Final old test papers series 1

PAPER – 1 : ADVANCED ACCOUNTING

QUESTIONS

1. The following balances are extracted from the books of Surya Ltd., a real estate company, on 31st March, 2006:

	Dr.	*Cr.*
		(Rs.'000)
Sales		2,760
Purchases of materials	1,218	
Share capital fully paid		100
Land purchased in the year as stock	73	
Leasehold premises	42	
Creditors		463
Debtors	735	
Directors' salaries	39	
Wages	111	
Work in progress on 01.04.2005	210	
Sub-contractors' cost	894	
Equipment, Fixtures and Fittings at cost on 01.04.2005	264	
Stock on 01.04.2005	59	
Profit and Loss Account, Credit Balance on 01.04.2005		128
Secured Loan		112
Bank Overdraft		105
Interest on Loan and Overdraft	22	
Depreciation on Equipment on 01.04.2005		164
Administration Expenses	147	
Office Salaries	18	
	3,832	3,832

You also obtain the following information:

(a) On 31st March, 2006, stock on hand including the land acquired during the year, is valued at Rs. 1,42,000. Work in progress at that date is valued at Rs. 1,40,000.

(b) On 1st October, 2005 the company moved to new premises. The premises are on a 12 years lease and the lease premium paid amounted to Rs. 42,000. The company used sub-contract labour of Rs. 40,000 and materials at cost of Rs. 38,000 in the refurbishment of the premises. These are to be considered as part of the cost of leasehold premises.

(c) A review of the debtors reveals specific doubtful debts of Rs. 35,000 and the directors wish to provide for these together with a general provision based on 2% of the balance.

(d) Depreciation on equipment, fixtures and fittings is provided at 15% on the written down value.

(e) Surya Ltd. sued Bright Ltd. for supplying defective materials which has been written off as valueless. The Directors are confident that Bright Ltd. will agree for a settlement of Rs. 50,000.

(f) The directors propose a dividend of 25%.

(g) Rs. 20,000 is to be provided as audit fee.

(h) The company will provide 10% of the pre-tax profit as bonus to employees in the accounts before charging the bonus.

(i) Income tax to be provided at 50% of the profits.

You are required:

(i) to prepare the company's financial statements for the year ended 31st March, 2006 as near as possible to proper form of company final accounts; and

(ii) to prepare a set of Notes to accounts including significant accounting policies.

Notes: Workings should form part of your answer.

Previous year figures can be ignored.

Figures are to be rounded off to nearest thousands.

2. The Balance Sheets of Big Ltd. and Small Ltd. as on 31.03.2005 were as follows:

Balance Sheet as on 31.03.2005

	Big Ltd.	*Small Ltd.*		*Big Ltd.*	*Small Ltd.*
	(Rs.)	*(Rs.)*		*(Rs.)*	*(Rs.)*
Equity Share Capital (Rs. 10 each)	8,00,000	3,00,000	Building	2,00,000	1,00,000
10% Preference Share Capital (Rs. 100 each)	–	2,00,000	Machinery	5,00,000	3,00,000
			Furniture	1,00,000	60,000

General reserve	3,00,000	1,00,000	Investment:		
Profit and Loss Account	2,00,000	1,00,000	6,000 shares of Small Ltd.	60,000	–
Creditors	2,00,000	3,00,000	Stock	1,50,000	1,90,000
			Debtors	3,50,000	2,50,000
			Cash and Bank	90,000	70,000
			Preliminary Expenses	50,000	30,000
	15,00,000	10,00,000		15,00,000	10,00,000

Big Ltd. has taken over the entire undertaking of Small Ltd. on 30.09.2005, on which date the position of current assets except Cash and Bank balances and Current Liabilities were as under:

	Big Ltd. *(Rs.)*	*Small Ltd.* *(Rs.)*
Stock	1,20,000	1,50,000
Debtors	3,80,000	2,50,000
Creditors	1,80,000	2,10,000

Profits earned for the half year ended on 30.09.2005 after charging depreciation at 5% on building, 15% on machinery and 10% on furniture, are:

Big Ltd.	Rs. 1,02,500
Small Ltd.	Rs. 54,000

On 30.08.2005 both Companies have declared 15% dividend for 2004-2005.

Goodwill of Small Ltd. has been valued at Rs. 50,000 and other Fixed assets at 10% above their book values on 31.03.2005. Preference shareholders of Small Ltd. are to be allotted 10% Preference Shares of Big Ltd. and equity shareholders of Small Ltd. are to receive requisite number of equity shares of Big Ltd. valued at Rs. 15 per share in satisfaction of their claims.

Show the Balance Sheet of Big Ltd. as of 30.09.2005 assuming absorption is through by that date.

3. From the following Profit and Loss Account of Kalyani Ltd., prepare a Gross Value Added Statement. Show also the reconciliation between Gross Value Added and Profit before Taxation.

Profit and Loss Account for the year ended 31st March, 2005

Income	*Amount*

Notes

		(Rs. in lakhs)	(Rs. in lakhs)
Sales			206.42
Other Income			10.20
			216.62
Expenditure			
Production and Operational Expenses	1	166.57	
Administration Expenses	2	6.12	
Interest and Other Charges	3	8.00	
Depreciation		5.69	186.38
Profit before Taxes			30.24
Provision for taxes			3.00
			27.24
Investment Allowance Reserve Written Back			0.46
Balance as per Last Balance Sheet			1.35
			29.05
Transferred to:			
General Reserve		24.30	
Proposed Dividend		3.00	27.30
Surplus Carried to Balance Sheet			1.75
			29.05

Notes:

(1) Production and Operational Expenses *(Rs. in lakhs)*

Increase in Stock	30.50
Consumption of Raw Materials	80.57
Consumption of Stores	5.30
Salaries, Wages, Bonus and Other Benefits	12.80
Cess and Local Taxes	3.20
Other Manufacturing Expenses	34.20
	166.57

(2) Administration expenses include inter-alia Audit fees of Rs. 1 lakh, Salaries and commission to directors Rs. 2.20 lakhs and Provision for doubtful debts Rs. 2.50 lakhs.

(3) Interest and Other Charges: *(Rs. in lakhs)*

On Fixed Loans from Financial Institutions	3.90
Debentures	1.80
On Working Capital Loans from Bank	2.30
	8.00

4. Devine Public Health Hospital runs only an intensive care unit. For this purpose, it has hired a building at a rent of Rs. 10,000 per month. The unit has undertaken to bear the cost of repairs and maintenance charges.

   The unit consisted of 50 beds and 5 more beds can be safely accommodated, when the situation demands at a charge of Rs. 5 per bed per day.

   During the year 2006-07, it revealed that only for 120 days in the year, the unit had full capacity of 50 patients per day and for another 80 days, it had on an average 40 beds only occupied per day. The total hire charges for the extra beds incurred for the whole year amount to Rs. 4,000.

   Expert doctors from outstation were engaged and the fees were paid on the basis of the number of patients attended and time spent by them and on an average, it worked out to Rs. 20,000 per month in 2006-07. The other expenses for the year were as under:

Permanent staff	
4 Supervisors, each at a salary of	Rs. 500 per month
8 Nurses, each at a salary of	Rs. 300 per month
4 Ward boys, each at a salary of	Rs. 150 per month
Repairs and maintenance	Rs. 7,200
Cost of food supplied to patients	Rs. 88,000
Laundry charges	Rs. 56,000
Medicine supplied	Rs. 70,000
Cost of Oxygen X-Ray other than directly borne for treatment of patienets	Rs. 1,08,000
Janitor and other services for them	Rs. 25,000
Administration charges allotted to the unit	Rs. 99,100

   The unit has recovered an overall amount of Rs. 100 per day on an average from each patient. The cost of Janitor and other services is variable as it is related to number of patient-days.

   Prepare a Revenue Statement for the year 2006-07 and indicate the profit per patient day made by the unit.

   Pass Journal entries for the next year, if the unit receives (a) donated medicines and medicinal supplies of Rs. 25,000 and (b) medicine expenses of Rs. 85,000 for the year includes Rs. 5,000 donated supplies.

You are required to calculate EVA for Omega Co.

5. ABC Finance Ltd. is a non-banking finance company. The extracts of its balance sheet are given below:

Liabilities	*Amount*	*Assets*	*Amount*
Paid up equity share capital	100	Leased out Assets	800
Free Reserves	500	Investment: In shares of subsidiaries and	
Loans	400	group companies	100
Deposits	400	In debentures of subsidiaries	
		and group companies	100
		Cash and Bank balances	200
		Deferred Expenditure	200
	1,400		1,400

You are required to compute Tier – I Capital of ABC Finance Ltd. according to NBFC Prudential Norms (RBI) Directions 1998.

6. Write short notes on:

   (a) Jaggi and Lau model of valuation on group basis of Human Resources.

   (b) Opportunity cost (HRA).

7. What books of account and records are required to be maintained by stock brokers**?**

8. "The content of corporate social report is essentially based on social objectives." Discuss in brief.

9. Explain derivatives and their characteristics in brief

10. (a) What do you mean by restricted funds and unrestricted funds as found in the books of account of not-for-profit organizations?

    (b) Distinguish between mandatory transfers and non-mandatory transfers made by a college in its books of account.

11. (a) Discuss the Advantages and disadvantages of setting of Accounting Standards in brief.

    (b) Explain the difference between direct and indirect methods of reporting cash flows from operating activities with reference to Accounting Standard 3(AS 3) revised.

    (c) Describe Events Occurring after the Balance Sheet Date and their disclosure requirements.

    (d) Explain Provisions contained in the Accounting Standard in respect of Revaluation of fixed assets.

(e) Describe the factors for determination of "Reportable Segments" as per AS-17.

(f) Briefly describe the disclosure requirements for related party transactions as per Accounting Standard 18.

12. The closing inventory at cost of a company amounted to Rs. 2,84,700. The following items were included at cost in the total:

    (a) 400 coats, which had cost Rs. 80 each and normally sold for Rs. 150 each. Owing to a defect in manufacture, they were all sold after the balance sheet date at 50% of their normal price. Selling expenses amounted to 5% of the proceeds.

    (b) 800 skirts, which had cost Rs. 20 each. These too were found to be defective. Remedial work in April cost Rs. 5 per skirt, and selling expenses for the batch totaled Rs. 800. They were sold for Rs. 28 each.

    What should the inventory value be according to AS 2 after considering the above items?

13. A Limited Company closed its accounting year on 30.6.2006 and the accounts for that period were considered and approved by the board of directors on 20th August, 2006. The company was engaged in laying pipe line for an oil company deep beneath the earth. While doing the boring work on 1.9.2006 it had met a rocky surface for which it was estimated that there would be an extra cost to the tune of Rs. 80 lakhs. You are required to state with reasons, how the event would be dealt with in the financial statements for the year ended 30.6.2006.

14. While preparing its final accounts for the year ended 31st March, 2007, Rainbow Limited created a provision for Bad and Doubtful debts are 2% on trade debtors. A few weeks later the company found that payments from some of the major debtors were not forthcoming. Consequently the company decided to increase the provision by 10% on the debtors as on 31st March, 2007 as the accounts were still open awaiting approval of the Board of Directors. Is this to be considered as an extra-ordinary item or prior period item ? Comment.

15. A Limited company charged depreciation on its assets on the basis of W.D.V. method from the date of assets coming to use till date amounts to Rs. 32.23 lakhs. Now the company decides to switch over to Straight Line method of providing for depreciation. The amount of depreciation computed on the basis of S.L.M. from the date of assets coming to use till the date of change of method amounts to Rs. 20 lakhs.

Discuss as per AS-6, when such changes in method of can be adopted by the company and what would be the accounting treatment and disclosure requirement.

PAPER– 2 : MANAGEMENT ACCOUNTING AND FINANCIAL ANALYSIS

QUESTIONS

1. Company X plans to acquire Company Y. You are required to show merger gains using following data:-

		(Amount in Rs.)
	X Ltd.	*Y Ltd.*
Pre-merger market price per share	60	30
Number of shares	14 lakhs	7 lakhs

   The merger gain is expected to be Rs.150/- lakhs. X Ltd. has offered 1 share for every 2 shares of Y Ltd.

2. The market value of two companies Sun Ltd. and Moon Ltd. are Rs.175 lakhs and Rs.75 lakhs respectively. The share capital of Sun Ltd. consist of 3.5 lakhs Rs.10/- ordinary shares and that of Moon Ltd. consist of 2.2 lakh ordinary shares of Rs.10/- each.

   Sun Ltd. is proposing to takeover Moon Ltd. The Pre-merger earnings are Rs.19 lakhs for Sun Ltd. and Rs.10 lakhs for Moon Ltd. The merger is expected to result into a synergy gains of Rs.4 lakhs in the form of Post tax cost savings. The Pre-merger P/E Ratios are 10 for Sun Ltd. and 8 for Moon Ltd. The possible combined P/E Ratios are 9 and 10.

   You are required to calculate.

   (i) Minimum combined P/E Ratio to justify the merger.

   (ii) Exchange ratio of shares if combined P/E ratio is 9.

   (iii) Exchange ratio of shares if combined P/E ratio is 10.

3. Sun Ltd. is contemplating to merge with Moon Ltd. The shares of Sun Ltd. are presently traded at stock exchange at Rs.25. The Sun Ltd has issued 3 lakhs shares of Rs.10/- each and its earnings after tax (EAT) amounted to Rs.6 lakhs. Moon Ltd. has issued 2 lakhs shares of Rs.10 each. Whose current market price is Rs.30/- per share. The company has Earnings after Tax (EAT) amounting to Rs.5 lakhs. The merger is proposed to take place based on stock swap ratio. Moon Ltd. has agreed to a proposal by which Sun Ltd. will offer the current market value of Moon Ltd's shares. Keeping in view the above parameters.

   (i) What is the Pre-merger earnings per shares (EPS) and P/E ratios of both the companies.

   (ii) If Moon Ltd's current P/E ratio before mergers is Rs.20. What is its current market price? What is the exchange ratio? What will be the Sun Ltd's post merger EPS?

   (iii) What should be the exchange ratio, if Sun Ltd's Pre-merger and Post Merger EPS are to be maintained?

4. What is CAPM?
5. Explain the concept of "Social Cost-Benefit Analysis". Is it relevant for private enterprises also?
6. What are the steps taken in project appraisal by the financial institutions? Do these steps differ in a inflationary and deflationary conditions?
7. Explain the main features in the preparation of project report distinguishing between viability, feasibility, escalation and overrun aspects.
8. A firm having Rs.15,00,000 to invest wishes to select from the following projects those that maximize the present value of cash inflows:

Project	*Initial Investment (Rs.)*	*Benefit/Cost (B/C) Ratio*
X – 1	6,00,000	1.20
X – 2	2,00,000	1.40
X – 3	3,00,000	1.10
X - 4	8,00,000	1.30
X - 5	5,00,000	1.50
X – 6	4,00,000	1.20
X – 7	9,00,000	1.30
X – 8	7,00,000	1,45

(i) Calculate the present value of cash inflows from each project.

(ii) Using a trial and error approach, select the group of projects that maximize the firm's net present value of cash inflows (i.e., NPV).

9. Write a note on Diversification and Divestment strategies?
10. (a) What is the stable dividend policy? Why should it be followed?

(b) Two companies – X Ltd. and Y Ltd., are in the same industry with identical earnings per share for the last five years. The X Ltd., has a policy of paying 40 per cent of earnings as dividends, while the Y Ltd. pays a constant amount of dividend per share. There is disparity between the market prices of the shares of the two companies. The price of the X's share is generally lower than that of the Y, even though in some years X paid more dividends than Y. The data on earnings, dividends and market price for the two companies are as under:

X Ltd.

Year	EPS (Rs.)	DPS (Rs.)	Market Price (Rs.)
2002	8.00	3.20	24.00

2003	3.00	1.20	17.00
2004	10.00	4.00	27.00
2005	8.00	3.20	23.00
2006	16.00	6.40	29.00

Y Ltd.

Year	EPS (Rs.)	DPS (Rs.)	Market Price (Rs.)
2002	8.00	3.60	27.00
2003	3.00	3.60	25.00
2004	10.00	3.60	25.00
2005	8.00	3.60	25.00
2006	16.00	3.60	25.00

(a) What are the reasons for the differences in the market prices of the two companies' shares?

(b) What can be done by the X Ltd. to increase the market price of its shares?

11. X Limited Company is considering investing in a project requiring a capital outlay of Rs.4,00,000. Forecast for annual net income after depreciation but before tax is as follows:

Year	*Rs.*
1	2,00,000
2	2,00,000
3	1,60,000
4	1,60,000
5	80,000

Depreciation may be taken as 20% on original cost and taxation at 50% of net income.

You are required to evaluate the project according to each of the following methods:

(a) Pay-back method.

(b) Rate of return on original investment method.

(c) Rate of return on average investment method.

(d) Discounted cash flow method taking cost of capital as 10%.

(e) Net present value index method.

(f) Internal rate of return method.

12. Write a detailed note on International Financial Market.

13. (a) What is meant by dividend pay out ratio? Explain the considerations relevant for paying a cash dividend.

(b) From the following information supplied to you, determine the theoretical market value of equity shares of a company as per Walter's model:

Earnings of the company	Rs.10,00,000
Dividend paid	Rs.6,00,000
Number of shares outstanding	2,00,000
Price earning ratio	8
Rate of return on investment	15%

Are you satisfied with the current dividend policy of the company? If not, what should be the optimal dividend pay out ratio in this case?

14. The management of the M.M. Kusha Corporation Ltd. must decide between two proposals. The following information is available:

Proposal	Investment now	Net Cash inflows Year 1	Year 2	Year 3
A	Rs.80,000	Rs.95,400	Rs.39,000	Rs.12,000
B	Rs.1,00,000	Rs.35,400	Rs.57,500	Rs.80,000

Assuming that the company can earn 12 percent on projects of this type and that the cash inflows are received at the end of each year, advise management regarding the proposal that should be selected. Submit computations of Net Present Values and Profitability Index. Ignore income-tax considerations:

Given at 12%, Present value of Rs.1 receivable at the end of

Year 1 is Rs.0.893
Year 2 is Rs.0.797
Year 3 is Rs.0.712

15. Naureen Finlease Ltd. has forecasted its seasonal financing needs for the next year as follows:

April	Rs.24,00,000
May	5,00,000
June	Zero
July	3,00,000
August	12,00,000
September	10,00,000
October	80,000
November	4,00,000
December	Zero
January	3,00,000

February	10,00,000
March	18,00,000

Assuming that firm's permanent funds' requirement is Rs.50,00,000. Calculate the total financing cost under the Aggressive Plan and the Conservative Plan and recommend one of the plan under following situations:

Situation I	Short term funds cost 10% Long term funds cost 16%
Situation II	Short term funds cost 11% Long term funds cost 14%
Situation III	Both short and long Term funds 12%

16. Differentiate between any *four* of the following:

(a) Systematic and Unsystematic risk.

(b) Net Present Value and Internal Rate of Return Method.

(c) Debt factoring and Invoice Discounting.

(d) Business risk and Financial risk.

(e) Current ratio and Liquidity ratio.

17. The following information is relating to ABC Ltd. Stock. ABC has a beta of 0.5 with Nifty. Each Nifty contract is equal to 100 units. ABC now quotes at Rs.250 and the Nifty Future is 4000 Index points. You are long on 1200 shares of ABC Ltd. in the spot market.

(i) How many futures contracts will you have to take.

(ii) Suppose the price in the spot market drops by 10%, how are you protected?

(iii) Suppose the price in the spot market jumps by 5%, what happens?

PAPER – 3 : ADVANCED AUDITING

QUESTIONS

1. Explain the provisions of new sections of Chartered Accountants(Amendment) Act, 2006 that are in place of existing section 21, 22 and 22A, regarding new Disciplinary Mechanism.
2. Explain the power of central Government to make rules to carry out the provisions of Chartered Accountants (Amendment) Act, 2006.
3. Can members of the Institute of Chartered Accountants of India form multy-disciplinary firms and offer multy- professional services in a competitive and commercial manner?
4. X, a practicing Chartered Accountant expresses his opinion on financial statements of ABC Pvt. Ltd., in which his firm has substantial interest. He also discloses the interest in his report. Whether he shall be deemed to be guilty of professional misconduct?
5. Explain the Constitution and functions of Audit Committee under Section 292A of the Companies Act, 1956.
6. The Accounting Standards issued by the Institute of Chartered Accountants of India need to be followed only by limited companies and not by partnership firms or proprietorships. Comment.

PAPER – 4 : CORPORATE LAWS AND SECRETARIAL PRACTICE

QUESTIONS

COMPANIES ACT, 1956

1. A Public Limited Company Ltd. went in for public issue of equity shares and for this purpose it paid brokerage to a share broking company in which one of the directors of the company is a director holding certain interest in the shareholding. State, in this connection whether the concerned director should disclose his interest in the share broking company? What would be the position if the company already knew of the fact? Will it make any difference, if the said director acted as a broker between the transacting parties?

2. Alpha Ltd. and Beta Ltd. entered into a scheme of amalgamation by which Alpha Ltd. would transfer its entire undertaking to Beta Ltd. However, the Central Government raised an objection that unless the objects clause of the companies are similar, and memorandum empowers to do so, the scheme of amalgamation cannot be permitted. Is the contention of the Central Government correct?

3. A company wants to have a system of appointment of director once in every three years. What system you would suggest to the company keeping in view of the relevant provision, if any, contained in the Companies Act, 1956.

4. A group of members seeking relief for the prevention of oppression and mismanagement against the affairs of the company wants to file a composite and simultaneous petition for relief against oppression and mismanagement as well for winding up of the company.? Advise the members in the light of provisions of the Companies Act, 1956 and decided case law, if any, whether such a petition maintainable.

5. An employee who was given residential premises by the company died while in service. Subsequently, the company gave some time to the widow of the employee to vacate the flat. However, it was contended by the widow that legal heirs are not bound to return the possession of the flat. Is it a wrongful withholding of company's property?

6. (a) What are the books of account to be maintained under the Companies Act, 1956 by a foreign company having established a place of business within India? Who can inspect the books of account of such companies?

   (b) What is the meaning of "Public Interest" and its relevance under the Companies Act in matters relating to the transfer of Shares? What is the role of the Company Law Board in this regard?

7. The Board of Directors of All Products Ltd having a paid-up share capital of Rs.40 lakhs appointed Sole Products Ltd. as sole selling agent for a period of 5 years with effect from 1st April, 2006 and the said appointment was approved by the company in the next Annual General Meeting held on 30th September, 2006. The Directors of 'Y Ltd.' were holding fully paid up shares of face value of Rs.3 lakhs in 'X' Ltd. Answer the following explaining the relevant provisions of the Companies Act, 1956:

(i) Is the appointment of the sole selling agent in order?

(ii) Would your answer be different if both are private companies or if the director of Y Ltd., acquired the aforesaid shares in X Ltd on 1st September 2006.

8. (a) A group of shareholders consisting of 25 members decide to file a petition before the Company Law Board for relief against oppression and mismanagement by the Board of Directors of M/s Fly By Night Operators Ltd. The company has a total of 300 members and the group of 25 members holds one –tenth of the total paid –up share capital accounting for one-fifteenth of the issued share capital. The main grievance of the group is the due to mismanagement by the board of directors, the company is incurring losses and the company has no declared any dividends even when profits were available in the past years for declaration of dividend. Advise the group of shareholders regarding the success of (i) getting the petition admitted and (II) obtaining relief from the Company Law Board.

(b) After serious disagreement and difference of opinion among the shareholders of the company in the last annual general meeting, some of the directors took the steps as noted below. Discuss the validity and effect of the following:

(i) Mr. John, the managing director sends his notice of registration.

(ii) Mr. Paul, an ordinary director verbally resigns and not in writing.

(iii) Mr. David, another ordinary director had sent his resignation, but withdrew it before the board meeting was held for accepting his resignation.

9. Considering the provisions of the Companies Act, 1956, advise a foreign company on filing of World Accounts' and the 'Indian Business Accounts' with the Registrar of Companies in India?

10. A public company is contemplating setting up an Audit Committee as a part of good corporate governance. Advise the company on the Constitution, Composition, Terms of Reference and the Role of Audit Committee. In your opinion, whether setting up of such an Audit Committee is supplementary or complimentary to the Board.

11. The Board meeting of Enterprise Governance Ltd. has the following schedules:

1st Meeting	1st January, 2007
2nd Meeting	30th June, 2007
3rd Meeting	1st July, 2007.
4th Meeting	31st December, 2007.

State whether the Board Meetings are as per order/compliance with the provisions of the Companies Act, 1956. What would be your views if the meeting to be held on 30th June, 2007 gets adjourned due to lack of quorum?

FOREIGN EXCHANGE MANAGEMENT ACT, 1999

12. Explain the compounding offences under the FEMA, 1999?

13. State whether are following transactions under act are prohibited/ require prior approval of the Government /RBI for drawal of foreign exchange.

    (a) Remittance out of lottery winnings.

    (b) Payment related to call back services of telephone.

    (c) Remittance under technical collaboration agreements.

    (d) Remittance of prize money / sponsorship of sports activity abroad.

14. The Association of Truck Operators of India by agreement insisted that members of the association shall not deal with the non-members in transportation of goods. The Association claims that this agreement is entered for the welfare of trade and not for any other purpose. In your opinion whether the agreement would be under the purview of the Competition Act, 2002. Whether your answer would be different if the association attempts to control the provisioning of services rendered by its members?

SCRA, 1956

15. (i) Delhi Stock Exchange wants to establish additional Trading Floor. Explain briefly the meaning of and procedure for establishing additional Trading Floor.

    (ii) Complaints of unethical practices have been received against members of the Governing Body of a Recognized Stock Exchange. Examine whether the Government has any power to take action against the Governing Body of the said exchange.

SEBI, ACT, 1992

16. What are the penalties for the following?

    (a) For Insider Trading.

    (b) For Non-disclosure of acquisition of shares and take-over.

    (e) Exchange facilities for going abroad for employment.

    (f) Exchange facilities for emigration.

17. State in brief the guidelines to the following

    (a) Green shoe option.

    (b) E- IPO.

(c) Book building process.

PAPER – 5 : COST MANAGEMENT

QUESTIONS

1. X Ltd. manufactures and distributes three types of car (the C1, C2, and C3). Each type of car has its own production line. The company is worried by extremely difficult market condition and forecasts losses for the forthcoming year.

   Current operations:

   The budgeted details for next year are as follows:

	C1	C2	C3
	Rs.	Rs.	Rs.
Direct materials	2,520	2,924	3,960
Direct labour	1,120	1,292	1,980
Total direct cost per car	3,640	4,216	5,940
Budgeted production (cars)	75,000	75,000	75,000
Number of production runs	1,000	1,000	1,500
Number of order executed	4,000	5,000	5,600
Machine hours	10,80,000	18,00,000	16,80,000

Annual overheads:

	Fixed	Variable
	Rs.'000	Rs.
Set ups	42,660	13,000 per production run
Materials handling	52,890	4,000 per order executed
Inspection	59,880	18,000 per production run
Machining	1,44,540	40 per machine hour
Distribution and warehousing	42,900	3,000 per order executed

Proposed JIT system

Management has hired a consultant to advices them on how to reduce costs. The consultant has suggested that the company adopts a just in time (JIT) manufacturing system. The introduction of JIT system would have the following impact on costs (fixed and variable):

Direct labour	Increase by 20%
Set ups	Decrease by 30%
Materials handling	Decrease by 30%
Inspection	Decrease by 30%
Machining	Decrease by 15%
Distribution & Ware housing	Eliminated

Required:

(a) Based on the budgeted production levels, calculate the total annual savings that would be achieved by introducing the JIT system.

The following table shows the price/ demand relationship for each type of car per annum.

C1		C2		C3	
Price (Rs.)	Demand	Price (Rs.)	Demand	Price (Rs.)	Demand
5,000	75,000	5,750	75,000	6,500	75,000
5,750	65,000	6,250	60,000	6,750	60,000
6,000	50,000	6,500	45,000	7,750	45,000
6,500	35,000	7,500	35,000	8,000	30,000

Required:

(b) Assuming that X Ltd. adopts the JIT system and that revised variable overhead cost per car remains constant (as per the proposed JIT system budget), calculate the profit – maximizing price and output level for each type of car.

Investigations have revealed that some of the fixed costs are directly attributable to the individual production lines and could be avoided if a line is closed down for the year. The specific fixed costs for ach of the production lines, expressed as a percentage of the total fixed costs, are:

C1	4%
C2	5%
C3	8%

Required:

(c) Determine the optimum production plan for the forthcoming year (based on the JIT cost structure and the prices and output levels you recommended in answer to requirement (b)).

(d) Write a report to the management of X Ltd which explains the conditions that are necessary for the successful implementation of a JIT manufacturing system.

2. (a) The investment for a project is Rs. 20 cr. the sale price p.u. Rs.400 & variable cost is Rs.240. the fixed cost p.a. is Rs. 23,00,000. The required rate of return is 12%.

Find BEP for a life of 6 yrs.

(b) If the project building period is 2 years with 60% of capital will be invested in 1st year, what is the project bep production & sale volume?

3. ABC Ltd manufactures Product S for national distribution in India.The standard costs for the manufacture of Product S were as follows:

	Standard Costs	Actual Costs
Direct materials	1,500 kgs at Rs. 35	1,600 kgs at Rs. 32
Direct labour	4,800 hours at Rs. 11	4,500 hours at Rs. 11.80
Factory overhead	Rates per labour hour, based on 100% of normal capacity of 5,500 labour hours:	
	Variable cost, Rs. 2.40	Rs. 12,300 variable cost
	Fixed cost, Rs. 3.50	Rs. 19,250 fixed cost

Instructions:

1. Determine the quantity variance, price variance, and total direct materials cost variance for Product S.
2. Determine the time variance, rate variance, and total direct labour cost variance for Product S.
3. Determine the controllable variance, volume variance, and total factory overhead cost variance for Product S.

4. A public company responsible for the supply of domestic gas has been approached by several prospective customers in a rural area adjacent to a high-pressure main. As a condition of its license to operate as a utility, the company is obliged to respond positively to current needs provided the financial viability of the company is not put at risk. New customers are charged Rs. 250 each for connection to the system.

   Once a meter is installed, a standing charge of Rs.10 per quarter is billed. Charges for gas are levied at Rs.400 per 1,000 metered units.

   A postal survey of the area containing, according to the rating authority, 5,000 domestic units, elicited a 40% response rate. 95% of those who responded confirmed that they wished to become gas users and expressed their willingness to pay the connection charge.

   Although it is recognized that a small percentage of those willing to pay for connection may not actually choose to use gas, it is expected that the average household will burn 50 metered units per month. There will be some seasonal differences.

   The company's marginal cost of capital is 17% pa and supplies of bulk gas cost the company Rs.0.065 per metered unit. Wastage of 15% has to be allowed to determine what the maximum capital project cost can be to allow the company to provide the service required.

5. ABC Ltd manufactures three prototype toy furniture products – chairs, benches and tables. The budgeted unit cost and resource requirements of each item is detailed below:

	Chair	Bench	Table

	Rs.	Rs.	Rs.
Timber cost	5.00	15.00	10.00
Direct labour cost	4.00	10.00	8.00
Variable overhead cost	3.00	7.50	6.00
Fixed overhead cost	4.50	11.25	9.00
	16.50	43.75	33.00
Budgeted volumes per annum	4,000	2,000	1,500

These volumes are believed to equal the market demand for these products.

The fixed overhead costs are attributed to the three products on the basis of direct labour hours.

The labour rate is Rs. 4.00 per hour.

The cost of the timber is Rs. 2.00 per square metre.

The products are made from a specialist timber. A memo from the purchasing manager advises you that because of a problem with the supplier, it is to be assumed that this specialist timber is limited in supply to 20,000 square metres per annum.

The sales manager has already accepted an order for 500 chairs, 100 benches and 150 tables which if not supplied would incur a financial penalty of Rs. 2,000. These quantities are included in the market demand estimates above.

The selling prices of the three products are:

	Rs.
Chair	20.00
Bench	50.00
Table	40.00

Requirements:

(a) Determine the optimum production plan and state the net profit that this should yield per annum.

(b) Calculate and explain the maximum prices which should be paid per square metre in order to obtain extra supplies of the timber.

6. (a) Describe the concept of Back flushing as used in a JIT system. What problems need to be addressed before implementing such a concept? Briefly discuss.

   (b) "Skimming pricing is a policy where the prices are kept high during the early period of a product's existence". Discuss briefly the reasons for following such a policy.

7. (a) "Costs may be classified in a variety of ways according to their nature and the information needs of the management." Explain.

(b) Indicate the major areas of short-term decisions in which differential cost analysis is useful.

(c) "Relevant cost analysis helps in drawing the attention of managers to those elements of cost which are relevant for the decision." Comment.

8. ABC Ltd manufactures a product '1+7 ASCS' at its plant at Faridabad, the maximum capacity of which is 200 units per month. Details of raw material which go into the making of 1 unit of '1+7 ASCS' are provided to you below;

S. No.	Raw Material description	Standard quantity per finished unit (No)	Standard purchase price per unit (Rs 00)
1	A	1	6
2	B	2	5
3	C	3	4
4	D	4	3
5	E	5	2
6	F	6	1

Standard Fixed overheads are Rs 20,00,000 per month whereas the standard variable overhead rate has been estimated as equal to Rs 1,400 per unit of finished good. You are required to compute the

(a) standard cost of the product

(b) compute the production volume variance in case the company produces and sells only 100 units of finished goods in the concerned month.

(c) compute the usage and material price variances considering the following actual data(actual production and sale: 100 units)

Raw material description	Actual quantity consumed (Nos)	Actual price(Rs 00)
A	102	7
B	201	6
C	310	5
D	415	4
E	540	3
F	610	2

9. ABC Ltd makes and sells two products A and B, each of which passes through the same automated production operations. The following estimated information is available for period 1

(i) Product unit data:	A	B
Direct material cost (Rs.)	2	40
Variable production overhead cost (Rs)	28	4

Overall hours per product unit (hrs)	0.25	0.15

(ii) Production/ sales of products A and B are 1,20,000 units and 45,000 units respectively. The selling prices per unit for A and B are Rs. 60 and Rs. 70 respectively.

(iii) Maximum demand for each product is 20% above the estimated sales levels.

(iv) Total fixed production overhead cost is Rs. 14,70,000. This is absorbed by products A and B at an average rate per hour based on the estimated production levels.

Required:

(a) Using net profit as the decision measure, show why the management of ABC Ltd argues that it is indifferent on financial grounds as to the mix of products A and B which should be produced and sold and calculate the total net profit for period 1.

(b) One of the production operations has a maximum capacity of 3,075 hours which has been identified as a bottleneck which limits the overall production/ sales of products A and B. The bottleneck hours required per product unit for product A and B are 0.02 and 0.015 respectively.

All other information detailed in (a) still applies.

Required: Calculate the mix (units) of products A and B which will maximize net profit and the value (Rs.) of the maximum net profit.

(c) The bottleneck situation detailed in (b) still applies. ABC Ltd has decided to determine the profit maximizing mix of products A and B based on the throughput Accounting principle of maximizing the throughput return per production hour of the bottleneck resource. This may be measured as:

$$\text{Throughput return per production hour} = \frac{(\text{selling price} - \text{material cost})}{\text{Bottleneck hours per unit}}$$

All other information detailed in (a) and (b) still applies, except that the variable overhead cost as per (a) is now considered to be fixed for the short / intermediate term, based on the value (Rs.) which applied to the product mix in (a).

Calculate the mix (units) of products A and B which will maximize net profit and the value of that net profit.

10. IBM Ltd. Manufactures and sells computers peripherals to several retail outlets throughout the country. Amar is the manager of the printer division. Its two largest-selling printers are P1 & P2.

The manufacturing cost of each printer is calculated using IBM's activity based costing system. IBM has one direct manufacturing cost category (direct materials) and the following five indirect manufacturing cost pools.

Indirect manufacturing cost pool	Allocation Base	Allocation Rate (Rs.)
1. Materials handling	No. of parts	Rs. 1.20 per part

2. Assembly management Hours of assembly timeRs. 40 per hour of assembly time
3. Machine insertion of partsNo. of machine inserted parts. Rs. 0.70 per machine inserted part
4. Manual insertion of partsNo. of manually inserted parts Rs. 2.10 per manually inserted part
5. Quality testing Hours of quality testing time Rs. 25 per testing hour.

Product characteristics of P1 and P2 are as follows:

Product	**P1**	**P2**
Direct materials costs	Rs. 407.50	Rs. 292.10
Number of parts	85	46
Hours of assembly time	3.2	1.9
Number of machine – inserted parts	48	31
Number of manually inserted parts	36	15
Hours of quality testing time	1.4	1.1

A foreign competitor has introduced products very similar to P1 and P2. Given their announced selling prices, to maintain the company's market share and profits. Amar estimated the P1 to have manufacturing cost of approximately Rs. 680 and P2 to have a manufacturing cost of approximately Rs. 390. He calls a meeting of product designers and manufacturing personnel at the printer division. They all agreed to have the Rs. 680 and Rs. 390 figures become target costs for designed version of P1 and P2 respectively. Product designers examine alternative ways of designing printer with comparable performance but lower costs. They come up with the following revised designs for P1 and P2 (termed P1 – REV and P2 – REV, respectively)

Particulars	P1 – REV	P2 – REV
Direct materials cost	Rs. 381.20	Rs. 263.10
Number of parts	71	39
Hours of assembly time	2.1	1.6
Number of machine – inserted parts	59	29
Number of manually – inserted parts	12	10
Hours of quality testing time	1.2	0.9

Required:

- Compute the present costs of products P1 and P2 using ABC system.
- Compute the manufacturing costs of P1 – REV and P2 – REV. How do they compare with the Rs. 680 and Rs. 390 target costs?

11. The occurrence of the rain in a day is dependent upon whether it rained on the previous day. If it rained on the previous day the rain distribution is given by

Event	Probability
No rain	.50
1 cm rain	.25
2 cm rain	.15
3 cm rain	.05
4 cm rain	.03
5 cm rain	.02

If it did not rained on the previous day the rain distribution is given by

Event	Probability
No rain	.75
1 cm rain	.15
2 cm rain	.06
3 cm rain	.04

Simulate the city's weather for 10 days and determine by simulation the total days without rain as well as the total rain fall during the period. Use the following random numbers

76 78 84 75 02 86 02 78 07 63

For simulation. Assume that for the first day of the simulation it had not rained before.

PAPER – 6 : MANAGEMENT INFORMATION AND CONTROL SYSTEMS

QUESTIONS

1. Define the following terms:

   (i) File Sharing Architecture

   (ii) Client/Server

   (iii) CASE Tools

   (iv) Expert systems

   (v) Schedule Feasibility

   (vi) Back Doors

   (vii) Piggybacking

   (viii) Integrated Test Facility

   (ix) Dynamic Analyser

   (x) Snapshot Technique

2 (a) What is Decision-Making? Describe the support provided by MIS in decision making.

   (b) Discuss the importance of an Executive Information System, taking into perspective the recent business scenario.

3. Explain the term "Decision Support System". How do decision support systems differ from traditional management information systems ?

4. Distinguish between logical design and physical design. In which case is the analyst responsible for the design? What is the role of the programmer and the user?

5. What is a RFP? Discuss the factors which have to be considered for evaluation and selection of vendors' proposals.

6. (a) What do you mean by application controls? How are input, processing and output controlled?

   (b) Explain in brief the broad classes of input controls.

7. What do you mean by Enterprise Resource Planning (REP) ? Discuss the nature of ERP packages that are available in the market and the criteria applied in evaluating these packages ?

8. (a) Who and how can one apply to be a Certifying Authority ? Discuss, in brief, the duties of Certifying Authorities as stated in Chapter VI of Information Technology Act, 2000.

   (b) What do you mean by electronic governance as provided in the Information Technology Act? Discuss the provisions regarding attribution, receipt and dispatch of electronic records.

9. Discuss the various issues that are of primary concern for an auditor involved in information system audit.

10. Define the following:

(i) System

(ii) CASE Workbenches

(iii) Product Data Management (PDM)

(iv) Decision Support System

(v) Business Process Reengineering
(vi) Computer Frauds
(vii) Threats to Operating System Integrity.

PAPER – 7 : DIRECT TAXES

QUESTIONS

1. Discuss the correctness or otherwise of the statement – "Income deemed to accrue or arise in India to a non-resident by way of interest, royalty and fees for technical services is to be taxed irrespective of territorial nexus."

2. Hari, an individual, carried on the business of purchase and sale of agricultural commodities like paddy, wheat, etc. He borrowed loans from Andhra Pradesh State Financial Corporation and Indian Bank and has not paid interest as detailed hereunder:

(i)	Andhra Pradesh State Financial Corporation (P.Y. 2006-07 & 2007-08)	15,00,000
(ii)	Indian Bank (P.Y. 2007-08)	30,00,000
		45,00,000

   Both Andhra Pradesh State Financial Corporation and Indian Bank, while restructuring the loan facilities of Hari during the year 2007-08, converted the above interest payable by Hari to them as a loan repayable in 60 equal installments. During the year ended 31.3.2008, Hari paid 5 installments to Andhra Pradesh State Financial Corporation and 3 installments to Indian Bank.

   Hari claimed the entire interest of Rs.45,00,000 as an expenditure while computing the income from business of purchase and sale of agricultural commodities. Discuss whether his claim is valid and if not what is the amount of interest, if any, allowable.

3. Discuss the taxability of anonymous donations received by the following trusts during the financial year 2007-08:

   (i) A charitable trust referred to in section 11 which applied the entire amount of anonymous donations for purposes of the trust during the financial year 2007-08.

   (ii) A trust established wholly for religious purposes which applied 85% of the amount of anonymous donations for the purposes of the objects of the trust during the financial year 2007-08.

4. X Ltd. entered into an agreement with Y Ltd. for purchase of the undertaking of Y Ltd. for Rs.2 crore (constituting Rs.1.60 crore towards plant and machinery, Rs.0.35 crore towards building and Rs.0.05 crore towards land). In addition to this sum, by the same agreement, X Ltd. had also taken over the accrued and future liability of Rs.3.5 crore of Y Ltd. for the gratuity to its employees for the period during which they served with Y Ltd. X Ltd. treated the said amount of Rs.3.5 crore towards gratuity liability as capital expenditure and claimed depreciation under section 32 in respect of the same. Discuss whether the claim of X Ltd. is tenable in law.

5. State the conditions to be satisfied for carry forward and set-off of accumulated loss and unabsorbed depreciation allowance in case of business reorganisation of co-operative banks. Also, explain the manner in which the accumulated loss and unabsorbed depreciation allowable to the resulting co-operative bank is to be calculated.

6. M/s. XYZ, a firm, consisting of three partners namely, X, Y and Z, carried on the business of purchase and sale of air-conditioners in wholesale and manufacture and sale of stationery items under a deed of partnership executed on 1.4.2003. X, Y and Z were partners in their individual capacity. The deed of partnership provided for payment of salary amounting to Rs.90,000 each to X and Y, who were the working partners. A new deed of partnership was executed on 1.10.2007 which, apart from providing for payment

of salary to the two working partners as mentioned in the deed of partnership executed on 1.4.2003, for the first time provided for payment of simple interest @ 10% per annum on the balances standing to the credit of the Capital accounts of partners from 1.4.2007. The firm was dissolved on 31.3.2008 and the Capital assets of the firm were distributed among the partners on 4.4.2008. The net profit of the firm for the year ending 31.3.2008 after payment of salary to the working partners and debit/credit of the following items to the Profit and Loss Account was Rs.75,000:

(i) Interest amounting to Rs.80,000 paid to the partners on the balances standing to the credit of their capital accounts from 1.4.2007 to 31.3.2008.

(ii) Interest amounting to Rs.25,000 paid to the partners on the balances standing to the credit of their current accounts from 1.4.2007 to 31.3.2008.

(iii) Interest amounting to Rs.32,000 paid to the Hindu undivided family of partner X @ 15% per annum.

(iv) Two payments of Rs.25,000 and Rs.30,000 towards purchase of air-conditioners were made by crossed cheque and cash, respectively.

(v) Rs.50,000 being the value of a diamond pendant received as gift from a manufacturer for achieving sales target.

(vi) Depreciation amounting to Rs.20,000 on car bought and used exclusively for business purposes, but not registered in the name of the firm.

(vii) Depreciation under section 32(1)(ii) amounting to Rs.52,500 of new machinery bought and installed for manufacture of stationery items on 1.11.2007 at a cost of Rs.7,00,000. There was no increase in the installed capacity as a result of the installation of the new machinery.

(viii) Interest amounting to Rs.30,000 received from bank on fixed deposits made out of surplus funds.

The firm furnishes the following information relating to it:

(a) Closing stock-in-trade was valued at Rs.80,000 as per the method of lower of cost or market rate consistently followed by it. The market value of the closing stock-in-trade was Rs.90,000.

(b) Brought forward business loss relating to the assessment year 2007-08 was Rs.15,000.

(c) The fair market value of the capital assets as on 3.1.3.2008 was Rs.32,00,000 and the cost of their acquisition was Rs.21,00,000.

Compute the total income of M/s. XYZ for the assessment year 2008-09.

You are required to furnish explanations for the treatment of the various items given above.

7. Mohan, an individual, filed his return of income for the A.Y. 2008-09 on 29.05.2008. He later discovered that he had not claimed deduction under section 80E in the said return. He claimed the said deduction through a letter addressed to the Assessing Officer. The Assessing Officer completed the assessment without allowing the deduction claimed by Mohan. Is the Assessing Officer justified in doing so? Discuss.

8. Mr. Bhuvan, an individual, has got his books of account for the year ending 31.3.2008 audited under section 44AB. His total income for the A.Y. 2008-09 is Rs. 2,50,000. He desires to know if he can furnish his return of income for the A.Y. 2008-09 through a Tax Return Preparer.

9. The Assessing Officer issued directions for special audit under section 142(2A) to Mr. A. Mr. A contended that such directions were issued without giving him an opportunity of being heard. The Assessing Officer maintained that it was not necessary to give Mr. A an opportunity of being heard. Discuss, with reasons, whether the contention of the Assessing Officer is correct or that of Mr. A.

10. Flyjet is an airline incorporated in London. Its aircrafts land at the Indira Gandhi International Airport in India. The airline pays landing and parking charges to the Airport Authorities. Can such payments be subject to deduction of tax at source under section 194-I?

PAPER – 8 : INDIRECT TAXES

QUESTIONS

1. Discuss briefly whether excise duty is attracted on the excisable goods manufactured:

   (a) in Jammu & Kashmir;

   (b) in special economic zone;

   (c) in 100% EOU;

   (d) beyond Indian territorial waters (within 150 nautical miles from the shore line).

2. M/s. XYZ manufactures fan regulators and sells them in corrugated boxes under their own brand name which is affixed/printed on such boxes. However, after some time M/s. XYZ starts printing hexagonal artistic design of its marketing company 'Super Sales' on such boxes along with its brand name. The said hexagonal shape/design is only printed on the visiting cards of the two executives of the 'Super Sales'. The design printed on the letterheads and sales invoices of the 'Super Sales' is different. 'Super Sales' has not claimed that the hexagonal design belongs to them and that they have permitted M/s. XYZ to use the same on their corrugated boxes.

   The Commissioner of Excise contends that the benefit of small scale exemption would not be available to M/s. XYZ as they are using a brand name of another person on their goods.

   You are required to examine the veracity of the Commissioner's claim with the help of a decided case law, if any.

3. What is the legal status or otherwise of the Explanatory Notes to Harmonised System of Nomenclature (HSN) for the purposes of classification of goods under the Central Excise Tariff Act, 1985?

4. Discuss whether remission of central excise duty will be granted in the following cases under the Central Excise Rules, 2002:

   (i) Goods were not fully manufactured and lost by natural causes before entry in the "Daily Stock Account".

   (ii) Goods (fully manufactured) were lost during transportation of the same to the customer's business premises due to unavoidable accident.

   (iii) Goods (fully manufactured) were lost by fire before removal from the factory and the assessee has received a claim from the insurance company.

5. LMP Ltd. uses cement in constructing foundation for a machinery and as a building material. LMP Ltd. wants to avail CENVAT credit of duty paid on such cement. Discuss with the help of a decided case law whether LMP Ltd. can avail such credit.

6. With reference to section 35EE of the Central Excise Act, 1944, enlist the cases in which the Central Government can exercise the power of revising the orders passed by the appellate authorities.

7. An importer imported a shampoo. Maximum retail price (MRP) of a shampoo under Customs Tariff Sub-Heading No. 3305 10 is Rs.800. However, its assessable value as per section 14(1) of the Customs Act, 1962 is Rs.500. Shampoo is assessable under central excise on the basis of maximum retail price after allowing an abatement of 40%. Basic excise duty rate is 14% plus education cess of 2% and secondary and higher education cess of 1%. Basic customs duty rate is 10%.

Calculate the total duty payable under the Customs Tariff Act, 1975 on the shampoo.

8. Superlite Chemicals obtained a chemical in New Zealand for an exceptionally low price. While the market price was an equivalent of Rs.500 per kg, Superlite Chemicals got it at a low price of Rs.300 per kg. In determining the customs valuation, the Assistant Commissioner of Customs contends that price to be adopted should be Rs.500 per kg even though the purchase is bona fide and supported by genuine purchase bill. Do you think the stand taken by the Assistant Commissioner of Customs is valid? Discuss.

9. How is the value of a taxable service, the consideration for which is not wholly or partly consisting of money, determined under Service Tax (Determination of Value) Rules, 2006?

10. With reference to Notification No. 6/2005 ST dated 01.03.2005, answer the following questions:

    (i) What is the threshold limit of service tax exemption for small service providers?

    (ii) Is the exemption mandatory to service provider in all cases?

    (iii) Whether credit on the capital goods received during the period of exemption limit can be availed after crossing of exemption limit?

    (iv) On opting for exemption in the beginning of the financial year, whether the credit of the duty paid on inputs lying in stock has to be reversed?

    (v) If balance in CENVAT credit is available after the above said reversal, whether the same can be carried forward?

    (vi) In a case where the service provider provides more than one taxable service, does the exemption limit apply to individual taxable services or all taxable services?