.

On May 1, 2009, 500 debentures are purchased cum-interest at Rs. 53,500. On November 1, 2009, 600 debentures are sold ex-interest at Rs. 57,300. On November 30, 2009, 400 debentures are purchased ex-interest at Rs. 38,400. On December 31, 2009, 400 debentures are sold cum-interest for Rs. 55,000.

Prepare the investment account showing value of holdings on March 31, 2010 at cost, using FIFO method. (6 marks)

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

2010 - May [1] (ix) In January, 2010 a firm took an insurance policy for Rs. 60 lakhs to insure goods in its godown against fire subject to average clause. On 7th March, 2010 a fire broke out destroying goods costing Rs. 44 lakhs. Stock in the godown was estimated at Rs. 80 lakhs. Compute the amount of insurance claim. (2 marks)

Chapter - 14 : Introduction to Partnership Accounts

2010 - May [1] (i) A and B are partners in a firm sharing profits and losses in the ratio of 3 : 2. Their capitals are Rs. 60,000 and Rs. 40,000 respectively. They admit C as a new partner who will 1/6th share in the profit of the firm. C brings in Rs. 25,000 as his capital. Find out the amount of goodwill on the basis of the above information. (2 marks)

(vii) In the absence of a partnership deed, what will be your decision in disputes amongst partners regarding the following matters :

- (a) Profit sharing ratio;
- (b) Interest rate at which interest is to be allowed to partner on loan given to the firm by a partner. (2 marks)

Chapter - 15 : Accounting in Computerised Environment

2010 - May [6] Answer the following :

- (c) What are the advantages of per-packaged accounting software ? (4 marks)

Paper - 2A : Business Laws

Chapter - 3 : Other Essential Elements of Contract

2010 - May [1] (c) Pick out the correct answer from the following and give reasons :

- (i) X sells the goodwill of his retail store to Y for Rs. 5 lac and promises not to carry on the same business forever and anywhere in India. Is the agreement.
 - 1. valid
 - 2. void
 - 3. voidable
 - 4. illegal. (1 mark)

Chapter - 7 : Quasi Contract

2010 - May [1] (a) Z rent out his house situated at Mumbai to W for a rent of Rs. 10,000 per month. A sum of Rs. 5 lac, the house tax payable by Z to the Municipal Corporation being in arrears, his house is advertised for sale by the

corporation. W pays the corporation, the sum due from Z to avoid legal consequences. Referring to the provisions of the Indian Contract Act, 1872 decide whether W is entitled to get the reimbursement of the said amount from Z. (5 marks)

Chapter - 10 : Agency

2010 - May [1] (b) State with reasons whether the following statements are correct or incorrect :

- (ii) Ratification of agency is valid even if knowledge of the principal is materially defective. (1 mark)

2010 - May [1] (c) Pick out the correct answer from the following and give reasons :

- (ii) A without B's authority let out B's flat to C. Afterwards B accepts rent of the flat from C. It is an agency by :
1. holding out
 2. estoppel
 3. ratification
 4. necessity. (1 mark)

Chapter - 11 : The Negotiable Instruments Act, 1881

2010 - May [1] (c) Pick out the correct answer from the following and give reasons :

- (iii) P, obtains a cheque drawn by M by way of gift. Here P is a :
1. holder in due course
 2. holder for value
 3. holder
 4. None of the above. (1 mark)

2010 - May [3] J accepted a bill of exchange and gave it to K for the purpose of getting it discounted and handing over the proceeds to J. K having failed to discount it returned the bill to J. J tore the bill in two pieces with the intention of cancelling it and threw the pieces in the street. K picked up the pieces and pasted the two pieces together, in such manner that the bill seemed to have been folded for safe custody, rather than cancelled. K put it into circulation and it ultimately reached L, who took it in good faith and for value. Is J liable to pay the bill under the provisions of the Negotiable Instruments Act, 1881. (5 marks)

Chapter - 12 : The Payment of Bonus Act, 1965

2010 - May [1] (b) State with reasons whether the following statements are correct or incorrect :

- (i) Employees can relinquish their right to receive minimum bonus by an agreement with employer. (1 mark)

2010 - May [4] In 2009, the Electronics Corporation, a Public Sector establishment under the Department of Science and Technology, Government of Rajasthan starts to sell mobile sets manufactured by it, in addition to T.V. sets, so as to compete with private sector establishments of mobile sets in the market. The income from sale of mobile sets is 30 percent of the gross income of the Corporation. The employees of the Corporation went to strike for demand of Bonus. Decide, whether the demand of the employees is tenable under the provisions of the of the Payment of Bonus Act, 1965. Would your answer be different if the income from sale of mobile sets is only 10 percent of the gross income of the Corporation. (5 marks)

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

2010 - May [5] R, a 57 years old district judge was appointed by the Central Government as Presiding Officer of the Employee's Provident Funds Appellate Tribunal for a period of five years. After three years, he (R) resigns from his office and ceases to work with immediate effect without handing over the charge to his successor, who was not appointed by the Government till that date. Examine the validity of R's action to cease work under the provisions of the Employee's Provident Funds and Miscellaneous Provisions Act, 1952. (5 marks)

Chapter - 14 : The Payment of Gratuity Act, 1972

2010 - May [6] S is employed in Golden ice-cream factory, a seasonal establishment. The factory was in operation for four months only during the financial year 2009-10. S was not in continuous service during this period. However, he has worked only for sixty days. Referring to the provisions of the payment of Gratuity Act, 1972 decide whether S is entitled to gratuity payable under the Act. Would you answer be the same in case S works for 100 days ? (5 marks)

Chapter - 16 : Memorandum of Association & Articles of Association

2010 - May [8] The object clause of the Memorandum of Association of RST Limited authorises it to publish and sell text-books for students. The company, however, entered into an agreement with Q to supply 100 laptops of worth Rs. 5 lac for resale purposes. Subsequently, the company refused to make payment on the ground that the transaction was ultravirus the company. Examine the validity of the company's refusal for payment to Q under the provisions of the Companies Act, 1956. (5 marks)

Chapter - 17 : Preliminary & Provisional Contracts

2010 - May [2] (c) Pick out the correct answer from the following and give reasons :

- (i) Contracts entered into by a company after its incorporation and before it is entitled to commence business are called :
1. provisional contracts
 2. pre-incorporation contracts
 3. both 1 and 2
 4. None of the above. (1 mark)

Chapter - 20 : Allotment of Shares

2010 - May [2] (c) Pick out the correct answer from the following and give reasons :

- (ii) The underwriting commission on shares must not exceed :
1. 2.0 percent of the issued price of shares
 2. 2.5 percent of the issued price of shares
 3. 5.0 percent of the issued price of shares
 4. 5.5 percent of the issued price of shares (1 mark)

Chapter - 23 : Share Certificate & Share Warrant

2010 - May [7] J held 100 partly paid up shares of LKM Limited. The company asked him to pay the final call money on the shares. Due to some unavoidable circumstances he was unable to pay the amount of call money to the company. At a general meeting of the shareholders, the chairman disallowed him to cast his vote on the ground that the articles do not permit a shareholder to vote if he has not paid the calls on the shares held by him. J contested the decision of the Chairman. Referring to the provisions of the Companies Act, 1956 decide whether the contention of J is valid. (5 marks)

Chapter - 24 : Transfer & Transmission of Shares

2010 - May [2] (a) UMC Limited has only 7 shareholders having fully paid-up shares. On 30th April, 2009, all the shares of X (a shareholder of the company) are sold to Y (another shareholder of the company) in an auction by the order of the court. Z, (a shareholder of the company) was in USA for a business trip from January and thus he was not aware of the developments. The company continues to carry on its business thereafter. In December, 2009, the company borrowed a sum of Rs. 5 lac from the Unique Bank. Later, the company was wound up and the Assets of the company were not sufficient for the payment of its Liabilities. The Bank filed a suit against Y and Z for recovery of the said loan from them. Decide the Liabilities of Y and Z under the provisions of Companies Act, 1956. Would your answer be the same, if the said loan was taken in the month of March, 2009 ? (5 marks)

Chapter - 26 : Bonus Shares and Debentures

2010 - May [2] (b) State with reasons whether the following statements are correct or incorrect :

- (i) Issue of debentures with voting rights is not permissible. (1 mark)

Chapter - 28 : Meetings

2010 - May [2] (b) State with reasons whether the following statements are correct or incorrect :

- (ii) A private company is required to hold the statutory meeting (1 mark)

2010 - May [2] (c) Pick out the correct answer from the following and give reasons :

- (iii) Which one of the following required ordinary resolution ?
1. to change the name of the company
 2. to alter the articles of association
 3. to reduce the share capital
 4. to declare dividends. (1 mark)

2010 - May [9] K, a member of MNO Limited, appoints L as his proxy to attend the general meeting of the company. Later he (K) also attends the meeting. Both K (the member) and L (the proxy) voted on a particular resolution in the meeting. K's vote was declared invalid by the chairman stating that since he has appointed the proxy and L's vote has been considered as valid. K objects to the decision of the Chairman. Decide, under the provisions of the Companies Act, 1956 whether K's objection shall be taxable. (5 marks)

Chapter - 29 : Company Law in a Computerised Environment

2010 - May [10] Explain the 'MCA 21 Program' introduced by the Government of India to develop computerized environment for company law. How does it serve the interest of all the stakeholders of a company, corporate professionals and the public at large ? (5 marks)

Paper - 2B : Ethics

Chapter - 2 : Corporate Governance and Corporate Social Responsibility

2010 - May [11] (a) What is meant by Corporate Governance ? Explain the benefits of Good Corporate Governance. (5 marks)

2010 - May [13] State with reasons whether the following statements are correct or incorrect :

- (i) Corporate Social Responsibility is closely linked with the principles of sustainable development. (2.5 marks)

Chapter - 4 : Environment Issues

2010 - May [11] (b) Explain the concept of Green Accounting system.
(5 marks)

2010 - May [13] State with reasons whether the following statements are correct or incorrect :

- (ii) A good environmental practice improves corporate performance.
(2.5 marks)

Chapter - 6 : Ethics in Accounting and Finance

2010 - May [12] Explain the various safeguards that should be adopted for overcoming threats faced by an accounting and finance professional.
(5 marks)

Paper - 2C : Communication

Chapter - 2 : Interpersonal Communication Skills

2010 - May [14] (a) Explain the functions of interpersonal communication.
(5 marks)

Chapter - 6 : Communication in Business Environment

2010 - May [14] (b) The statutory meeting of PQR Limited was held on 20th January, 2010 at its registered office at Kolkata. As a secretary of the company, draft the minutes of the statutory meeting of the shareholders of the company.
(5 marks)

Chapter - 7 : Legal Deeds and Documents

2010 - May [15] The Board of Directors of RSP Limited agrees with X to hire his (X's) flat at NOIDA on lease for ten years @ Rs. 20,000 per month for marketing office of the company. You are a senior executive of the Board and the board asks you to prepare the lease deed for the agreement. Draft a lease deed.
(5 marks)

2010 - May [16] State the contents that are required for drafting an Annual Report of a Company.
(5 marks)

Paper - 3A : Cost Accounting

Chapter - 1 : Basic Concepts

2010 - May [1] Answer the following :

- (i) What is Cost accounting ? Enumerate its important objectives. (2 marks)

Chapter - 2 : Material Cost

2010 - May [1] Answer the following :

- (iii) Re-order quantity of material 'X' is 5,000 kg; Maximum level 8,000 kg.; Minimum usage 50 kg. per hour; minimum re-order period 4 days; daily working hours in the factory is 8 hours. You are required to calculate the re-order level of material 'X'.
(2 marks)

Chapter - 3 : Employee Cost**2010 - May [4]** Answer of the following :

- (iii) Which is better plan out of Halsey 50 percent bonus scheme and Rowan bonus scheme for an efficient worker ? In which situation the worker get same bonus in both schemes ? (3 marks)

Chapter - 4 : Overheads**2010 - May [1]** Answer the following :

- (ii) Distinguish between Fixed overheads and Variable overheads. (2 marks)

2010 - May [4] Answer of the following :

- (ii) Explain the treatment of over and under absorption of Overheads in Cost accounting. (3 marks)

Chapter - 5 : Integrated & Non-Integrated Accounts**2010 - May [1]** Answer the following :

- (v) What are the main advantages of Integrated accounts ? (2 marks)

Chapter - 9 : Operating Costing

2010 - May [3] (b) A transport company has been given a 40 kilometre long route to run 5 buses. The cost of each bus is Rs. 6,50,000. The buses will make 3 round trips per day carrying on an average 80 percent passengers of their seating capacity. The seating capacity of each bus is 40 passengers. The buses will run on an average 25 days in a month. The other information for the year 2010-11 are given below :

Garage rent	Rs. 4,000 per month
Annual repairs and maintenance	Rs. 22,500 each bus
Salaries of 5 drivers	Rs. 3,000 each per month
Wages of 5 conductors	Rs. 1,200 each per month
Manager's salary	Rs. 7,500 per month
Road tax, permit fee, etc.	Rs. 5,000 for a quarter
Office expenses	Rs. 2,000 per month
Cost of diesel per litre	Rs. 33
Kilometre run per litre for each bus	6 kilometres
Annual depreciation	15% of cost
Annual Insurance	3% of cost

You are required to calculate the bus fare to be charged from each passenger per kilometre, if the company wants to earn a profits of $33\frac{1}{3}$ percent on taking (total receipts from passengers). (8 marks)

Chapter - 10 : Process Costing

2010 - May [3] (a) Pharma Limited produces product 'Glucodin' which passes through two processes before it is completed and transferred to finished stock. The following data relates to March, 2010.

	Process- I Rs.	Process- II Rs.	Finished Stock Rs.
Opening Stock	1,50,000	1,80,000	4,50,000
Direct materials	3,00,000	3,15,000	—
Direct Wages	2,24,000	2,25,000	—
Factory overheads	2,10,000	90,000	—
Closing Stock	74,000	90,000	2,25,000

Inter process profit included in

Opening stock	NIL	30,000	1,65,000
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Output of process I is transferred to process II at 25 percent profit on the transferred price, whereas output of process II is transferred to finished stock at 20 percent on transfer price. Stock in processes are valued at prime cost. Finished stock is valued at the price at which it is received from process II. Sales for the month is Rs. 28,00,000.

You are required to prepare Process-I a/c, Process-II a/c, and Finished Stock a/c showing the profit element at each stage. (8 marks)

Chapter - 12 : Standard Costing

2010 - May [2] SB Constructions Limited has entered into a big contract at an agreed price of Rs. 1,50,00,000 subject to an escalation clause for material and labour as spent out on the contract and corresponding actuals are as follows :

Material	Standard		Actual	
	Quantity (tonnes)	Rate per tonne Rs.	Quantity (tonnes)	Rate per tonne Rs.
A	3,000	1,000	3,400	1,100
B	2,400	800	2,300	700
C	500	4,000	600	3,900
D	100	30,000	90	31,500
Labour	Hours	Hourly Rate Rs.	Hours	Hourly Rate Rs.
L ₁	60,000	15	56,000	18
L ₂	40,000	30	38,000	35

You are required to :

- (i) Give your analysis of admissible escalation claim and determine the final contract price payable. (4 marks)
- (ii) Prepare the contract account, if the the all expenses other than material and labour related to the contract are Rs. 13,45,000. (3 marks)
- (iii) Calculate the following variances and verify them :
 - (a) Material cost variance

- (b) Material price variance
- (c) Material usage variance
- (d) Labour cost variance
- (e) Labour rate variance
- (f) Labour efficiency variance. (8 marks)

Chapter - 13 : Marginal Costing

2010 - May [1] Answer the following :

- (iv) What do you understand by Key factor ? Give two examples of it. (2 marks)

2010 - May [4] Answer of the following :

- (i) Following informations are available for the year 2008 and 2009 of PIX Limited :

Year	2008	2009
Sales	Rs. 32,00,000	Rs. 57,00,000
Profit/(Loss)	(Rs. 3,00,000)	Rs. 7,00,000

Calculate—(a) P/V ratio, (b) Total fixed cost, and (c) Sales required to earn a Profit of Rs. 12,00,000. (3 marks)

Paper - 3B : Financial Management

Chapter - 1 : Scope and Objectives of Financial Management

2010 - May [8] Answer of the following :

- (ii) State the role of a Chief Financial Officer. (3 marks)

Chapter - 2 : Time Value of Money

2010 - May [5] Answer of the following :

- (v) Ascertain the compound value and compound interest of an amount of Rs. 75,000 at 8 percent compounded semiannually for 5 years. (2 marks)

Chapter - 3 : Financial Analysis and Planning

2010 - May [6] The following figures and ratios are related to a company :

- (i) Sales for the year (all credit) Rs. 30,00,000
- (ii) Gross Profit ratio 25 percent
- (iii) Fixed assets turnover (basis on cost of goods sold) 1.5
- (iv) Stock turnover (basis on cost of goods sold) 6
- (v) Liquid ratio 1 : 1
- (vi) Current ratio 1.5 : 1
- (vii) Debtors collection period 2 months

- (viii) Reserve and surplus to Share capital 0.6 : 1
- (ix) Capital gearing ratio 0.5

(x) Fixed assets to net worth 1.20 : 1

You are required to prepare :

- (a) Balance Sheet of the company on the basis of above details. (11 marks)
- (b) The statement showing Working capital requirement, if the company wants to make a provision for contingencies @ 10 percent of net working capital including such provision. (4 marks)

2010 - May [8] Answer of the following :

- (iii) Distinguish between Fund Flow Statement and Cash Flow Statement. (3 marks)

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

2010 - May [5] Answer of the following :

- (i) What do you understand by Capital structure ? How does it differ from Financial structure ? (2 marks)

2010 - May [8] Answer of the following :

- (i) SK Limited has obtained funds from the following sources, the specific cost are also given against them :

Source of funds	Amount Rs.	Cost of Capital
Equity shares	30,00,000	15 percent
Preference shares	8,00,000	8 percent
Retained earnings	12,00,000	11 percent
Debentures	10,00,000	9 percent (before tax)

You are required to calculate weighted average cost of capital. Assume that Corporate tax rate is 30 percent. (3 marks)

Chapter - 6 : Types of Financing

2010 - May [5] Answer of the following :

- (iii) Briefly discuss the concept of seed capital assistance. (2 marks)

Chapter - 8 : Capital Budgeting and Investment Decisions

2010 - May [7] (a) The management of P Limited is considering to select a machine out of the two mutually exclusive machines. The company's cost of capital is 12 percent and corporate tax rate for the company is 30 percent. Details of the machines are as follows :

	Machine-I	Machine-II
Cost of machine	Rs.10,00,000	Rs. 15,00,000
Expected life	5 years	6 years
Annual income before tax and depreciation	Rs. 3,45,000	Rs. 4,55,000

Depreciation is to be charged on straight line basis.

You are required to :

- (i) Calculate the discounted pay-back, period, net present value and internal rate of return for each machine.
- (ii) Advise the management of P Limited as to which machine they should take up.

The present value factors of Re. 1 are as follows :

Year	1	2	3	4	5	6
At 12%	.893	.797	.712	.636	.567	.507
At 13%	.885	.783	.693	.613	.543	.480
At 14%	.877	.769	.675	.592	.519	.456
At 15%	.870	.756	.658	.572	.497	.432
At 16%	.862	.743	.641	.552	.476	.410

(9 marks)

Chapter - 10 : Treasury & Cash Management

2010 - May [7] (b) The following details are forecasted by a company for the purpose of effective utilisation and management of cash :

- (i) Estimated sales and manufacturing costs :

Year and month	Sales	Materials	Wages	Overheads
2010	Rs.	Rs.	Rs.	Rs.
April	4,20,000	2,00,000	1,60,000	45,000
May	4,50,000	2,10,000	1,60,000	40,000
June	5,00,000	2,60,000	1,65,000	38,000
July	4,90,000	2,82,000	1,65,000	37,500
August	5,40,000	2,80,000	1,65,000	60,800
September	6,10,000	3,10,000	1,70,000	52,000

- (ii) Credit terms :
 - Sales—20 percent sales are on cash, 50 percent of the credit sales are collected next month and the balance in the following month.
 - Credit allowed by suppliers is 2 months.
 - Delay in payment of wages is ½ (one-half) month and of overheads is 1 (one) month.
- (iii) Interest on 12 percent debentures of Rs. 5,00,000 is to be paid half-yearly in June and December.
- (iv) Dividends on investments amounting to Rs. 25,000 are expected to be received in June, 2010.
- (v) A new machinery will be installed in June, 2010 at a cost of Rs. 4,00,000 which is payable in 20 monthly instalments from July, 2010 onwards.
- (vi) Advance income-tax to be paid in August, 2010 is Rs. 15,000.
- (vii) Cash balance on 1st June, 2010 is expected to be Rs. 45,000 and the company wants to keep it at the end of every month around this figure,

the excess cash (in multiple of thousand rupees) being put in fixed deposit.

You are required to prepare monthly Cash budget on the basis of above information for four months beginning from June, 2010.

(7 marks)

Chapter - 12 : Management of Receivables

2010 - May [5] Answer of the following :

- (ii) Explain briefly the accounts receivable systems. (2 marks)

Chapter - 13 : Financing of Working Capital

2010 - May [5] Answer of the following :

- (iv) Enumerate the various forms of bank credit in financing working capital of a business organisation. (2 marks)

Paper - 4 : Taxation

Chapter - 2 : Basic Concepts

2010 - May [3] From the following particulars of Income furnished by Mr. Anirudh pertaining to the year ended 31.3.2010, compute the total income for the assessment year 2010-11, if he is :

- (i) Resident and ordinary resident;
 (ii) Resident but not ordinarily resident;
 (iii) Non-resident :

Particulars	Amount (Rs.)
(a) Profit on sale of shares in Indian Company received in Germany	15,000
(b) Dividend from a Japanese Company received in Japan	10,000
(c) Rent from property in London deposited in a bank in London, later on remitted to India through approved banking channels	75,000
(d) Dividend from RP Ltd., an Indian Company	6,000
(e) Agricultural income from lands in Gujarat	25,000

(10 marks)

Chapter - 3 : Income which do not form Part of Total Income

2010 - May [2] (a) Mr. Tenzing is engaged in composite business of growing and curing (further processing) Coffee in Coorg, Karnataka. The whole of coffee grown in his plantation is cured. Relevant information pertaining to the year ended 31.3.2010 are given below :

WDV of Car as on 1.4.2009	(Rs.) 3,00,000
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WDV of machinery as on 31.3.2009 (15% rate)	15,00,000
Expenses incurred for growing coffee	3,10,000
Expenditure for curing Coffee	3,00,000
Sale value of cured Coffee	22,00,000

Besides being used for agricultural operations, the car is also used for personal use; disallowance for personal use may be taken at 20%. The expenses incurred for car running and maintenance are Rs.50,000. The machines were used in coffee curing business operations.

Compute the income arising from the above activities for the assessment year 2010-11. Show the WDV of the assets as on 31.3.2010. (6 marks)

2010 - May [4] Answer the following questions with regard to the Provisions of the Income tax Act, 1961 :

- (b) What are the conditions to be fulfilled by a Charitable Trust under section 12A for applicability of exemption provisions contained in sections 11 and 12 ? (4 marks)

Chapter - 6 : Profits & Gains of Business

2010 - May [4] Answer the following questions with regard to the Provisions of the Income tax Act, 1961 :

- (a) State the concessions granted to transport operators from 1st October, 2009 onwards in the context of cash payments under section 40A(3) and deduction of tax at source under section 194-C. (4 marks)

Chapter - 7 : Capital Gains

2010 - May [2] (b) Mr. Raj Kumar sold a house to his friend Mr. Dhuruv on 1st November, 2009 for a consideration of Rs. 25,00,000. The Sub-Registrar refused to register the document for the said value, as according to him, stamp duty had to be paid on Rs. 45,00,000, which was the Government guideline value. Mr. Raj Kumar preferred an appeal to the Revenue Divisional Officer, who fixed the value of the house as Rs. 32,00,000 (Rs. 22,00,000 for land balance for building portion). The differential stamp duty was paid, accepting the said value determined. Assuming that the fair market value is Rs. 32,00,000, what are the tax implications in the hands of Mr. Raj Kumar and Mr. Dhuruv for the assessment year 2010-11 ? Mr. Raj Kumar had purchased the land on 1st June, 2006 for Rs. 5,19,000 and completed the construction of house on 1st October, 2007 for Rs. 14,00,000.

Cost inflation indices may be taken as 519 for the financial year 2006-07, 582 for the financial year 2007-08 and 632 for the financial year 2009-10.

(6 marks)

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

2010 - May [1] Mr. Dinesh Karthik, a resident individual aged 45, furnishes the following information pertaining to the year ended 31.3.2010 :

- (i) He is a partner in Badrinath & Co. He has received the following amounts from the firm :

Interest on capital at 15%	Rs. 3,00,000
Salary as working partner (at 1% of firm's sales)	Rs. 90,000

- (ii) He is engaged in a business in which he manufactures wheat flour from wheat. The Profit and Loss account pertaining to this business (summarised form) is as under :

To	Rs.	By	Rs.
Salaries	1,20,000	Gross profit	12,50,000
Bonus	48,000	Interest on Bank FD (Net of TDS 5,000)	45,000
Car expenses	50,000	Agricultural income	60,000
Machinery repairs	2,34,000	Pension from LIC Jeevandhara	24,000
Advance tax	70,000		
Depreciation			
Car	3,00,000		
Machinery	1,25,000		
Net Profit	<u>4,32,000</u>		
	<u>13,79,000</u>		<u>13,79,000</u>

Opening WDV of assets are as under :

	Rs.
Car	3,00,000
Machinery	6,50,000

(Used during the year for 170 days)

Additions to machinery

New purchased on 23.9.2009	2,00,000
New purchased on 12.11.2009	3,00,000
Old purchased on 12.4.2009	1,25,000

(All assets added during the year were put to use immediately after purchase)

Of the total bonus amount, Rs. 15,000 was paid on 11.10.2009.

One-fifth of the car expenses are towards estimated personal use of the assessee.

- (iii) In March, 2008, he had sold a house at Chennai. Arrears of rent relating to this house amounting to Rs. 75,000 was received in February, 2010.
- (iv) Details of his Savings and Investments are as under :
- | | |
|--|-----|
| Life Insurance premium for policy in the name of his major son employed in LMN Ltd. at a salary of Rs. 6 lacs p.a. | Rs. |
|--|-----|

Sum assured	Rs. 2,00,000	50,000
Contribution to Pension Fund of National Housing Bank		70,000
(This was met partially from out of premature withdrawal of deposit in Post Office Time Deposit made on 12.3.2006 Principal component Rs. 55,000 and Interest Rs. 5,000)		
Medical Insurance premium for his father aged 70, who is not dependent on him		22,000

You are required to compute the total income of Mr. Dinesh Karthik for the assessment year 2010 -11 and the tax payable by him. Also indicate whether interest, if any, under sections 234A and 234B are payable, assuming that the return was filed on 28th September, 2010.

Computation of interest, if any, is NOT required. (16 marks)

Chapter - 15 : Assessment Procedure

2010 - May [4] Answer the following questions with regard to the Provisions of the Income tax Act, 1961 :

- (c) What are the particulars required to be furnished with the return of income, as per section 139(6) ? (4 marks)

Chapter - 17 : Value Added Tax (VAT)

2010 - May [7] Answer the following questions on VAT :

- (a) What are the items aggregated in the Addition method to calculate the VAT payable ? When is this method mainly used ? (2 marks)
- (b) Is any threshold exemption limit fixed for dealers to obtain VAT registration, as per the White Paper ? If yes, why is the same provided ? (2 marks)
- (c) Is the VAT chain continued when a purchasing dealer opts for VAT composition scheme ? What is the loss to the seller and buyer opting for the composition scheme, and the subsequent buyers ? (2 marks)
- (d) Can it be said that VAT brings about certainty to a great extent in the matter of interpretational issues ? If so, how ? (2 marks)

2010 - May [8] (a) Mr. X, a dealer in Mumbai dealing in consumer goods, submits the following information pertaining to the Month of March, 2010 :

- (i) Exempt goods 'A' purchased for Rs. 2,00,000 and sold for Rs. 2,50,000.
- (ii) Goods 'B' purchased for Rs. 2,25,000 (including VAT) and sold at a margin of 10% profit on purchases (VAT rate 12.5%);
- (iii) Goods 'C' purchased for Rs. 1,00,000 (excluding VAT) and sold for Rs. 1,50,000 (VAT rate 4%);
- (iv) His unutilized balance in VAT input credit on 1.3.2010 was Rs. 1,500.
- Compute the turnover, Input VAT, Output VAT and Net VAT payable by Mr. X. (8 marks)

2010 - May [8] (b) Answer the following questions on VAT :

- (i) What are the merits of VAT in the context of tax evasion, neutrality and transparency ?
(3 marks)
- (ii) State the importance of VAT invoice/tax invoice in administering VAT.
(3 marks)
- (iii) Discuss the tax consequences of Stock transfer under the VAT scheme.
(3 marks)

Chapter - 18 : Service Tax

2010 - May [5] Provide brief answer to the following questions on Service tax:

- (a) Is Service tax payable in respect of services provided in the Indian territorial waters ?
(2 marks)
- (b) Is Service tax leviable on fee collected by Public authorities while performing statutory functions under the provisions of law ?
(2 marks)
- (c) Can an assessee file a revised Service tax return ?
(2 marks)
- (d) Explain the term “Commercial training or Coaching centre.”
(2 marks)

2010 - May [6] (a) Virat Kohli & Co., a partnership firm, is providing taxable legal consultancy services, for the second consecutive assessment year. The firm furnishes the following information relating to the services rendered, bills raised, amounts received relating to this service, for the year ended 31.3.2010:

	Rs.
(i) Free services rendered to poor people (Value of the services computed on comparative basis)	40,000
(ii) Advances received from clients for which no taxable service has been rendered so far	5,00,000
(iii) Services billed to clients Gross amount (Service tax has been charged separately in all the bills; the firm follows mercantile system of accounting)	12,00,000
(iv) The firm has received the following amounts during the year : Relating to taxable services rendered in March, 2009 (excluding service tax at applicable rates and TDS under section 194-J of the IT Act, 1961 to the tune of Rs. 45,320)	5,44,680
Relating to taxable services rendered in current year 2009(excluding Service tax at applicable rates and TDS under section 194-J of the IT Act, 1961 to the tune of Rs. 1,20,000)	9,80,000*
(*includes Rs. 50,000 for appearance fee before Labour Court received from another firm)	
Service tax has been separately received for applicable items in (iv) above.	

You are required to compute the value of taxable services for the year ended 31.3.2010 and the Service tax payable, briefly explaining the treatment of each item above. (8 marks)

2010 - May [6] (b) Answer the following questions on Service tax :

- (i) What is the scope of taxable service in respect of membership of Clubs or Associations ? State the exception to the same. (3 marks)
- (ii) Does a service provider have an option to pay Service tax at a rate different from the general rate applicable on gross value of taxable services, in the case of purchase and sale of foreign currency ? (3 marks)
- (iii) What is the late fee payable for delay in furnishing the Service tax return ? Can the same be waived? (3 marks)

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