CODE : C101

COST ACCOUNTING & FINANCIAL MANAGEMENT

Working Notes Should Form Part Of the answer Wherever appropriate suitable assumption Should be made :

Q.1. Answer Any Five Of the Following :

(i) If the minimum stock level and average stock level of raw material A are 4,000 and 9,000 units respectively find out its 'Re-order quantity'.

(ii) Define cost object and give three examples.

(iii) How do you deal with the following in cost accounts?

(I) Fringe benefits

(ii) Bad debts.

(iv) Explain the importance of an Escalation Clause in contract cost.

(v) Discuss the concept of Economic Batch Quantity (EBQ).

(vi) The cost accountant of Y Ltd. has computed labor turnover rates for the quarter ended 31st March, **2007** as 10% , 5% and 3% respectively under 'Flux method', 'Replacement method' and 'Separation method'. If the number of workers replaced during that quarter is 30, find out the number of (1) workers recruited and joined and (2) workers left and discharged.

(2 x 5 = 10 Marks)

Q.2. From the details furnished below you are required to compute a comprehensive machine-hour rate:

Original purchase price of the machine (subject to depreciation at 10% per annum on original cost)	Rs. 3,24,000
Normal working hours for the month (The machine works to only 75% of capacity)	200 hours
Wages of Machine man	Rs. 125 per day (of 8 hours)
Wages for a Helper (Machine attendant)	Rs. 75 per day (of 8 hours)
Power cost for the month for the time worked	Rs. 15,000
Supervision charges apportioned for the machine centre for the month	Rs. 3,000
Electricity & Lighting for the month	Rs. 7,500
Repairs & maintenance (machine) including consumable stores per month	Rs. 17,500
Insurance of Plant & Building (apportioned) for the year	Rs. 16,250
Other general expenses per annum	Rs. 27,500

The workers are paid a fixed dearness allowance of Rs. 1,575 per month. Production bonus payable to workers in terms of an award is equal to 33.33% of basic wages and dearness allowance. Add 10% of the basic wage and dearness allowance against leave wages and holidays with pay to arrive at a comprehensive labour-wage for debit to production.

(15 Marks)

Q.3.

(A) A contractor commenced a building contract on October 1, 1997. The contract price is Rs. 4,40,000. The following data pertaining to the contract for the year 1998-99 has been compiled from his books and is as under:

		Rs.
April 1, 1998	Work-in-progress not certified	55,000
	Materials at site	2,000
1998-99	Expenses incurred:	
	Materials issued	1,12,000

	Wages paid	1,08,000
	Hire of plant	20,000
	Other expenses	34,000
March 31, 1999	Materials at site	4,000
	Work-in-progress: Not certified	8,000
	Work-in-progress: Certified	4,05,000

The cash received represents 80% of work certified. It has been estimated that further costs to complete the contract will be Rs. 23,000 including the materials at site as on March 31, 1999.

Required:

Determine the profit on the contract for the year 1998-99 on prudent basis, which has to be credited to P/L A/c.

(8 Marks)

(B) Pokemon Chocolates manufactures and distributes chocolate products. It purchases Cocoa beans and processes them into two intermediate products :

- Chocolate powder liquor base.
- Milk-chocolate liquor base.

These two intermediate products before separately identifiable at a single split off point. Every 500 pounds of cocoa beans yields 20 gallons of chocolate-powder liquor base and 30 gallons of milk-chocolate liquor base.

The chocolate powder liquor base is further processed into chocolate powder. Every 20 gallons of chocolate-powder liquor base yields 200 pounds of chocolate powder. The milk-chocolate liquor base is further processed into milk-chocolate. Every 30 gallons of milk-chocolate liquor base yields 340 pounds of milk-chocolate.

Production and sales data for October, 2004 are:

- Cocoa beans processed 7,500 pounds
- Costs of processing Cocoa beans to split off point (including purchase of beans) = Rs. 7,12,500

	Production	Sales	Selling Price
Chocolate Powder	3,000 pounds	3,000 pounds	Rs. 190 per pound
Milk Chocolate	5,100 pounds	5,100 pounds	Rs. 237.50 per pound

The October, 2004 separable costs of processing chocolate-powder liquor into chocolate powder are Rs. 3,02,8 12.50. The October, 2004 separable costs of processing milk-chocolate liquor base into milk-chocolate are Rs. 6,23,43 7.50.

Pokemon fully processes both of its intermediate products into chocolate powder or milk-chocolate. There is an active market for these intermediate products. In October, 2004, Pokemon could have sold the chocolate powder liquor base for Rs. 997.50 a gallon and the milk-chocolate liquor base for Rs. 1,235 a gallon.

Required : Calculate how the joint cost of Rs. 7,12,500 would be allocated between the chocolate powder and milk-chocolate liquor bases under the following methods:

(a) Sales value at split off point

(b) Physical measure (gallons)

(c) Estimated net realisable value, (NRV) and

(d) Constant gross-margin percentage NRV.

(8 Marks)

Q.4. Answer Any Three of the Following :

(i) "Because a single budget system is normally used to serve several purposes, there is a danger that they may conflict with each other". Do you agree ? Discuss.

(ii) Briefly discuss on curvilinear CVP analysis.

(iii) Explain essential pre-requistes for interated accounts.

(iv) Explain, What do you mean by Chargeable Expenses and state its treatment in Cost Accounts.

(3 x 3 = 9 Marks)

Q.5. Answer Any Five of the Following :

(i) A person is required to pay four equal annual payments of Rs. 4,000 each in his Deposit account that pays 10 per cent interest per year. Find out the future value of annuity at the end of 4 years.

(ii) What is optimum Capital structure? Explain.

(iii) Explain the relevance of time value of money in financial paper.

(iv) Differentiate between Business Risk & Financial Risk.

(v) Discuss any three ratio computed for investment analysis.

(vi) Discuss the eligibility criteria for issue of commercial paper.

(2 x 5 = 10 Marks)

Q.6. The following are the Balance Sheets of Gama Limited for the year ending March 31,2004 and March 31, 2005:

Balance Sheet
as on March, 31

	2004 Rs.	**2005 Rs.**
Capital and Liabilities		
Share capital	6,75,000	7,87,500
General Reserves	2,25,000	2,81,250
Capital Reserve (Profit on Sale of investment)	—	11,250
Profit & Loss Account	1,12,500	2,25,000
15% Debentures	3,37,500	2,25,000
Accrued Expenses	11,250	13,500
Creditors	1,80,000	2,8 1,250
Provision for Dividends	33,750	38,250
Provision for Taxation	78,750	85,500
Total	16,53,750	19,48,500
Assets		
Fixed Assets	11,25,000	13,50,000
Less: Accumulated depreciation	2,25,000	2,8 1,250
Net Fixed Assets	9,00,000	10,68,750
Long-term Investments (at cost)	2,02,500	2,02,500
Stock (at cost)	2,25,000	3,03,750
Debtors (net of provision for doubtful debts of Rs. 45,000 and Rs. 56,250 respectively for 2004 and 2005 respectively)	2,53,125	2,75,625
Bills receivables	45,000	73,125
Prepaid Expenses	11,250	13,500
Miscellaneous Expenditure	16,875	11,250
Total	16,53,750	19,48,500

Additional Information:

(i) During the year 2004-05, fixed assets with a net book value of Rs. 11,250 (accumulated depreciation, Rs. 33,750) was sold for Rs. 9,000.

(ii) During the year 2004-05, Investments costing Rs. 90,000 were sold, and also Investments costing Rs. 90,000 were purchased.

(iii) Debentures were retired at a Premium of 10%.

(iv) Tax of Rs. 61,875 was paid for 2003-04.

(v) During the year 2004-05, bad debts of Rs. 15,750 were written off against the provision for Doubtful Debt account.

(vi) The proposed dividend for 2003-04 was paid in 2004-05.

Required:

Prepare a Funds Flow Statement (Statement of changes in Financial Position on working capital basis) for the year ended March 31, 2005.

(15 Marks)

Q.7.

(A) A Company had the following Balance Sheet as on March 31, 2006:

Liabilities and Equity	Rs. (in Crores)	Assets	Rs. (in Crores)
Equity Share Capital (one crore shares of Rs. 10 each)	10	Fixed Assets (Net)	25
Reserves and Surplus	2	Current Assets	15
15% Debentures	20		
Current Liabilities	8		
	40		40

The additional information given is as under :

Fixed Costs per annum (excluding interest)	:	Rs. 8 Crores
Variable operating costs ratio	:	65%
Total Assets turnover ratio	:	2.5
Income-tax rate	:	40%

Required :

(i) Earnings per share

(ii) Operating Leverage

(iii) Financial Leverage

(iv) Combined Leverage.

(8 Marks)

(B) The present credit terms of P Company are 1/10 net 30. Its annual sales are Rs. 80 lakhs, its average collection period is 20 days. Its variable costs and average total costs to sales are 0.85 and 0.95 respectively and its cost of capital is 10 per cent. The proportion of sales on which customers currently take discount is 0.5. P Company is considering relaxing its discount terms to 2/10 net 30. Such relaxation is expected to increase sales by Rs. 5 lakhs, reduce the average collection period to 14 days and increase the proportion of discount sales to 0.8. What will be the effect of relaxing the discount policy on company's profit? Take year as 360 days.

(8 Marks)

Q.8. Answer Any Three Of the Following :

(i) Discuss the impact of financial leverage on shareholders wealth by using return-on-asset (ROA) and return-on-equity (ROE) analytical framework.

(ii) William J Baumal vs. Miller-Orr Cash Management Model.

(iii) Discuss the relationship between the cost of equity and financial leverage in accordance with MM Propositon II.

(iv) Discuss the relevance of time value of money in financial paper.

(3 x 3 = 9 Marks)

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CODE : C102

PROFESSIONAL COMPETENCE COURSE

COST ACCOUNTING & FINANCIAL MANAGEMENT

Working Notes Should Form Part of the answer Wherever appropriate suitable assumption Should be made :

Q.1. Answer Any Five Of the Following :

(i) Calculate the earnings of a worker under Rowan Plan from the following particulars :

(1) Hourly rate of wages guaranteed 0.50 paise per hour.

(2) Standard time for producing one dozen articles - 3 hours.

(3) Actual time taken by the worker to produce 20 dozen articles - 48 hours.

(ii) Explain sunk cost.

(iii) How do you deal with the following in Cost Accounts ?

Bad debts.

(iv) Distinguish between : Job costing and Batch costing.

(v) The average annual consumption of a material is 18,250 units at a price of Rs. 36.50 per unit. The storage cost is 20% on an average inventory and the cost of placing an order is Rs. 50. How much quantity is to be purchased at a time ?

(vi) Define Explicit costs. How is it different from implicit costs ?

(2 x 5 = 10 Marks)

Q.2. The following is the Operating Statement of a company for April, 2001:

			Rs.	
Budgeted Profit			1,00,000	
Variances:		Favourable Rs.	Adverse Rs.	
Sales Volume			4,000	
Price		9,600		
Direct Materials —	Price		4,960	
	Usage		6,400	
Direct Labour —	Rate		3,600	
	Efficiency	3,600		
Fixed Overheads—	Efficiency	2,400		
	Capacity		4,000	
	Expense	1,400		
		17,000	22,960	5,960A
Actual Profit				94,040

Additional information is as under:

Budget for the year	1,20,000 units
Budgeted fixed overheads	Rs. 4,80,000 per annum

Standard cost of one unit of product is:

Direct Materials	5 kg. @ Rs. 4 per kg.
Direct Labour	2 hours @ Rs. 3 per hour

Fixed overheads are absorbed on direct labour hour basis. Profit 25% on sales.

You are required to prepare the Annual Financial Profit/Loss Statement for April, 2001 in the following format:

Account	Qty./Hours	Rate/Price	Actual Value Rs.
Sales			
Direct Materials			
Direct Labour			
Fixed Overheads			
Total Costs			
Profit			

(15 Marks)

Q.3.

(A) A product passes through two processes. The output of Process I becomes the input of Process II and the output of Process II is transferred to warehouse. The quantity of raw materials introduced into Process I is 20,000 kg at Rs. 10 per kg. The cost and output data for the month under review are as under:

	Process I	Process II
Direct materials	Rs. 60,000	Rs. 40,000
Direct labour	Rs. 40,000	Rs. 30.000
Production overheads	Rs. 39,000	Rs. 40,250
Normal loss	8%	5%
Output	18,000	17,400
Loss realisation Rs./Unit	2.00	3.00

The company's policy is to fix the Selling price of the end product in such a way as to yield a Profit of 20% on Selling price.

Required:

(i) Prepare the Process Accounts

(ii) Determine the Selling price per unit of the end product.

(8 Marks)

(B) A machine shop has 8 identical drilling machines manned by 6 operators, The machine cannot be worked without an operator wholly engaged on it. The original cost of all these machines works out to Rs. 8 lakh. These particulars are furnished for a 6 month period:

Normal available hours per month per worker	208
Absenteeism (without pay) hours P.M. per worker	18
Leave (with pay) hours per worker P.M.	20
Normal Idle time Unavoidable hours per worker P.M.	10
Average rate of wages per worker for 8 hours a day	Rs. 20
Average rate of production bonus estimated	15% on wages
Value of Power consumed	Rs. 8,050
Supervision and indirect Labour	Rs. 3,300
Lighting and electricity	Rs. 1,200
These particulars are for a year:	
Repairs and maintenance including consumables 3% of value of machines	
insurance	Rs. 40,000
Depreciation	10% of original cost
Other sundry works expenses	Rs. 12,000
General management expenses allocated	Rs. 54,530

You are required to work out a comprehensive machine hour rate for the machine shop.

(8 Marks)

Q.4. Answer Any Three of the Following :

(i) A company produces single product which sells for Rs. 20 per unit. Variable cost is Rs. 15 per unit and Fixed overhead for the year is Rs. 6,30,000.

Required:

(a) Calculate sales value needed to earn a profit of 10% on sales.

(b) Calculate sales price per unit to bring BEP down to 1,20,000 units.

(c) Calculate margin of safety sales if profit is Rs. 60,000.

(ii) What is just in Time (JIT) purchase ? What are the advantages of such purchase ?

(iii) Write short notes on : Intergrated Accounts.

(iv) State the circumstances in which time rate system of wage payment can be preferred in a factory **(3 x 3 = 9 Marks)**

Q.5. Answer Any Five of the Following :

(i) Distinguish between : Global Depository Receipts and American Depository Receipts.

(ii) The following details are available in respect of a firm:

(i)	Annual requirement of inventory	40,000 units
(ii)	Cost per unit (other than carrying and ordering cost)	Rs. 16
(iii)	Carrying cost are likely to be	15% per year
(iv)	Cost of placing order	Rs. 480 per order

Determine the economic ordering quantity.

(iii) Discuss the dividend-price approach, and earnings price approach to estimate cost of Equity Capital.

(iv) ABC Limited has an average cost of debt at 10 per cent and tax rate is 40 per cent. The Financial leverage ratio for the company is 0.60. Calculate Return on Equity (ROE) if its Return on Investment (ROI) is 20 per cent.

(v) Explain the need of debt service coverage ratio.

(vi) Discuss the functions of a Chief Financial Officer.

(2 x 5 = 10 Marks)

Q.6. The Balance Sheet of X Ltd. as on 31st March, 2007 is as follows:

Li**abilities**	**Rs.** ('000)	**Assets**		**Rs.** ('000)
Equity share capital	6,000	Fixed Assets (at cost)	16,250	
8% Preference share capital	3,250	Less: Depreciation written off	5,200	11,050
Reserve & Surplus	1.400	Stock		1,950
10% Debentures	1,950	Sundry debtors		2,600
Sundry Creditors	3,250	Cash		250
Total	15,850	Total		15,850

The following additional information is available

(i) The stock turnover ratio based on cost of goods sold would be 6 times.

(ii) The cost of fixed assets to sales ratio would be 1.4.

(iii) Fixed assets costing Rs. 30,00,000 to be installed on 1st April, 2007. payment would be made on March 3 1, 2008.

(iv) In March, 2008, a dividend of 7 percent on equity capital would be paid.

(v) Rs. 5,50,000, 11% Debentures would be issued on P[t] April, 2007.

(vi) Rs. 30,00,000. Equity shares would be issued on 31st March, 2008.

(vii) Creditors would be 25% of materials consumed.

(viii) Debtors would be 10% of sales.

(ix) The cost of goods sold would be 90 percent of sales include material 40 percent and depreciation 5 percent of sales.

(x) The profit is subject to debenture interest and taxation @ 30 percent.

Required:

(i) Prepare the projected Balance Sheet as on 31St March, 2008.

(ii) Prepare projected Cash Flow Statement in accordance with AS - 3.

(15 Marks)

Q.7.

(A) XYZ Co. Ltd. is a pipe manufacturing company. Its production cycle indicates that materials, are introduced in the beginning of the production cycle; wages and overhead accrue evenly through out the period of the cycle. Wages are paid in the next month following the month of accrual. Work in process includes full units of raw materials used in the beginning of the production process and 50% of wages and overheads are supposed to be conversion costs Details of production process and the components of working capital are as follows:

Production of pipes	12,00,000 units
Duration of the production cycle	One month
Raw materials inventory held	One month consumption
Finished goods inventory held for	Two months
Credit allowed by creditors	One months
Credit given to debtors	Two month
Cost price of raw materials	Rs. 60 per unit
Direct wages	Rs. 10 per unit
Overheads	Rs. 20 per unit
Selling price of finished pipes	Rs. 100 per unit

Required to calculate:

(i) The amount of working capital required for the company.

(ii) Its maximum permissible bank finance under all the three methods of lending norms as suggested by the Tondon Committee, assuming the value of core current assets: Rs. 1,00,00,000.

(4 + 4 Marks)

(B) PQR Limited has decided to go in for a new model of Mercedes Car. The cost of the vehicle is Rs. 40 lakhs. The company has two alternatives:

(i) taking the car on finance lease; or

(ii) borrowing and purchasing the car.

LMN Limited is willing to provide the car on finance lease of PQR Limited for five years at an annual rental of Rs. 8.75 lakhs, payable at the end of the year.

The vehicle is expected to have useful life of 5 years, and it will fetch a net salvage value of Rs. 10 lakhs at the end of year five. The depreciation rate for tax purpose is 40% on written-down value basis. The applicable tax rate for the company is 35%. The applicable before-tax borrowing rate for the company is 13.8462%.

What is the net advantage of leasing for the PQR Limited?

The values of present value interest factor at different rates of discount are under:

Rate of discount	t_1	t_2	t_3	t_4	t_5
0.138462	0.8784	0.7715	0.6777	0.5953	0.5229
0.090.9174	0.8417	0.7722	0.7084	0.6499	

(8 Marks)

Q.8. Answer Any Three Of the Following :

(i) Discuss the conflicts in Profit versus Wealth maximisation principle of the firm.

(ii) Euro convertible bonds.

(iii) Describe different kinds of float with reference to management of cash.

(iv) Write a note on Venture Capital Financing.

(3 x 3 = 9 Marks)

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CODE : C103

PROFESSIONAL COMPETENCE COURSE
COST ACCOUNTING & FINANCIAL MANAGEMENT

Working Notes Should Form Part of the answer Wherever appropriate suitable assumption Should be made :

Q.1. Answer Any Five Of the Following :

(i) Calculate the earnings of a worker under Halsey Plan :

(1) Hourly rate of wages guaranteed 0.50 paise per hour.

(2) Standard time for producing one dozen articles - 3 hours.

(3) Actual time taken by the worker to produce 20 dozen articles - 48 hours.

(ii) Select a suitable unit of Cost to be used in the following :

(i) Hospital.

(ii) City Bus Transport.

(iii) What is blanket overhead rate? In which situations, blanket rate is to be used and why?

(iv) Explain Operating Costing.

(v) Calculate Efficiency and Capacity ratio from the following figures:

Budgeted production	80 units
Actual production	60 units
Standard time per unit	8 hours
Actual hours worked	500

(vi) What is meant by 'Profit Centre'?

(2 x 5 = 10 Marks)

Q.2. A Ltd. manufactures two products A and B. The manufacturing division consists of two production departments P1 and P2 and two service departments S1 and S2.

Budgeted overhead rates are used in the production departments to absorb factory overheads to the products. The rate of Department P1 is based on direct machine hours, while the rate of Department P2 is based on direct labour hours. In applying overheads, the pre-determined rates are multiplied by actual hours.

For allocating the service department costs to production departments, the basis adopted is as follows :

(i) Cost of Department S1 to Departments P1 and P2 equal and

(ii) Cost of Department S2 to Departments P1 and P2 in the ratio of 2:1 respectively.

The following budgeted and actual and data are available :

Annual profit plan data :

Factory Overheads budgeted for the year :

		Rs.		
Departments	P1	25,50,000	S1	6,00,000
	P2	21,75,000	S2	4,50,000

Budgeted output in units :

Product A - 50,000   Product B - 30,000

Budgeted raw material cost per units : -

Product A- Rs.120   Product B - Rs.150

Budgeted time required for production per unit :-

Departments P1 :   Product A : 1.5 machine hours

Product B : 1.0 machine hours

Departments P2 :	Product A-2 Direct labour hours
	Product B-2.5 Direct labour hours

Average wage rates budgeted in Department P2 are : Product A-Rs. 72 per hour and Product B-Rs. 75 per hour.

All materials are used in Department P1 only.

Actual data : (for the month of July, **2007**)

Units actually produced :Product A 4,000 units

Product B 3,000 units

Actual direct machine hours worked in Department P1 :

On Product A- 6,100 hours, Product B- 4,150 hours.

Actual direct labour hours worked in Department P2 :

On Product A- 8,200 hours, Product B- 7,400 hours.

Costs actually incurred :

		Product A		**Product B**
Raw materials :		Rs. 4,89,000		Rs. 4,56,000
Wages :		Rs. 5,91,900		Rs. 5,52,000
		Rs.		**Rs.**
Overheads : Department	P1	2,31,000	S1	60,000
	P2	2,04,000	S2	48,000

You required to :

(i) Compute the predetermined overhead rate for each production department.

(ii) Prepare a performance report for July, **2007** that will reflect the budgeted costs and actual costs.

(15 Marks)

Q.3.

(A) QR Limited operates a chemical process which produces four different products Q,R,S and T from the input of one raw material plus water. Budget information for the forthcoming financial year is as follows.

	Rs.'000
Raw material cost	268
Initial processing cost	464

Product	**Output in litres**	**Sales**	**Additional processing**
			Rs.'000
Q	4,00,000	768	160
R	90,000	232	128
S	5,000	32	-
T	9,000	240	8

The company policy is to apportion to the costs prior to the split-off point a method based on net sales value.

Currently, the intention is to sell product S without further processing but to process the other three products after the split-off point. However, it has been proposed that an alternative strategy would be to sell all four products at the split-off point without further processing. If this were done, the selling prices obtainable would be as follows :

	Rs.per litre
Q	1.28
R	1.60
S	6.40
T	20.00

You are required :

(a) to prepare a budgeted profit statement showing the profit or loss for each product, and in total, if the current intention is proceeded with;

(b) to show the profit or loss by product, and in total in the alternative strategy were to be adopted;

(c) to recommend what should be done and why, assuming that there is no more profitable alternative use for the plant.

(8 Marks)

(B) One of the building contracts currently engaged in by a construction company commenced 15 months ago and remain unfinished. The following information relating to the work on the contract has been prepared for the year just ended :

	Rs. '000
Contract price	2,500
Value of work certified at end of the year	2,200
Cost of work not yet certified at the end of the year	40
Costs incurred :	
Opening balances :	
Cost of work completed	300
Materials on site (physical stock)	10
During the year :	
Materials delivered to site	610
Wages	580
Hire of plant	110
Other expenses	90
Closing balance	
Materials on site (physical stock)	20

As soon as materials are delivered to the site, they are charged to the contract account. A record is also kept of materials as they are actually used on the contract Periodically a stock check is made and any discrepancy between book stock and physical stock is transferred to a general contract material discrepancy account. This is absorbed back to each contract, currently at the rate of 0.5% of materials booked. The stock check at the year end revealed a stock shortage of Rs. 5,000.

In addition to the direct charges listed above, general overheads are charged to contracts at 5% of the value of work certified. General overheads of Rs. 15,000 had been absorbed into the cost of work completed at the beginning of the year.

It has been estimated that further costs to complete the contract will be Rs. 2,20,000. This estimate include cost of material on site at the end of the year just finished and also a provision for rectification.

Required :

(a) Explain briefly the distinguishing features of contract costing.

(b) Determine the profitability of the above contract and recommend how much profit (to the near Rs. '000) should be taken for the year just ended. (Provide a detailed schedule of costs).

(c) State how your recommendation in (b) would be affected if the contract price was Rs.4,00,000 (rather than Rs. 25,00,000) and if no estimate has been made of costs to completion (If required, suitable assumption should be made by the candidate).

(8 Marks)

Q.4. Answer Any Three Of the Following :

(i) Write Short Notes on 'Zero Base Budgeting as an approach towards productivity improvement.

(ii) Discuss the treatment of overtime premium in Cost Accounting.

(iii) Discuss the accounting treatment of spoilage and defectives in cost accounting.

(iv) In Batch Costing, how is Economic Batch Quantity determined?

(3 x 3 = 9 Marks)

Q.5. Answer Any Five Of the Following :

(i) Discuss the eligibility criteria for issue of commercial paper.

(ii) Differentiate between Business Risk & Financial Risk,

(iii) What is the effective rate of interest equivalent to a nominal rate of 6 % compounded quarterly?

(iv) Define Modified Internal Rate of Return Method. (MIRR)

(v) Discuss the features of deep discount bonds.

(vi) What is optimum Capital structure? Explain.

(2 x 5 = 10 Marks)

Q.6. The Balance Sheet of JK Limited as on 31st March, 2005 and 31st March, 2006 are given below:

Balance Sheet as on (Rs. '000)

Liabilities	31 .03.05	31 .03.06	Assets	31 .03.05	31.03.06
Share Capital	1,440	1,920	Fixed Assets	3,840	4,560
Capital Reserve	—	48	Less: Depreciation	1,104	1,392
General Reserve	816	960		2,736	3,168
Profit and Loss Account	288	360	Investment	480	384
9% Debenture	960	672	Cash	210	312
Current Liabilities	576	624	Other Current Assets		
Proposed Dividend	144	174	(including Stock)	1,134	1,272
Provision for Tax	432	408	Preliminary Expenses	96	48
Unpaid Dividend	—	18			
	4,656	**5,184**		**4,656**	**5,184**

Additional Informations

(i) During the year 2005-2006, Fixed Assets with a book value of Rs. 2,40,000 (accumulated depreciation Rs. 84,000) was sold for Rs. 1,20,000.

(ii) Provided Rs. 4,20,000 as depreciation.

(iii) Some investments are sold at a profit of Rs. 48,000 and Profit was credited to Capital Reserve.

(iv) It decided that stocks be valued at cost, whereas previously the practice was to value stock at cost less 10 per cent. The stock was Rs. 2,59,200 as on 31.03.05. The stock as on 31.03.06 was correctly valued at Rs. 3,60,000.

(v) It decided to write off Fixed Assets costing Rs. 60,000 on which depreciation amounting to Rs. 48,000 has been provided.

(vi) Debentures are redeemed at Rs. 105.

Required:

Prepare a Cash Flow Statement.

(15 Marks)

Q.7.

(A) A firm has sales of Rs. 75,00,000 variable cost of Rs. 42,00,000 and fixed cost of Rs. 6,00,000. It has a debt of Rs. 45,00,000 at 9% and equity of Rs. 55,00,000.

(i) What is the firm's ROI ?

(ii) Does it hate favourable financial leverage ?

(iii) If the firm belongs to an industry whose asset turnover is 3, does it have a high or low asset leverage ?

(iv) What are the operating, financial and combined leverages of the firm ?

(v) If the sales drop to Rs. 50,00,000, what will be the new EBIT ?

(8 Marks)

(B) Gemini products Ltd. is considering the revision of its credit policy with a view to increasing its sales and profits, Currently all its sales are on credit and the customers are given one month's time to settle the dues. It has a contribution of 40% on sales and it can raise additional funds at a cost of 20% per annum. The marketing director of the company has given the following options with draft estimates for consideration:

		Current position	Option I	Option II	Option III
Sales	(Rs. lakhs)	200	210	220	250
Credit period	(months)	1	1½	2	3
Bad debts	(% of sales)	2	2½	3	5
Cost of credit administration	(Rs. lakhs)	1.20	1.30	1.50	3.00

Advise the company to take the right decision (Workings should Form pat of the answer)

(8 Marks)

Q.8. Answer Any Three of the Following :

(i) Explain : Recent changes in Maximum Permissible Bank Finance (MPBF).

(ii) Explain as to how the wealth maximisation objective is superior to the profit maximisation objective.

(iii) Diagrammatically present the DU PONT CHART to calculate return on equity.

(iv) Debt Securitisation.

(3 x 3 = 9 Marks)

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CODE : C104

PROFESSIONAL COMPETENCE COURSE
COST ACCOUNTING & FINANCIAL MANAGEMENT

Working Notes Should Form Part of the answer Wherever appropriate suitable assumption Should be made :

Q.1. Answer Any Five of the Following :

(i) Distinguish between : Product Cost and Period Cost.

(ii) During the physical verification of stores of X Ltd. it was found that 100 units of raw material 'Wye was returned to the supplier has not been recorded. Its purchase invoice price is Rs. 5 per unit while the current standard cost is Rs. 4.80 per unit. Pass necessary journal entry to record the adjustment in the cost ledger of X Ltd.

(iii) Distinguish between : Job costing and batch costing.

(iv) Explain: Single and Multiple Overhead Rates.

(v) What is meant by 'Cost Centre'?

(vi) Using Taylor's differential piece rate system, find the earning of A from the following particulars:

Standard time per piece	12 minutes
Normal rate per hour (in a 8 hours day)	Rs. 20
A produced	37 Units

(2 x 5 = 10 Marks)

Q.2. Preserves produces Jams, Marmalade and Preserves. All the products are produced in a similar fashion; the fruits are cooked at low temperature in a vacuum process and then blended with glucose syrup with added citric acid and pectin to help setting. Margins are tight and the firm operates, a system of standard costing for each batch of Jam. The standard cost data for a batch of raspberry jam are

Fruits extract	400 kgs @ Rs. 16 per kg.
Glucose syrup	700 kgs @ Rs. 10 per kg.
Pectin	99 kgs @ Rs. 33.2 per kg.
Citric acid	1 kg at Rs. 200 per kg.
Labour	18 hours @ Rs. 32.50 per hour.

Standard processing loss 3%.

The climate conditions proved disasirous for the raspberry crop. As a consequence, normal prices in the trade were Rs. 19 per kg for fruits abstract although good buying could achieve some savings. The impact of exchange rates for imported sugar plus the minimum price fixed for sugarcane, caused the price of syrup to increase by 20%. The retail results for the batch were-

Fruit extract	428 kgs at Rs. 18 per kg.
Glucose syrup	742 kgs at Rs. 12 per kg.
Pectin	125 kgs at Rs. 32.8 per kg.
Citric acid	1 kgs at Rs. 95 per kg.
Labour	20 hrs. at Rs. 30 per hour.

Actual output was 1,164 kgs of raspberry jam. You are required to:

(i) Calculate the ingredients planning variances that are deemed uncontrollable

(ii) Calculate the ingredients operating variances that are deemed controllable.
(iii) Calculate the mixture and yield variances.
(iv) Calculate the total variances for the batch.

(15 Marks)

Q.3.

(A) From the following information for the month of October 2003, prepare Process III Cost accounts:

Opening WIP in Process III	:	1,800 units at Rs. 27,000
Transfer from Process II	:	47,700 units at Rs. 5,36,625
Transferred to Warehouse	:	43,200 units
Closing WIP of Process III	:	4,500 units
Units scrapped	:	1,800 units
Direct material added in Process III	:	Rs. 1,77,840
Direct Wages	:	Rs. 87,840
Production overheads	:	Rs. 43,920

Degree of completion :

	Opening Stock	Closing Stock	Scrap
Material	80%	70%	100%
Labour	60%	50%	70%
Overheads	60%	50%	70%

The normal loss in the process was 5% of the production and scrap was sold @ Rs. 6.75 per unit.

(8 Marks)

(B) From the details furnished below you are required to compute a comprehensive machine-hour rate:

		Rs.
Original purchase price of the machine (subject to depreciation at 10% per annum on original cost)		3,24,000
Normal working hours for the month (The machine works to only 75% of capacity)		200 hours
Wages of Machineman	Rs. 125 per day (of 8 hours)	
Wages for Helper (machine attendant)	Rs. 75 per day (of 8 hours)	
Power cost for the month for the time worked		Rs. 15,000
Supervision charges apportioned for the machine centre for the month		Rs. 3,000
Electricity & Lighting for the month		Rs. 7,500
Repairs & maintenance (machine) including Consumable stores per month		Rs. 17,500
Insurance of Plant & Building (apportioned) for the year		Rs. 16,250
Other general expense per annum		Rs. 27,500

The workers are paid a fixed Dearness allowance of Rs. 1,575 per month: Production bonus payable to workers in terms of an award is equal to 33.33% of basic wages and dearness allowance. Add 10% of the basic wage and dearness allowance against leave wages and holidays with pay to arrive at a comprehensive labour-wage for debit to production.

(8 Marks)

Q.4. Answer Any Three Of the Following :

(i) What is idle time? Explain the causes leading to idle time and its treatment in cost accounts

(ii) "Because a single budget system is normally used to serve several purposes, there is a danger that they may conflict with each other". Do you agree ? Discuss.

(iii) M.Ltd manufactures three products P,Q and R. The unit selling prices of these products are Rs.100, Rs.80 and Rs.50 respectively. The corresponding unit variable costs are Rs.50, Rs.40 and Rs.20. The proportions (quantity-wise) in which these products are manufctured and sold are 20%, 30% and 50% respectively. The total fixed costs are Rs.14,80,000.
Given the above information, you are required to work out the overall break-even quantity and the product-wise break-up of such quantity.

(iv) Distinquish cleary between bin Cards and Stores Ledgers.

(3 x 3 = 9 Marks)

Q.5. Answer Any Five Of the Following :

(i) Distinguish between : Global Depository Receipts and American Depository Receipts.

(ii) Discuss the features of deep discount bonds.'

(iii) How much deposit should be made in Saving Bank A/c for infinite and uncertain period @ 5% interest, if we need Rs. 3,000 p.a. as return or interest from such deposit.

(iv) ABC Limited has an average cost of debt at 10 per cent and tax rate is 40 per cent. The Financial leverage ratio for the company is 0.60. Calculate Return on Equity (ROE) if its Return on Investment (ROI) is 20 per cent.

(v) Discuss Miller - Orr Cash Management model.

(vi) Distinguish between: Net Present-value and Internal Rate of Return

(2 x 5 = 10 Marks)

Q.6. Using the following data, complete the Balance Sheet given below:

Gross Profits	Rs. 54,000
Shareholders Funds	Rs. 6,00,000
Gross Profit Margin	20%
Credit sales to Total sales	80%
Total Assets turnover	0.3 times
Inventory turnover	4 times
Average collection period (a 360 days year)	20 days
Current ratio	1.8
Long-term Debt of Equity	40%

Balance sheet

Creditors	....	Cash	....
Long-term debt	....	Debtors	....
Shareholders' funds	....	Inventory	....
		Fixed Assets	....

(15 Marks)

Q.7.

(A) On April 1 of the current year, the board of directors of Dowell Ltd wishes to know the amount of working capital that will be required to meet the programme of activity they have planned for the year. The following information is available:

(i) Issued and paid-up capital, Rs 2,00,000.

(ii) 5% Debentures (secured on assets), Rs 50,000.

(iii) Fixed assets valued at Rs 1,25,000 on March 31 of the previous year.

(iv) Production during the previous year was 60,000 units; it is planned that this level of activity should be maintained during the present year.

(v) The expected ratios of cost to selling price are - raw materials 60 per cent, direct wages 10 per cent and overheads 20 per cent.

(vi) Raw materials are expected to remain in store for an average of two months before these are issued for production.

(vii) Each unit of production is expected to be in process for one month. Full unit of raw materials is required in the beginning of production.

(viii) Finished goods will stay in warehouse for approximately three months.

(ix) Creditors allow credit for 2 months from the date of delivery of raw materials.

(x) Credit allowed to debtors is 3 months from the date of dispatch.

(xi) Selling price per unit is Rs 5.

(xii) There is a regular production and sales cycle.

Prepare:

(a) working capital requirement forecast; and

(b) an estimated profit and loss account and balance sheet at the end of the year.

(8 Marks)

(B) Excel Ltd. manufactures a special chemical for sale at Rs. 30 per kg. The variable cost of manufacture is Rs. 15 per kg. Fixed cost excluding depreciation is Rs. 2,50,000. Excel Ltd. is currently operating at 50% capacity. It can produce a maximum of 1,00,000 kgs at full capacity. The Production Manager suggests that if the existing machines are fully replaced the company can achieve maximum capacity in the next five years gradually increasing the production by 10% per year.

The Finance Manager estimates that for each 10% increase in capacity, the additional increase in fixed cost will be Rs. 50,000. The existing machines with a current book value of Rs. 10,00,000 can be disposed of for Rs. 5,00,000. The Vice-President (Finance) is willing to replace the existing machines provided the NPV on replacement is about Rs. 4,53,000 at 15% cost of capital after tax.

(i) You are required to compute e to value chines necessary for replacement.

For your exercise you may assume the following:

(a) The company follows the block assets concept and all the assets are in the same block. Depreciation will be on straight-line basis and the same basis is allowed for tax purposes.

(b) There will be no salvage value for the machines newly purchased. The entire cost of the assets will be depreciated over five-year period.

(c) Tax rate is at 40%.

(d) Cash inflows will arise at the end of the year.

(e) Replacement outflow will be at the beginning of the year (year 0).

(f)

Year	0	1	2	3	4	5	
Discount Factor at 15%		1	0.87	0.76	0.66	0.57	0.49

(ii) On the basis of data given above, the Managing Director feels that the replacement, if carried out, would at least yield post tax return of 15% in the three years provided the capacity build up is 60%, 80% and 100% respectively. Do you agree?

(8 Marks)

Q.8. Answer Any Three Of the Following :

(i) Discuss any three ratio computed for investment analysis.

(ii) Distinguish between Cash Flow and Fund Flow statement.

(iii) Discuss the functions of a Chief Financial Officer.

(iv) Short notes : American Depository Receipts vs. Global Depository Receipts.

(3 x 3 = 9 Marks)

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CODE : C105

PROFESSIONAL COMPETENCE COURSE
COST ACCOUNTING & FINANCIAL MANAGEMENT

Working Notes Should Form Part of the answer Wherever appropriate suitable assumption Should be made :

Q.1. Answer Any Five Of the Following :

(i) SK Enterprise manufactures a special product "ZE". The following particulars were collected for the year 2004:

Annual consumption	12,000 units (360 days)
Cost per unit	Re. 1
Ordering cost	Rs. 12 per order
inventory carrying cost	24%
Normal lead time	15 days
Safety stock	30 days consumption

Required: Re-order quantity.

(ii) What are the methods used for segregating Semi Variable cost into Fixed Cost & Variable Cost?

(iii) What are the essentials of an Ideal Costing Systems?

(iv) In which type of industries is batch costing undertaken?

(v) What methods arc adopted for accounting of by-products and arriving at cost of production of main product?

(vi) The avarage annual consumption of a material is 18,250 units at a price of Rs. 36.50 per unit. The storage cost is 20 % on an average inventory and the cost of placing an order is Rs. 50. How much quantity is to be purchased at a time ?

(2 x 5 = 10 Marks)

Q.2. A firm manufactures product X whose selling price is Rs.10 per unit. The firm has the capacity to produce 10,000 units. The variable costs are Rs.2.50 per unit. Fixed costs are estimated at Rs.30,000 up to the capacity-utilisation level of 50%, Rs.36,000 above that level out Rs.4,20,000 if the level of capacity utilisation is 80% or above.

(a) What is the break-even point ?

(b) What will be operating profits of the firm; if the levels of capacity utilisation are 70%, 80% and 90% respectively ?

(c) What is the level of activity at which the firm can make an operating profit of Rs.18,000?

(d) What is the margin of safety, if the manufactures and sells only 6,000 units in a year due to market constraints ?

(e) Management of the firm is advised that, if the selling price is reduced to Rs.9 per unit, sales will go up from 7,000 units to 7,500 units. Is it worthwhile to reduce the selling price ?

(f) Management of a firm is also advised that sale of 7,500 units at the present selling price can also be achieved, if a sum of Rs.5,000 is spent on advertisement. Which alternative-reducing the selling price to Rs.9 per unit or spending Rs.5,000 on advertisement-will generate more profit ?

(15 Marks)

Q.3.

(A) A transport company has a fleet of three trucks of 10 tonnes capacity each plying in different directions for transport of customers' goods. The trucks run loaded with goods and return empty. The distance travelled, number of trips made and the load carried per day by each truck are as under:

Truck No.	One way Distance Km.	No. of trips per day	Load carried per trip / day tonnes
1	16	4	6
2	40	2	9
3	30	3	8

The analysis of maintenance cost and the total distance travelled during the last two years is as under:

Year	Total distance travelled	Maintenance Cost Rs.
1	1,60,200	46,050
2	1,56,700	45,175

The following are the details of expenses for the year under review:

Diesel	:	Rs. 10 per litre. Each litre gives 4 km per litre of diesel on an average.
Drivers' salary		Rs.2,000 per month.
Licence and taxes	:	Rs. 5,000 per annum per truck.
Insurance	:	Rs.5,000 per annum for all the three vehicles.
Purchase price per truck	:	Rs. 3,00,000. Life 10 years. Scrap value at the end of life is Rs. 10,000.
Oil and sundries	:	Rs. 25 per 100 km run.
General Overhead		Rs. 11,084 per annum.

The vehicles operate 24 days per month on an average.

Required

(i) Prepare an Annual Cost Statement covering the fleet of three vehicles.
(ii) Calculate the cost per km. run.
(iii) Determine the freight rate per tonne km. to yield a profit of 10% on freight.

(8 Marks)

(B) Brock Construction Ltd. commenced a contract on November 1, 2006. The total contract was for Rs. 39,37,500. It was decided to estimate the total profit on the contract and to take to the credit of P/L A/c that proportion of estimated profit on cash basis, which work completed bore to the total contract. Actual expenditure for the period November 1, 2006 to October 31, 2007 and estimated expenditure for November 1, 2007 to March 31, 2008 are given below:

	November 1, 2006 to October 31, 2007 (Actuals) Rs.	November 1, 2007 to March 31, 2008 (Estimated) Rs.
Material issued	6,75,000	12,37,500
Labour: Paid	4,50,000	5,62,500
Prepaid	25,000	-
Outstanding	-	2,500
Plant purchased	3,75,000	-
Expenses : Paid	2,00,000	3,50,000
Outstanding	50,000	25,000
Plant returns to store (historical cost)	75,000 (on March 31, 2007)	3,00,000 (on March 31, 2008)
Work certified	20,00,000	Full
Work uncertified	75,000	
Cash received	17,50,000	
Material at site	75,000	37,500

The plant is subject to annual depreciation @ 33% on written down value method. The contract is likely to be completed on March 31, 2008.

Required :

(i) Prepare the contract A/c. Determine the profit on the contract for the year November, 2006 to October, 2007 on prudent basis, which has to be credited to P/L A/C.

(8 Marks)

Q.4. Answer Any Three Of the Following :

(i) State few examples of By-Products?

(ii) Select a suitable unit of Cost to be used in the following:

(i) Hospital.

(ii) City Bus Transport.

(iii) Hotels providing lodging facilities.

(iii) State, how is zero based budgeting superior to Traditional Budgeting?

(iv) Distinguish between Job Evaluation & Merit Rating

(3 x 3 = 9 Marks)

Q.5. Answer Any Five Of the Following :

(i) What is Cost of capital.

(ii) What is Bridge Finance ?

(iii) What role does the financial management plays under resource constraints?

(iv) What is an Euro Issue?

(v) What is ploughing back of profit? How can it be used as a source of finance.

(vi) What is meant by Degree of Combined Leverage (DCL) ?

(2 x 5 = 10 Marks)

Q.6. HCL Ltd. is considering acquiring an additional computer to supplement its time-share computer services to its clients. It has two options:

(i) To purchase the computer for Rs 22,00,000,

(ii) To lease the computer for 3 years from a leasing company for Rs 5,00,000 annual lease rent plus 10% of gross time-share service revenue. The agreement also requires an additional payment of Rs 6,00,000 at the end of the third year. Lease rents are payable at the year end, and the computer reverts to the lessor after the contract period.

The company estimates that the computer under review now will be worth Rs 10 lakhs at the end of the third year.

Forecast revenues are:

Year	(Rs)
1	22,50,000
2	25,00,000
3	27,50,000

Annual operating costs (excluding depreciation/lease rent of computer) are estimated at Rs 9,00,000, with an additional Rs 1,00,000 for start-up and training costs at the beginning of the first year.

HCL Ltd., will borrow at 16% interest to finance the acquisition of the computer; repayments are to be made according to the following schedule.

Year-end	Principal	Interest	Total
1	Rs 5,00,000	Rs 3,52,000	Rs 8,52,000
2	8,50,000	2,72,000	11,22,000
3	8,50,000	1,36,000	9,86,000

The company uses the straight-line method to depreciate its assets and pays 50% tax on its income.

The management of HCL Ltd. approaches you for advice. Which alternative would you recommend ? Why?

(15 Marks)

Q.7.

(A) Using the following data, complete the Balance Sheet given below :

Gross Profits	Rs. 54,000
Shareholders' Funds	Rs. 6,00,000
Gross Profit margin	20%
Credit sales to Total sales	80%
Total Assets turnover	0.3 times
Inventory turnover	4 times
Average collection period (a 360 days year)	20 days
Current ratio	1.8
Long-term Debt to Equity	40%

Balance Sheet

Creditors	....	Cash	....
Long-term debt	....	Debtors	....
Shareholders' funds	....	Inventory	....

(8 Marks)

(B) ABC Limited currently has a centralised billing system. It takes around 4 days for customers mailed payments to reach the central billing location. Subsequently, it takes another $1\frac{1}{2}$ days for processing these payments, only after which deposits are made. ABC Limited has a daily average collection of Rs 5,00,000. The company plans to initiate a lock box system in which customers mailed payments would reach the receipt location $2\frac{1}{2}$ days earlier. Further the process time would be reduced by another 1 day since each lock box bank would collect mailed deposits twice daily.

You are required to;

(i) determine the reduction in cash balances that can be achieved through the use of a lock box system.

(ii) determine the opportunity cost of the present system, assuming a 5 % return on short-term investments.

(iii) If the annual cost of the lock box system is Rs 80,000, should the system be initiated? **(8 Marks)**

Q.8. Answer Any Three Of the Following :

(i) What are the cost of maintaining receivables?

(ii) How is working capital cycle determined?

(iii) What are the functions of Treasury Department?

(iv) What are the objectives of Financial Management (FM)?

(3 x 3 = 9 Marks)

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CODE : T101

PROFESSIONAL COMPETENCE COURSE
TAXATION

ANSWER ALL QEUSTIONS

Q.1. State, with reasons, whether the following statements are true or false, with regard to the provisions of the Income Tax Act, 1961 [Answer any five].

(i) A charitable or religious trust or institution is required to file an application for registration under section 12A within one year from the date of creation of the trust or establishment of institution.

(ii) D, a non-resident, residing in US since 1961, came back to India on 1-4-2006 for permanent settlement. What will be his residential status for assessment years 2008-09 and 2009-10 ?

(iii) Voluntary contributions received by charitable trust, university and educational institutions are not taxable as the definition of Income in section 2(24) does not cover the same.

(iv) In the case of an artificial juridical person, no surcharge is payable where the total income exceeds Rs. 10,00,000.

(v) Failure to deduct tax at source in accordance with the provisions of Chapter XVII-B, inter alia, from the amounts payable to a resident as rent or royalty, will result in disallowance while computing the business income.

(vi) Only individuals and HUFs can be resident, but not ordinarily resident in India; firms can be either a resident or non-resident.

[5 x 2 = 10 Marks]

Q.2. R a director at M/s Y (P), Mumbai, carrying on transport business has submitted the following particulars of his income for assessment year 2008-09. Compute his taxable income and tax payable.

		Rs.
1.	Director's Remuneration and Perquisites:	
(a)	Remuneration at Rs. 11,000 p.m.	1,32,000
	Less: Under an agreement with the company "R" agreed to donate 50% of his salary to a public charitable trust set up by the company	66,000
		66,000

(b) Free use of car of engine capacity of 1.5 ltr. provided by the company.

(c) The company has provided rent-free accommodation (unfurnished) to "R" at Mumbai. It is ascertained that for this purpose the company has obtained a flat on lease from M/s. P Ltd. for which the company pays a rent of Rs. 40,000 p.a. which is also the fair rental value.

(d) Medical expenses met by the company on ordinary treatment of "R" and members of his family. Rs. 4,500.

2. R was occupying a bungalow on rent at New Delhi since November 1986. He agreed to transfer his tenancy right in the said bungalow in favour of B Ltd. for a sum of Rs. 2.00,000 payable as follows:

(a) Rs. 50,000 in cash

(b) A free flat valued at Rs. 1,50,000 (at cost) in the new building to be put up by M/s. B Ltd. The cash payment was made on 5-4-2007 and the flat was allotted to him on 5-10-2007 which was kept for his own residence from that date.

Q.3.

(a) The Total Income of Mrs. A, resident in India, computed for assessment year 2008-09 is Rs. 2,10,000 which includes long-term capital gains of Rs. 30,000 and winning of lotteries Rs. 20,000 and short-term capital gain covered under section 111A Rs. 10,000. Compute the tax payable assuming his agricultural income for the previous year was Rs. 50,000.

[8 Marks]

(b) R. Ltd. obtained a licence to operate telecommunication services from Department of Telecommunication on 5-6-2007 for a period of 12 years for a sum of Rs. 13,20,000. Calculate the amount of deduction available to the company under section 35ABB for the various assessment years assuming:—

(a) The payment of the entire licence fee is made on the date of acquisition of the licence;

(b) Rs. 4,00,000 was paid on the date of acquisition, Rs. 2,60,000 was paid on 15-10-2007 and balance Rs. 6,60,000 will be paid in two equal instalments of Rs. 3,30,000 each during previous year 2008-09 and 2009-10.

[7 Marks]

Q.4. (FIRST ALTERNATIVE)

Shri Sehgal, who was born on 28-3-1942, is employed on a monthly salary of Rs. 13,500 in Indore. He got entertainment allowance of Rs. 4,500 per year from his employer since 1954. Following are other particulars about his income:

(i) His contribution to recognised provident fund amounted to Rs. 16,200.

(ii) His employer contributes the same amount.

(iii) Interest credited to P.F. at the rate of 12.5% per annum amounted to Rs. 30,000.

(iv) He is provided a rent free unfurnished house which is owned by his employer X Ltd. Its municipal valuation is Rs. 90,000.

(v) He is also provided with a cook by his employer whose annual remunerations is Rs. 15,400.

(vi) He gets a conveyance allowance of Rs. 4,500 per annum which is spent in performance of official duties.

(vii) He took an interest free loan of Rs. 6,25,000 from his employer on 1-10-2007 to purchase a car. No. amount has been repaid till 31-3-2008. State Bank of India rate as on 1-4-2007 was 8%.

(viii) During the previous year he paid Rs. 1,500 as tax on employment.

(ix) His life insurance premium is Rs. 4,000 on his policy of Rs. 35,000.

(x) He paid Rs. 1,000 by cheque as premium for health insurance of his wife.

(xi) He donated Rs. 8,000 to National Foundation for Communal Harmony.

(xii) He donated Rs. 2,000 to a University which has been declared to be of national eminence.

(xiii) He donated Rs. 30,000 to an approved charitable institution.

(xiv) He sold 500 shares on 25-3-2008 for Rs. 57,900 through a recognised stock exchange which were purchased by him in 1979 for Rs. 5,000. The market value of the shares as on 1-4-1981 was Rs. 4,000.

Find out taxable income of Shri Sehgal for the assessment year 2008-09.

[14 Marks]

Q.4. (SECOND ALTERNATIVE)

(a) An industrial undertaking which commences the manufacturing activity w.e.f. 1-9-2006 has acquired the following assets during the previous year 2007-08.

Asset	Date of acquisition	Date when put to use	Cost of acquisition Rs.
Factory Buildings	4-4-2007	1-9-2007	50,00,000
Plant & Machinery			
Air pollution control equipment	4-5-2007	1-9-2007	4,00,000

Machinery A	5-5-2007	1-9-2007	2,00,000
Machinery B	7-6-2007	1-9-2007	5,00,000
Machinery C	30-8-2007	1-9-2007	10,00,000
Machinery D	1-9-2007	31-10-2007	4,00,000
Machinery E	1-1-2008	2B-2-2008	3,00,000
Machinery F (second hand)	11-1-2008	13-1-2008	2,00,000
Motor car	1-2-2008	1-2-2008	5,00,000
Air-conditioner (installed in office)	1-2-2008	2-2-2008	1,00,000

Compute the depreciation allowable for the assessment year 2008-09 and the written down value as on 1-4-2008.

[8 Marks]

(b) Compute the total income and tax payable of Mrs. Suman for assessment year 2008-09 from the following particulars:

Particulars	**Amount (Rs.)**
Income from house property	1,50,000
Business income	50,000
Short-term capital gains	20,000
Long-term capital gains	25,000
Income from owning and maintaining race horses	28,000
Income from card games	48,000
Besides, Suman has the following brought forward losses/allowances	
Brought forward business loss of the assessment year 2002-03	60,000
Unabsorbed depreciation allowance of the assessment year 2004-05	60,000
Long-term capital loss in respect of the assessment year 2005-06	27,200
Brought forward loss from the activity of owning maintaining race horses of the assessment year 2005-06	35,000
Speculation losses of the assessment year 2004-05	80,000

[6 Marks]

Q.5. Answer any four out of the following five sub-divisions, relating to the provisions of Income Tax Act, 1961.

(a) Enumerate eight transactions for which quoting of Permanent Account Number is mandatory.

(b) Who are the “persons responsible for paying” taxes deducted at source as per section 204?

(c) Discuss briefly about the scheme to facilitate submission of return of income through Tax Return Preparers.

(d) Explain the provisions of Income-tax Act, 1961, with regard to clubbing income of spouse under section 64.

(e) In computing income under certain heads of income, method of accounting is irrelevant, while in some it is relevant. Comment.

[4 x 4 = 16 Marks]

Q.6. Answer any five out of the following six sub-divisions.

(i) Where a service provider maintains books of accounts on mercantile basis relating to taxable services provided by him, will service tax be payable on accrual basis?

(ii) Discuss the provisions relating to e-filing of service tax returns.

(iii) Should service tax be paid even if not collected from the client or service receiver?

(iv) Is an unincorporated association, formed after 1st June, 2006, liable to pay any service tax?

(v) What is VAT ?

(vi) Does the VAT system bring certainty to a great extent?

[5 x 2 = 10 Marks]

Q.7. PQ Ltd. gives the following particulars relating to the services provided to various clients by them for the half-year ended on 30.09.07:

(i) Total bills raised for Rs. 9,50,000 out of which bill for Rs. 50,000 was raised on an approved International Organisation and payments of bills for Rs. 1,50,000 were not received till 30.09.07.

(ii) Amount of Rs. 70,000 was received as an advance from MNO Ltd. on 25.09.07 to whom the services were to be provided in October'07.

You are required to work out the:

(a) taxable value of services

(b) amount of service tax payable

[6 Marks]

Q.8. **Answer any three out of following four sub-divisional.**

(a) What are the different variants of VAT and how is deduction available for tax paid on inputs including capital inputs?

(b) Discuss the role of a Chartered Accountant in successful implementation of VAT.

(c) Write short note on Centralised Registration [Rule 4(2)].

(d) An assessee who has collected service tax from a client is unable to perform the service. Briefly explain the situations in which and the conditions subject to which he can adjust the service tax relating to above, against his forthcoming service tax liability.

[3 x 3 = 9 Marks]

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CODE : T102

PROFESSIONAL COMPETENCE COURSE
TAXATION

ANSWER ALL QEUSTIONS

Q.1. State, with reasons, whether the following statements are true or false, with regard to the provisions of the Income Tax Act, 1961 [Answer any five].

(a) Arrears of rent received shall be charged to income-tax as income of the previous year in which rent was received irrespective of whether the assessee is the owner of property in that year or not.

(b) Surcharge payable by the foreign company 2.5.% if its total income exceeds Rs.1 crore for assessment year 2008-09.

(c) Can a Primary Co-operative Agricultural and Rural Development Bank claim deduction under section 80P in respect of income derived from the business of banking?

(d) In respect of voluntary contributions in excess of Rs.20,000 received by a political party, exemption under section 13A is available where proper details about the donations are maintained; there is no need to maintain books of account.

(e) A non-Indian company is treated as resident, only if the control and management of its affairs is situated wholly in India during the previous year.

(f) It is not necessary for an assessee claiming exemption under section 80-ID to file return on or before due date for the purpose of claim of such exemption.

[5 x 2 = 10 Marks]

Q.2. Chakarvarti is a Cost Accountant who is working with X Ltd. and draws the following salary and allowances:

• Basic pay	10,000 p.m.
• Dearness allowance	1,000 p.m.
• City Compensatory allowance	100 p.m.
• House Rent allowance	750 p.m.
• Reimbursement of cost of travel and course fee to attend a seminar at Ooty	5,500

- Bonus at 20% of salary including Dearness allowance is also received. He is given a motor car (below 1.6 ltr,) and is entitled to use it for both office and private purposes. His employer also pays Rs. 400 p.a. on a Personal Accident Insurance Policy consistent with its policy of insuring all its employees. Deductions have been made from his salary as follows:

  Contribution to a recognized provident fund Rs. 1,000 p.m. and contribution to an approved superannuation fund Rs. 400 p.m. There are matching contributions for both by the employer.
- Chakarvarti was in receipt of the following from a partnership firm where he was sharing one-third of the profits:
- Rs. 45,000 as share of profits.
- Rs. 30,000 as salary from the firm.
- Rs. 20,000 as commission there from.
- He was a member of an association of persons from where he was paid Rs. 50,000 as share of protits. The association is chargeable to tax at the maximum marginal rate of tax.
- He donated Rs. 25,000 to National Foundation for Communal Harmony.

  Chakarvarti's minor son earned Rs. 35,000 by way of interest on public deposit in a company.

- Chakarvarti received Rs. 700 as interest in savings bank account in a (non-nationalised) scheduled bank. He pays Rs. 3,200 p.a. as life insurance premium.
- Chakarvarti is living in his own house. Annual value as fixed by Municipal Corporation is Rs. 7,200, while half year's tax is Rs. 900. He pays Rs. 100 as insurance on this property besides Rs. 3,600 as interest on Rs. 30,000 on mortgage, of this property. The borrowing was partly (Rs. 20,000) for acquiring the house and the balance (Rs. 10,000) for purchasing a home air-conditioner for the house.
- Chakarvarti received Rs. 4,900 on the occasion of the silver jubilee of the company. It is stated that a uniform amount was paid to each employee on this occasion.

Compute the assessee's total income for the assessment year 2008-09.

[20 Marks]

Q.3.

(a) R purchased an asset for scientific research for Rs. 15,00,000 in the previous year 2001-02. During the previous year 2007-08, the said asset ceased to be used for scientific research.

The following information is also submitted to you:

	Rs.
Profit from business before depreciation	5,00,000
Written down value of block of assets 15% as on 1-4-2007	10,00,000

The scientific research asset if used for business shall be eligible for depreciation @ 15%.

Compute the total income if the scientific research asset is sold for Rs. 25,00,000 assuming:

(a) it is sold without using for business;

(b) it is sold after using for business.

[7 Marks]

(b) R Ltd. which owns an industrial undertaking manufacturing chemicals in Delhi owns the following assets:

(i)	Plant and Machinery	WDV as on 1-4-2007 Rs. 2 1,00,000
(ii)	Building	WDV as on 1-4-2007 Rs. 12,00,000
(iii)	Furniture and Fixtures	WDV as on 1-4-2007 Rs. 50,000
(iv)	Industrial land	Cost of acquisition in 1978 was Rs. 2,00,000 but market value as on 1-4-1981 was Rs. 2,90,000.

As per the policy of the Government, R Ltd. is shifting the industrial undertaking from Delhi, which is an urban area to other area. The company sells all the assets which it owns and purchases a new building and plant and machinery in the other area. The sale consideration of the assets sold during the previous year 2007-08 is as under:

		Rs.
(i)	Plant & Machinery	30,00,000
(ii)	Buildings	40,00,000
(iii)	Furniture & Fixtures	60,000
(iv)	Industrial land	25,00,000

The new assets acquired during the period 1-1-2008 to 31-10-2008 are as under :

(i)	Plant & Machinery	17,00,000
(ii)	Buildings	31,60,000

Compute the capital gain chargeable to tax for the assessment year 2008-09.

[8 Marks]

Q.4. (FIRST ALTERNATIVE)

(a) Mr. Thomas inherited a house in Jaipur under will of his father in May, 2002. The house was purchased by his father in January, 1980 for Rs. 2,50,000. He invested an amount of Rs. 7,00,000 in construction of one more floor in this house in June, 2004. The house was sold by him in November, 2006 for Rs. 37,50,000. The valuation adopted by the registration authorities for charge of stamp duty was Rs. 47,25,000 which was not contested by the buyer, but as per assessee's request, the Assessing officer made a reference to Valuation officer. The value determined by the Valuation officer was Rs.47,50,000. Brokerage @ 1% of sale consideration was paid by Mr. Thomas to Mr. Sunil. The market value of house as on 01.04.1981 was Rs. 2,70,000.

You are required to compute the amount of capital gain chargeable to tax for A.Y. 2007-08 with the help of given information and by taking CII for the F.Y. 2006-07 as 519 and for F.Y. 2004-05 as 480.

[9 Marks]

(b) Mrs. Satya Yadav received the following amounts during financial year 2007-08:

	Rs.
Gross Salary	5,30,000
Family Pension Rs. 1,000 x 12	12,000
Income of a minor child	4,900
Accumulated balance in PF of her husband after his death	1,00,000
Gratuity received after the death of husband	1,00,000

Calculate taxable income of Mrs. Satya Yadav and tax liability for the assessment year 2008-09.

[6 Marks]

Q.4. (SECOND ALTERNATIVE)

(a) Mr. B.A. Patel, a non-resident, operates an Aircraft between London to Ahmedabad. For the Financial year ended on 31st March, 2007, he received the amounts as under:

(i) For carrying passengers from Ahmedabad Rs. 50 lacs.

(ii) For carrying passengers from London Rs. 75 lacs received in India.

(iii) For carrying of goods from Ahmedabad Rs. 25 lacs.

The total expenditure incurred by Mr. B.A. Patel for the purposes of the business for the financial year 2006-07 was Rs. 1.4 crores.

Compute the income of Mr. B.A. Patel under the head "Profits and Gains from business or profession" for the financial year ended on 31st March 2007 relevant to assessment year 2007-08.

[8 Marks]

(b) Cash gifts received in excess of Rs. 25,000 to be taxed under section 56(2)(vi) under the head 'Income from other sources'. Whether True ?

[2 Marks]

(c) Original return for assessment year 2007-08 was submitted by X on 15-6-2007. Summary assessment u/s 143(1) was done on 5-7-2007. X wishes to file a revised return. Can he do so? If yes, upto what time?

What will be your answer in the above case, if the regular assessment is completed on 31-7-2008.

[4 Marks]

Q.5. Answer any four out of the following five sub-divisions, relating to the provisions of Income Tax Act, 1961.

(a) Specified universities, colleges or other institutions referred to in section 10(23C)(iv), (v), (vi) and (via) are compulsorily required to file their return of income.

(b) Briefly discuss the provisions relating to payment of advance tax on income arising from capital gains and casual income.

(c) What are the documents/prescribed transactions, relating to which on allottee of PAN, should quote his PAN ?

(d) List out the conditions for availing deduction under section 80QQB of Income-tax Act,1961.

(e) Briefly discuss about the provisions relating to deductibility of expenditure incurred in relation to income not includible in assessee's total income.

[4 x 4 = 16 Marks]

Q.6. Answer any five out of the following six sub-divisions.

(a) Write a note on the manner of payment of service tax.

(b) What are the due dates for filing of service tax returns?

(c) Which is the most popular and common method for computing VAT liability and at what stage is the tax imposed?

(d) Will the payment to a hotelier of Rs.10,000 on behalf of an architect by a service receiver be included in the value of taxable services?

(e) Write a note on : Issue of Registration Certificate

(f) Can VAT be said to be non-beneficial as compared to single stage-last point system?

[5 x 2 = 10 Marks]

Q.7. Manufacturer A sold product X to B of Delhi @ Rs. 1000 per unit. He has charged CST @ 4% on the said product and paid Rs. 60 as freight.

B of Delhi sold goods to C of Delhi @ Rs. 1250 per unit and charged VAT 12.5%.

C of Delhi sold goods to D, a consumer @ Rs. 1500 per unit and charged VAT @ 12.5%.Calculate net VAT payable.

[6 Marks]

Q.8. **Answer any three out of following four sub-divisional.**

(a) Who is liable to pay service tax ?

(b) Write note on : Time limit for Registration.

(c) How is VAT different from the current Sales Tax ?

(d) Discuss : Advantages of VAT.

[3 x 3 = 9 Marks]

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CODE : T103

PROFESSIONAL COMPETENCE COURSE
TAXATION

ANSWER ALL QEUSTIONS

Q.1. State, with reasons, whether the following statements are true or false, with regard to the provisions of the Income Tax Act, 1961 [Answer any five].

(a) TDS provisions under section 194C are not attracted in respect of payments made by an individual or a HUF to a contractor.

(b) The deduction on account of depreciation shall be made compulsorily, whether or not the assessee claimed the deduction or not.

(c) The total income of a University without giving effect to exemption under section 10(23C) is Rs. 46 lacs. Its total income, however, is nil. Should the University file its return of income?

(d) Income escaping assessment relating to assessment year 2005-06 is Rs.2,00,000. The time limit for issue of the notice under section 148 is 31-3-2007.

(e) In order to be eligible to claim deduction under section 80c, investment/contribution/subscription, etc. in eligible or approved modes, should be made from out of income chargeable to tax.

(f) Payment made in respect of a business expenditure incurred on 16th February, 2007 for Rs.25,000 through a cheque duly crossed as "& Co." is hit by the provisions of section 40A(3).

[5 x 2 = 10 Marks]

Q.2. Sudhir receives the following salary and perquisites from his employer during the previous year 2007-08: Basic pay: Rs. 1,20,000; profit bonus: Rs. 5,500; commission on sales @ 2 per cent of turnover (turnover of the year 2007-08 achieved by Sudhir: Rs. 6,00,000); advance salary of April, May and June 2008: Rs. 30,000; employer's contribution towards recognised provident fund: Rs. 16,220; interest credited on May 15, 2007 in provident fund account @ 15 per cent: Rs. 8,700; conveyance allowance: Rs. 300 (@ Rs. 100 per month from January 1, 2008 to March 31, 2008 which is fully utilised for official purposes); free services of a gardener (salary : Rs. 8,000); free services of personnel attendant (salary Rs. 9,000) and free services of watchman (salary Rs.1,200). Apart from taking salary in advance Sudhir takes an interest-free loan of Rs. 95,000 on November 1, 2007 from the employer repayable after 3 years for higher education of his daughter (SBI lending rate on April 1, 2007: 10.5 per cent). He owns a house at Calcutta. During the previous year, he earns taxable income of Rs. 1,75,000 from the house. Sudhir holds 20 per cent equity shares in the employer-company.

Sudhir contribute Rs. 19,500 towards recognised provident fund during the previous year and pays Rs. 8,000 in a bank as a fixed deposit for the purpose of section 80C. Compute the total income and tax payable by Sudhir for the assessment year 2008-09.

[20 Marks]

Q.3. **(a)**

	Rs.
Depreciated value of the block of assets (consisting of Plants A, B and C) on 1-4-2007	14,80,000
Addition of Plant D made on 1-9-2007 (it is put to use on 8-9-2007)	1,60,000
Cost of Plant E purchased on 24-12-2007	3,10,000

Sale proceeds of Plant A (sold on 3-3-2008) which was originally purchased on 1-4-1991 for Rs. 1,20,000 — 16,30,000

Assuming that the rate of depreciation is 15%, find out the admissible depreciation and income under the head 'Capital gains' for the assessment year 2008-09.

[6 Marks]

(b) Mohan owns two houses. He transfers the following long-term capital assets during the previous year 2007-08:

Particulars	**Residential house property at Bangalore**	**Gold**	**Silver**
Date of sale	May 07, 2007	May 15, 2007	May 14, 2007
	Rs.	**Rs.**	**Rs.**
Sale consideration	12,00,000	9,00,000	7,00,000
Indexed cost of acquisition	5,00,000	8,00,000	3,50,000

Mohan purchases the following assets-

	Date of purchase	**Amount invested**
Residential house at Bangalore	November 7, 2007	8,00,000
Bonds of National Highways Authority of India for the purpose of section 54EC	November 10, 2007	3,50,000

Ascertain the amount of capital gain chargeable to tax for the assessment year 2008-09. Can he claim exemption under sections 54, 54EC and 54F.

[9 Marks]

Q.4. (FIRST ALTERNATIVE)

A submits you the following particulars for the previous year 2007-08 :

		Rs.
1.	Income under head Salary (computed)	1,20,000
2.	Income from house property (computed)	57,000
3.	Long-term capital gain	50,000
4.	Short-term capital loss	20,000
5.	Profits and gains from business of poultry farming	60,000
6.	Profits and gains from SSI unit established in April, 2000	1,20,000
7.	Interest on Government securities	6,000
8.	Interest on Bank deposits	6,000
9.	Interest on deposits (Gross)	4,000

Compute his total income and tax payable for the assessment year 2008-09 by taking into Consideration the following payments:

LIP on his own life	10,000
PPF	30,000
Donation to National Children Fund	5,000
Donation to Prime Minister's Relief Fund	6,000
Donation to approved charitable institution	20,000
Donation to Government for family planning	14,000
Payment by cheque to GIC for insuring	
(a) health of his wife	8,000
(b) health of dependant son	9,000
(c) dependant father (aged 66 years and resident in India)	4,000
(d) dependant brother	1,500
Expenses on medical treatment of a dependant, being a person with disability	6,000
Amount deposited in UTI Scheme for dependant relative (handicapped)	25,000
Payment of interest on account of loan undertaken from charitable institution for the education of his son doing M.B.A.	30,000

[14 Marks]

Q.4. (SECOND ALTERNATIVE)

(a) Ms. R who draws a salary of Rs. 20,000 p.m. received the following gifts during the previous year 2007-08:

(i) Gift of Rs. 5,00,000 on 16-7-2007 from a friend.
(ii) Gift of jewellery worth Rs. 3,00,000 on 17-10-2007 from her fiancee.
(iii) Gifts of Rs. 51,000 each received from her 4 friends on the occasion of her marriage on 2 1-10-2007.
(iv) Gift of Rs. 1,00,000 on 22-10-2007 from her mother's sister.
(v) Gift of Rs. 60,000 on 25-10-2007 from her father's brother.
(vi) Gift of Rs. 50,000 from her husband's friend on 1-1 1-2007.
(vii) Gift of Rs. 21,000 on 15-11-2007 from her mother's friend.
(viii) Gift of Rs. 26,000 on 25-11-2007 from her brother's father in law.
(ix) Gift of Rs. 1,2 1,000 from her husband's brother.
(x) Gift of Rs. 26,000 from her employer.
(xi) Scholarship of Rs. 1,20,000 from a charitable institution registered under section 12AA.

Compute her total income for the assessment year 2008-09.

[8 Marks]

(b) X owns the following commercial vehicles:

(i) 2 light commercial vehicles — One for 9 months and two days and the other for 12 months.
(ii) 1 heavy goods vehicle — for 6 months and 25 days.
(iii) 2 medium goods vehicles — One for 6 months and the other for 8 months and 15 days.

(a) Compute the income from business if X opts for the scheme u/s 44AE. Also compute his tax liability for the assessment year 2008-09, if he deposits Rs. 20,000 in PPF Account during the previous year.
(b) What will be the income if the trucks were not used for business for two months during the year due to strike?

[6 Marks]

Q.5. Answer any four out of the following five sub-divisions, relating to the provisions of Income Tax Act, 1961.

(a) How does the Income-tax Act, 1961 deal with conversion of a self-acquired property into the property of a Hindu Undivided Family?
(b) Discuss briefly on carry forward and set-off of losses by closely held companies.
(c) How is exemption granted by section 10(10CC) in respect of income-tax paid by employer?
(d) Explain TDS on payment of compensation on acquisition of certain immovable property [Section 19LA] [W.e.f. - 1-10-2004].
(e) Write note on : Filing of return in electronic form [Section 139D]

[4 x 4 = 16 Marks]

Q.6. Answer any five out of the following six sub-divisions.

(a) Is it correct to state that VAT usually increases the retail price, as the tax is payable on the first sale price?
(b) Is a service provider allowed to pay service tax on a provisional basis?
(c) Explain : Audit under VAT.
(d) Is a Service tax is payable on gross amount ?
(e) Is e-filing of service tax return permitted?
(f) Which are the documents to be submitted along with service tax return?

[5 x 2 = 10 Marks]

Q.7. Ajay Ltd. has agreed to render services to Mr. Guru. The following are the chronological events:

	Rs.
Contract for services entered into on 31.8.2006	
Advance received in September, 2006 towards all services	60,000
Total value of services, billed in February, 2007	2,10,000
Above includes non-taxable services of	70,000
Balance amount is received in March, 2007	

When does the liability to pay service tax arise and for what amount? Contract contains clear details of services; consideration and service tax are charged separately, as mutually agreed upon.

[6 Marks]

Q.8. Answer any three out of following four sub-divisional.

(a) In case of import of services, is a recipient of such services in India liable to pay service tax?

(b) Briefly explain the invoice method of computing tax liability under the VAT system. What are its other names?

(c) Write note on : Charge of service tax on service received from outside India [Section 66A]

(d) Explain : Services can be "exported without payment of tax"

[3 x 3 = 9 Marks]

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CODE : T104

PROFESSIONAL COMPETENCE COURSE
TAXATION

ANSWER ALL QEUSTIONS

Q.1. State, with reasons, whether the following statements are true or false, with regard to the provisions of the Income Tax Act, 1961 [Answer any five].

(i) It is a condition precedent to write off in the books of account, the amount due from debtor to claim deduction for bad debt.

(ii) For grant of deduction under section 80-IB, filing of audit report in prescribed form is must for a corporate assessee; filing of return within the due date laid down in section 139(1) is not required.

(iii) The ceiling limit of deduction under section 24(b) in respect of interest on loan taken on 1.04.07 for repairs of a self-occupied house is Rs. 30,000 p.a.

(iv) Capital gains arising in respect of compensation received on compulsory acquisition of capital asset is chargeable as income of the previous year in which it was compulsorily acquired.

(v) Value of fringe benefit chargeable to tax under Chapter XII-H in the hands of the employer is not to be treated as a perquisite under section 17(2), in the hands of the employee.

(vi) A Hindu Undivided Family resident in India having total income of Rs.1,05,000 is eligible to claim eligible tax rebate under section 88D.

[5 x 2 = 10 Marks]

Q.2. Mr. Ashok owns a property consisting of two blocks of identical size. The first block is used for business purposes. The other block has been let out from 1.4.2004 to his cousin for Rs.10,000 p.m. The cost of construction of each block is Rs.5 lacs (fully met from bank loan), rate of interest on bank loan is 10% p.a. The construction was completed on 31.3.2004. During the year ended 31.3.2005, he had to pay a penal interest of Rs.2,000 in respect of each block on account of delayed payments to the bank for the borrowings.

The normal interest paid by him in respect of each block was Rs.42,000. Principal repayment for each block was Rs.23,000. An identical block in the same neighbourhood fetches a rent of Rs.15,000 per month. Municipal tax paid in respect of each block was Rs.12,000.

The income from business prior to adjustment towards depreciation on any asset is Rs.2,20,000. He follows Mercantile system of accounting.

Depreciation on equipments used for business is Rs.30,000.

On 23.3.2005, he sold shares of B Ltd., a listed share in BSE for Rs.2,30,000. The share had been purchased 10 months back for Rs.1,80,000. Security transaction tax paid may be taken as Rs.220.

Brought forward business loss of a business discontinued on 12.1.2004 is Rs.80,000.

This loss has been determined in pursuance of a return of income filed in time and the current year is the seventh year.

The following payments were effected by him during the year:

(i) LIP of Rs.20,000 on his life and Rs.12,000 for his son aged 22, engaged as a software engineer and drawing salary of Rs.25,000 p.m.

(ii) Mediclaim premium of Rs.6,000 for himself and Rs.5,000 for above son. The premiums were paid by cheque.

You are required to compute the total income for the assessment year 2005-06 and the tax payable. The various heads of income should be properly shown. Ignore the interest on bank loan for the period prior to 1.4.2004, as the bank had waived the same.

[20 Marks]

Q.3.

(a) Following is the Profit and Loss account of Mr. A for the year ended 31.3.2006:

	Rs.		Rs.
To Repairs on building	1,30,000	By Gross profit	6,01,000
To Advertisement	51,000	By I.T Refund	4,500
To Amount paid to Scientific Research Association approved u/s 35	1,00,000	By Interest from company deposits	6,400
To Interest	1,10,000	By Dividends	3,600
To Traveling	1,30,000		
To Banking cash transaction tax	550		
To Net Profit	93,950		
	6,15,500		**6,15,500**

Following additional information is furnished:

(1) Repairs on building includes Rs.95,000 being cost of raising a compound wall for the own business premises.

(2) Interest payments include interest of Rs.12,000 payable outside India to a resident Indian on which tax has not been deducted and penalty of Rs.24,000 for contravention of Central Sales Tax Act.

Compute the income chargeable under the head 'Profits and gains of business or profession' of Mr. A for the year ended 31.3.2006 ignoring depreciation.

[8 Marks]

(b) M/s Sidhant & Co., a sole proprietary concern is converted into a company, Sidhant Co. Ltd. with effect from November 29, 2006. The written down value of assets as on April 1, 2006 is as follows:

Items	**Rate of Depreciation**	**WDV as on 1st April, 06**
Building	10%	Rs.3,50,000
Furniture	10%	Rs.50,000
Plant and Machinery	15%	Rs.2,00,000

Further, on October 15, 2006, M/s Sidhant & Co. purchased a plant for Rs.1,00,000 (rate of depreciation 15%). After conversion, the company added another plant worth Rs.50,000 (rate of depreciation 15%).

Compute the depreciation available to (i) M/s Sidhant & Co. and (ii) Sidhant Co. Ltd. for Asst. year 2007-08.

[7 Marks]

Q.4. (FIRST ALTERNATIVE)

(a) Compute the total income of Mr. & Mrs. A from the following information:

		Rs.
(a)	Salary Income (Computed) of Mrs. A	2,30,000
(b)	Income from profession of Mr. A .	3,90,000
(c)	Income of minor son B from company deposit	15,000
(d)	Income of minor daughter C from special talent	32,000
(e)	Interest from bank received by C on deposit made	

out of her special talent 3,000

(f) Gift received by C on 30.09.2004 from friend of Mrs. A 2,500

Brief working is sufficient. Detailed computation under various heads of income is NOT required.

[6 Marks]

(b) Mr. A is an individual carrying on business. His stock and machinery were damaged and destroyed in a fire accident.

The value of stock lost (total damaged) was Rs.6,50,000. Certain portion of the machinery could be salvaged. The opening WDV of the block as on 1-4-2005 was Rs.10,80,000.

During the process of safeguarding machinery and in the fire fighting operations, Mr. A lost his gold chain and a diamond ring, which he had purchased in April, 2002 for Rs.1,20,000. The market value of these two items as on the date of fire accident was Rs.1,80,000.

Mr. A received the following amounts from the insurance company:

(i) Towards loss of stock Rs.4,80,000

(ii) Towards damage of machinery Rs.6,00,000

(iii) Towards gold chain and diamond ring Rs.1,80,000

You are requested to briefly comment on the tax treatment of the above three items under the provisions of the Income-tax Act, 1961.

[8 Marks]

Q.4. (SECOND ALTERNATIVE)

(a) Mr. A who transfers land and building on 2.1.2006, furnishes the following information:

(i) Net consideration received Rs.10 lakhs.

(ii) Value adopted by stamp valuation authority, which was not contested by Mr.A Rs.12 lakhs.

(iii) Value ascertained by Valuation Officer on reference by the Assessing Officer Rs.13 lakhs.

(iv) This land was distributed to Mr. A on the partial partition of his HUF on 1.4.1981. Fair market value of the land as on 1.4.81 was Rs.1,10,000.

(v) A residential building was constructed on the above land by Mr. A at a cost of Rs.3,20,000 (construction completed on 1.12.2002) during the financial year 2002- 2003.

(vi) Short-term capital loss incurred on sale of shares during the financial year 2002- 2003 Rs.2,05,000.

Mr. A seeks your advice as to the amount to be invested in NABARD bonds so as to be exempt from clutches of capital gain tax. Cost inflation indices for the financial years 1981-82, 2002-03 & 2005-06 are 100, 447 and 497 respectively.

[6 Marks]

(b) A newly qualified Chartered Accountant Mr. Dhaval, commenced practice and has acquired the following assets in his office during F.Y. 2006-07 at the cost shown against each item. Calculate the amount of depreciation that can be claimed from his professional income for A.Y. 2007-08:

Sl. No.	Description	Date of acquisition	Date when put to use	Amount Rs.
1.	Computer	27 Sept., 06 2	Oct., 06	35,000
2.	Computer software	2 Oct., 06	4 Oct., 06	8,500
3.	Computer printer	2 Oct., 06	3 Oct., 06	12,500
4.	Books (of which books being annual publications are of Rs.12,000)	1 Apr., 06	1 Apr., 06	13,000
5.	Office furniture (Acquired from practising C.A.)	1 Apr., 06	1 Apr., 06	3,00,000
6.	Laptop	26 Sep., 06	4 Oct., 06	43,000
7.	Fire extinguisher	1 Apr., 06	No instance	

	arose to use during F.Y. 2006-07	2,500
8. Purchased practising CA's office in April '06 who had run it for 4 years, for Rs.5 lacs which includes Rs.2 lacs for goodwill and Rs.3 lacs for cost of furniture (included in 5 above)		

Note: Depreciation is to be provided at the applicable rates.

[8 Marks]

Q.5. Answer any four out of the following five sub-divisions, relating to the provisions of Income Tax Act, 1961.

(a) What are the consequences of failure to deduct tax at source or pay the tax deducted at source to the credit of Central Government?

(b) Discuss in brief the provisions relating to set off and carry forward of losses in speculation business.

(c) Treatment of income from co-owned property.

(d) Discuss : Return by whom to be signed [Section 140]

(e) Discuss : Taxation of zero coupon bonds

[4 x 4 = 16 Marks]

Q.6. Answer any five out of the following six sub-divisions.

(i) Discuss : Time limit for registration

(ii) How to calculate VAT ?

(iii) What is Service Tax Exemption ?

(iv) Give names of method for computation of tax.

(v) Explain : Tax credit on purchase of Capital Goods.

(vi) Explain : Services can be "exported without payment of tax".

[5 x 2 = 10 Marks]

Q.7.

(a) J.C. Professionals, a partnership firm, gives the following particulars relating to the services provided to various clients by them for the half-year ended on 30.09.06:

(i) Total bills raised for Rs. 8,75,000 out of which bill for Rs. 75,000 was raised on an approved International Organisation and payments of bills for Rs. 1,00,000 were not received till 30.09.06.

(ii) Amount of Rs. 50,000 was received as an advance from XYZ Ltd. on 25.09.06 to whom the services were to be provided in October, 06.

You are required to work out the:

(a) taxable value of services

(b) amount of service tax payable.

[3 Marks]

(b) Compute the invoice value to be charged and amount of tax payable under VAT by a dealer who had purchased goods for Rs. 1,20,000 and after adding for expenses of Rs.10,000 and of profit Rs. 15,000 had sold out the same.

The rate of VAT on purchases and sales is 12.5%.

[3 Marks]

Q.8. Answer any three out of following four sub-divisional.

(a) Briefly explain the situations in which and the conditions subject to which an assessee can adjust the excess payment of service tax, against his forthcoming service tax liability.

(b) Can it be said that if the taxable service is not capable of ascertainment, the same cannot form part of value of taxable services from May, 2006 onwards?

(c) Discuss : Requirement of Audit under VAT

(d) Who is liable to pay service tax in relation to services provided by a goods transport agency?

[3 x 3 = 9 Marks]

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CODE : T105

PROFESSIONAL COMPETENCE COURSE
TAXATION

ANSWER ALL QEUSTIONS

Q.1. State, with reasons, whether the following statements are true or false, with regard to the provisions of the Income Tax Act, 1961 [Answer any five].

(i) Where the return of income is not furnished by the assessee on or before the due date, interest is payable under section 234B.

(ii) "A" receives Rs.2.00 lakhs from his friends on the occasion of his marriage on 22-2-2008 and Rs.1.00 lakh from brother of his father-in-law on 31-3-2008. A's income includable under "other sources" for the previous year 2007-08 would be Rs.3.00 lakhs.

(iii) Under Section 35DDA, amortisation of expenditure incurred under eligible. Voluntary Retirement Scheme at the time of retirement alone, can be done.

(iv) Tax on fringe benefits provided for employment is payable by all employers.

(v) Where an individual repays a sum of Rs.30,000 towards principal and Rs.14,000 as interest in respect of loan taken from a bank for pursuing eligible higher studies, the deduction allowable under Section 80E is Rs.40,000, and not Rs.30,000 (principal component only).

(vi) From 1.6.2006 onwards, the Assessing Officer has the power, inter alia, to allot PAN to any person by whom no tax is payable.

[5 x 2 = 10 Marks]

Q.2. R and M are sisters, born and brought up at Mumbai. R got married in 1969 and settled at Canada since 1969. M got married and settled at Mumbai. Both of them are below 60 years. The following are the details of their income for the previous year ended 31-3-2008:

S. No.	Particulars	R Rs.	M Rs/
1.	Pension received from State Government	—	10,000
2.	Pension received from Canadian Government	20,000	—
3.	Long-term capital gain on sale of land at Mumbai	1,00,000	50,000
4.	Short-term capital gain on sale of shares of Indian listed companies in respect of which STT was paid	20,000	2,00,000
5.	LIC premium paid	—	10,000
6.	Premium paid to Canadian Life Insurance Corporation at Canada	10,000	—
7.	Mediclaim policy premium paid	—	5,000
8.	Tax saving bond purchased in March, 2008	30,000	20,000
9.	Rent received in respect of house property at Mumbai	60,000	30,000

Compute the taxable income of Mrs. R and Mrs. M for the assessment year 2008-09 and tax thereon.

[20 Marks]

Q.3. **(a)** On June 30, 2007, Suresh sells the following assets-

Particulars	**Equity shares in A Ltd. (listed)**	**Equity shares in B Ltd. (listed)**	**Shares in C Ltd. (non-listed)**
	Rs.	**Rs.**	**Rs.**
Sale consideration	6,00,000	5,75,000	7,90,000
Cost of acquisition	50,000	1,20,000	35,000
Date of acquisition	May 10, 1982	June 6, 1983	April 6, 1984

Income of Suresh from other sources is Rs. 9,00,000. Suresh deposits Rs. 70,000 in public provident fund. Find out the total income and tax liability for the assessment year 2008-09 if the shares in A Ltd. and B Ltd. are transferred in a recognized stock exchange.
[Cost Inflation Index (CII): F.Y. 2007-08: 551, F.Y. 1982-83: 109, F.Y. 1983-84: 116, F.Y. 1984-85:125]

[9 Marks]

(b) For the previous year 2007-08, the business income of R Ltd. before allowing expenditure on family planning is Rs. 2,00,000. The company had incurred the following expenditure on family planning amongst its employees during the previous year 2007-08:

(i) Revenue expenses on family planning Rs. 1,10,000.
(ii) Capital expenditure on family planning Rs. 6,00,000.

Compute the deduction available for expenditure on family planning to the company assuming the company has income from other sources amounting to Rs. 20,000.

[6 Marks]

Q.4. **(FIRST ALTERNATIVE)**

(a) Karan has occupied two houses for his residential purposes, particulars of which are as follows:

Particulars	**House I**	**House II**
	Rs.	**Rs.**
Municipal valuation (a)	80,000	50,000
Fair rent (b)	95,000	52,000
Standard rent under Rent Control Act (c)	85,000	56,000
Municipal taxes paid 10 percent 10 percent		
Fire insurance	800	500
Interest on capital borrowed for construction of house (Rs. 9,85,000 is borrowed @ 15 per cent per annum on April 1, 2007, construction is completed on March 10, 2008 and loan is yet to be repaid)	1,47,750	Nil

Compute Karan's income from house property for the A.Y. 2008-09. Karan could not occupy House II for two months commencing from December 1, 2007.

[6 Marks]

(b) **(i)** Mrs. Hetal, an individual engaged in the business of Beauty Parlour, has got her books of account for the Financial year ended on 31st March, 2007 audited under section 44AB. Her total income for the assessment year 2007-08 is Rs. 1,35,000. She wants to furnish her return of income for assessment year 2007-08 through a tax return preparer.

(ii) Gross Total Income of A for previous year 2007-08 is Rs. 5,20,000. He had taken a loan of Rs. 6,00,000 in 2004-05 from a Bank for pursuing the MBA course by his son from IIM Bangalore. During the previous year 2007-08, he repaid the 1st instalment of loan of Rs. 55,000 and interest of Rs. 70,000. Compute his Total Income for assessment year 2008-09.

[8 Marks]

Q.4. **(SECOND ALTERNATIVE)**

Miss Charlie, an American national, got married to Mr. Radhey of India in USA on 2.3.06 and came to India for the first time on 16.3.06. She remained in India up till 19.9.06 and left for USA on 20.9.06. She returned to India again on 27.3.07. While in India, she had purchased a show room in Mumbai on 22.4.06, which was leased out to a company on a rent of Rs.25,000 p.m. from

1.5.06. She had taken loan from a bank for purchase of this show room on which bank had charged interest of Rs.97,500 upto 31.3.07. She had received the following gifts from her relatives and friends during 1.4.06 to 30.6.06 :

- From parents of husband	Rs.51,000
- Fro married sister of husband	Rs.11,000
- From two very close friends of her husband, Rs.1,51,000 and Rs.21,000	Rs.1,72,000

Determine her residential status and compute the total income chargeable to tax alongwith the amount of tax payable on such income for the Asst. Year 2007-08.

[14 Marks]

Q.5. Answer any four out of the following five sub-divisions, relating to the provisions of Income Tax Act, 1961.

(a) Set off and carry forward and set off of loss from activity of owning and maintaining race horses [Section 74A]

(b) Explain : No deduction of tax on interest paid by the Offshore Banking Unit to certain persons [Section 197A(1D)]

(c) Transactions where quoting of PAN made compulsory.

(d) Special provisions in respect of newly established 100% Export Oriented Undertakings [Section 10B]

(e) Computation and Payment of Advance Tax where the calculation is made by the assessee himself [Section 209]

[4 x 4 = 16 Marks]

Q.6. Answer any five out of the following six sub-divisions.

(a) How to make the payment [Rule 6(2)]

(b) Is an unincorporated association, formed after 1st June, 2006, liable to pay any Service Tax?

(c) What is cascading effect in terms of VAT.

(d) Write note on Valuation where billing is inclusive of Service Tax.

(e) Enclosures to the Return of Service Tax.

(f) Can VAT be said to be non-beneficial as compared to single stage-last point system?

[5 x 2 = 10 Marks]

Q.7.

(a) ABC & associates, a C.A. firm has issued bill for service tax & services rendered to his client M/S PQR Bros. in the following manner :

Particulars	Amount
Bill for Professional Services rendered during March '08.	Rs.22,472
	Rs.22,427

Is the above billing correct ?

If no, then please prepare correct Billing.

[3 Marks]

(b)

Purchase price of goods	Rs.2,40,000
Further expenses incurred	Rs.30,000
Profit margin	25% on sales
Rate of VAT (both purchase & sales)	12.5%

Find out amount of VAT payable & invoice value. Who will pay VAT ?

[3 Marks]

Q.8. Answer any three out of following four sub-divisional.

(a) Explain substraction method of VAT.

(b) What are the due dates for payment of service tax?

(c) Write a note on the manner of payment of service tax.

(d) Can Vignesh & Co., providing services from different locations and billing the clients from each location, opt for centralized service tax registration?

[3 x 3 = 9 Marks]

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CODE : I101

PROFESSIONAL COMPETENCE COURSE

INFORMATION TECHNOLOGY & STRATEGIC MANAGEMENT

[PART 6A - INFORMATION TECHNOLOGY]

Q.1.

(A) Describe briefly, the Following terms.

(i) Repeaters.
(ii) Backup files.
(iii) Touch Screen
(iv) Bandwidth
(v) Intelligent terminal.

(5 Marks)

(B) Explain each of the following :

(i) Index Field.
(ii) Packet switching.
(iii) Need of Diagnostic Routine in System Software.
(iv) Stored Program Concept.
(v) Need of Reference files.

(5 Marks)

Q.2. Answer any two.

(A) Describe the various factors which determine the storage capacity of a magnetic disk.
(B) Sequemtial file organisation and random file organisation.
(C) Explain any five communication interface devices.

(2 x 5 = 10 Marks)

Q.3.

(A) What do you mean by object oriented programming ? Explain its advantages.
(B) What is the meaning of 'Field' and 'Record' in respect of a computer data file ? Also describe the various type of data files.

(4 + 6 = 10 Marks)

Q.4. A bank has 500 employees. The salary paid to each employee is sum of his basic pay. dearness allowance and house rent allowance. For the purpose of computing house rent allowance bank has classified his employees into three classes A, B and C. The house rent allowance for each class is computed at the rate of 30 percent. 20 percent and 10
percent of the basic pay respectively, The dearness allowance is computed at a flat rate of 60 percent of the basic pay.
Draw a flow chart to determine the percentage of employee failing in the each of the following salary slab :

(i) Above Rs. 30,000
(ii) Rs. 15,001 To Rs. 30,000
(iii) Rs. 8,001 to Rs. 15,000
(iv) Less than or equal to Rs. 8,000

(10 Marks)

Q.5. Write short notes on the Following.

(i) Virtual Memory.

(5 Marks)

(ii) World wide Web.

(5 Marks)

[Part 6B - Strategic Management]

Q.6. State with reasons which of the following statements is correct/incorrect : (Attempt any three):

(A) Vertical diversification and concentric diversification are the same.

(B) An SBU structure increases the efficiency of strategic management.

(C) Objectives and goals are synonymous .

(D) Only a limited number of companies go for business process re-engineering.

(E) Functional strategies are prepared by top level management.

(3 x 2 = 6 Marks)

Q.7. Briefly answer any two of the Following question in 2-3 sentence each :

(A) Takeovers or Acquisitions.

(B) What is the dynamics of Competitve Strategy ?

(C) What is a Core Business PRocess ?

(2 x 2 = 4 Marks)

Q.8. What is the Competitive Forces Model in Industry Environment ?

(10 Marks)

Q.9. **Define each of the Following & analyse its role in Strategic implementation ;**

(A) Retrenchment Strategy.

(2.5 Marks)

(B) Definition of TQM

(2.5 Marks)

(C) What is a Strategic Business Unit ?

(2.5 Marks)

(D) What is SWOT analysis ?

(2.5 Marks)

Q.10. Delhi-based Ace International is close to acquiring popular household brands Yummy and Tasty from Beetroot Ltd. The deal, at rupees thirty-five crores was announced at a joint press conference.

It was sometime back that Beetroot felt the need to restructure its unwieldy product portfolio and exit brands which had low business potential for the company. Beetroot had put these brands on sale late last year. Ace has emerged as the highest bidder for them. The company, stated in the press release that Ace is buying the brands but not their manufacturing facility at Noida (near Delhi), because the plant also makes other food products which are Beetroot's core food brands.

While Yummy and Tasty are marginal businesses for Beetroot, (around Rs 20 crore per annum) management consultants felt that they are a good fit in Ace's product portfolio. The company makes the same genre of products and can grow the brands without additional input or distribution costs. Tasty and Yummy are food brands that Ace can manufacture in its existing plants spread across seven locations in Punjab and Maharashtra. The company can also use the same set of distributors to place these brands in shops. Financial Analysts expect them to add 8-10% to Alpha's Rs 250 crore turnover in the first year.

(a) Discuss the business strategy for Ace

(b) Discuss the business strategy for Beetroot.

(20 Marks)

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CODE : I102

PROFESSIONAL COMPETENCE COURSE

INFORMATION TECHNOLOGY & STRATEGIC MANAGEMENT

[PART 6A - INFORMATION TECHNOLOGY]

Q.1.

(A) Describe briefly, the Following terms.

(i) Floppy Disk.

(ii) Non-impact printers.

(iii) WORM Disk

(iv) Asynchronous Transmission

(v) Switch

(5 x1 = 5 Marks)

(B) Explain each of the following :

(i) Boot Record.

(ii) Assembler.

(iii) Data Centre.

(iv) Cache Memory

(v) Data transformation

(5 x 1 = 5 Marks)

Q.2. Answer any two of the Following.

(A) Explain the different types of payment systems in E-commerce.

(B) Explain in brief the advantages of Optical Character Reader.

(C) What are the important decisions which influence the physical design of a database ? Explain.

(2 x 5 = 10 Marks)

Q.3.

(A) Describe the various factors which determine the storage capacity of a magnetic disk.

(B) Discuss relative merits and demerits of different file organizations. Write at least two applications for each organization.

(4 + 6 = 10 Marks)

Q.4. Draw a flow chart to compute and print income tax, surcharge and education cess on the income of a person, where income is to be read from terminal and tax is to be calculated as per the following rates :

	Slab Rate	Rs.
(i)	1 to 1,00,000	No tax
(ii)	1,00,001 to 1,50,000	@10% of amount above 1,00,000
(iii)	1,50,001 to 2,50,000	Rs. 5,000 + 20 % of amount above 1,50,000
(iv)	2,50,001 onwards	Rs. 25,000 + 30 % of amount above 2,50,000
	Surcharge	@ 10% on the amount of total tax, if the income of a person exceeds Rs. 10,00,000
	Education cess	2% on the total tax

(10 Marks)

Q.5. **Write short notes on the Following.**

(i) GUI

(5 Marks)

(ii) Tele-conferencing.

(5 Marks)

[PART 6B - STRATEGIC MANAGEMENT]

Q.6. State with reasons which of the following statements is correct/incorrect : (Attempt any three):

(A) Concentric diversification amounts to unrelated diversification.

(B) Mission and Vision are the same thing.

(C) Six sigma is a system combining strong leadership and grassroots energy and involvement.

(D) Core Competences of a business are permanent.

(E) The SWOT analysis and TOWS matrix are the same thing.

(3 x 2 = 6 Marks)

Q.7. Briefly answer any two of the Following question in 2-3 sentence each :

(A) Which generic business processes of a business enterprise needs re-designing ?

(B) What is B C G MATRIX ?

(C) What is a Functional Structure ?

(2 x 2 = 4 Marks)

Q.8. What is Strategic Management ?

(10 Marks)

Q.9. **Define each of the Following & analyse its role in Strategic implementation ;**

(A) What is Benchmarking ?

(2.5 Marks)

(B) What is Business Process Re-engineering ?

(2.5 Marks)

(C) What is a Network Structure ?

(2.5 Marks)

(D) Mergers

(2.5 Marks)

Q.10. Speed Technologies is an Indian company with three major divisions: (1) notebooks, (2) desktops and (3) accessories, Its total revenue for the last year approximated As. 1130 crores, and its net operating income was Rs. 53 crores.

The organizational structure of the company is considered to be quite formal. Each division operates as an independent unit and is responsible for its own activities, with only modest direction from the corporate office. It also has offices located in Nepal and Sri Lanka. These offices function as liaising office for local importers. The monthly requisitions from the importers are directly despatched by the corporate office. The sales of the company from these two countries is marginal and their market share in markets is also low. However, there is huge potential. Considering this, the company intends to expand its network in both the countries with little control from the head office. It intends to increase the workforce and setup local assembling units.

(a) Is the present structure of Speed Technologies functional or divisional? Discuss.

(b) What kind of structure will you suggest in two countries?

(20 Marks)

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CODE : I103

PROFESSIONAL COMPETENCE COURSE

INFORMATION TECHNOLOGY & STRATEGIC MANAGEMENT

[PART 6A - INFORMATION TECHNOLOGY]

Q.1.

(A) Describe briefly, the Following terms.

(i) Dumb terminal
(ii) Intelligent terminal
(iii) Need for Boor Record
(iv) Data Centre
(v) Overlay

(5 Marks)

(B) Explain each of the following :

(i) With reference to computers, explain briefly. Fascimile Transmission System.
(ii) Describe briefly, the following terms with reference to information Technology: Web Browser

(iii) Spooling Software,
(iv) Surfing.
(v) Web casting

(5 Marks)

Q.2. Answer any two of the Following.

(A) Distinguish between the Following. On-line system and real time systems.
(B) What do you mean by Direct Data Entry (DDE) system ? Give a brief description of Optical Character Reader.
(C) Describe various factors which determine the best file organisation.

(2 x 5 = 10 Marks)

Q.3.

(A) Enlist various functions of an operating system.
(B) Explain in brief the advantages and disadvantages of Ferrite core memory, Semiconductor memory and Bubble memory.

(4 + 6 = 10 Marks)

Q.4. An electric supply company charges the following rate for its domestic consumers :

No. of unit consumed	Charges/unit
For the first 200 units	(Rs.)
For the next 300 units	1.60
Over 500 units	2.10
Surcharges @ 20% of the bill is to be added to the charges.	3.90

Draw a flow chart for the above, which will read the consumer number and the number of units consumed and print out the total charges with the consumer number and the unit consumed.

(10 Marks)

Q.5. Write short notes on the Following.

(i) Extranet

(5 Marks)

(ii) MS Windows.

(5 Marks)

[Part 6 B - Strategic Management]

Q.6. State with reasons which of the following statements is correct/incorrect : (Attempt any three):

(A) Michael Porter's emphasize is on production of cheap goods when he is advocating cost leadership strategy.
(B) Retrenchment strategy in the organisation can be defined as divesting a major product line or market.
(C) Financial plans and policies sometimes present a dilemma for the management.
(D) The first step in strategy formulation is deciding the objectives.
(E) The strategy analyses is the starting point of strategy formulation.

(3 x 2 = 6 Marks)

Q.7. Briefly answer any two of the Following question in 2-3 sentence each :
(A) What is a Core Business Process ?
(B) What is GE Nine-cell Matrix ?
(C) What are the Expansion Strategies ?

(2 x 2 = 4 Marks)

Q.8. What is the 'PORTER'S FIVE FORCES MODEL' for competitive analysis ?

(10 Marks)

Q.9. **Define each of the Following & analyse its role in Strategic implementation ;**
(A) Market development.

(2.5 Marks)

(B) Substitutes.

(2.5 Marks)

(C) What is B C G MATRIX ?

(2.5 Marks)

(D) What is a Core Business Process ?

(2.5 Marks)

Q.10. Many companies are harping on making their products affordable to the mass consumers as part of their growth strategy. Two years back Clean Head Ltd started selling their shampoo at an affordable price of As 10 for 40 ml bottle. The price of 100 ml and 200 bottles were retained at As 45 and 85 respectively. The product was aggressively pushed in small and mofussil towns. The company expected that the existing customers would continue with the convenience of bigger bottles and purchase them. Contrary to the expectations, big cities also witnessed a shift towards smaller size bottles. There was some increase in the volumes, but squeeze in the margins tremendously reduced the profits. Moreover, the turnover did not increase as forecasted.

The chairman of the company called a meeting of all the functional heads and made following observations:

"We have to chart out long-term strategies for our company. At this moment, sustainable but profitable growth is sacrosanct for us, but may prove to be elusive. We are not in a position to offer lower-priced shampoos with declining profits. If we continue like this, gradually the company may start incurring losses. Our competitors have also followed us by reducing their prices. My dilemma is if we roll back our prices, our competitors may not do so."

(a) What went wrong? Give your assessment of the situation
(b) How competitors are related to the internal decisions?
(c) What is the strategy used by Clean Head Ltd.

(20 Marks)

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CODE : I104

PROFESSIONAL COMPETENCE COURSE

INFORMATION TECHNOLOGY & STRATEGIC MANAGEMENT

[PART 6A - INFORMATION TECHNOLOGY]

Q.1.

(A) Describe briefly, the Following terms.

(i) Use of Rs-232C port
(ii) Use of spooling software
(iii) State two salient features of the following : Distributed Processing.
(iv) Data Dictionary
(v) Data Bus

(5 Marks)

(B) Explain each of the following :

(i) Data Independence
(ii) PROM
(iii) Internet Browser
(iv) Packet switching
(v) Hyper Text Markup Language(HTML)

(5 Marks)

Q.2. Answer any two of the Following.

(A) Explain the various components of a decision support system.
(B) Dumb terminal and intelligent terminal.
(C) Explain different types of data communication modes.

(2 x 5 = 10 Marks)

Q.3.

(A) Explain briefly: Execution cycle.
(B) What is an expert system ? Explain the various elements of an expert system. Also write its advantages.

(4 + 6 = 10 Marks)

Q.4. A water distribution company has two categories of consumers (Domestic and Commercial). The charges of water per unit consumed by these consumers are Rs. 5.00 and Rs. 8.00 respectively. The computer database of the company has the following information.

- Consumer's Name
- Category
- Units consumed
- Bill's date
- Date of payment.

The company processes bills according to the following criterion :
If the consumer is domestic and pays his bill within 10 days of the bill date. 7% discount is given. if the pays the bill within 15 days. no discount is given. If he makes the payment after 15 days of the bill date, 10% surcharge is levied. For commercial consumers, corresponding percentage be 15 % , 0% and 15% respectively.
Draw a flow chart to calculate the bill amount, discount, surcharge and net amount of the bill for each type of consumer and print it.

(10 Marks)

Q.5. Write short notes on the Following.

(i) Programe Library Management System

(5 Marks)

(ii) Web Casting

(5 Marks)

[Part 6 B - Strategic Management]

Q.6. State with reasons which of the following statements is correct/incorrect: (Attempt any three):

(A) Vision is the starting point for any strategy.
(B) The various levels of strategic management are complementary.
(C) When strategic management is ineffective but operational management is efficient, the organization would flourish.
(D) Production planning and production control are complementary.
(E) Internet has increase the barging power of customers.

(3 x 2 = 6 Marks)

Q.7. Briefly answer any two of the Following question in 2-3 sentence each :

(A) What is a Vision ?
(B) What is the role of leader in strategic success ?
(C) What are the Grand Strategies ?

(2 x 2 = 4 Marks)

Q.8. What are the aspects of Corporate Strategy ?

(10 Marks)

Q.9. **Define each of the Following & analyse its role in Strategic implementation ;**

(A) Product development. **(2.5 Marks)**
(B) What is Portfolio Analysis ?

(2.5 Marks)

(C) Joint Venture.

(2.5 Marks)

(D) Strategic Benchmarking.

(2.5 Marks)

Q.10. Information technology (IT) exports from the Software Technology Park in Sohanpur in Uttar Pradesh has increased from As 1005 crore to As 1455 crore in the last five years. To further this growth and discuss the common issues various IT professionals of different companies assembled for a meeting. Their agenda included discussion on the issues relevant for the development of the technology park and available opportunities in IT industry for companies planning to set up IT and processing businesses in Sohanpur.

It was felt by a few persons that the absence of an airport and availability of uninterrupted round the clock power supply were major hurdles towards the development of the park. The nearest airport is 600 km away in New Delhi.

One of the participant highlighted the importance of world-class telecommunication facilities in the area. He felt that the telecommunications technology in the region is primitive and is not able to meet the present needs of the region. He also spoke at length about the problems of frequent job changes by present youth. He highlighted that a major problem is lack of patience in the young generation of IT professionals. He said retention was a major problem in Sohanpur as professional also preferred bigger cities. He suggested that the IT businesses should get together to create a conducive working climate for retention as well as growth.

Read the above case and answer the following questions:

(1) List out different environmental factors for a new entrepreneur who wants to start a new IT project in the Technology park. Segregate them as positive and negative.
(2) What is importance of an Airport in the city? Discuss.
(3) Suggest how manpower issues can be dealt by the businesses in the park.

(20 Marks)

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CODE : I105

PROFESSIONAL COMPETENCE COURSE

INFORMATION TECHNOLOGY & STRATEGIC MANAGEMENT

[PART 6A - INFORMATION TECHNOLOGY]

Q.1.

(A) Describe briefly, the Following terms.

(i) Boot strap loder is an essential system software.
(ii) Server
(iii) Use of Parallel port
(iv) URL
(v) Need of Reference files.

(5 Marks)

(B) Explain each of the following :

(i) Index Field.
(ii) FTP.
(iii) Accumulator
(iv) Need of Diagnostic Routine in System Software.
(v) Subroutine

(5 Marks)

Q.2. Answer any two of the Following.

(A) Explain various features offered by e-mail software.
(B) Discuss the importance of "data volume" and "usage analysis" in the design of database.
(C) What do you understand by Local Area Network ? Describe its basic components.

(2 x 5 = 10 Marks)

Q.3.

(A) What do you mean by Structured Querry Language (SQL) ? Explain its utility in database management.
(B) What is a distributed data processing ? Write its advantages.

(4 + 6 = 10 Marks)

Q.4. A bank accepts fixed deposit for a year or more and the policy on interest rate is as follows.

(i) If a deposit is less than Rs. 10,000 and for two or more years. the interest rate is 5 % compounded annually,
(ii) If a deposit is Rs. 10,000 or more, but less than Rs. 50,000 and for two or more years. the interest rate is 7 % compounded annually.

(iii) If the deposit is Rs. 50,000 or more and is for one year or more the interest rate is 8% compounded annually.
(iv) On all deposits for five years or more interest rate is 10% compounded annually.
(v) On all other deposits not covered by the above conditions, the interest rate is 3%.
(vi) If the customer is holder of any type of account for last five years. an additional 1% interest is allowed.

Draw a flow chart to obtain the money in customer's account and interest credited at the time of withdrawal.

(10 Marks)

Q.5. Write short notes on the Following.

(i) Tele-conferencing.

(5 Marks)

(ii) Storage Area Network (SAN)

(5 Marks)

[Part 6 B - Strategic Management]

Q.6. State with reasons which of the following statements is correct/incorrect : (Attempt any three):

(A) Strategy formulation and Strategy implementation are identical.
(B) Marketing alone cannot produce superior value for the consumer.
(C) Strategy is partly proactive and partly reactive.
(D) Decision making is the task of top management only.
(E) A super ordinate objective covers all subordinate objectives.

(3 x 2 = 6 Marks)

Q.7. Briefly answer any two of the Following question in 2-3 sentence each :

(A) What is strategic Planning ?
(B) What is Value Chain Analysis ?
(C) What is Micro Environment ?

(2 x 2 = 4 Marks)

Q.8. What is SWOT analysis ?

(10 Marks)

Q.9. **Define each of the Following & analyse its role in Strategic implementation ;**

(A) Retrenchment Strategy.

(2.5 Marks)

(B) What is a mission

(2.5 Marks)

(C) What is Six Sigma ?

(2.5 Marks)

(D) Stability Strategy

(2.5 Marks)

Q.10. The Managing Director of Big Ltd. called an internal meeting of senior managers to discuss issues involved in acquiring Small Ltd. for about As. 350 crores. He started the meeting with following observations:

'After acquiring Small, we will become the second largest consumer goods company in India with sales of over As. 4500 crores. We will have more money for marketing initiatives, product launches and aggressive price-cuts. The key reason behind buying Small is to create shareholder value over and above that of the sum of the two companies. Recent years have been tough for both the companies with strong competition. The merged company hopes to gain a greater market share and achieve greater efficiency.'

Different issues were discussed between the managers. Pertinent points that were raised were as follows:

Head Production. 'Although, am involved little, till now, in the discussion regarding the acquisition, I have closely studied various production facilities available to both the companies. I feel production facilities of both the companies need to be synergised. There is also need to close down production facilities of two locations out of seven locations of Small. The costs of production of these locations is very high and also they are located in eastern India, whereas our major sales is in south and west.'

Head Marketing. We need to analyse it further. The market of the products is in mature phase with low growth rate. Small Ltd. has little presence in some regions and is not a major competitor for us. Further, there is marginal gap between our existing third position and second position. We can easily achieve second position if we are able to fully utilise our capacities.

(a) In a low growth product what are the different options available to a company.
(b) If you are appointed as a consulted, advise the Big Ltd. how to proceed before arriving at decision to acquire any company.
(c) Conduct SWOT analysis from the facts given in the case.

(20 Marks)

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