Test papers series -3

FINAL (OLD) COURSE

Time Allowed – 3 Hours Maximum Marks-100

PAPER – 1 : ADVANCED ACCOUNTING

Mock Test Paper

Answer all questions.
Working notes should form part of the answer.
Wherever necessary, suitable assumptions should be made by the candidates.

1. From the following Balance Sheets of a group of companies and the other information provided, draw up the consolidated Balance Sheet as on 31.3.2008. Figures given are in Rupees Lakhs:

Balance Sheets as on 31.3.2008

	X	Y	Z		X	Y	Z
Shares capital (in shares of Rs. 10 each)	300	200	100	Fixed Assets less depreciation	130	150	100
Reserves	50	40	30	Cost of investment in Y Ltd.	180	–	–
Profit and loss balance	60	50	40	Cost of investment in Z Ltd.	40	–	–
Bills payables	10	–	5	Cost of investment in Z Ltd.	–	80	–
Creditors	30	10	10	Stock	50	20	20
Y Ltd. balance	–	–	15	Debtors	70	10	20
Z Ltd. balance	50	–	–	Bills receivables	–	10	20
				Z Ltd. balance	–	10	–
				X Ltd. balance	–	–	30
				Cash and bank balance	30	20	10
	500	300	200		500	300	200

- X Ltd. holds 1,60,000 shares and 30,000 shares respectively in Y Ltd. and Z Ltd.; Y Ltd. holds 60,000 shares in Z Ltd. These investments were made on 1.7.2007 on which date the provision was as follows:

	Y Ltd.	Z Ltd.
Reserves	20	10
Profit and loss account	30	16

- In December, 2007 Y Ltd. invoiced goods to X Ltd. for Rs. 40 lakhs at cost plus 25%. The closing stock of X Ltd. includes such goods valued at Rs. 5 lakhs.
- Z Ltd. sold to Y Ltd. an equipment costing Rs. 24 lakhs at a profit of 25% on selling price on 1.1.08. Depreciation at 10% per annum was provided by Y Ltd. on this equipment.
- Bills payables of Z Ltd. represent acceptances given to Y Ltd. out of which Y Ltd. had discounted bills worth Rs. 3 lakhs.

- Debtors of X Ltd. Include Rs. 5 lakhs being the amount due from Y Ltd.
- X Ltd. proposes dividend at 10%. (20 marks)

2. Given below is the Balance Sheet of H Ltd. as on 31.3.2008:

(Figures in Rs. lakhs)

Equity share capital	4.00	Block assets less depreciation to date	6.00
(in equity shares of Rs. 10 each)		Stock and debtors	5.30
10% preference share capital	3.00	Cash and bank	0.70
General reserve	1.00		
Profit and loss account	1.00		
Creditors	3.00		
	12.00		12.00

M Ltd. another existing company holds 25% of equity share capital of H Ltd. purchased at Rs. 10 per share.

It was agreed that M Ltd. should take over the entire undertaking of H Ltd. on 30.09.2008 on which date the position of current assets (except cash and bank balances) and creditors was as follows:

Stock and debtors	4 lakhs
Creditors	2 lakhs

Profits earned for half year ended 30.09.2008 by H Ltd. was Rs. 70,500 after charging depreciation of Rs. 32,500 on block assets. H Ltd. declared 10% dividend for 2007-08 on 30.08.2008 and the same was paid within a week.

Goodwill of H Ltd. was valued at Rs. 80,000 and block assets were valued at 10% over their book value as on 31.3.2008 for purposes of take over. Preference shareholders of H Ltd. will be allotted 10% preference shares of Rs. 10 each by M Ltd. Equity shareholders of H Ltd. will receive requisite number of equity shares of Rs. 10 each from M Ltd. valued at Rs. 10 per share.

(a) Compute the purchase consideration.

(b) Explain, how the capital reserve or goodwill, if any, will appear in the Balance Sheet of M Ltd. after absorption. (16 marks)

3. Capital structure of Lot Ltd. as at 31.3.2009 as under:

	(Rs. in lakhs)
Equity share capital	10
10% preference share capital	5
15% debentures	8
Reserves	4

Lot Ltd. earns profits of Rs. 5 lakhs annually on an average before deduction of interest on debentures and income tax which works out to 40%.

Normal return on equity shares of companies similarly placed is 12% provided:

(a) Profit after tax covers fixed interest and fixed dividends at least 3 times.

(b) Capital gearing ratio is .75.

(c) Yield on share is calculated at 50% of profits distributed and at 5% on undistributed profits.

Lot Ltd. has been regularly paying equity dividend of 10%.

Compute the value per equity share of the company. (16 marks)

4. (a) Prudential XYZ Mutual Funds have introduced a scheme 'ABC Premier'. Its major details are as follows:

Scheme Name	:	ABC Premier
Scheme Size	:	Rs. 1,00,00,00,000 (Rupees One hundred crores)
Face value of units	:	Rs. 20
Investments	:	in shares
Market value of Shares	:	Rs. 1,50,00,00,000 (Rupees One hundred and fifty crores)

Compute the net assets value per unit of ABC Premier. Is there an appreciation of the value invested in units of ABC Premier?

(b) Explain Jaggi and Lau Model on valuation on group basis of human resources.

(c) Write a short note on Environmental Accounting.

(d) For what purposes inspection of records and documents of stock broker is ordered by SEBI?

(4x4= 16 marks)

5. (a) From the following details of Loan Fund of Kanpur Institute of Technology for the year 2008-2009, you are required to prepare a statement showing changes in the Loan Fund Balance :

	Rs.
Fund balance as on 1.4.2008	12,50,000
Grants from the Government and Society	6,00,000
Grants from Revenue Fund	25,000
Other transfer from Unrestricted Fund	35,000
Investment income	30,000
Interest on Loan	20,000
Refund to Granters	12,500
Bad Debts written off	7,500
Administration and collection costs	12,500

(b) From the following information in respect of Pretext Ltd., prepare a value added statement for the year 2008:

	(Rs.'000)
Turnover	2,300
Plant and Machinery (net)	1,080
Depreciation on Plant and Machinery	275

Dividends to ordinary shareholders	146
Debtors	195
Creditors	127
Total stock of all materials, WIP and finished goods	
Opening stock	160
Closing stock	200
Raw materials purchased	625
Cash at Bank	98
Printing and Stationery	22
Auditor's remuneration	28
Retained profits (opening balance)	994
Retained profits for the year	288
Rent, Rates and Taxes	165
Other expenses	85
Ordinary share capital issued	1,500
Interest on borrowings	40
Income tax for the year	276
Wage and Salaries	327
Employees State Insurance	35
PF-Contribution	28

Calculate the value added per employee, average earnings per employee and sales per employee on the basis that 95 employees work in Pretext Ltd. (6 + 10 = 16 marks)

6. (a) On 01.01.2009 Induga Ltd. had 5,00,000 shares outstanding on 01.03.2009. It issued one new share for each five shares outstanding at Rs. 15. Fair value of one equity share immediately before the right issue was Rs. 21. Net profit for the year 2008 was Rs. 11,00,000 and for 2009 Rs. 15,00,000. Calculate the basic EPS for 2009 and restated EPS for 2008.

(b) L Ltd. has taken an asset on lease from V Ltd. for a period of 3 years. Annual lease rentals are Rs. 6 lakhs payable at the end of every year. The Residual Value guaranteed by L is Rs. 2 lakhs whereas V expects the estimated salvage value to be Rs. 5 lakhs at the end of the lease term. Compute the Net Investment in the Lease from the viewpoint of V Ltd. if the Fair Value of the asset at the lease inception is Rs. 15 lakhs and the interest rate implicit in the lease is 12%.

(c) The company has to pay delayed cotton clearing charges over and above the negotiated price for taking delayed delivery of cotton from the Suppliers' Godown. Up to 2007-08, the company has regularly included such charges in the valuation of closing stock. This being in the nature of interest the company has decided to exclude it from closing stock valuation for the year 2008-09. This would result into decrease in profit by Rs. 7.60 lakhs. How would you deal with this situation?

(d) Y Co. Ltd., used certain resources of X Co. Ltd. In return X Co. Ltd. received Rs. 10 lakhs and Rs. 15 lakhs as interest and royalties respective from Y Co. Ltd. during the year 2007-08. You are required to state whether and on what basis these revenues can be recognized by X Co. Ltd.

(4x4= 16 marks)

Paper 2: MANAGEMENT ACCOUNTING AND FINANCIAL ANALYSIS

Max. Marks: 100 Time Allowed :3 Hours

*Question No. **1** is compulsory. Answer any **four** questions from the rest. Working notes should form part of the answer.*

Question 1

Small Oil is wondering whether to drill for oil in chemsfield Basin. The prospectuses are as follows:

Depth of well in feets	Total cost (Million ‘	Probability of		PV of Oil (if found) (Million
		Finding oil	Not Finding oil	
2000	4	0.5	0.5	10
4000	5	0.2	0.8	9
6000	6	0.25	0.75	8

Draw a decision tree showing the successive drilling decisions to be made by Small Oil. How deep should it be prepared to drill? (20 Marks)

Question 2

Sound Industries Limited (SI) is planning to purchase Not So Sound Industries Ltd. (NSS). SI has 5 lakh shares outstanding of Rs. 100 each, having the current market price per share (MPS) of Rs. 250. NSS has 2 lakh shares of Rs. 100 each currently selling in the market at Rs. 170 per share. EPS are Rs. 32 and Rs. 24 for SI and NSS respectively.

Required

(a) Illustrate the impact of a merger on the EPS, assuming that the share exchange ratio is to be in the relative proportion of EPS of the two firms. Also determine the equivalent EPS after the merger with Firm NSS.

(b) The Management of NSS has quoted a share exchange ratio of 1:1 for the merger to take place. Should SI accept this ratio, even though the price-earning ratio of SI Ltd will remain unchanged after merger and no synergy accrues due to the merger. If not, what is the maximum ratio it should accept? (20 Marks)

Question 3

(a) The ¥den, a dealer in foreign exchange have the following positions in US$ on 31st March, 2008.

	US$
Balance in the Nostro A/c (Credit)	1,00,000
Opening position over bought	50,000

Purchased a bill on New York	80,000
Sold forward TT	60,000
Forward purchase contract cancelled	30,000
Remitted by TT	75,000
Draft on New York cancelled.	30,000

What steps would be taken by ¥den, if it is required to maintain a Credit Balance of US$ 30,000 in the Nostro A/c and keep as overbought position on US $10,000?

(15 Marks)

(b) You export goods worth Yen 10,00,000 to your customer at ¥ 3.5= Re.1 & covered yourself in Foreign Exchange Market on the same day, when exchange rates were:

US$ = ¥ 144 ¥150

Local inter bank market rates for US $ were

Spot 1 US $ = Rs.40.50 Rs.40.60

Calculate cover rate & ascertain the profit or loss in the transaction ignoring brokerage. (5 Marks)

Question 4

Mr. Nirmal Kumar has categorized all the available stock in the market into the following types:

(i) Small cap growth stocks
(ii) Small cap value stocks
(iii) Large cap growth stocks
(iv) Large cap value stocks

Mr. Nirmal Kumar also estimated the weights of the above categories of stocks in the market index. Further more, the sensitivity of returns on these categories of stocks to the three important factor are estimated to be:

Category of Stocks	Weight in the Market Index	Factor I (Beta)	Factor II (Price Book)	Factor III (Inflation)
Small cap growth	25%	0.80	1.39	1.35
Small cap value	10%	0.90	0.75	1.25
Large cap growth	50%	1.165	2.75	8.65
Large cap value	15%	0.85	2.05	6.75
Risk Premium		6.85%	-3.5%	0.65%

The rate of return on treasury bonds is 4.5%

Required:

a. Using Arbitrage Pricing Theory, determine the expected return on the market index.
b. Using Capital Asset Pricing Model (CAPM), determine the expected return on the market index.

c. Mr. Nirmal Kumar wants to construct a portfolio constituting only the 'small cap value' and 'large cap growth' stocks. If the target beta for the desired portfolio is 1, determine the composition of his portfolio. (20 Marks)

Question 5

(a) Tabsum plc engaged in manufacturing business are summarized below:

Income Statement for current year ended March 31,2008

	($ Million)
	(Amount)
Sales	93.50
EBIT	18.00
Less: Interest on loan	1.80
Earning before tax	16.20
Less: Corporate Tax @ 35%)	5.67
Earning after taxes	10.53

Balance sheet as at March 31, 2008

	($ Millions)		($ Millions)
Liabilities	Amount	Assets	Amount
Equity Share Capital of $100 per share	10.00	Freehold land & building (Net)	20.00
Reserve/Surplus	32.50	Plant and Machinery (Net)	29.50
10% Loan	18.00	Current Assets:	
Creditor and other liabilities	18.00	Stock	10.00
		Debtors	15.00
		Bank & Cash Balance	4.00
	78.50		78.50

The company's weighted average cost of capital is 12%. Determine Economic Value Added (EVA). (10 Marks)

(b) 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? (10 Marks)

Question 6

Write short notes on *any four* of the following:

(a) Walters Approach to Dividend Policy.
(b) Bridge Finance.
(c) Asian Development Bank.
(d) Divestment strategy
(e) Commercial borrowings in International Market. (5 Marks each)

PAPER – 3 ADVANCED AUDITING

Questions

Answer Questions 1 and 2 and any four from the rest.

1. Comment on the following:

(a) You are the internal auditor of Amarnath Manufacturing Co. Ltd. The MD has asked you to enquire into the causes of abnormal wastage of raw materials during the month of September, 2008. The wastage percentages are 1.2%, 1.1%, 1.3% and 3.6% for June, July, August and September, 2008 respectively. How will you proceed to carry out the assignment? (4 marks)

(b) An auditor of a limited company did not verify the investment; he inserted a note in the balance sheet – "investments not verified". The shareholders approved and adopted the accounts at the annual general meeting. Subsequently, it transpired that the investments were misappropriated and the company suffered a loss. Can the auditor be sued for damages for negligence or otherwise in the discharge of his duties? (5 marks)

(c) While auditing the accounts of a company, you are unable to verify the cash in hand at the date of the balance sheet. How would you satisfy yourself as to its correctness? (4 marks)

(d) You have been appointed the sole statutory auditor of a company where you were one of the joint auditors in the immediately preceding year. The concerned joint auditor has not been reappointed. What are the various steps you would take to ascertain the compliance of the requirements of the Companies Act, 1956 before accepting the audit? (5 marks)

2. Comment on the following with reference to the Chartered Accountants Act, 1949 and schedules thereto:

(a) Mr. Pramod, a locally based Chartered Accountant, accepted an audit assignment at a fee lower than that charged by the previous auditor, who was stationed in another town and had to spend a lot of money on travel for which he did not charge separately. (4 Marks)

(b) The superannuation-cum-pension fund for the employees of a company was under a separate 'trust'. Both the company and the trust were under the same management. The auditor, who was auditing the accounts of the company as well as the trust noted some irregularities in the operation of the trust and commented upon these irregularities in the confidential report given to the trustees, but did not mention about these irregularities in his report on the Annual accounts of the Trust. (5 Marks)

(c) M/s Anumanth a firm of Chartered Accountants received Rs. 2 lakhs in January, 2008on behalf of one of their clients, who has gone abroad and deposited the amount in their Bank account, so that they can return the money to the client in July, 2008 when he is due to return to India. (5 Marks)

(d) Mr. V.V. a practicing Chartered Accountant engages himself as part time finance manager of Quick Return Securities Ltd. He is of the view that as both functions are independent, he need not take permission from the Institute. (4 Marks)

3.

(a) As Chartered Accountant you are required to give your reports on various financial statements under Companies Act, 1956 which are as under:

(i) Report to the shareholders under Section 227; (6 marks)

(ii) Report to be set out in prospectus under Section 60(3); (6 marks)

(iii) Report to be given on voluntary winding up under Section 488(1) (6 marks)

Explain the significance of each of these reports and your functional approach very briefly.

4. (a) Your client, proprietor of a big retail store, wants protection against losses of sale proceeds. The client deals mainly in cash sales. Suggest a suitable system of internal check for the same.

(6 marks)

(b) As a Statutory Auditor, of a bank, how would you verify the "Sacrifice" on Non-Performing Assets for which Corporate Debt Restructuring has been undertaken? (5 marks)

(c) Indicate the matters to be included in a Cost Audit Programme. (5 marks)

5. Answer the following:

(a) What are the steps for the Audit under the State level 'Value Added Tax' (VAT)?

(4 marks)

(b) Illustrate, as a statutory auditor, how would you give a report where all qualifications are not quantifiable. (4 marks)

(c) Under CARO, 2003 how, as a statutory auditor would you comment on the following:

(i) Fixed assets comprising 1/3rd of the total assets have been disposed off during the year. (4 marks)

(ii) A Term Loan was obtained from a bank for Rs.75 lakhs for acquiring R&D equipment, out of which Rs.12 lakhs was used to buy a car for use of the concerned director, who was overlooking the R&D activities. (4 marks)

6. (a) Enumerate the steps to be taken by an auditor for the verification of the premium income received by a general insurance company. (6 Marks)

(b) Disclosure under "Basis of Issue Price" in prospectus. (5 Marks)

(c)What are the important steps involved while conducting Investigation on behalf of an Incoming Partner? (5 Marks)

7.(a) A limited company having turnover of approximately Rs.50 crores uses a tailor made accounting software package. In the said package, all transactions are recorded, processed and the final accounts generated from the system. The management tells you that in view of the voluminous nature of day books, there is no need to print them and that audit can be conducted on the computer itself. The management further assures you that any 'query based reports' as required can be generated and printed. As a statutory auditor of the company, enumerate the procedures you would adopt to conduct the audit. (12 marks)

(b) What are the main aspects covered in the probable format of environmental statement ?(4 marks)

8. Write short notes on any four of the following: (4 x 4 = 16 marks)

(a) Financial indications to be considered for evaluating the assumption of going concern

(b) Auditor's responsibilities regarding comparatives.

(c) Sampling Risk

(d) Reporting on a compilation engagements

(e) Maintenance of branch offices by a Chartered Accountants in practice.

(f) Other Misconduct.

PAPER – 4 : CORPORATE LAWS AND SECRETARIAL PRACTICE

Question Nos. 1, 2 and 3 are compulsory.
Answer any four from the rest of the questions

Question 1

Answer any two of the following:

(a) In course of administration of the affairs of a limited company, Chairman of its Board of Directors came across a matter, which required the approval by say of a board resolution. In the prevailing circumstances, it is not possible to convent and hold a Board Meeting. The Chairman approaches you to advise him of the way and the relevant procedure to obtain such approval without holding the Board Meeting. You are required to advise him on the matter as per the provisions of the Companies Act, 1956. (5 marks)

(b) Mr. Shyam has transferred his shares of a listed company registered in his name to Mr. Ram. Mr. Ram has failed to get the shares registered in his name before the company declared and paid the dividend on the shares. Examine with reference to the provisions of Securities Contracts (Regulation) Act, 1956 whether Mr. Shyam is entitled to retain the dividend even though he has transferred the shares before declaration of dividend. (5 Marks)

(c) SEBI is of the opinion that in the interest of investors it is desirable to amend the rules of XYZ Stock Exchange prohibiting the appointment of the broker-member as President of the stock exchange. Explain with reference to the provisions of the Securities Contracts (Regulation) Act, 1956 whether it is possible for SEBI to amend the rules of the Stock Exchange, if the rules are not amended by the stock exchange. (5 Marks)

Question 2

Answer any two of the following:

(a) Mr. G., an Indian national desires to obtain Foreign Exchange on current account transactions for the following purposes:

(i) Payment of commission on exports made towards equity investment in wholly owned subsidiary abroad of an Indian Company.

(ii) Remittance of hiring charges of transponder.

(iii) Remittance for use of trade mark in India.

Advise G whether he can obtain Foreign Exchange and, if so, under what conditions?

(7 Marks)

(b) 'Printex Computer' is a Singapore based company having several business units all over the world. It has a unit for manufacturing computer printers with its Headquarters in Pune. It has a Branch in Dubai which is controlled by the Headquarters in Pune. What would be the residential status under FEMA, 1999 of printer units in Pune and that of Dubai branch? (7 Marks)

(c) Mr. ZPM was appointed as a Member of the Competition Commission of India by Central Government. He has a professional experience in international business for a period of 12 years, which is not a proper qualification for appointment of a person as member. Pointing out this defect in the Constitution of Commission, Mr. YKJ, against whom the commission gave a decision, wants to invalidate the proceedings of the commission. Examine with reference to the provisions of the Competition Act, 2002 whether Mr. YKJ will succeed (7 Marks)

Question 3

Answer any two of the following:

(a) On the complaint of Mr. Kamlesh Gupta, after enquiry SEBI finds that Mr. P. Mehta a Chief Executive Officer of the Company, on the basis of unpublished price sensitive information, has indulged in the trading of the securities of that company. Explain, on the basis of the said finding, what action can SEBI take against Mr. P. Mehra under the Securities and Exchange Board of India Act, 1992. (8 Marks)

(b) A group of investors are upset with the functioning of two leading stock brokers of Calcutta Stock Exchange and want to make a complaint to SEBI for intervention and redressal of their grievances. Explain briefly the purpose of establishing SEBI and what type of defaults by the stock brokers come within the purview of SEBI Act, 1992.

(8 Marks)

(c) Explain the principles of grammatical interpretation vis-à-vis logical interpretation especially in the context that the duty of the Court is to administer the law as it stands and not to find out whether the law is just or reasonable. (8 Marks)

Question 4

(a) Mr. BPK was appointed as the sole selling agent of M/s KMP Ltd. with effect from 1st January, 2002 for a period of five years. Mr. BPK earned his remuneration as follows during the years 2006 to 2008:

Year	Amount of remuneration
2006	Rs.4,41,000
2007	Rs.6,32,000
2008	Rs.7,45,000

On and from 1st January, 2009, the sole selling agency agreement was terminated by M/s KMP Ltd. You are required to calculate the amount of compensation payable by the said company to Mr. BPK under the provisions of the Companies Act, 1956.

What would be your answer in a case where the said M/s KMP Ltd. was amalgamated with another company with effect from 1st January, 2009 and Mr. BPK refused to act as the sole selling agent of the amalgamated company after amalgamation. (8 Marks)

(b) Advise the company with reference to the relevant provisions of the Companies Act about sending notice of board meetings to the following directors:

(i) Mr. Manoj, a director, states that he will not be able to attend the next board meeting.

(ii) Mr. Sharma goes abroad for four months from 5-1-2009 and an alternate director has been appointed in his place.

(iii) Mr. Samuel is a director residing abroad representing the foreign collaborator and the Articles of Association of the company provide for sending notice to such directors.

(7 Marks)

Question 5

(a) The Board of Directors of M/s Greenfield Projects Limited, a company whose shares are listed on the Delhi Stock Exchange propose to give loans to a sister company in excess of the limit prescribed under Section 372A(1) of the Companies Act, 1956. The next annual general meeting of the company is due only after six months. Since the board is anxious to complete the formalities quickly without waiting for the date of next annual general meeting, advise the Board about the steps to be taken to comply with the legal requirements under the Companies Act, 1956. (8 Marks)

(b) Overambitious Limited became sick. The shareholders and creditors of the company passed resolutions in meetings convened by the company approving a scheme of reconstruction of the company. The scheme provides for sale of vacant land and utilisation of the sale proceeds for payment of outstanding wages, sales tax dues and repayment of part of the loan taken from the bank. The unsecured creditors will have to forego 50% of their claims against the company and receive debentures for the balance amount. Advise the directors about the steps to be taken to give. effect to the proposed scheme inspite of objections raised by a few shareholders and creditors. (7 Marks)

Question 6

(a) Due to internal problems in the working of M/s Infighting Detergents Ltd., Mr. Satyam, the Executive Director, and Mr. Mr. Satyam and Mr. Shivam to continue as per the provisions of the Companies Act.

(8 Marks)

(b) Board of Directors of Packsafe Cotton Ltd. having an effective capital of Rs. 4 Crores propose to appoint one of its Directors, Mr. Mohan, as managing director for 5 years with effect from 1st December, 2008 on a consolidated monthly salary of Rs. 40,000 per month. Mr. Mohan is already the managing director of Surprise Fabric Ltd. receiving a consolidated salary of Rs. 35,000 per month. The effective capital of Surprise Fabric Ltd. is Rs. 2 crores. What are the legal requirements to be complied with by Packsafe Cotton Ltd. to give effect to the proposed appointment? Will your answer be different if Surprise Fabric Ltd. is a private company? (7 Marks)

Question 7

(a) A two year old Producer Company registered under Section 581C of the Companies Act, 1956 wants to donate some amount. The Chief Executive of the Producer Company has approached you to advise him as to how and for what purposes the donation can be made by such company. Also state the monetary restrictions, if any, laid down in the Companies Act, 1956 on making donations by a Producer Company. You are informed that as per the Profit & Loss account of the Producer Company for its last accounting year, net profit was Rs.20.00 lacs. (8 Marks)

(b) What is meant by 'oppression'? State whether the aggrieved party would succeed in obtaining relief from company law board on the ground of oppression in the following cases:

(i) The majority of the Board of Directors overrides the minority directors and the minority directors apply to Company Law Board complaining oppression by majority directors.

(ii) A petition by majority shareholders complaining oppression by minority shareholders.

(7 Marks)

Question 8

(a) In the light of the conditions laid down by Section 295 of the Companies Act, 1956, examine if the following transactions can be considered as loans to directors:

(i) Advance payment of salary to the employee who is also the spouse of the Managing Director of the Company.

(ii) A sale of flat of the company at the Current Market Rate and Price. The Director pays sixty per cent Cash immediately and contracts to pay the balance in ten monthly instalments.

(iii) A loan to a firm in which the Director of the company is a Partner (8 Marks)

(b) Examine with reference to the provisions of the Companies Act, 1956 whether the following companies can be treated as foreign companies:

(i) A company incorporated outside India having a share registration office at Mumbai.

(ii) Indian citizens incorporated a company in Singapore for the purpose of carrying on business there. (7 Marks)

Question 9

(a) M/s Continuous Conflicts Ltd. is a company controlled by two family groups. The first family group has four directors, namely, Mr. A, Mr. B, Mr. C and Mr. D on the board of directors. The second family group has two representatives Mr. X and Mr. Y on the board. Because of internal family troubles, the first group, by virtue of its majority shareholding removed both Mr. X and Mr. Y as the directors of the company. Aggrieved by this action the second group is planning to move an application before the Company Law Board. You have been approached for advice. Advise as to the eligibility restrictions regarding filing the application and the chances of getting relief from the Company Law Board, assuming that there is no other material on record in support of oppression of the minority group. (8 Marks)

(b) The Directors of M/s HIJ Company Ltd. desire to proceed for voluntary winding up of the company and hence they are required to File 'Declaration of Solvency'. Your advice is sought about the procedure to be followed for the said purpose. (7 Marks)

Paper 5: COST MANAGEMENT

All questions are compulsory.

Working note should form part of the answer wherever appropriate, suitable assumptions should be made

Question 1 (11 + 9 + 4 = 24 Marks)

(a) A manufacturer produces three products whose cost data are as follows:

		X	Y	Z
Direct materials (Rs. / Unit)		32.00	76.00	58.50
Direct Labour:				
Deptt.	Rate / hour (Rs.)	Hours	Hours	Hours
1	2.50	18	10	20
2	3.00	5	4	7
3	2.00	10	5	20
Variable overheads (Rs.)		8	4.50	10.50

Fixed overheads (Rs.) 4,00,000 per annum.

The budget was prepared at a time, when market was sluggish. The budgeted quantities and selling prices are as under:

Product	Budgeted quantity (Units)	Selling Price / unit (Rs.)
X	19,500	135
Y	15,600	140
Z	15,600	200

Later, the market improved and the sales quantities could be increased by 20 per cent for product X and 25 per cent each for product Y and Z. The sales manager confirmed that the increased sales could be achieved at the prices originally budgeted. The production manager stated that the output could not be increased beyond the budgeted level due to the limitation of Direct labour hours in department 2.

Required:

(i) Prepare a statement of budgeted profitability.

(ii) Set optimal product mix and calculate the optimal profit.

(b) S Limited is engaged in manufacturing activities. It has received a request from one of its important customers to supply a product which will require conversion of material 'M', which is a non-moving item.

The following details are available:

Book value of material M	Rs. 60
Realisable value of material M	Rs. 80

Replacement cost of material M	Rs. 100

It is estimated that conversion of one unit of 'M' into one unit of the finished product will require one labour hour. At present, labour is paid at the rate of Rs. 20 per hour. Other costs are as follows:

Out-of-pocket expenses	Rs. 30 per unit
Allocated overheads	Rs. 10 per unit

The labour will be re-deployed from other activities. It is estimated that the temporary redeployment will not result in loss of contribution. The employees to be re-deployed are permanent employees of the company.

Required:

Estimate the minimum price to be charged from the customer so that the company is not worse off by executing the order.

(c) How would you use the Monte Carlo Simulation method in inventory control?

Question 2 (10 + 9 = 19 Marks)

(a) A Ltd. Makes and sells a single product. The company's trading results for the year are:

	Figs. – Rs. '000 (Year 2007)	
Sales		3,000
Direct materials	900	
Direct labour	600	
Overheads	900	2,400
Profits		600

For the year 2008, the following are expected:

(i) Reduction in the selling price by 10%.

(ii) Increase in the quantity sold by 50%.

(iii) Inflation of direct material cost by 8%.

(iv) Price inflation in variable overhead by 6%.

(v) Reduction of fixed overhead expenses by 25%.

It is also known that :

(a) In 2006, overhead expenditure totalled to Rs. 8,00,000.

(b) Total overhead cost inflation for 2007 has been 5% more than 2006.

(c) Production and sales volumes have been 25% higher in 2007 than in 2006.

The high-low method is being used by the company to estimate overhead expenditure.

You are required to:

(i) Prepare a statement showing the estimated trading results for 2008.

(ii) Calculate the Break-even point for 2007 and 2008.

(iii) Comment on the BEP and profits of the years 2007 and 2008.

(b) A Production supervisor is considering, how he should assign five jobs that are to be performed, to five mechanists working under him. He wants to assign the jobs to the mechanists in such a manner that the aggregate cost to perform the jobs is the least. He has following information about the wages paid to the mechanists for performing these jobs:

Jobs

Mechanist	1	2	3	4	5
A	10	3	3	2	8
B	9	7	8	2	7
C	7	5	6	2	4
D	3	5	8	2	4
E	9	10	9	6	10

Assign the jobs to the mechanists so that the aggregate cost is the least.

Question 3 (9 + 5+ 5 = 19 Marks)

(a) The working results of Software Company for two corresponding years are shown below:

	Amount (Rs. in lakhs)	
	Year 2007	Year 2008
Sales (A)	600	770
Cost of Sales:		
Direct materials	300	324
Direct wages and variable overheads	180	206
Fixed overheads	80	150
Total (B)	560	680
Profit (A – B)	40	90

In year 2008, there has been an increase in the selling price by 10 per cent. Following are the details of material consumption and utilization off direct labour hours during the two years:

	Year 2007	Year 2008
Direct material consumption (M. tons)	5,00,000	5,40,000
Direct labour hours	75,00,000	80,00,000

Required:

(i) Taking year 2007 as base year, analyse the variances of year 2008 and also workout the amount which each variance has contributed to change in profit.

(ii) Find out the breakeven sales for both years.

(iii) Calculate the percentage increase in selling price in the year 2008 that would be needed over the sale value of year 2008 to earn margin of safety of 45 per cent.

(b) What is Target Costing? It is said that implementation of the target costing technique requires intensive marketing research. Explain why intensive marketing research is required to implement target costing technique.

(c) What steps are involved in value chain analysis approach for assessing competitive advantages?

Question 4 (12 + 7 = 19 Marks)

(a) X Ltd. has two divisions, A and B, which manufacture products A and B respectively. A and B are profit centres with the respective Divisional Managers being given full responsibility and credit for their performance.

The following figures are presented:

	Division A	Division B	
	Rs. Per Unit	Rs. Per Unit	
Direct material cost	50	24*	*(other than A)
Material A, if transferred from Division A	—	144	
Material A, if purchased from outside	—	160	
Direct labour	25	14	
Variable production overhead	20	2	
Variable selling overhead	13	26	
Selling price in outside market	160	300	
Selling price to B	144	—	
Selling price to S Ltd.	—	250	

Other Information:

To make one unit of B, one unit of component A is needed. If transferred from A, B presently takes product A at Rs.144 per unit, with A not incurring variable selling overheads on units transferred to B.

Product A is available in the outside market at Rs. 160 per unit from competitors.

B can sell its product B in the external market at Rs. 300 per unit, whereas, if it supplied to X Ltd.'s subsidiary, S Ltd., it supplies at Rs. 250 per unit, and need not incur variable selling overhead on units transferred to S Ltd. S Ltd. requires 6,000 units and stipulates a condition that either all 6,000 units be taken from B or none at all.

	A(units)	B(units)	
Manufacturing capacity	20,000	28,000	
Demand in external market	18,000	26,000	
S Ltd.'s demand	—	6,000	or zero

Assume that Divisions A and B will have to operate during the year.

What is the best strategy for:

(i) Department A?

(ii) Department B, given that A will use its best strategy?

(iii) For X Ltd. As a whole?

(b) “Balanced score card and performance measurement system endeavours to create a blend of strategic measures, outcomes and drive measures and internal and external measures”. Discuss the statement and explain the major components of a balanced score card.

Question 5 (14 + 5 = 19 Marks)

(a) A small project consists of jobs as give in the table below. Each job is listed with tits normal time and a minimum or crash time (in days). The cost (in Rs. per day) of each job is also given:

Job (i – j)	Normal duration (in days)	Minimum (crash) Duration (in days)	Cost of Crashing (Rs. per day)
1-2	9	6	20
1-3	8	5	25
1-4	15	10	30
2-4	5	3	10
3-4	10	6	15
4-5	2	1	40

(i) What is the normal project length and the minimum project length?

(ii) Determine the minimum crashing cost of schedules ranging from normal length down to, and including the minimum length schedule. That is, if L = Length of the schedule, find the costs of schedules which are L, L – 1, L – 2 and so on.

(iii) Overhead costs total Rs.60 per day. What is the optimum length schedule in terms of both crashing and overhead cost? List the schedule duration of each job for your solution.

(b) What do you mean by ERP? Name six benefits of ERP in an enterprise

Paper 6: Management Information and Control Systems

Question No. 1 is compulsory.

Answer any four questions from remaining six questions.

1. (a) Discuss various factors that render manual audit method ineffective in Information System audit. 5

(b) Briefly explain the components of Programming work bench. 5

(c) Briefly discuss any five database control features. 5

(d) Discuss briefly the powers of Central Government under Section 87 to make rules in respect of Information Technology Act, 2000. 5

2. (a) What is work-in-process control system? Describe briefly the system interfaces, files and inputs, and reports involved in this system. 8

(b) Describe the main prerequisites of a MIS which makes it an effective tool. Explain the major constraints in operating it. 8

(c) In a recent ATC fraud, the investigating department submitted that the ATC organisation had faked employee numbers inflating them by nearly 12,000 and drew benefits to the tune of Rs 20 crore a month. What measures must be taken by the auditor to verify that "ghost" employees do not exist in the organisation. 4

3. (a) System analysts develop various categories of information systems to meet a variety of business needs. Discuss any three such systems briefly. 8

(b) "The technological advancement has adversely affected the traditional source of audit evidence gathering." Explain in context of following issues:

(i) Printers and Scanners

(ii) Email

(iii) Electronic banking procedure

8

(c) State and explain the four backup and recovery features necessary in a DBMS 4

4. *(*a) How will you establish and implement Critical Success Factors (CSFs) and Key Performance Indicators (KPIs) in an organization for achieving the benefits of implementation of ERP? 8

(b) Briefly discuss four basic components of Decision Support System. 8

(c) Briefly describe various steps involved in system testing. *4*

5. (a) *Briefly explain the* characteristics of good coding schemes
8

(b) Briefly explain the risks associated with client / server model.
8

(c) "Personnel information system deals with flow of information relating to people." Explain. 4

6. *(a) Briefly explain the best approach to implement information security policy?*
5

(b) What is the purpose of the system evaluation? How is it performed?
5

(c) Discuss, how a controlled source program library environment can help to deter unauthorized changes to program.
5

(d) Briefly explain the role of Information Security Administrator.
5

7. *(a) How does Private Key encryption differ from Public Key encryption?*
5

(b) What are Programmed decisions and give examples where programmed decisions can be applied? 5

*(c) What does p*rogram design and technical design specifications include in the *program documentation*
5

(d) How does Firewalls enforce access control between networks? Also provide details on various type of Firewalls
5

PAPER – 7 : DIRECT TAXES

TEST PAPER I

*Answer **all** questions*

1. The Net Profit of XYZ Ltd. for the year ended 31.3.2009 is Rs.50 lacs after debit of the following:

    (i) Amount of Rs.1,50,000 contributed to Employees Welfare Trust.

    (ii) Amount of Rs.15,00,000 paid towards college fee and hostel expense for the MBA course of a close relative of a director.

    (iii) Amount of Rs.3,00,000 incurred on installation of a traffic signal, so as to facilitate its employees coming to office to overcome traffic jam and save office time.

    (iv) Amount of Rs.5,00,000 on the gift articles distributed to various dealers under sales incentive scheme.

    (v) Expenses of Rs.5,00,000 incurred on the travelling of the wife of Managing Director, who accompanied him on a tour to U.K. on the invitation of Trade and Commerce Chamber, London.

    (vi) Amount of Rs.3,00,000 paid on 11.5.08 consequent upon change in currency rate due to exchange fluctuation in excess of the amount due to the suppliers of machinery.

    Following further information are also provided by the company (these items of expenditure have not been taken into consideration while arriving at the net profit of Rs.50 lacs) :

    (a) Both the employees and employers contribution towards PF amounting to Rs.2 lacs each for the month of March, 2009 were deposited on 1.7.2009.

    (b) Provision for audit fees of Rs.5 lacs made in the books for the year ended 31.03.2008 was paid to the auditors in September, 2008 after deducting tax under section 194J and the tax so deducted was remitted by 7.10.2008.

    (c) A contractor who carried out repairing work in the office was paid in cash on 25.9.2008 by two vouchers No. 175 of Rs.17,000 and No.180 of Rs. 8,000.

    (d) TDS, out of payment of interest of Rs.1 lac in February, 2009 and of Rs.2 lacs in March, 2009, was remitted to the Government in July, 2009.

    Compute the income chargeable to tax in A.Y. 2009-10 and work out the amount of tax payable on such income. (16 Marks)

2. (a) Work out the taxable income for A.Y. 2009-10 of a partnership firm engaged in retail trade from the following particulars:

    (i) Net profit of Rs.2,40,000 arrived at after debit of interest on capital of partners of Rs.2,00,000 and salaries to working partners of Rs.3,60,000.

    (ii) Total capital of the partners on which interest paid is debited in the profit and loss account was Rs.8,00,000. (6 Marks)

    (b) The net result of the business carried on by a branch of foreign company in India for the year ended 31.03.2009 was a loss of Rs.75 lacs after charge of head office expenses of Rs.135 lacs allocated to the branch. Explain with reasons the income to be declared by the branch in its return for the A.Y. 2009-10. (6 Marks)

3. (a) Mr.X has a total income of Rs.2,00,000 and pays house-rent @ Rs.5,000 p.m. in respect of the residential accommodation occupied by him at Calcutta. Compute the deduction available for the house rent so paid while computing his taxable income, assuming that he has fulfilled all the prescribed conditions? (4 Marks)

(b) The net profit as per the profit and loss account of Beta Ltd., a resident company, for the year ended 31.3.2009 is Rs.250 lacs arrived at after making the following adjustments:

(i)	Depreciation on assets	Rs.100 lacs
(ii)	Transfer to General Reserve	Rs. 60 lacs
(iii)	Provision for tax	Rs. 30 lacs
(iv)	Proposed dividend	Rs. 90 lacs

Following further information are also provided by company:

(a) Net profit includes Rs.15 lacs representing dividend received from a subsidiary company.

(b) Provision for tax includes Rs.10 lacs of tax payable on distribution of profit and of Rs.3 lacs of interest payable on income-tax.

(c) Depreciation includes Rs.40 lacs towards revaluation of assets.

(d) Amount of Rs.50 lacs credited to P & L account was drawn from revaluation reserve.

(e) Balance of profit and loss account shown in balance sheet at the asset side as at 31.3.2008 was Rs.10 lacs representing unabsorbed depreciation.

Compute the book profit of Beta Ltd. for the year ended 31.3.2009 for levy of MAT.

(10 Marks)

4. (a) In a case where penalty has been imposed for not deducting tax at source, can penalty also be imposed again for non-issuance of TDS certificate or non-filing of TDS return?

(4 Marks)

(b) Can stamp vendors be treated as agents of the Government for marketing stamp papers? If yes, can tax be deducted under section 194H in respect of discount given on sale of stamps by the Treasury to the stamp vendor? (6 Marks)

5. (a) Does conversion of unpaid interest into a funded interest term loan tantamount to payment of interest for the purpose of claim of deduction? What is the tax treatment of subsequent repayment of funded interest term loan? (6 Marks)

(b) Can the Assessing Officer exercise the power under section 131(3) to impound and retain any documents produced before it in a case of “investigation” or “enquiry” or is it necessary that a “proceeding” should be pending against the specified individual for exercise of such power? (5 Marks)

6. (a) Mr. Rajesh, a non-resident, operates an aircraft between Bangkok and Mumbai. He received the following amounts in the course of the business of operation of aircraft during the year ending 31.3.2009:

(i) Rs.3 crore in India on account of carriage of passengers from Mumbai.

(ii) Rs.2 crore in India on account of carriage of goods from Mumbai.

(iii) Rs.1 crore in India on account of carriage of passengers from Bangkok.

(iv) Rs.2 crore in Bangkok on account of carriage of passengers from Mumbai.

The total expenditure incurred by Mr. Rajesh for the purposes of the business during the year ending 31.3.2009 was Rs.1.8 crore.

Compute the income of Mr. Rajesh chargeable to tax in India under the head "Profits and gains of business or profession" for the A.Y. 2009-10. (6 Marks)

(b) Are the TDS provisions under section 194-I attracted on the gross amount of rent paid/payable including service tax or on the net amount of rent paid/payable excluding service tax?
(5 Marks)

(c) Mr. Kamal has filed his return of loss under section 139(3) for A.Y.2009-10 on 13.6.2009 disclosing a loss of Rs.7 lakh. His brother, Mr. Vimal has filed his return of income under section 139(4) for A.Y.2009-10 on 18.8.2008 disclosing an income of Rs.5 lakh. Later, the brothers found that they had erroneously omitted to claim deduction under section 80D in respect of medical insurance premium paid by them. They want to file a revised return for claiming such deduction. However, they are advised that they cannot do so, since only a return of income filed under section 139(1) can be revised. Is this advice correct, taking into account the provisions of the Income-tax Act? Discuss.
(6 Marks)

7. (a) ABC Ltd is a public limited company. As a good corporate citizen and as a measure of gaining goodwill of the people living in and around its industry, which is to some extent a polluting industry, it provided funds for establishing drinking water facilities to the residents in the vicinity of the refinery and also provided aid to the school run for the benefit of the children of those local residents. The Assessing Officer declined to allow that expenditure on the ground that it was not an item of expenditure incurred by the assessee for earning the income. The company, however, contended that such expenditure can be claimed as deduction. Is the claim of ABC Ltd. tenable in law? Discuss.
(5 Marks)

(b) Alpha Ltd. credited Rs.19,000 towards fees for professional services and Rs.17,000 towards fees for technical services to the account of Mr.Ganesh in its books of account on 13.12.2008. The total sum of Rs.36,000 was paid by account-payee cheque to Mr. Ganesh on 18.12.2008. Discuss the liability of Alpha Ltd. to deduct tax at source.

(5 Marks)

8. Compute the taxable wealth of X Ltd., which is engaged in the construction of residential flats, for the valuation date 31.3.2009. The particulars for computation of taxable wealth are given hereunder -

Particulars		**Rs. in lakh**
(a)	Land in urban area (Construction is not permitted as per municipal laws in force)	35
(b)	Land in urban area (held as stock-in-trade since 1995)	8
(c)	Jewellery (investment)	6
(d)	Cash balance (as per books)	1.5

(e)	Bank balance (as per books)	5
(f)	Guest house (situated in rural area)	5
(g)	Residential flat occupied by Managing Director (annual remuneration of whom is Rs. 8 lakh)	12
(h)	Residential house let-out for 100 days in the financial year	15
	Loan obtained: For purchase of guest house For purchase of jewellery	 3 4

The reason for inclusion or exclusion should be stated in the computation. *(10 Marks)*

PAPER – 8

INDIERCT TAXES

Question Nos. 1, 6 and 9 are compulsory.
Answer any two questions from PART - A and one question from PART – B.

PART – A

1.

(a) Explain briefly the following with reference to the provisions of the Central Excise Act, 1944 as amended by the Finance Act, 2008:-

(i) Refund of duty and interest under section 11B.

(ii) Matter to be referred to the jurisdictional Chief Commissioner where the Committee of Commissioners of Central Excise differs in its opinion regarding the appeal against the order of Commissioner (Appeals).

(2×3=6 Marks)

(b) Explain the provisions of the rule 6(3) of the CENVAT Credit Rules, 2004.

(6 Marks)

(c) State briefly whether "damage discount" is permissible as a deduction for purpose of arriving at the assessable value under Section 4 of the Central Excise Act, 1944.

(3 Marks)

(d) Explain briefly the provisions relating to 'Special Audit' in certain cases under section 14A of the Central Excise Act, 1944.

(5 Marks)

2.(a) Discuss the validity or otherwise of the following statements:-

(i) When goods are classifiable under two headings, the assessee should be given benefit.

(ii) All irregular, erroneous or illegal assessment orders can be held to be null and void. (2×3=6 Marks)

(b) Briefly explain the following terms with reference to the Central Excise Act, 1944:-

(i) Manufacture

(ii) Whole sale Dealer

(2×2=6 Marks)

(c) Explain with the help of a decided case law, if any, whether the time for issuing the show cause notice can be extended by merely invoking the provisions of section 11A of Central Excise Act, 1944 without invoking the proviso thereof.

(3 Marks)

3.(a) Explain the eligibility of CENVAT credit in each of the following cases:-

(i) Capital goods removed in good condition after being put to use for a period of two years, in respect of which period, depreciation under the Income-tax Act, 1961 was claimed.

(ii) An input becomes a waste and is sold as scrap.

(iii) Sale of the factory along with the said inputs and capital goods.

(3×3=9 Marks)

(b) Describe power to summon persons under the Central Excise Act, 1944. (6 marks)

4.(a) Briefly answer with reference to the provisions of the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 whether in the following cases any notional interest on the advance received is includible in the value for purpose of assessment:

(i) An assessee sells his goods against full advance payment to X. He also sell such goods to Y without any advance payment at the same price per unit.

(ii) A, the assessee manufactures and supplies certain goods as per design and specification of B. A takes 50% of the price as advance against these goods and there is no sale of such goods to any other buyer.

(2 x 3 = 6 Marks)

(b) Write a short note on the 'Rules for the Interpretation' of the schedule to the Central Excise Tariff Act, 1985.

(6 Marks)

(c) Discuss briefly the power of the Appellate Tribunal to order "rectification of mistake" under Section 35C of the Central Excise Act, 1944.

(3 Marks)

5.(a) 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. (3 x 3 = 9 Marks)

(b) What are the documents required for filing claim of rebate of Central Excise Duty by an Exporter of goods?

(6 marks)

PART – B

6.(a) Section 14 of the Customs Act, 1962, with effect from 10.10.2007, and the Customs Valuation (Determination of Price of Imported Goods) Rules, 2007 are now fully compatible. Explain with a brief note.

(3 marks)

(b) Briefly explain the power of the proper officer to search the suspected persons under section 100 of the Customs Act, 1962.

(5 marks)

(c) A consignment of 800 metric tonnes of edible oil of Malaysian origin was imported by a charitable organization in India for free distribution to below poverty line citizens in a backward area under the scheme designed by the Food and Agricultural Organization. This being a special transaction, a nominal price of US$ 10 per metric tonne was charged for the consignment to cover the freight and insurance charges. The Customs House found out that at or about the time of importation of this gift consignment there were following imports of edible oil of Malaysian origin:

Sr. No.	Quantity imported in metric tonnes	Unit price in US $ (CIF)
1.	20	260
2.	100	220
3.	500	200
4.	900	175
5.	400	180
6.	780	160

The rate of exchange on the relevant date was 1 US $ = Rs. 43.00 and the rate of basic customs duty was 15% ad valorem. There is no countervailing duty or special additional duty. Calculate the amount of duty leviable on the consignment under the Customs Act, 1962 with appropriate assumptions and explanations where required.

(8 Marks)

(d) Define the following:-

(i) Exporter

(ii) Indian customs waters

(2×2=4 Marks)

7.

(a) Mansarovar Industries imported a vessel 'Waterloo' for the purpose of breaking from Chembur Coporations of U.K. A memorandum of understanding was signed between the buyer and seller on 2.6.97 and Mansarovar Industries took delivery of the vessel on 4.6.97. Vessel drifted and landed in the yard of X in a damaged condition on 9.6.97. On 24.6.97, Mansarovar Industries filed application to concerned Assistant Commissioner for extension of time to file bill of entry, which was granted on 12.8.97. Mansarovar Industries paid Rs. 24 crores to Chembur Coporations towards the purchase price of the vessel. Thereafter, Mansarovar Industries sold the vessel to X for Rs.12 crores and X filed bill of entry on 12.9.97. Assessing authority assessed the ship taking the value as Rs. 24 crores and ship was taken over by X after assessment order was passed. 'X' argues that assessable value should be taken as Rs. 12 crores since the vessel was damaged because of the storm which made the vessel drift during appellate proceedings. No application for abatement of duty was made before the assessing authority by Mansarovar Industries or X. Examine whether benefit of relief under section 22 of the Customs Act, 1962 to reduce the value and thereby duty can be extended to X under the above circumstances. The assessment order in respect of bill of entry was passed on 23.12.97. (8 Marks)

(b) Is a person entitled to inspect or obtain copies of report made by any Officer to the Settlement Commission? Can the Settlement Commission furnish copies of such report?

(4 Marks)

(c) Under what circumstances, provisional assessment under section 18 of the Customs Act, 1962 can be made?

(3 Marks)

8.

(a) Explain briefly the provisions of Rule 3 of the General Rules for the Interpretation of the First Schedule to the Customs Tariff Act, 1975.
(4 marks)

(b) Sumatra Importers (SI) warehoused the goods imported by it after the execution of necessary bond but did not clear them within the warehousing period nor sought any extension. Meanwhile, the warehouse keeper auctioned the goods u/s 63(2) of the Act and sought permission from the Department for their clearance to the highest bidder and for the recovery of his warehousing charges. However, the custom authorities insisted that u/s 150 of the Act, the entire auction proceeds had to be first adjusted towards the custom duty.

Examine, with the help of a decided case law, if any, whether the contention of the Department is correct in law.

(5 marks)

(c)

(i) Explain briefly the procedure for clearance of warehoused goods for home consumption under Section 68 of the Customs Act, 1962.
(3 marks)

(ii) State in brief with reference to the provisions of Section 129A of the Customs Act, 1962 the matters relating to which no appeal shall lie before the Appellate Tribunal. (3 marks)

PART – C

9.(a) State with reason whether service tax liability arises in the following cases:- (2×2=4 marks)

(i) Service provided or to be provided to any person, by any other person in relation to acquiring the right to use information technology software supplied electronically.

(ii) Services provided in relation to chit fund.

(b) Explain the provisions relating to the scheme for submission of returns through service tax returns preparers.

(6 marks)

(c) Sambhav Pvt. Ltd. is engaged in providing advertising services. For the month of August 2009, its gross receipts were Rs.12,50,000. The break up of these receipts is as follows:-

Month in which services are performed	Receipts (Rs.)
July	4,30,000
August	2,50,000
September	5,70,000

In the financial year 2008-09, Sambhav Pvt. Ltd had paid Rs.55,00,000 as service tax. State the amount of service tax payable by Sambhav Pvt. Ltd. for the month of August 2009 and the date by which it is required to make the payment.
(3 marks)

(d) State briefly whether the services provided by a person having a place of business in the State of Jammu and Kashmir providing services in any other place in India are taxable under the Finance Act, 1994 as amended?

(2 marks)