[Financial Accounting](#)

FA Dec 2008

This Paper has **25** answerable questions with **1** answered.

I—P5(FAC)
Syllabus 2008

Time Allowed : 3 Hours | Full Marks : 100

The figures in the margin on the right side indicate full marks.

Answer *Question No. 1* which is compulsory and any five from the rest.

Marks

1. (a) Distinguish between shares and stock. 3 (0)

(b) Match the following items shown below: 3 (1)

I Cash Reserve	I Electric Supply Co.
II Clear Profit	II Construction Company
III Escalation clause	III Banking Company

(c) Choose the correct answer: 3 (0)
The amortization of amount of software commences from the date when it is

(i) Available for use
(ii) Put to use
(iii) Developed upto 75%.

(d) Match the following 4 (0)

I AS — 1	I Contingencies and events occurring after the Balance Sheet date
II AS — 3	II Accounting for Fixed Assets
III AS — 4	III Disclosure of Accounting policies
IV AS — 10	IV Cash flow statement.

(e) What is meant by Reversionary Bonus? 3 (0)

(f) A non–profit organisation has furnished the following data in connection with finalisation of accounts for the year ended 31st March 2008: 3 (0)

	Rs.
Membership subscriptions received as per books	57,000
Subscription in arrear for 2007–08	1,400
Contribution to indoor games section included in item no. one above	2,000
Advance receipt of subscriptions (for 2008–09)	480
Subscription outstanding for 2006–07 now received	3,000

The amount of subscription to be taken as income for 2007–08 is

A Rs. 57,000 B Rs. 51,520 C Rs. 55,000 D Rs. 52,920 Select the correct one.

(g) A & B are two partners of a firm sharing the profits & losses in the ratio of 7/12 and 5/12 respectively. On 1st April 2008 they take C as a partner giving him 1/6 share. A & B agreed further to share the future profits in the ratio of 13/24 and 7/24 respectively. C, in addition to his capital, brings in Rs. 96,000 as his goodwill for 1/6 share. The goodwill amount is to be shared between A & B. 3 (0)
The share of goodwill amount of A & B respectively will be:

A: Rs. 24,000 and Rs. 72,000

B: Rs. 72,000 and Rs. 24,000

C: Rs. 56,000 and Rs. 40,000

D: Rs. 52,000 and Rs. 44,000

Choose the correct one.

(h) Choose the correct answer: 3 (0)
Under the hire–purchase system the buyer becomes the owner of goods:

(i) Immediately after the delivery of goods
(ii) Immediately after the down payments
(iii) Immediately after the first installment is paid
(iv) Immediately after the payment of last installment.

2. (a) From the following information relating to ND Ltd, prepare a Balance Sheet as on 31.12.2007. 10 (0)

Current Ratio — 2
Fixed Assets/shareholders' net worth — .60
Reserve & Surplus/share capital — .25
Average Debt collection period — 2 months
G.P. Ratio — 25%
Cost of sales/closing stock — 9 times

Net working Capital — Rs. 4,00,000
Liquid Ratio — 1.5

(b) Mention any five purposes for which share premium account can be utilised. 5 (0)

3. (a) Kanpur Electric Supply Company rebuild and reequipped one of their plant at a cost of Rs. 80,00,000. The old plant thus, superceded, cost of Rs. 30,00,000. The capacity of new plant is thrice of the old plant. Rs. 1,00,000 realised from sale of old materials. Four old motors valued at Rs. 2,00,000 salvaged from old plant, were used in the construction. The cost of labour and material was respectively 20% and 25% lower than now.
The proportion of labour to material in the plant then and now in 2 : 1. Show the journal entries for recording the above transactions if accounts are maintained under double entry system. 10 (0)

(b) Mention any five areas in which different accounting policies may be adopted by different enterprises. 5 (0)

4. (a) Suchandra, Ashmita and Kasturi were running partnership business sharing Profit and Losses in 2 : 2 : 1 ratio. 10 (0)
Their Balance Sheet as on 31.03.2008 stood as following:

(Rs. in 000's)

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Fixed Capital:			Fixed Assets		920.00
Suchandra	690.00		Investment		115.00
Ashmita	460.00		Current Assets:		
Kasturi	230.00	1,380.00	Stock	230.00	
Current Account:			Debtors	632.50	
Suchandra	138.00		Cash at Bank	287.50	1,150.00
Kasturi	92.00	230.00			
Unsecured Loan		230.00			
Current Liabilities		345.00			
		2,185.00			2,185.00

On 1.4.2008, they agreed to form new company Tata (P) Ltd. with Ashmita and Kasturi each taking up 460 eq. share of Rs. 10 each, which shall take over the firm as going concern including Goodwill, but excluding cash and bank balance.
The following are also agreed upon:

(a) Goodwill will be valued at 3 years purchase of super profit.
(b) The actual profit for the purpose of Goodwill valuation will be Rs. 4,60,000.
(c) The normal rate of return will be 18% p.a. on Fixed Capital.
(d) All other assets and liabilities will be taken at Book value.
(e) Ashmita and Kasturi are to acquire interest in the new company at the ratio 3 : 2.
(f) The purchase consideration will be payable partly in shares of Rs. 10 each and partly in cash. Payment in cash being to meet the requirement to discharge Suchandra, who has agreed to retire.
(g) Realisation expenses amounted to Rs. 1,17,300.

You are required to close the books of the firm by passing necessary journal entries.

(b) Write short notes on treatment of abnormal losses in Branch Account. 5 (0)

5. (a) Following balances have been extracted from the books of an electricity company at the end of 2007: 10 (0)

(Figures in '000)

Share Capital	1,00,00
Reserve fund (investment in 4.5% Govt. securities at par)	50,00
Contingencies reserve investment in 5% State Loan	10,00
8% debentures	20,00
Loan from State Electricity Board	40,00
Development Reserve	10,00
Fixed Assets	2,00,00
Depreciation reserve on fixed assets	50,00
Consumer deposit	55,00
Amount contributed by consumer for fixed assets	1,00
Intangible assets	5,00
Tariffs and dividend control reserve	5,00
Current Assets (monthly average)	20,00

The company earns a profit of Rs. 8,50,000 (after tax) in 2007. Show how the profit is to be dealt with by the company, assuming bank rate is 5%.

(b) Distinguish between Statutory Reserve and Cash Reserve in respect of Banking Companies. 5 (0)

6. (a) The income and expenditure account of an association for the year ended 31st March 2008 is as under: 10 (0)

		Rs.		Rs.
To	Salaries	1,20,000	By Subscription	1,70,000
	Printing and Stationery	6,000	Entrance fee	4,000
	Telephone	1,500	Contribution for dinner	36,000
	Postage	500		
	General expenses	12,000		

Interest and bank	5,500	
charges	2,500	
Adult fees	25,000	
Annual dinner	7,000	
expenses	30,000	
Depreciation	2,10,000	2,10,000
Surplus		
Total		

The aforesaid income and expenditure account has been prepared after the following adjustments:

Subscription outstanding as on 31st March 2007	16,000
Subscription outstanding on 31st March 2008	18,000
Subscription received in advance as on 31st March 2007	13,000
Subscription received in advance as on 31st March 2008	8,400
Salaries outstanding as on 31st March 2007	6,000
Salaries outstanding as on 31st March 2008	8,000
Audit fees for 2006–2007 paid during 2007–2008	2,000
Audit fee for 2007–2008 not paid	2,500
The building owned by the association since 1990 costs	1,90,000
Equipment as on 31st March, 2007 valued at	52,000
At the end of the year after depreciation of Rs. 7,000, equipment	63,000
amounted to	30,000
In 2006–2007, the association raised a bank loan of which is still	28,500
not paid	
Cash in hand as on 31st March 2008	

You are required to prepare Receipts and Payments Account of the association for the year ended 31st March 2008 and the Balance Sheet as at that date.

(b) Distinguish between 'Receipts and Payments Account' and 'Income and Expenditure Account'. 5 (0)

7. (a) The summarized balance sheet of A Co. Ltd. as on 30th June 2008 is as under: 10 (0)

Share Capital:

10% redeemable preference shares of Rs. 100 each	10,00,000
Equity shares of Rs. 10 each	15,00,000
12% Debentures	7,00,000
Revenue reserves	40,00,000
Total	72,00,000
Represented by Net assets	72,00,000

The redeemable preference shares were due for redemption on 31st August 2008 and were redeemed and duly paid off. The company is permitted to redeem the debentures at any time at a premium of 10% and did so on 30th September 2008.

The company was in a reasonably liquid position but to assist in providing funds for redemption of the redeemable preference shares, a rights issue of equity shares was made. 20000 equity shares were issued for cash at a premium of Rs. 20 per share, Rs. 12.50 payable on application on 15th July 2008 and the balance on allotment on 31st July 2008. All cash due was received on the due dates.

During the three months ended 30th September 2008, the company traded at a profit of Rs. 2,50,000.

Required:

(i) Pass journal entries (including cash transactions) showing the relevant entries in respect of the above.

(ii) Prepare summarized balance sheet of the company as on 30th September 2008.

(b) State the prerequisites to be complied with by a company for issue of shares at a discount. 5 (0)

8. Write notes on: 3x5

(a) Re–insurance; (0)

(b) Double Accounting system; (0)

(c) Bonus shares; (0)

(d) Segment reporting; (0)

(e) Materiality concept. (0)

FA June 2009

This Paper has **29** answerable questions with **2** answered.

I—P5(FAC)
Syllabus 2008

Time Allowed : 3 Hours — Full Marks : 100

The figures in the margin on the right side indicate full marks.

Answer *Question No. 1* which is compulsory and any five from the rest.

Marks

1. (a) Distinguish between liability and provisions. **3** (0)

(b) Choose the correct answer **3** (1)

The excess amount received over the face value of shares, should be credited to

(i) Current Liabilities;
(ii) Current Assets;
(iii) Reserves & Surplus;
(iv) Securities Premium Account.

(c) Match the following: **3** (1)

1. AS – 7	(i) Earning per Share
2. AS – 9	(ii) Construction Contracts (Revised)
3. AS – 19	(iii) Revenue Recognition
4. AS – 20	(iv) Leases

(d) State whether following statements are true or false: **3**

(i) Goodwill is a fictitious asset. (0)

(ii) Land is a depreciable asset. (0)

(e) Can dividend be declared out of Security Premium Account? **3** (0)

(f) State briefly the Rule of Garner vs. Murray. **4** (0)

(g) State whether the following statements are true or false: **3**

(i) AS – 26 applies when computer software is acquired for sale in the ordinary course of business. (0)

(ii) Cost incurred in salaries/wages in internally generated software are included in the cost computation. (0)

(h) State whether the following statements are true or false: **3**

(i) Capital Redemption Reserve Account is created to meet legal requirements. (0)

(ii) Partly paid–up preference shares can be redeemed. (0)

(iii) Capital Redemption Reserve Account cannot be utilised for issuing fully paid bonus shares. (0)

2. (a) Prepare the Balance Sheet as at 31st March, 2008 from the particulars furnished by Vision Ltd., as per Schedule VI of Companies Act. **10** (0)

		Rs.
Equity Share Capital (Rs. 10 each fully paid)		8,00,000
Calls in arrear		800
Land		1,60,000
Building		2,80,000
Plant & Machinery		4,20,000
Furniture		40,000
General Reserve		1,68,000
Loan from IDBI		1,20,000
Loans (Unsecured)		96,800
Provision for Taxation		54,400
Sundry Debtors		1,60,000
Advanced (Dr.)		34,160
Proposed dividend		48,000
Profit & Loss A/c.		80,000
Cash balance		24,000
Cash at Bank		1,97,600
Preliminary Expenses		10,640
Sundry Creditors (For goods & expenses)		1,60,000
Stock:		
Finished goods	1,60,000	
Raw material	40,000	2,00,000

Adjustment:

(i) 1500 equity shares were issued for consideration other than cash.

(ii) Loan of Rs. 1,20,000 fro IDBI is inclusive of Rs. 6,000 for interest accrued but not due. The loan is hypothecated by plant & machinery.

(iii) Debtors of Rs. 50,000 are due for more than six months.

(iv) The cost of assets:

	Rs.
Building	3,20,000

Plant & Machinery	5.60,000
Furniture	50,000

(v) Bank balance includes Rs. 2,000 with Trust Bank Ltd., which is not a scheduled Bank.

(vi) Bills receivable for Rs. 2,20,000 maturing on 30th June, 2008 have been discounted.

(vii) The company had contract for the erection of machinery at Rs. 1,50,000 which is still incomplete.

(b) What are the objects of charging depreciation and problems of measurement of depreciation? Explain. 5 (0)

3. (a) The following balances have been extracted from the books of Star Insurance Co. Ltd. for the year ending 31st December, 2006: 10 (0)

	Rs.
Amount of Life Assurance at the beginning of the year	12,56,450
Claims by death	93,584
Claims by maturity	77,136
Premia	1,68,457
Expenses of management	23,912
Commission	29,233
Consideration for annuities	8,496
Interest, dividends and rents	41,969
Income–tax paid on profit	2,448
Surrenders	17,414
Annuities	23,536
Bonus paid in cash	7,560
Bonus paid in reduction of premium	2,800
Preliminary expenses	480
Claims admitted but not paid at the end of the year	64,027
Annuities due but not paid	17,904
Capital paid up	4,80,000
Government Securities	13,52,712
Sundry Assets	4,54,488
Investment Reserve	48,000

Prepare the Revenue Account and the Balance Sheet after taking into account the following:

		Rs.
(i)	Claims covered under re–insurance	8,000
(ii)	Further claims intimated	6,400
(iii)	Further bonus utilised in reduction of premium	1,200
(iv)	Interest accrued	12,320
(v)	Premium outstanding	5,920
(vi)	Bonus surrendered	4,000

(b) Define the Concept of Minimum/Dead Rent. 5 (0)

4. (a) Sunshine company sells goods for cash and on hire purchase and latter being the cash retail price plus 12.5% there on. Following are the particulars for the year ended 31st December; 2007. 10 (0)

		Rs.
Stock with hire purchase (at hire purchase price) with customers on 1.1.2007		29,700
Purchase during the year		1,58,400
Stock at shop: On 1.1.2007	22,000	
On 31.12.2007	26,400	48,400
Cash Sales during the year		79,200
Cash received during the year (Hire purchase installments)		1,01,750
Instalments due but not received:		
On 1.1.2007		4,400
On 31.12.2007		6,600
Hire purchase sales during the year		1,18,800

Prepare the following:
(a) General Trading Account.
(b) Hire Purchase Trading Account.
(c) Hire Purchase Sales Account, for the year ended 31st December, 2007.

(b) Distinguish between Hire Purchase System and Instalment System. 5 (0)

5. (a) A and B carry on independent business in provisions and their position as at 31.03.09 are reflected in the Balance Sheets given below: 10 (0)

	A Rs.	B Rs.
Stock in Trade	1,70,000	98,000
Sundry Debtors	89,000	37,000
Cash at Bank	13,000	7,500
Cash in hand	987	234
Furniture and fixtures	2,750	1,766
Investments	513	—

	2,76,250	1,44,500
Represented by Sundry Creditors for		
Purchases	1,10,000	47,000
Expenses	13,250	2,000
Capital Account	1,53,000	95,500
	2,76,250	1,44,500

Both of them want to form a partnership firm from 1st April, 2009 on the following understanding:

(a) The capital of the partnership would be Rs. 3 lakhs which would be contributed by them in the ratio of 2 : 1.

(b) The assets of the individual business would be evaluated by C at which values, the firm will take them over and the value would be adjusted against the contribution due by A and B.

(c) C gave his valuation report as follows:
Business of A: Stock in Trade to be written down by 15% and a portion of Sundry Debtors amounting to Rs. 9,000 estimated unrealisable not to be assumed by the firm; furniture and fixtures to be valued at Rs. 2,000 and investments to be taken of market value of Rs. 1,000.
Assets of B: Stocks to be increased by 10%, and Sundry Debtors to be admitted at 85% of their value; rest of the assets to be assumed at their book value.

(d) The firm is not to assume any Creditors other than the dues on account of purchases made.

Prepare the opening Balance Sheet of the firm.

(b) State the advantages and disadvantages of Weighted Average method of valuation of inventory. 5 (0)

6. (a) The following extracts of financial information relate to Complex Ltd: 10 (0)

	(Rs. in lakhs)	
Balance Sheet as at 31st March	2008–09	2007–08
	Rs.	Rs.
Share Capital	10	10
Reserves and Surplus	30	10
Loan Funds	60	70
	100	90
Fixed Assets (Net)	30	30

	(Rs. in lakhs)	
Balance Sheet as at 31st March	2008–09	2007–08
	Rs.	Rs.
Current Assets:		
Stock	30	20
Debtors	30	30
Cash at Bank	10	20
Others Current Assets	30	10
	100	80
Less: Current Liabilities	30	20
Net	70	60
Total Assets	100	90
Sales (Rs. lakhs)	270	300

(i) Calculate for the two years Debt Equity Ratio, Quick Ratio and Working Capital Turnover Ratio.

(ii) Find the Sales volume that should have been generated in 2008–09 if the company were to have maintained its Working Capital Turnover Ratio.
Note: All Current Liabilities are quick liabilities.

(b) State clearly the provisions contained in the Accounting Standard in respect of Revaluation of fixed Assets. 5 (0)

7. (a) The following is the Receipts and Payment Account of Sodepore Recreation Club for the year ended 31.12.2008: 10 (0)

	Rs.		Rs.
To Cash in hand	1,000	By Rent of Club House	2,600
To Cash at Bank	12,000	By Painting of Club House	1,400
To Members' Subscription		By Wages of Ground Maintenance	3,000
2007 200		By General Expenses	2,600
2008 3,600		By Electricity Charges	3,600
2009 400	4,200	By Investment	20,000
To Life Membership Subscription	4,000	By Secretary's Honorarium	1,200
		By Annual Meeting Expenses	800
To Sale of Ticket of annual exhibition	20,000		3,600
To Sale of refreshment	24,000	By Sports Equipment	11,000
To Interest on investment	2,600	By Purchase of refreshment	1,000
		By Printing & Stationery	600
To Sale of furniture		By Insurance	4,000

(Original Cost on 1.1.02 Rs. 1,000)	200	By Cash in hand By Cash at Bank	12,600
	68,000		68,000

The following information are available to you:

(a) On 31.12.2007 outstanding subscription for 2007 was Rs. 300.

(b) On 31.12.2007 advance subscription for 2008 received was Rs. 100.

(c) On 31.12.2008 outstanding subscription for 2008 was Rs. 600.

(d) A life membership scheme was introduced in 2007. Under this scheme, life membership premium is Rs. 1,000 and it was to be apportioned to income 1/10th every year over a period of 10 years. Life membership subscriptions totaling Rs. 5,000 was collected during 2007.

(e) On 1.1.2008 Investment was Rs. 40,000 and accrued interest on such date was Rs. 2,400.

(f) On 1.1.2007 furniture costing Rs. 16,000 were purchased and it was decided to write off depreciation on furniture and sports equipment @ 10% on cost.

(g) In 2007, a plot of land was purchased for Rs. 20,000 to construct Club House.

(h) Other assets & liabilities of club were (all figures in rupees) as follows:

	Stock of refreshment	Prepaid Insurance	Accrued Rent	Creditors for refreshment
31.12.2007	Rs. 3,800	Rs. 140	Rs. 400	Rs. 800
31.12.2008	Rs. 4,200	Rs. 100	Rs. 200	Rs. 1000

(b) Discuss the conditions of Companies Act with regard to buy–back of shares. 5 (0)

8. Write short notes on: 3x5=15

(a) Escrow Account; (0)

(b) Solvency Ratio; (0)

(c) Stationary Reserve in case of Bank; (0)

(d) Disclosure requirement in a case where the companies do not comply with Accountancy standard; (0)

(e) Reserve Capital. (0)

FA Dec 2009

I—P5(FAC)—RE
Syllabus 2008

Time Allowed : 3 Hours Full Marks : 100

The figures in the margin on the right side indicate full marks.

Answer *Question No. 1* (carrying 25 marks) from Part A which is compulsory and any five questions (each carrying 15 marks) from Part B .

Please : (1) Answer all bits of a question at one place.

(2) Open a new page for answer to a new question.
Working notes should from part of the answer

PART A(25 marks)

Marks

1. (a) In each of the cases given below one out of four alternatives is correct. Indicate the correct answer. 1x5=5

(i) In the books of lessor short working irrecoverable are to be (0)

A. Credited to profit and loss account
B. Debited to profit and loss account
C. Credited to short working account
D. None of the above

(ii) Stock Reserve in relation to Closing Stock appears (1)

A. On the debit side of branch account
B. On the credit side of branch account
C. On the debit side of profit and loss account
D. Insufficient information

(iii) Which one of the following combinations of accounting assumptions are fundamental as per AS–1? (0)

A. Going concern, consistency and accrual
B. Going concern, conservatism and historic cost
C. Conservatism, consistency and accrual

D. Historic cost, consistency and conservatism

(iv) There is a rebuttable assumption that the useful life of an intangible asset like computer software will not exceed (0)

A. 5 years

B. 10 yeas

C. 15 years

D. 20 years

(v) A none–banking asset is (0)

A. An item of office equipment

B. Any asset acquired from the debtors in satisfaction of claim

C. Money at call and short notice

D. Furniture and fixtures

(b) From the following two groups of words, Match one capital letter with one small letter by their underlying relevance: 1x6=6 (0)

(A) AS–2	(a) Banking Company
(B) AS–11	(b) Segment Reporting
(C) AS–13	(c) Valuation of Inventories
(D) AS–18	(d) Accounting for Investments
(E) AS–28	(e) Accounting for the effects of changes in foreign
(F) Money at call and short notice	(f) exchange rates
	(g) Related Party disclosure
	(h) Impairment of Assets
	Intangible Assets

(c) State whether the following statements are TRUE (T) or FALSE (F): 1x6=6

(i) The Convention of conservatism has usually the effect of overstating losses and understating the gains. (0)

(ii) Balance sheet based on 'Cost concept' is of no use to a potential investor. (0)

(iii) The system of accounting for hire–purchase and installment transactions is one and the same. (0)

(iv) Under the stock and Debtors system branch stock account is a real account. (0)

(v) Interest on sinking fund investment is credited to Profit & Loss Account. (0)

(vi) Requirements given in Part II of Schedule VI apply to the Balance Sheet. (0)

(d) Fill in the blanks: 1x5=5

(i) Under the consistency concept, events of the ___________ must be treated by the same accounting method, unless there are compelling reasons to change the method. (0)

(ii) Where hire vendor reckons the profit on the basis of installments received the method is known as ___________ . (0)

(iii) Under the wholesale branch system branch is treated ____________ with the wholesale branch. (0)

(iv) Capital redemption reserve account _______________ be utilized for issuing fully paid Bonus Shares (cannot/can). (0)

(v) Assets in the Balance Sheet of a limited company are arranged in the order of ____________ (permanence/liquidity). (0)

(e) A and B are equal partners. They wanted to admit C as partner and the new profit sharing ratio is 3:2:1. 3 (1)
If C pays Rs.30000 towards Goodwill. B will get.

(i) Rs.30,000 (ii) Rs.20,000 (iii) Rs.10,000 (iv) Nil.

PART B (75 marks)

2. (a) The following balances appeared in the books of VENTEX LTD., a lessee as on January 1, 2007: 3+4+3 =10 (0)

(i) Land lord's Account (CR) : Rs.28,000.

(ii) Short Workings Account (DR) : Rs.6,000.
out of which Rs.3,000 arose in 2006, Rs.2,000 in 2005 and the rest in 2004.

Agreement of Royalty provided the following:

(i) Maximum Rent Rs.56,000 P.A.

(ii) The power to recoup shortworkings within 3 years immediately following the year in which it arises.

(iii) Payment to the Landlord to be made as under : 50% of the amount is payable in the year in which it becomes due and the balance of 50% in the next year.

Your are given the following particulars from 2007 to 2009:

Year	Payments to Landlord	Shortworkings	Shortworkings recouped
	Rs.	Rs.	Rs.
2007	56,000	–	800
2008	58,000	–	5,000
2009	58,000	2000	–

You are required to show the Royalty Account and Shortworkings Account for the year from 2007 to 2009.

(b) What are the disclosures required by AS–11 "Accounting for the effects of changes in foreign exchange rates"? 5 (0)

3\. (a) A, B and C were partners sharing profits and loss in the ratio of 10:6:4. The Balance Sheet of the firm as at 31 st March, 2009 is as under: 2+4+1+3=10 (0)

Liabilities	Rs.	Assets	Rs.
Capitals:			
A80,000		Land	10,000
B20,000		Buildings	2,00,000
C30,000	1,30,000	Plant and Machinery	1,30,000
Reserves (Unappropriated Profit)	20,000	Furniture	43,000
Long–term Debt	3,00,000	Investments	12,000
Bank Overdraft	44,000	Stock	1,30,000
Trade Creditors	1,70,000	Debtors	1,39,000
	6,64,000		6,64,000

It was mutually agreed that B will retire from partnership and in his place D will be admitted as a partner with effect from 1st April, 2009. For this purpose, the following adjustments are to be made:

(i) Goodwill is to be valued at Rs.1 lakh but the same will not appear as an asset in the books of the reconstituted firm.

(ii) Building and Plant and Machinery are to be depreciated by 5% and 20% respectively. Investments are to be taken over by the retiring partner at Rs.15,000. Provisions of 20% is to be made on debtors to cover doubtful debts.

(iii) In the reconstituted firm, the total capital will be Rs.2 lakhs which will be contributed by A, C and D in their new profit–sharing ratio, which is 2:2:1.

(iv) The surplus funds, if any, will be used for repaying the Bank Overdraft.

(v) The amount due to the retiring partner shall be transferred to his loan account.

You are required to prepare:

(a) Revaluation Account;

(b) Partners Capital Account;

(c) Bank Account;

(d) Balance Sheet after Reconstitution.

(b) Distinguish between Receipts and Payments Account and Income and Expenditure Account. 5 (0)

4\. (a) Write a short note on Conservatism (or Prudence) Concept. 5 (0)

(b) The following accounting information and financial ratios of STAR ENTER PRISES LTD. pertain to the year ended March 31, 2009: 5+5=10 (0)

Current ratio	2.5
Liquidity ratio	1.5
Stock turnover ratio	5
Ratio of gross profit to sales	20%
Turnover (cost of sales) ratio to net fixed assets	2
Average debt collection period	2.4 months
Fixed assets to net worth	0.80
Long–term debt to capital and reserve	7/25
Net working capital	Rs.6,00,000

You are required to prepare Balance Sheet of Star Enterprises Ltd. as on March 31, 2009, showing the details of workings. Ignore taxation.

5\. (a) ANKIT LTD. has the following Balance Sheet as on 31st March, 2009: 8+2=10 (0)

Liabilities	Rs.	Assets	Rs.
Share Capital			
Issued, Subscribed and Fully		Fixed Assets	22,00,000
Paid up 10,000 Ordinary		Current Assets	8,00,000
Shares of Rs.100 each	10,00,000		
5,000 Preference Shares			

of Rs.100 each	5,00,000		
Capital Reserve	1,00,000		
Share Premium Account	1,00,000		
General Reserve	2,00,000		
Profit and Loss Account	1,00,000		
Current Liabilities	10,00,000		
	30,00,000		30,00,000

The preference shares are to be redeemed at 10 per cent premium. Fresh issue of equity shares is to be made to the extent it is required under the Companies Act for the purpose of this redemption. The shortfall in funds for the purpose of the redemption after utilising the proceeds of the fresh issue are to be met by taking a bank loan.

Subsequently the company decides to issue bonus shares in the ratio of one equity share for every four equity shares held.

Required:
Show the Journal Entries.

(b) Based on the following particulars of production, sales and related costs, ASCERTAIN the value of inventory o 31.3.2009 the closing date of the financial year of M/s. RAVI & CO. (a trader): 3+2=5 (0)

Normal capacity of production (Annual)	:	20,000 units
Fixed production overhead charges on normal capacity	:	Rs.60,000
Direct material cost	:	Rs.100 per unit
Direct labour cost	:	Rs.50 per unit
Variable production overhead	:	Rs.10 per unit
Actual production	:	18,000 units
Unit sold	:	15,000 units
Selling price	:	Rs.275 per unit

6. (a) ROLTA LTD. with its Head Office at MUMBAI has a Branch at KOLKATA. The Branch receives all goods from Head Office who also remits cash for all expenses. Sales are made by the Branch on credit as well as for cash. 4+5=9 (0)
Total sales by the Branch for the year ended 31st March, 2009 amounted to Rs.5,60,000 out of which 20% is cash sales. The following further information is relevant:

	1.4.2008 Rs.	31.3.2009 Rs.
Stock in Trade	25,000	36,000
Debtors	60,000	48,000
Petty Cash	120	180

Expenses actually incurred by the Branch during the year were:

Salaries	Rs.36,000
Rent	Rs.12,000
Petty expenses	Rs.5,600

All sales are made by the Branch at cost plus 25%.
You are required to prepare the KOLKATA BRANCH ACCOUNT in the Books of Head Office for the year ended 31st March, 2009.

(b) RANGAMANCHA, a amateur theatre organization, charges its members an annual subscription of Rs.200 per member. It accrues for subscription owing at the end of each year and also adjust for subscriptions received in advance. The organisation closes its accounts every year at March 31. The following particulars are available: 6 (0)

(i) On 1st April, 2008, 20 members owed Rs.4,000 for the year 2007–08.

(ii) In March 2008, 5 members paid Rs.1,000 for the year 2008–09.

(iii) During the year 2008–09, the organization received cash subscriptions of Rs.85,000. The details are:

For 2007–08	:	Rs.4,000
For 2008–09	:	Rs.79,000
For 2009–10	:	Rs.2,000
		Rs. 85,000

(iv) At close of 31st March, 2009, 15 members had not paid their subscriptions for the year 2008–09.
You are required to prepare the Subscriptions Accounts.

7. (a) Explain Proprietary Ratio. 3 (0)

(b) Mention any three areas in which different accounting policies may be adopted by different enterprises. 3 (0)

(c) Due to paucity of profits, MUSKAT LTD. an Indian company proposes to declare dividends out of its general reserves. 3+2+1+2+1=9 (0)
From the under mentioned data you are asked to ASCERTAIN the amount which can be drawn from General Reserves as per Declaration of Dividend and Reserve Rules, 1975:

	Rs.
10,000 10% preference shares of Rs.100 each fully paid	10,00,000
30,000 equity shares of Rs.100 each fully paid	30,00,000
General reserve	8,00,000

Securities premium	2,00,000
Credit balance of profit and loss account	20,000
Net profit for the year (after tax)	1,80,000
Average dividend during last five years	15%

8. (a) Clear profits of MAUNA ELECTRICITY CORPORATION LTD. is Rs.70,000 for the year ended 31st March, 2009. Other details are as follows: 4+3 +3=10 (0)

	Rs.
Development Reserve	2,00,000
Loan by Electricity Board	4,00,000
Depreciation Provision	60,000
Tariff and Dividend Control Reserve	50,000
Cost of Fixed Assets	8,00,000
Compulsory Investment against Contingency Reserve	2,00,000
Working Capital	2,00,000

Rate of interest on investment against contingency reserve is 5% p.a. Reserve Bank rate is 9%. From the data given above find out:

(i) The Capital base;

(ii) Reasonable return;

(iii) Disposal of surplus;

(b) What are the objects of charging depreciation? Explain. 5 (0)

June 2010

IP—5(FAC)
Syllabus 2008

Time Allowed : 3 Hours Full Marks : 100

The figures in the margin on the right side indicate full marks.

Answer *Question Nos. 1* which is compulsory and any five questions from the rest.

Marks

1. (a) Answer the following: 1x5=5

(i) A profit on sale of furniture of a club will be taken to (1)

(A) Cash account

(B) Receipt & Payment Account

(C) Income & Expenditure Account

(D) Profit & Loss Account

(ii) When interest on own debentures becomes due it will be credited to (1)

(A) Profit & Loss Account

(B) Own Debentures Account

(C) Debentures Interest Account

(D) Interest on own Debentures Account

(iii) Profit prior to incorporation is transferred to (1)

(A) General Reserve

(B) Capital Reserve

(C) Profit & Loss Account

(D) Development Reserve

(iv) Under installment system of purchase, interest suspense account is debited with (1)

(A) The difference between installment price and cash price

(B) Amount of interest included in each installment

(C) Installment price and discounted cash price

(D) Difference between Cash Price and Depreciated Value

(v) Free Reserves include (1)

(A) Securities Premium

(B) Revaluation Reserve

(C) Capital Reserve

(D) All of the above

(b) Match the following: 1x4=4 (0)

(i) AS 20 (A) Construction Contract

(ii) AS 13 (B) Net Profit or Loss for the period.

		prior period items & change in accounting Policies
(iii) AS 7	(C)	Earning Per Share (EPS)
(iv) AS 5	(D)	Accounting for Investment

(c) Indicate the Correct Answer: 1 (1)

Saturn & Neptune are partners sharing profits in the ratio 5 : 3, they admit Jupiter giving him 3/10th share of profit. If Jupiter acquires 1/5th share from Saturn 1/10th share from Neptune, new profit sharing ratio will be

(i) 5 : 6 : 3

(ii) 2 : 4 : 6

(iii) 18 : 24 : 38

(iv) 17 : 11 : 12

(d) Fill in the blanks 1x7=7

(i) A company cannot redeem preference shares unless they are _____________ paid up. (1)

(ii) Unclaimed dividend is shown under ____________ head in the Balance Sheet of a banking company. (1)

(iii) Tax deducted at source, from interest on investment is shown under __________ in Schedule VI. (1)

(iv) Selling Commission is apportioned among departments in the ratio of _________ of each department. (1)

(v) By products should be valued as lower of cost and net ___________ value. (1)

(vi) When minimum rent is more than Royalty the amount payable to landlord is the _____________ (1)

(vii) Where hire vendor reckons the profit on the basis of installments received, the method is known as ______________. (1)

(e) What are the various activities classified as per AS 3 (Revised) related to Cash Flow Statement? 3 (0)

(f) What are the rates of interest in respect of the following 1

(i) Calls in advance (0)

(ii) Calls in arrear (0)

(g) State any four purposes for which Securities Premium Account balance may be applied by a company. 4 (0)

2. (a) CESC Ltd. laid down a main at a cost of Rs. 25,00,000. Some years later, the company laid down an auxiliary main for one-fifth of the length of the old main at a cost of Rs. 7, 50,00. At the same time, it also replaced the rest of the length of the old main at a cost of Rs. 30,00,000 using in addition the materials of the old main amounting to Rs. 50,000. The cost of materials and labour having gone up by 15%. Sale of old materials realized Rs. 40,000. Materials of the old main valued at Rs. 25,000 were used in the construction of the auxiliary main. 11 (0)

Give journal entries for recording the above transactions and also draw up the Replacement A/c.

(b) As per AS – 14 what are the conditions to be fulfilled in case of Amalgamation in the name of merger? 4 (0)

3. (a) Varun sells goods on hire purchase basis also. He fixes hire purchase price by adding 50% to the cost of goods sold. The following are the figures relating to his hire purchase business for the year 2009-2010. 10 (0)

	Rs.
Balance of Hire Purchase Stock Account as on 1st April, 2009	84,000
Balance of Hire Purchase Debtors Account as on 1st April, 2009	2,100
Selling Price of goods sold on hire purchase basis during the year	6,34,200
Cash received from customers during the year	6,46,800
Total amount of installments that fell due during the year	6,48,900

One customer to whom goods had been sold for Rs. 8,400 paid only 5 installments of Rs. 700 each. On his failure to pay the monthly installment of Rs. 700 due on 4th March, 2010 the goods were repossessed on 27th March, 2010 after due legal notice.

Prepare ledger accounts on Stock and Debtors Systems for the year ended 31st March, 2000

(b) From the following information prepare 5 (0)

(i) Fixed Assets Account and

(ii) Accumulated Depreciation Account:

	Opening Balance (Rs.)	Closing Balance (Rs.)
Fixed Assets	4,00,000	5,50,000
Accumulated Depreciation	80,000	1,35,000

Additional information
A part of a machine costing Rs. 60,000 has been sold for Rs. 30,000, on which accumulated depreciation was Rs. 15,000.

4. X & Y share profit & loss in the ratio of 5:3. They admit Z with 1/5th share of profits. he pays Rs. 80,000 as capital but does not contribute anything towards good will which is valued at Rs. 60,000. The capitals of the Partners are fixed. All adjustments are to be madethrough partner's current accounts. Their balance sheet as on march 31, 2010 is as follows: 15 (0)

Balance Sheet
as on 31–03–10

Labilities	Amount Rs.	Assets	Amount Rs.
Capital: X–80,000 Y–60,000 Current account: X–5,000 Y–6,000 General Reserve Sundry Creditors	 1,40,000 11,000 60,000 50,000	Plant and Machinery Investments Sundry Debtors Stock and Trade Bank	50,000 31,000 60,000 90,000 30,000
	2,61,000		2,61,000

Additional Information

(i) Plant and Machinery is valued at Rs. 46,000 and stock at Rs. 96,000

(ii) One Creditor for Rs. 6,000 is dead and nothing is likely to be paid on this account.

(iii) The Capital accounts are to be proportionately adjusted on the basis of Z's capital and his share of profit, through Current accounts

(iv) Partners decide to maintain the General Reserve in the books of the firm.

Prepare revaluation account, bank account, capital and current accounts and balance sheet of the new firm.

5. (a) Fill in the blanks : 5

(i) As per AS–6 when there is a change in the method of providing depreciation, the differential amount of depreciation would have ________________ effect. (0)

(ii) As per AS–6 when there is a change in the estimated useful life of the asset the, differential would be calculated ___________ (0)

(iii) Profit on revaluation of assets on the admission of a new partners is to be credited to the old partner in their ___________ profit sharing ratio. (0)

(iv) Amalgamation Adjustment Account is opened in the books of the transferee company to incorporate ____________. (0)

(v) When a new partner enters in the partnership firm and the partners decide to maintain the General Reserve in the books of the firm at its original value, the amount of general reserve is _____________ to the old partners and _____________ to all partners. (0)

(b) State whether the following statements are “True” or “False” 5

(i) A change in the accounting policy should be made when the statute so requires. (0)

(ii) In Consignment sales, revenue should be recognised only the goods are sold to third party. (0)

(iii) As per AS – 10 when a fixed asset is revalued, other assets should not be revalued. (0)

(iv) Outstanding rent, if shown in the Trial Balance, it would appear in the debit side of the trial balance. (0)

(v) Bonus shares can be issued out of **Capital Redemption Reserve** even before the redemption of Preference Shares. (0)

(c) Correct the following Statements: 5

(i) Under section 37 of the Partnership Act, the executers of the deceased partner would be entitled at their choice to interest at 6% p.a. on the amount due from the date of death to (0) the date of payment or to his share of profit before death.

(ii) In the case of Banking Companies if the one account of the customer(the customer having more than one account with the same bank) with the bank becomes non–performing the other accounts of the same customer do not become non–performing.

(iii) Depreciation Accounting is the process of valuation of the asset and not process of allocation.

(iv) As per AS–19 in Finance Lease depreciation on the leased asset is allowed to the lessor as he is the owner of the asset.

(v) In the Profit and Loss Account of a Banking Company Provisions and Contingencies are shown in Schedule 17.

6. (a) Adarsh Ltd., was formed with an authorized capital of Rs. 30,00,000 divided into equity shares of Rs. 10/– each. The company invited applications for 2,00,000 equity shares of Rs. 10/– each at a premium of 20%. The money was payable follows: 10

On application Rs. 5/–, on allotment Rs. 4/– (including premium of Rs. 2/–), Rs. 2/– on first call and rest on the find call.

Applications were received for 2,40,000 shares and allotment was made as under :

(a) To applicants for 1,00,000 shares in full;

(b) To applicants for 80,000 shares–60,000 shares were allotted;

(c) To the applicants for 60,000 shares, the rest of the shares were allotted.

Applicants for 1,000 shares in the (a) category and applicants for 1,200 shares falling in category (b) failed to pay the allotment monies. These shares were forfeited on their failure to pay the first call. Holders of 1,200 shares in category(c) failed to pay the first and final call and these shares were also forfeited after the final call. Of the shares forfeited 1,300 shares were re–issued @ of RS. 8/– per share as fully paid up. The re–issued shared included 1,000 shares of category (a).
Journalize the above transactions and also show the Cash Book.

(b) Give the proforma entries of Cash Flow Statement as per AS – 3 5

7. A contractor whose books are closed on 31st December undertook a contract for construction of building on 1.4.2009. His books of accounts reveal the following information on 31.12.2009: 15

Materials sent to site Rs. 2, 92, 000, labour engaged Rs. 7,08,000, Foreman's salary Rs. 87,500. During the year plant costing Rs. 3,50,000 was installed at site for 150 days, scarp value being Rs. 20,000.(estimated life 5 years)

Supervisor's salary Rs. 5,000 per month (he devotes approximately 2/3rd of his time to this work). Administration expenses amounted to Rs. 1,60,000. Materials at site on 31.12.2009 was valued at Rs. 30,200. Unsuitable materials costing Rs. 7,200 was sold for Rs. 6,000. A part of the plant costing Rs. 8,400 found unsuitable to the contract was sold at a profit of Rs. 1,600 without being put to use.

The contract price was Rs. 25,00,000. On 31.12.2009 2/3rd of the contract was complete. Architect's certificate covered 50% of the contract value. Amount received on account by the contractor is Rs. 8,75,000. Depreciation is charged on time basis.

Prepare the Contract Account and state how much profit should be credited to the Profit and Loss Account.

8. Write short notes on: 5x3=15

(a) Capital Adequacy Ratio;

(b) Capital Redemption Reserve;

(c) Cum-interest and ex–interest price.

Dec 2010

I—P5(FAC)
Syllabus 2008

Time Allowed : 3 Hours Full Marks : 100

The figures in the margin on the right side indicate full marks

Answer *Question No. 1* which is compulsory and any five questions from the rest.

Marks

1. (a) State whether the following statements are True (T) or False (F): 1x5=5

(i) Preference shares may be redeemed from the securities premium

(ii) Life membership fee may be capitalized and shown in Balance Sheet in liabilities side

(iii) R and S divided profit in the ratio of 3:2. T is admitted for 1/5 th share in the business. The new profit sharing ratio will be 3:2:1.

(iv) As per AS–2 inventory is valued at the lower of net realizable value and current replacement cost. (0)

(v) The Contract of insurance is a contract of guarantee. (0)

(b) Fill in the blanks 1x5=5

(i) Excess of hire purchase price over ________ is treated as hire purchase charges. (0)

(ii) Excess of minimum rent over royalties is termed as _________ (0)

(iii) Balance of preliminary expenses account is shown in Company's Balance Sheet under the head of _______ on assets side. (0)

(iv) The "Average Clause" is applicable when the actual loss is ____________ than the sum assured. (0)

(v) Turnover ratios are also known as ______ ratios. (0)

(c) Explain the following in single sentences 1x5=5

(i) Stock Turnover ratio (0)

(ii) Net Realizable value, (0)

(iii) Personal Accounts (0)

(iv) Buy Back of shares (0)

(v) Price Earning ratio (0)

(d) State the method of preparing Cash Flow statement. 3 (0)

(e) What reconciliation entry will be required to be passed in the books of Head office when cash sent by the Branch to Head Office at the end of accounting year has not reached the Head Office? 2 (0)

(f) From the four alternatives given against each statement, choose the correct alternative: 1x5=5

(i) In the absence of an agreement amongst the partners, loan given by a partner to the firm will be at an interest at the rate of (0)

A) 5% B) 6% C) 8% D) 10%

(ii) Depreciation accounting is a process of (0)

A) Apportionment B) Valuation C) Allocation D) Appropriation

(iii) Which of the following is a Capital Expenditure (0)

A) Freight and cartage on purchase of new machine

B) Legal expanses in connection with defending a title to firm's property

C) Expenditure on painting of factory shed

D) Wages paid to machine operator.

(iv) AS–6 is related to: (1)

A) Valuation of inventories

B) Accounting for Construction Contracts

C) Cash Flow Statements

D) Depreciation accounting

(v) As per Section 17 of Banking Companies Act, an Indian Banking company prior to declaration of dividend must transfer to reserve fund the following percentage of profit (0)

A) 10% B) 20% C) 25% D) 30%

2. (a) Ravi purchased a machine on hire purchase system from Moon & Sons. He paid Rs.100000 at the time of agreement and the remaining amount including interest was payable in four annual instalments of Rs.100000 each at the end of each year commencing from the date of agreement. Interest is charged @ 10% per annum. 10 (0)

You are required to prepare the Machinery Account and Moon & Sons account in the books of Ravi for four years if he provides depreciation on machinery @ 20 percent per annum on written down value basis.

(b) Match the following: 5 (0)

(i) AS – 3	(1) Accounting for Research and Development
(ii) AS – 7	(2) Revenue Recognition
(iii) AS – 9	(3) Accounting for Construction Contracts
(iv) AS – 8	(4) Cash Flow Statements
(v) AS – 5	(5) Contingencies and Events Occurring after Balance Sheet date.

3. (a) KC limited has declared 15 percent dividend on equity share capital of Rs.2000000 (divided into shares of Rs.100 each) for the year ending 31st March, 2010 and dispatched dividend warrants on 18th July. 2010 by opening a separate bank account on the day. A person holding 800 equity shares did not 8 (0)

claim the amount of his share of dividend.

What journal entries will be passed in the books of the company for declaration and the dispatch of dividend warrants and transferring the unclaimed amount so Unclaimed Dividend Account? What further journal entry will he passed in the books of the company when the unclaimed amount is not claimed by the claiment within stipulated time U/S 205(A)(5) of 7 years. Corporate dividend tax may be taken at 17 percent (gross).

(b) From the following information prepare a statement of Proprietor's Fund:– 7 (0)

(i) Current ratio 2.5; (ii) Liquied ratio 1.5; (iii) Proprietory ratio (Fixed Assets/Prorietory Fund) 0.75; (iv) Working capital Rs. 90,000; (v) Reserves and Surplus Rs.60,000 (vi) Bank Overdraft Rs.20,000; (vii) There is no long term loan or fictitious assets.

4. (a) The following (i) Receipts and Payments Account tor 2009–10; (ii) Balance Sheet, s on 31st March,2009 and other information are given by the Shiva City College: – 10 (0)

(i) Receipts and Payments Account for the year ended 31st March, 2010:

	Rs.		Rs.
To Opening Balance	6,00,000	By Salary & Allowances	21,15,000
To Tuition fees	18,00,000	By Provident Fund Contribution	1,66,200
To Grant	9,00,000	BY Printing & Stationery	51,000
To Interest on Bank F.D.	9,000	By Books for Library	78,000
To Hall Rent	30,000	By Postage & Telegram	15,000
		By Newspapers	9,000
		By Laboratory Equipments	29,400
		By Telephone Expenses	25,000
		By Repairs for Building	32,000
		By Misc. Charges	18,000
		By Audit Fee	10,000
		By Creditors for out standing	21,000
		By Bank Fixed Deposit	4,00,000
		By Closing Balances	3,69,400
	33,39,000		33,39,000

(ii) Balance Sheet as on 31st March, 2009

Liabilities	Rs.	Assets	Rs.
Outstanding Exp	21,000	Cash and Bank	6,00,000
Building Fund	18,00,000	Furniture	10,50,000
Scholarship Fund	3,00,000	Land and Building	48,00,000
General Reserves	15,00,000	Tuition Fee (Outstanding)	66,000
Capital Fund	39,15,000	Library Books	7,20,000
		Fixed Deposit in Bank	3,00,000
	75,36,000		75,36,000

(iii) Other information:

(1) It was ascertained that Rs.1.70,000 was outstanding by way of tuition fees on 31.03.2010

(2) The creditors outstanding for library books amounted to Rs.30000 at the end of the financial year 2009–10.

(3) Outstanding salaries were Rs.90000 as on 31.3.10.

(4) Depreciation to be charged: Land and Building at 5% Furniture, at 10% and Library Books at 20 %.

You are required to prepare for Shiva City College;

(a) Income and Expenditure Account for the year ended 31st March, 2010

(b) Balance Sheet as on 31stMarch, 2010

(b) Describe how the classification of investments is done by a Banking Company. 5 (0)

5. (a) Asha, Bipasa and Chitra are partners in a partnership firm sharing profits and losses as 8:7:5. From 1.4.09 the partners decided to change their profit sharing ratio as 5:4:1 and for that purpose the following adjustments were agreed upon. 10 (0)

Balance Sheet of the firm As on 31.3.2009 was as under.

(Fig in Rs)

Liabilities		Rs.	Assets		Rs.
Capital A/cs:			Plant & Machinery		80,000
Asha–	50,000		Furniture		10,000
Bipasha–	40,000		Stock		40,000
Chitra–	30,000	1,20,000	Trade Debtors	52,000	
Reserves		30,000	Less Provision	(–)2000	50,000
B's loan		20,000	Bank		30,000
Trade creditors		40,000			
		2,10,000			2,10,000

(i) Furniture and Machinery were to be depreciated and appreciated by 5% and 10% respectively.

(ii) Provision for bad debts was to be increased by Rs. 3000.

(iii) P.& L. A/c. of the firm for the year ended 31.3.10 showed a net profit of Rs.68,700.

(iv) A contingent liability of Rs.10,000 was to be treated as actual liability.

The partners decided not to alter the book values of the assets, liabilities and reserves but recorded the change by passing one single journal entry.

You are required –

(a) to show a single journal entry adjusting the capitals of the partners as on 1–4–09, and

(b) to show the P.&L. A./c. for the year ended 31.3.10 after considering the following adjustments: (i) Interest on capital at 5%, (ii) Interest on B's loan and (iii) transfer 20% of the divisible profit to the reserves after charging such reserve.

(b) State the various accounting concepts. 5

6. (a) Credential General Insurance Co. supplies you the following information. You are asked to show the amount of claim as it would appear in the Revenue Account for the year ended 31.3.2010. 10

	Direct business Rs.	Indirect business Rs.
Claims paid during the year:	90,10,000	12,40,000
Claims payable– 1.4.09	15,08,500	1,55,000
31.3.10	17,25,000	65,500
Claims recieved:	–	3,60,000
Claims receivable– 1.04.09	–	95,000
31.3.10	–	1,90,500
Expenses of the management– (included Rs.61,500 as Surveyo's fees and Rs.78,300 as legal expencses for settlement of claims)	4,10,000	

(b) A limited company finds that the stock sheets as on 31.3.2010 had included an item twice, the cost of which was Rs.50,000. 2

You are asked to suggest, how the error would be dealt with in the accounts for the year ended on 31.3.2010.

(c) While preparing the financial statements of X Co.Ltd, for the year ended 31.12.2009, you came across the following information. State with reasons, how you would deal with them in the financial statements; 3

There was a major theft of stores valued at Rs.20 lakhs in the preceding year which was detected only during the current accounting year ended on 31.12.2009.

7. (a) Calcutta Head Office has its branch at kanpur. Goods are invoiced to Branch at cost plus 33– 1/3%. All expenses of the Branch are paid by the H.O. From the following particulars you are required to show Branch Stock A/c., Branch Adjustments A/c., Loss in Transit A/c., Pilferage A/c. and Branch P. & L. A/c. in the books of H.O. 10

	Rs.
Opening stock at branch at cost to branch	60,000
Goods sent to branch at invoice price	1,30,000
Loss in transit at invoice price	20,000
Goods pilfered at Branch – (at invoice price)	6,000
Normal loss at invoice price	3,000
Sales (Credit)	2,20,000
Expenses of branch	35,000
Recovered from Insurance Co. against loss in transit	12,000
Closing stock at Branch at invoice price	80,500

(b) Define Computer Software and explain what should be the period of amortization of the computer software. 5

8. Write short notes on any three 3x5=15

(a) Non–Banking Assets

(b) Disclosures necessary under AS–7.

(c) Features of Financial Accounts and Balance Sheet of non–profit seeking organizations.

(d) Contingent liability.

June 2011

I—P5(FAC)
Syllabus 2008

Time Allowed : 3 Hours Full Marks : 100

The figures in the margin on the right side indicate full marks

Answer *Question No. 1* which is compulsory and any five questions from the rest.

Marks

1. (a) State whether the following statements are 'TRUE' (T) or 'False' (F): 1x5=5

(i) The issue of shares at a discount must be authorized by a special resolution of the company. (2)

(ii) At the end of the accounting period the balance of "Goods sent to Branch account" is transferred to trading account. (1)

(iii) Operating or Finance lease comes under provision of AS–13. (0)

(iv) For life business premium income is to be recognized on receipt basis. (0)

(v) A Banking company cannot grant any loans on securities of its own shares. (0)

(b) From the four alternative answers given against each statement indicate the correct alternative: 1x5=5

(i) Transfer to Capital Redemption Reserve is not allowed from (0)

(A) General Reserve

(B) Profit prior to incorporation

(C) Reserve Fund

(D) None of the above

(ii) Goodwill in case of joint stock company is shown under asset side under the heading (0)

(A) Fixed Assets

(B) Investments

(C) Current Assets

(D) None of the above

(iii) Survey expenses for marine insurance claims must be (0)

(A) added to claim

(B) added to Legal charges

(C) added to Administrative expenses

(D) None of the above

(iv) A non–performing asset is (1)

(A) Money at call and short notices

(B) An asset that ceases to generate income

(C) Cash balance in till

(D) None of the above

(v) An amount spent for inauguration of new factory building is (1)

(A) Revenue Expenditure

(B) Capital Expenditure

(C) Prepaid Expenditure

(D) None of the above

(c) Match the following: 1x5=5 (0)

(i) AS–4	A. Accounting for construction contract
(ii) AS–7	B. Accounting for Fixed Assets
(iii) AS–10	C. Contingency and events occurring after Balance Sheet date
(iv) AS–31	D. Interim Financial Reporting
(v) AS–14	E. Accounting for Amalgamation
	F. No matching statements found

(d) Choose the appropriate answer in each case from the given alternative answers (=1 mark) and also give reason for your choice (=1 mark): 2x3=6

(i) If the current ratio is 2.4:1 and net working capital is Rs. 3,50,000, the amount of current assets will be (2)

(A) Rs. 4,90,000 (B) Rs. 8,40,000 (C) Rs. 6,00,000 (D) None of these

(ii) Purchase price of a machine is Rs. 44,500; Installation charges Rs. 10,000; Freight and Cartage Rs. 4,000; Insurance charges Rs. 10,000; Residual Value Rs. 14,000; Estimated useful life 5 years. The annual amount of depreciation under Straight line method would be (2)

(A) Rs. 90,0000 (B) Rs. 88,000 (C) Rs. 87,000 (D) None of these

(iii) The net tangible assets of a business is worth Rs. 1,50,000. The average expected profit to be earned in future is Rs. 30,000 p.a. If the market rate of return is 15%, the value of goodwill is (1)

(A) Rs. 2,00,000 (B) Rs. 2,25,000 (C) Rs. 50,000 (D) None of these

(e) State the conditions to be satisfied for payment of dividend out of capital profits. 2 (0)

(f) Name four errors which are not detected by Trial Balance. 2 (0)

2. (a) The following is the Income and Expenditure Account of Rising Sun Club for the year ended 31.12.2010: 11 (0)

(Fig.in Rs.)

Expenditure		*Income*	
To Printing and Stationery	3,200	By Entrance fees	3,000
Interest and Bank charges	1,100	Subscription	80,200
Annual Dinner expenses	18,400	Annual Dinner receipt	15,000
General expenses	6,400	Profit on annual sports	18,300
Salaries	52,500		
Audit fees	3,200		
Honorarium to Secretary	15,000		
Depreciation of Sports Equip.	4,000		
Surplus(being the excess of income over expenditure)	12,700		
	1,16,500		1,16,500

The following adjustments were made to prepare the accounts:

Subscription outstanding on 1.1.10	Rs. 4,000
Subscription outstanding on 31.12.10	Rs. 6,300
Subscription received in advance on 31.12.09	Rs. 5,600
Subscription received during the year	Rs. 3,400
Subscription outstanding on 31.12.09	Rs. 5,200
Subscription outstanding on 31.12.10	Rs. 6,800

General expenses include insurance prepaid to the extent of Rs. 800; Audit fees due for the year 2010. Audit fees paid in 2010 Rs. 2,800 for 2009.

The Club has the following assets:

Football Ground	Rs. 1,80,000
Sports equipments on 1.1.2010	Rs. 35,000
Sprots equipments on 31.12.2010, such sports equipment after depreciation amounted to	Rs. 37,000

The Club had taken a loan of Rs. 30,000 from a bank a few years back which remain outstanding on 31.12.10. On 31.12.10 the cash in hand amounted to Rs. 20,000.

Prepare the Receipts and Payment Account for the year ended 31.12.10 and a Balance Sheet as on that date.

(b) What is a geographical segment as per AS–17? 4 (0)

3. (a) Ritu acquired a mine on lease from Richa for a period of 8 years at a royalty of Rs. 60 per tonne of coal produced subject to minimum rent of Rs. 1,00,000 for the first year, increasing by Rs. 30,000 every year till Rs. 2,80,000 per annum is reached. Shortworkings of any one year may be recouped out of excess workings of the following two years only. The output during the first five years was as follows: 6 (0)

Year ending 31st March	2006–07	2007–08	2008–09	2009–10	2010–11
Output in tonnes	600	900	2,500	3,800	5,000

While preparing the accounts of first year, Ritu decided not to carry forward as an asset any short workings. In the second year Rs. 95,000 were carried forward and in the third year Rs. 55,000.

Prepare necessary accounts in the books of Ritu.

(b) NR and Sons sells goods on hire purchases at cost plus 33 1/3 percent. Prepare hire purchase Trading Account from the following information: 5 (0)

		Rs.
April 1, 2010	Stock with customers on hire purchase price	97,200
"	Stock in hand at shop	1,94,400
"	Instalments overdue	81,000
March 31, 2011	Purchase during the year	6,48,000
"	Goods repossessed (Instalment not due Rs. 21,600)	5,400
"	Stock at shop (excluding repossessed)	2,16,000
"	Cash received during the year	6,21,000
"	Instalment overdue	97,200

(c) State with reasons whether the following items are Capital expenditure or Revenue expenditure: 4 (0)

(i) A factory building was constructed at a cost Rs. 15,00,000. A sum of Rs. 64,000 were incurred for the construction of the temporary huts for storing building materials.

(ii) Rs. 5,000 paid for removal of stock to a new site.

(iii) Expenses incurred in connection with obtaining a licence to start the business were Rs. 15,000.

4. (a) X and Y are partners sharing profit/loss in the ratio of 5:4. They admit Z into partnership for 1/5th the share in the profit which is given 2/15th by X and 1/15th by Y, Z brings Rs. 1,50,000 4 (1)

as his capital and Rs. 60,000 as premium. Goodwill account appears in the books at Rs. 1,65,000. Give necessary journal entries in the books of the firm at the time of Z's admission and find out the new profit sharing ratio.

(b) P and Q are partners sharing profits and losses in the ratio of 5:4. On 1st April, 2010 they admitted their Manager R into partnership for 1/5th the share of the profits. As Manager, R was receiving a salary of Rs. 60,000 per year and a commission of 5 percent on the net profit after charging such salary and commission. It is however, agreed that any excess over his former remuneration to which R becomes entitled as a partner is to be borne by Q. 5 (0)

The profits of the firm for the year ended 31st March, 2011 amounted to Rs. 4,27,500. You are required to show the division of profits among the partners.

(c) A motor car is sold on instalment payment system, the payment for which is made thus: Rs. 50,000 as immediate deposit and the balance to be paid on five equal annual instalments of Rs. 40,000 each. The interest is charged at 12% on unpaid cash price. If the present value of annuity of Rs. 1 for five years at 12% is Rs. 3.605, calculate the cash price of motor car. 2 (0)

(d) State the main characteristics of the Book Keeping system of Banks. 4 (0)

5. (a) Deepa Ltd. had 3 departments D1, D2, D3. Information's relating to the departments are as follows: 10 (0)

	D1(Rs.)	D2(Rs.)	D3(Rs.)
Opening stock	30,000	40,000	60,000
Direct Materials consumed	80,000	1,20,000	–
Wages	50,000	1,00,000	–
Closing Stock	40,000	1,40,000	80,000
Sales	–	–	3,40,000

Stocks of each department are valued at cost of the department concerned. Stock of D1 are transferred to D2 at a margin of 50% above departmental cost.Stocks of D2 are transferred to D3 department at a margin of 10% above departmental cost.

Other relevant expense were:

	Rs.
Salaries	20,000
Printing and Stationery	10,000
Rent	60,000
Interest paid	40,000
Depreciation	30,000

Allocate expenses in the ratio of departmental gross profits. Opening figures of reserves for unrealised profits on departmental stock were;

D2 — Rs. 10,000

D3 — Rs. 20,000

Prepare Departmental Trading and Profit & Loss A/c.

(b) Give journal entries in the books of Head Office to record the following transactions on the closing date 31st March,2011: 5 (0)

(i) Depreciation amounting to Rs. 11,000 on Kolkate Branch fixed assets when such accounts are opened in books of Head Office.

(ii) Goods amounting to Rs. 7,500 transfer from Kolkata Branch to Delhi Branch under the instruction from Head Office.

(iii) The Delhi Branch paid Rs. 2,10,000 for machinery purchased by Head Office in Delhi.

(iv) The Kolkata Branch collected Rs. 8,000 from a Kolkata customer of the Head Office.

(v) Goods of Rs. 20,000 sent by the Head Office to Delhi Branch on 28th March and received by the later on 10th April 2011.

6. (a) Following is the Balance Sheet of Madox Ltd. as at 313.2011; 12 (0)

(Fig. in Rs.)

Liabilities		*Assets*	
1 lakh Equity shares of Rs. 10 each fully paid	10,00,000	Fixed Assets	12,80,000
5,000 12% Redeemable Preference Shares		Current Assets	10,20,000
of Rs. 100 each	5,00,000	Bank	3,30,000
Securities Premium	1,00,000		
Profit & Loss A/c	5,50,000		
Current Liabilities	4,80,000		
	26,30,000		26,30,000

On 1.4.2011,the company issued further 30,000 equity shares @ Rs. 10 per share at a premium of Rs. 5 per share. The amount payable was Rs. 6 on application, Rs. 7 on allotment including premium and the balance on First and Final Call. Application were received for 45,000 shares. Application money of 5,000 shares were refunded. Pro–rata allotment was made. The excess application money were adjusted towards allotment. Mr.X holding 3,000 shares failed to pay the allotment money and his shares were forfeited after final call and thereafter, out of these shares 2,000 shares were re–issued at a discount of Rs. 3 per share.

Preference shares were redeemed at a premium of 10%.

Considering the above transaction, show journal entries and the Balance Sheet in the books of

Madox Ltd.

(b) Lakshmi Bank has followed the policies for retirement benefits as under: 3 (0)

(i) Contribution to pension fund is made based on actuarial valuation at the year end. In respect of employees who have opted for pension scheme.

(ii) Contribution to the gratuity fund is made based on actuarial valuation at the year end.

(iii) Leave encashment is accounted for on "PAY–AS–YOU–GO" method.

Comment whether the policy followed by Bank in the above cases are in accordance with AS–15.

7. (a) From the following information, you are required to calculate the amount of net worth, current liabilities, long– term debt. fixed assets, current assets, inventory and debtors: 7 (0)

Current ratio — 2.5 : 1
Sales/Net worth — 4 times
Sales to Inventory — 20 times
Annual sales — Rs. 40,00,000
Reserves and surplus — Rs. 3,50,000
Net worth/current liabilities — 5 times
Fixed assets to net worth — 75%
Total debts to Proprietors' ratio — 50%
Debtors velocity — 12 times
Fictitious assets — Rs. 50,000
75% of sale were on credit.

(b) The Revenue Account of Sunlife Insurance Company shows the Life Insurance Funds on 31.3.2011 at Rs. 75,20,400 before taking into account the following items: 5 (0)

(i) Claim covered under re–insurance — Rs. 17,000

(ii) Bonus utilized in reduction of life insurance premium — Rs. 6,300

(iii) Interest accrued on securities — Rs. 13,240

(iv) Outstanding premium — Rs. 10,180

(v) Claim intimated but not admitted — Rs. 32,400

Calculate the assurance fund considering the above omissions.

(c) State the purpose and use of financial leverage ratio. 3 (0)

8. Write short notes on *(any three):* 5x3=15

(a) 'Capital Base' of Electric Supply companies; (0)

(b) Treatment of past losses of limited companies; (0)

(c) Source of Buy–back of shares; (0)

(d) Rebate on Bills discounted. (0)

FA Dec 2011

I—P5(FAC)
Syllabus 2008

Time Allowed : 3 Hours — Full Marks : 100

The figures in the margin on the right side indicate full marks

Answer *Question No. 1* which is compulsory and any five questions from the rest.

1. (a) From the four alternative answers given against each indicate the correct answer: 1x10=10

(i) Which of the following inventory system is based on actual physical verification? (1)

(A) Periodic inventory system
(B) Perpetual inventory system
(C) Both of (A) and (B)
(D) None of (A) and (B)

(ii) The cost of a Fixed Assets of a business has to be written off over its (1)

(A) Natural Life
(B) Accounting Life
(C) Physical Life
(D) Estimated Economic Life

(iii) Short workings can be recouped out of (2)

(A) Minimum rent
(B) Excess of actual Royalty over minimum rent
(C) Excess of minimum rent over actual Royalty
(D) Profit and Loss Account

(iv) In Hire Purchase system cash price plus interest is known as (1)

(A) Capital value of asset

(B) Book value of asset

(C) Hire purchase price of asset

(D) Hire purchase charges

(v) In partnership when a new Partner brings his share of Goodwill in cash, then the amount of such Goodwill will be credited to Partners' capitals as per the following ratio: (1)

(A) Old Profit sharing ratio

(B) Sacrifice ratio

(C) Gain ratio

(D) None of the above

(vi) The Receipts and Payments Account generally begins with (0)

(A) Credit Balance

(B) Debit Balance

(C) Both Debit and Credit Balance

(D) None of the above

(vii) Which of the following is a category of Share Capital of a company? (0)

(A) Authorised Capital

(B) Issued Capital

(C) Called up Capital

(D) All of the above

(viii) In case of a Banking Company, entries in the Personal Ledger are made from (0)

(A) Day Book

(B) Vouchers

(C) Rough Register

(D) None of the above

(ix) When Sales = Rs. 1,80,000, Purchase = Rs.1,60,000, Opening Stock = Rs. 34,000 and rate of Gross Profit is 20% on cost, the Closing Stock would be (0)

(A) Rs. 50,000

(B) Rs. 44,000

(C) Rs. 46,000

(D) None of the above

(x) Goods are transferred from Department X to Department Y at a price so as to include a profit of33.33% on cost. If the value of closing stock of Departrnent Y is Rs. 18,000, then the amount of stock reserve on closing stock will be (0)

(A) Rs. 6,000

(B) Rs.4,500

(C) Rs. 9,000

(D) None of the above

(b) State whether the following statements are TRUE (T) or FALSE (F): 1x5=5

(i) Original cost minus scrap value is the depreciable value of an asset. (0)

(ii) Royalty is a Revenue Expenditure to Lessor. (0)

(iii) According to AS–2 Inventories are held for sale in normal course of business. (0)

(iv) Income and Expenditure Account is prepared by adopting accrual principle of accounting. (0)

(v) Advance payment of Tax is shown in the Liabilities side of Balance Sheet. (0)

(c) Fill in the blanks in the following sentences using the appropriate word from the alternatives indicated: 1x5=5

(i) Depreciation is an item of ________ .(gross profit/expenditure) (0)

(ii) Compensation paid to employees who are retrenched is _________expenditure. (Capital/Revenue) (0)

(iii) Receipts and Payment Account is a ________ Account in nature. (Real/Nominal) (0)

(iv) Unclaimed Dividend appears under the head of __________ in the Balance Sheet of a Company. (Deferred Expenditure/Liabilities) (0)

(v) According to Insurance Act, the provision required to be made against unexpired risk in fire insurance business is ____________ per cent. (30/50) (0)

(d) Match the following: 1x5=5 (0)

(i) AS–6	(I) Borrowing costs
(ii) AS–13	(II) Consolidated Financial Statements
(iii) AS–16	(III) Depreciation Accounting
(iv) AS–19	(IV) Accounting for Investments
(v) AS–21	(V) Leases
	(VI) No matching statements found

2. (a) For the year ending 31st December, 2011, the Sales, Purchases, Opening Stock and Closing Stock of a Trader was Rs. 5,00,000, Rs. 3,80,000, Rs. 65,000 and Rs. 52,000 respectively. Some goods were destroyed by fire (without realization of any value) during the year. If the Trader earned Gross Profit @ 25% on Sales for the year, calculate the value of goods destroyed by fire. 3 (0)

(b) On 1st April, 2009, Nath Ltd. purchased a second–hand Machine for Rs. 1,20,000 and spent Rs. 30,000 on its renewal. On 1st October, 2010, Rs. 3,000 was spent on repairs. On 30th September, 2011 the Machine was sold for Rs. 75,000. Depreciation is to be provided @ 20 per cent per annum according to written down value method. 5 (0)

Prepare Machinery Account reflecting all these transactions assuming Books are closed on 31st March each year.

(c) A and B are currently partners in a firm sharing Profit/Loss in the ratio of 4: 3. A new partner C is admitted and after his admission new profit sharing ratio between A, B and C becomes 5 : 3 : 2. What will be the sacrifice ratio of A and B after admission of C? 2 (0)

(d) What do you understand by gradual realisation assets and piecemeal distribution? State the priority that should be followed in piece meal distribution. 5 (0)

3. (a) From the following information relating to Evergreen Sports Club, prepare Balance Sheet of the Club as on 1–1–2010 and on 31–12–2010: 10 (0)

(i) Assets as on 1–1–2010

	Rs.
Club Ground	80,000
Sports Equipment	50,000
Furniture	10,000

(ii) Acurred Subscription as on 1–1–2010 was Rs.2,000.

(iii) Creditor for stationery as on 1–1–2010 was Rs. 1,800

(iv) Receipts and Payments Account for the year ended 31–12–2010

Dr.	Receipts Rs.	Cr.	Payments Rs.
To Balance brought down	8,000	By Salaries	14,000
Subscription received (2009)	1,800	Printing and Stationery	3,500
–do – (2010)	22,000	Fire Insurance	2,200
–do – (2011)	600	Advertisement	3,000
Sales of old Newspaper	500	Furniture	4,000
Rent Received	5,800	Investments	21,000
Entrance Fees	18,000	Balance c/d	9,000
	56,700		56,700

Income and Expenditure Account for the year ended 31–12–2010.

Dr.	Expenditure Rs.	Cr.	Income Rs.
To Salaries	16,000	By Subscription	24,000
Printing & Stationery	2,000	Entrance Fees	9,000
Advertisement	3,000	Rent	6,000
Audit Fees	800	Sale of old Newspapers	500
Fire Insurance	2,000		
Depreciation:			
Equipment	7,000		
Furniture	1,000		
Excess of Income over Expenditure	7,700		
	39,500		39,500

(b) A and B are Partners sharing profits in the ratio of 5 : 3. Following is the Balance Sheet of the Firm on 31–3–2011 : 5 (0)

Balance Sheet as at 31-3-2011

	Rs.		Rs.
Capital:		Drawings	
A	80,000	A	5,000
B	20,000	B	3,000
		Other Assets	92,000

1,00,000	1,00,000

Profit for the year 2010-11 was Rs. 16,000 and was divided between the Partners as per agreed ratio, but interest on capital @ 5% p.a. and on drawings @ 6% was inadvertently omitted. Interest on drawing may be calculated on an average basis for 6 months.

You are required to pass Journal Entry(ies) to make the adjustments in the Capital accounts of A and B.

4. (a) Mr. X, a cloth trader of Kolkata opened a Branch at Kanpur on 1–4–2010. The goods were sent by Head Office to the Branch and invoiced at selling price to the Branch, which is 25% of the cost price of Head Office. 10 (0)

The following are the particulars relating to the transactions of the Kanpur Branch:

	Rs.	Rs.
Goods sent to Branch (at cost to H.O.)		4,50,000
Sales—Cash		2,10,000
—Credit		3,20,000
Cash collected from Debtors		2,85,000
Return from Debtors		10,000
Discount Allowed		8,500
Cash sent to Branch for Freight	30,000	
for Salaries	8,000	
for other expenses	12,000	50,000
Spoiled clothes written off at invoice price		10,000
Normal loss estimated at		15,000

Prepare Branch Stock Account, Branch Debtors Account and Branch Adjustment Account showing the net profit of the Branch.

(b) The following information for the year ended 31st March, 2011 is available for Seva Bank Ltd.: 5 (0)

	Rs.	Rs.
Standard Assets		5,50,00,000
Sub–standard Assets		31,50,000
Doubtful Assets but secured–		
Up to one year	29,00,000	
One to three years	17,00,000	
More than three years	7,00,000	53,00,000
Loss Assets		21,00,000

You are required to ascertain the amount of provision required to be made by the Bank.

5. (a) The following balances are appearing in the Books of All Xerox Ltd. on 1–4–2011: 10 (0)

	Rs.
Redeemable Preference Share Capital (Shares of Rs. 10 each)	2,00,000
Calls–in–Arrear	2,000
General Reserve	1,00,000
Share Premium	5,000

The preference shares are fully called up and due for redemption at a premium of 10%. Calls–in–Arrear are in respect of final call at the rate of Rs. 4 per share and these shares are held by Mr. Rahul whose whereabouts are not known.

The Board of Directors decided that 50% of the General Reserve is to be utilized forthe purpose of redemption of redeemable preference share capital and to meet the further requirement of funds, further 14,500 numbers of equity shares of Rs. 10 each were issued at a premium of 20%.

The redemption of preference shares were duly carried out and subsequently the company utilized the balance of Capital Redemption Reserve Account to issue equity shares at Rs. 10 each as bonus to shareholders.

You are required to show necessary journal entries in the Books of All Xerox Ltd.

(b) Discuss some important provisions of the Banking Regulation Act, 1949 regarding disposal of Non–Banking Assets u/s 9 of the Act. 5 (0)

6. (a) On April I, 2008 Chandra Transport Company purchased a mini truck from S. K. Motors on hire purchase system. The terms were that they would pay Rs. 1,00,000 down on same date and the balance was payable in three annual instalments. First instalment amounted to Rs. 74,000 was payable on 31–3–2009, second Rs.93,000 on 31–3–2010 and third Rs. 84,000 on 31–3–2011. Interest is charged @ 12% per annum. Rate of depreciation is 20% on written down value. 6 (0)

You are required to calculate the total cash price and prepare, (i) S. K. Motors Account; and (ii) Mini–Truck Account in the Books of Chandra Transport Company.

(b) Distinguish between Hire Purchase System and Instalment Payment System. 4 (0)

(c) Give the journal entries to rectify or adjust the following in the books of the Head Office: 5 (0)

(i) Goods purchased by branch Rs. 7,500 but payment made by Head Office. The Head Office has, wrongly debited this amount to its own purchases account.

(ii) Branch paid Rs. 6,500 as salary to a visiting Head Office official. The Branch has debited the amount to salaries account.

(iii) Depreciation Rs.11.250 in respect of Branch Shop whose account is kept in Head Office Books.

(iv) Expenses Rs. 5,600 to be charged to the Branch for work done on its behalf by the Head Office.

(v) Goods sent by the Head Office to Branch Rs. 25,000 not yet received by the Branch.

7. (a) State the various limitations of Ratio Analysis (mention at least 5 points). 5 (0)

(b) Using the following information, complete the.Balance Sheet of Shekhar Ltd. as on 31st March, 2011: 7 (0)

(i) Sales Rs. 36,00,000

(ii) Gross Profit Ratio 25%;

(iii) Total Assets Turnover: 3 times

(iv) Fixed Assets Turnover: 5 times

(v) Current Assets Turnover: 7.5 times

(vi) Inventory Turnover: 20 times

(vii) Debtors' Turnover: 18 times

(viii) Current Ratio 1.8 : 1

(ix) Total Assets/Net worth-2.25 : 1

(x) Debt (long term)–Equity 0.75: I

Turnover ratios are based on cost of goods sold except Debtors' turnover

Balance Sheet as on 31 st March, 2011

Liabilitites	Amount Rs.	Assets	Amount Rs.
Equity (net worth) Long term Debt Current liabilities		Fixed Asset Current Assets Inventories Debtors Cash in hand & bank	

(c) Classify the following expenditures into Capital Expenditure and Revenue Expenditure: 3 (0)

(i) Expenses on a foreign tour to purchase a machinery

(ii) Annual maintenance fee of a machine

(iii) Money spent to reduce working cost

(iv) Compensation paid to workers under voluntary retirement scheme

(v) Legal expenses to recover dues from customers

(vi) Salaries paid to Engineering staff in erecting a machine

8. Write short notes on any *three*: 3x5=15

(a) Earning per share (AS 20); (0)

(b) Sources for payment of Dividend; (0)

(c) Conditions for buy back of shares; (0)

(d) Managerial Remuneration; (0)

(e) Money measurement concept. (

FA June 2012

I—P5(FAC)
Syllabus 2008

Time Allowed : 3 Hours Full Marks : 100

The figures in the margin on the right side indicate full marks

Answer *Question No. 1* which is compulsory and any five questions from the rest.

1. (a) From the four alternative answers given against each of the following cases, indicate the correct answer: 1x10=10

(i) Which of the following items is shown in the Income and Expenditure Account? (0)

(A) Only items of capital nature

(B) Only items of revenue nature which are received during the year

(C) Only items of revenue nature pertaining to the period of accounts

(D) Both the items of capital and revenue nature

(ii) A heavy revenue expenditure, which helps to generate revenue over more than one accounting year is termed as (0)

(A) Preliminary Expenditure

(B) Revenue Expenditure

(C) Prepaid Expenditure

(D) Deferred Revenue Expenditure

(iii) During the year Rs. 96,000 was Debited as salary in the Income Expenditure Account. There was outstanding on Salary Account at the beginning and at the end of the year were Rs. 12,000 and Rs.15,000 respectively. The amount of salary paid shown in Receipt and Payments Account would be (0)

(A) Rs. 84,000

(B) Rs. 81,000

(C) Rs. 93,000

(D) None of the above

(iv) Bank Reconciliation Statement is (0)

(A) Ledger Account

(B) Part of Cash Book

(C) A separate statement

(D) A sub–division of Journal

(v) A firm employs Rs. 2,00,000 as Capital and the normal rate of return is 10%. If the firm makes an average profit on 30,000 per year, the value of Goodwill by considering it as the purchase of 3 years super profit will be : (0)

(A) Rs.25,000

(B) Rs.20,000

(C) Rs.30,000

(D) None of the above

(vi) The capital of a Company comprises of equity shares of Rs. 10 each amounting to Rs.10 lakhs and 10% Preference Shares of Rs.2 lakhs. Profit after tax for the year is Rs.4 lakhs, Dividend declared is @ 25% and current market price of Equity Share is Rs.80 each. The Price–earning ratio is (0)

(A) 20 times

(B) 21.5 times

(C) 22.1 times

(D) None of the above

(vii) Goods are sent to the Branch at cost plus 25%. The loading on invoice price is (0)

(A) 20%

(B) 25%

(C) 30%

(D) None of the above

(viii) Dual concept in accounting results in the following equation: (0)

(A) Capital + Liability = Assets

(B) Revenue = Expenses

(C) Capital + Profit = Assets

(D) Total Assets = Total Liability

(ix) Under which of the following heads is claims against a Company not acknowledged as debts shown? (0)

(A) Unsecured Loan

(B) Current Liability

(C) Current Assets

(D) Contingent Liability

(x) Which of the following will be the highest amount? (0)

(A) Paid–up Capital

(B) Authorised Capital

(C) Subscribed Capital

(D) Reserve Capital

(b) State whether the following statements are TRUE (T) or FALSE (F): 1x5=5

(i) Excess of hire-purchase price over cash price is known as penalty imposed on hire purchaser by the vendor. (0)

(ii) Every Banking Company incorporated in India is required to transfer at least 20% of its profit to Reserve Fund. (0)

(iii) One of the objectives achieved by providing depreciation is saving cash resources for future replacement of assets. (0)

(iv) As per concept of conservatism, the Accountant should provide for all possible losses (0) but should not anticipate profit.

(v) Wages incurred by departmental workers of a factory in installing a new machinery is a revenue expenditure. (0)

(c) Fill in the blanks in the following sentences by using the more appropriate word(s) from the alternatives shown in bracket: 1x5=5

(i) When there is no agreement among the partners, the profit or loss of the firm will be shared in their __________ (capital ratio/equally). (0)

(ii) In Hire Purchase transaction the right to sell or transfer of the goods remains with _________________ (Seller/ Hirer). (0)

(iii) As per the going concern concept, the enterprise should continue to exist ____________(in the foreseeable future/for limited period of time). (0)

(iv) Inauguration expenses on opening of a new Branch of an existing business will be ___________(capital/revenue) expenditure. (0)

(v) Trial Balance would not disclose __________________(error of omission /ommission of posting). (0)

(d) Match the following: 1x5=5 (0)

(i) AS–3	(A) Accounting for Government grants
(ii) AS–20	(B) Segmental Reporting
(iii) Gamer Vs Murray Rule	(C) Cash Flow Statement
(iv) AS–17	(D) Dissolution of Partnership
(v) AS–12	(E) Earning per Share
	(F) No matching statements found

2. (a) You are provided with the following information for AD Vita Ltd. for the year: 6 (0)

(i) Net Profit before provision for income tax and Managerial remuneration, but after Depreciation	Rs. 13,87,600
(ii) Depreciation provided in the Books	Rs. 4,15,000
(iii) Depreciation allowable under Schedule XIV	Rs. 3,09,000

You are required to claculate the Managerial remuneration

(i) when there is only one whole–time Directors;
(ii) when there are two whole–time Directors;
(iii) when there are two whole–time Directors and one Manager

(b) X's accounting year ends on 30.06.2011 but actual stock was not taken till 08.07.2011 on which date it is valued at Rs.29,700. The following additional information is available: 6 (0)

(i) Sales are entered in the sales book on the date of dispatch and returns inward entered in the credit note register on the day goods are received back.

(ii) Purchases are entered in the purchase book on the day invoices are received.

(iii) Sales from 01.07.2011 to 08.07.2011 are Rs. 34,400.

(iv) Purchases invoiced from 01.07.2011 to 08.07.2011 are Rs.2,640, out of which goods of Rs. 240 was not received up to 08.07.2011.

(v) Invoices for goods purchased upto 30.06.2011 were of Rs. 2,000 of which goods worth Rs. 1,400 were received between 01.07.2011 to 08.07.2011.

(vi) Rate of G.P. 33.33% on cost.

Find out the value of stock on 30.06.2011.

(c) Briefly describe the two types of accounting methods of Amalgamations as per AS–14. 3 (0)

3. (a) Kailash took a mine on lease from Jagdish for five years at a royalty of Rs. 20 per tonne subject to a minimum rent of Rs. 80,000 per annum. Minimum rent paid in excess of actual royalties is recoverable throughout during the next three years succeeding the year in respect of which excess was paid. In the event of a strike, the minimum rent will be reduced proportionately in relation to time lost. The first year in respect of which the minimum rent was payable expired on 31st March, 2008. The excess paid in respect of the first year was Rs. 80,000 and in respect of the second year RS. 50,000. In the third year the actual royalties amounted to Rs. 1,15,000, in the fourth year Rs.50,000 (in consequence of strike which lasted for 146 days) and in the fifth year Rs.1,60,000 only.
Prepare the Royalty Account, Short workings Account and Jagdish's Account in the Ledger of Kailash. 8 (0)

(b) Classify the following accounts into Personal, Real and Nominal accounts: 3 (0)

(i) Patent Rights a/c (ii) Drawing a/c (iii) Purchases a/c (iv) Prepaid Insurance a/c (v) Donation a/c (vi) Bank Overdraft a/c.

(c) Calculate Stock Turnover Ratio in the following cases: 2+2=4 (0)

(i) Opening Stock Rs.87,000; Closing Stock Rs.93,000; Sales Rs.9,60,000; Gross Profit @ 33⅓% on cost.

(ii) Credits Sales Rs. 15,00,000; Cash Sales @ 25% of Credit Sales; Gross Profit @ 25% on cost; Opening Stock Rs. 2,50,000; Closing Stock Rs.7,50,000.

4. (a) X and Yare partners in a firm sharing profit/loss in the ratio 5:3. They admit their Manager Z in the firm for l/4th share in profit, which would be not less than the remuneration received by him as Manager. As Manager, Z is entitled for a salary of Rs. 32,000 per quarter and a commission of 10% on the net profit after charging such salary and commission. If the profit of the firm for the year ended 31st March, 2012 amounted to Rs.4,80,000, show the distribution of firm's profit among the partners. 5 (0)

(b) Oxford Library Society showed the following position on 31st March, 2011: 10 (0)

Balance Sheet as on 31st March, 2011

Liabilities	Rs.	Assets	Rs.
Capital fund	7,93,000	Electrical fittings	1,50,000
Expenses payable	7,000	Furniture	50,000
		Books	4,00,000
		Investments in securities	1,50,000
		Cash at bank	25,000
		Cash in hand	25,000
	8,00,000		8,00,000

The Receipts and Payment Account for the year ended on 31st March,2012 is given below:

Receipts	Rs.	Payments	Rs.
To Balance bid		By Electric charges	7,200
Cash at bank25,000		By Postage and stationery	5,000
Cash in hand25,000	50,000	By Telephone charges	5,000
To Entrance fees	30,000	By Books purchased (April,	60,000
To Membership subscription	2,00,000	2011)	7,000
To sale proceeds of old	1,500	By Outstanding expenses paid	88,000
papers	20,000	By Rent	40,000
To hire of Lecture Hall	8,000	By Investment in securities	66,000
To interest on securities		By Salaries	
		By Balance cld	20,000
		Cash at bank	11,300
		Cash in hand	
	3,09,500		3,09,500

You are required to prepare Income and Expenditure Account for the year ended 31st March, 2012 and a Balance Sheet as at 31st March, 2012 after making the followng adjustments:
Membership subscription included Rs. 10,000 received in advance.
Provide for outstanding rent Rs.4,000 and salaries Rs.3,000.
Books to be depreciated @ 10% including additions. Electrical fittings and furniture are also to be depreciated at the same rate.
75% of the entrance fees is to be capitalized.
Interest on securities is to be calculated @ Rs. 5% p.a. including purchases made on 01.10.2011 for Rs.40,000.

5. (a) Ram, Rahim and Robert are partners of the firm ABC & Co–sharing protits and losses in the ratio of 5 : 3 : 2. 10 (0)
The Balance Sheet of the firm as on 01.4.2012 is given below:

Liabilities	Rs.	Assets	Rs.
Partners Capital:		Goodwill	50,000
Ram	3,00,000	Machinery	4,55,000
Rahim	2,50,000	Furniture	10,000
Robert	2,00,000	Stock	2,00,000
General Reserve	1,05,000	Debtors	3,00,000
Loan	95,000	Cash & Bank	35,000
Sundry Creditors	1,00,000		
	10,50,000		10,50,000

Partners of tirm decided to dissolve the firm. The firm decided to settle the loan creditors directly. Ram took over goodwill for Rs. 75,000. Rahim took over machinery and furniture at 90% of book value and sundry creditors at book value.

Robert took over stock at 95% of book value and debtors at 90% of the book value. Partners have to pay cash if the assets taken over had exceeded the amounts due to them.

Prepare (i) Realisation Account;
(ii) Partners Capital Account; and
(iii) Cash Account of the firm to show the dissolution proceedings.

(b) You are provided with the following figures from the Financial Reports and Balance Sheet of Narhari Co. Ltd. as at 31st March, 2012: 5 (0)

	Rs.
Stock	30,000

Sundry Debtors	8,000
Investments	4,000
Cash and Bank Balances	8,000
Fixed Assets	36,000
Sundry Creditors	10,000
Bank Overdraft	3,000
Current Year Taxation	2,000

You are required to calculate
(i) Current Ratio; (ii) Quick Ratio and also give your comments.

6. (a) Purchases made by a business concern having three departments were: P–1,500 units; Q–3,000 units and R–3,600 units at a total cost of Rs. 6,00,000. The sales made were P–1,530 units at the rate of Rs. 160 per unit; Q–2,880 units at the rate of Rs. 180 per unit and R–3,744 units at the rate of Rs.200 per unit. The closing stocks were: P–150 units; Q–240 units and R–9 units. 8 (0)

Prepare Departmental Trading Account assuming that the rate of gross profit on sales is the same in each case.

(b) Show what journal entries would be passed by the Jaipur Head Office to record the following transactions in their Books on 31st March, 2012, the closing date: 3 (0)

(i) A remittance of Rs. 35,000 made by Sikar Branch to Head Office on 29th March, 2012 and received by the Head Office on 5th April, 2012.

(ii) Goods of Rs. 63,000 sent by the Head Office to the Bikaner Branch on 28th March, 2012 and received by the later on 4th April, 2012.

(iii) Sikar Branch paid Rs. 30,000 as salary to a visiting Head Office Official.

(c) What are the various steps followed in analysis through accounting ratios? 4 (0)

7. (a) Ashok Ltd. furnishes you with the following Balance Sheet as at 31st March, 2012: 10 (0)

(Rs. in crores)

Sources of Funds		
Share Capital:		
Authorised		100
Issued:		
12% redeemable preference shares of Rs. 100 each fully paid	75	
Equity shares of Rs. 10 each fully paid	25	100
Reserves and surplus:		
Capital reserve	15	
Securities Premium	25	
Revenue reserves	269	300
		400
Application of Funds		
Fixed Assets : cost	100	
Less: Provision for depreciation	(100)	Nil
Investments at cost (Market value Rs. 400 cr.)	100	
Current Assets	340	
Less: Current Liabilities	(40)	300
		400

The company redeemed preference shares on 1st April, 2012. It also bought back 50 lakh equity shares of Rs.10 each at Rs. 50 per share. The payments for the above were made out of the huge bank balances, which appeared as a part of current assets.
You are required to

(i) Pass Journal entries to record the above;

(ii) Prepare Balance Sheet as at 01.04.2012.

(b) The Life Insurance Fund of Bharat Life Insurance Co. Ltd. was Rs. 50 lakhs on 31.03.2012. Its acturial valuation on 31.03.2012 disclosed a net liability of Rs. 42,50 lakhs. An interim bonus of Rs. 80,000 was paid to the policy holders during previous two years. It is now proposes to carry forward Rs. 150,000 and to divide the balance between policy holders and the shareholders. 5 (0)
Show the (a) Valuation Balance Sheet; (b) Net profit for the two-year period; and (c) Distribution of profits.

8. Write short notes on any *three*: 3x5=15

(a) Surrender value of policy; (0)

(b) Accounting for construction contract (AS–7); (0)

(c) Objectives of Financial Statements; (0)

(d) Liquidity norms of Banking Companies; (0)

(e) Profit prior to Incorporation. (0)

CIA Dec 2008

I—P6(CIA)
Syllabus 2008

Time Allowed : 3 Hours — Full Marks : 100

The figures in the margin on the right side indicate full marks.

Answer *Question No. 1 and Question No. 5* which is compulsory and attempt any two from the rest in Section I and any two from rest in Section II.

SECTION I (Marks 50)
(Commercial & Industrial Laws)

Marks

1. Comment on the following statements based on legal provisions: 2x7

(a) An agreement with insufficiency of consideration is void abinitio; (2)

(b) Every employee in an establishment is entitled to bonus under the Payment of Bonus Act. (1)

(c) Mr. X offers to sell his Maruti car to Mr. Y for and intended sum of Rs. 90,000/- but by mistake he makes an offer in writing for Rs. 70,000/- instead of Rs. 90,000. Mr. X can plead mistake as defense . (0)

(d) Mr. X delivered 1000mt. steel pipes to Mr. Y. 100 mt. were not as per specification, hence Mr. Y refused to accept and informed Mr. X to take back at his cost and risk. Mr. X rejected Mr. Y's request and demanded to return to Mr. X freight paid. State the correct position. (1)

(e) Consumer under Consumer Protection Act, 1986 means persons who obtain goods for resale or for any commercial purpose. (1)

(f) Public Information Officer shall as expeditiously as possible and in any case within 30 days of receipt of request provide the required information. (0)

(g) Workmen working a public utility services have right to go on strike even without giving notice. (0)

2. (a) Mr. Ramesh promised to pay Rs. 10,000/– on 30.10.08 jointly to Mr. Bhabesh and Mr. Naresh for some consideration. Mr. Bhabesh died on 1.9.08. On 30.10.08 Mr. Naresh demanded payment of whole amount of Rs. 10,000/–. Whether Mr. Naresh is justified? 2 (0)

(b) BEE owes Rs. 10,000/– to CEE. Amount was guaranted by GEE. Said debt becomes payable on 25.10.07. CEE does not sue BEE. Hence due to delay GEE is automaticall discharged from his surityship—Comment. 2 (0)

(c) In case of personal injury, the employer is liable to pay compensation within 3 months from the date when it fall due. State legal provisions. 2 (0)

(d) Personnel Manager told to Director that at least one canteen shall be provided in every factory. Do you agree? 2 (0)

(e) An agent retained all the stock and other papers of a principal until his pending dues are cleared by the principal State legal position. 2 (0)

(f) Calculate the amount of gratuity of Mr. X who joined the company on 1.5.78 and retired on 30.11.08 when his salary was Rs. 26,000/– per month. During November, 2008 he received overtime and incentive Rs. 5,000/–. (0)

(g) Mr. Ramesh direct his agent to sell his Maruti car. Agent buys the car for himself but in the name of his friend at Rs. 50,000/– against market price of Rs. 70,000/– without the consent of Mr. Ramesh. What action Mr. Ramesh can take? 2 (0)

(h) When and under what circumstances a person can receive pension under Employees Provident Fund Scheme? 2 (0)

(i) Dr. B has been dismissed by the Manager of an Industrial Establishment. Workmen demanded his reinstatement Comment legal position. 2 (0)

3. (a) What will be the consequences when goods are sold by person not the Owner and without Owner's consent. 4 (0)

(b) Market of a cheque is not liable under N.I. Act for dishonour of cheque under certain conditions. State such conditions. 3 (0)

(c) One mistake was detected after passing of orders by the Commission under Competition Act, 2002. Whether such mistake can be rectified? If so, by whom and how? 3 (0)

(d) An employer is liable to pay compensation to his workmen even when the workmen is away from premises at the time of accident. State legal position. 4 (0)

(e) Who can file complaints under Consumer Protection Act, 1986? State the period of limitation if any for filing of complaints. 4 (0)

4. (a) Write explanatory notes on any four: 4x4

   (i) Time is the essence of contract; (0)

   (ii) Permissible deduction under Payment of Wage Act; (0)

   (iii) Rights of the unpaid seller; (0)

   (iv) Misrepresentation; (0)

   (v) Sale and agreement to sell. (0)

(b) A dismissed employee is not entitled to bonus under Bonus Act — Comment, based on legal provision. 2 (0)

SECTION II (Marks 50)
(Auditing)

5. Comment on the following statements based on legal provision: 2x7

(a) US–GAAP is not different that of India. (1)

(b) Reserve not appearing on the balance sheet is a Secret Reserve and an Auditor is not supposed to very it. (0)

(c) Auditor can avoid checking of records where good internal check system exist. (0)

(d) When Information System Audit is an Information Technology Audit, the Auditor is required to have detailed knowledge of Auditing rather than information system. (0)

(e) To comply with the CARO in respect of LOAN the Auditor is to comments on certain points. (0)

(f) Management Audit is conducted by Statutory Auditor of the Company. (0)

(g) ABC Ltd. in its meeting held on 30.09.08 appointed Mr. X as Auditor of the company. Mr. X is holding Securities Valuing Rs. 500/– in that company from 01.01.07. Can he accept the appointment? (0)

6. (a) What are the contents of good Audit Report? 4 (0)

(b) As an Auditor, mention the points and books to be checked in connection with issue of Corporate Governance Report. 4 (0)

(c) Explain how the following are dealt with under the CARO: 2+2 (0)

   (i) Fixed Assets

   (ii) Deposit of Statutory Dues.

(d) State the particulars which are to be included in the balance sheet of holding company of its subsidiary. 4 (0)

(e) Risk occurring due to insufficient or incompetent evidence collected by the auditors to express his opinion on the financial statement is called an Audit Risk. Is the statement correct? 2 (0)

7. (a) How as an Auditor you will verify the "contingent liability"? 4 (0)

(b) What is Computer Assisted Audit Technique? 4 (0)

(c) How as an Auditor you will treat the amount received after 2 years? This was written off as Bad Debt. 2 (0)

(d) Statutory Auditor can be appointed as Internal Auditor of the same company for the same period. — Do you agree? 2 (0)

(e) What are the objectives of Operational Audit? 4 (0)

(f) Auditor in his Report is to comment whether the company has Internal Audit System commensurate with size and nature of its business. Whether this is applicable for all companies? 2 (0)

8. (a) In connection with Audit Risk information system Auditor is concerned with certain objectives. What are those? 2 (0)

(b) Auditor should test check controls established to reduce the risk associated with e–commerce transactions. State the position. 2 (0)

(c) State the need for Management Audit. 4 (0)

(d) Auditors are not required to get Inventory Valuation Certificate by the Company's Management as he himself is qualified to ascertain the value. State the position. 2 (0)

(e) Auditor while undertaking Audit of environment of personal computer should know that inadequate 2 (0) control measures may creat serious problems. What are those?

(f) Audit Committee is only luxury to the company. Do you agree 2 (0)

(g) As an Auditor how you will verify the "investment"? 4 (0)

CIA June 2009

I–P6(CIA)
Syllabus 2008

Time Allowed : 3 Hours Full Marks : 100

The figures in the margin on the right side indicate full marks.

Answer Question No. 1 & Question No. 5 which are compulsory and attempt any two from the rest in Section I and any two from rest in Section II

SECTION I (Marks 50)

Marks

1. Comment on the following statements based on legal provisions: 2x7=14

(a) An hirer, who obtains possession of a car from its owner under a hire purchase agreement, sells the car to a buyer who buys in good faith and without notice of the right of the owner. The buyer gets good title to the car. (0)

(b) A limited liability Partnership is a body corporate. (0)

(c) A complaint can be filed under Consumer Protection Act within 36 months from the date on which cause of action arose. (0)

(d) Every person is competent to contract. (0)

(e) ‘A’ (workman), is laid-off by his employer ‘B’ because of strike in another part of ‘B’s establishment. ‘A’ is entitled to get compensation for lay off under the Industrial Disputes Act, 1947. (0)

(f) A workman while returning home after duty was murdered within the premises of the employer. A’s widow is not entitled to compensation under the Workmen’s Compensation Act 1923. (0)

(g) ‘A’ saved life of ‘B’, who was drawing. Latter ‘A’ demanded remuneration from ‘B’ for saving him since saving of life was valid consideration, ‘A’ would succeed. (0)

2. (a) Mr. Paul gave a cheque dated 07.02.2009 for Rs.10,000 to Mr. Roy for payment of Mr. Roy’s Tution fees. Cheque was dishonoured for insufficiency of funds. Mr. Paul is liable for prosecution. 2 (0)

(b) Mr. A agreed to purchase 100 bales of cotton from ‘B’ from his large stock. ‘A’ sent his men to take delivery of cotton. On completion of packing of only 70 bales there was accidental fire and entire stock including paced 70 bales were destroyed. There was no Insurance cover. Who will bear the loss? 2 (0)

(c) ‘A’ executed a guarantee in favour of State Bank of India as Security for a loan to ‘B’. Latter ‘A’ contended that the guarantee was not enforceable as it was not supported by consideration as he was not paid guarantee commission. Is ‘A’s stand correct in law? 2 (0)

(d) Is there any time limit for payment of Bonus under Bonus Act? 2 (0)

(e) Occupier of a factory in relation to the company means factory Manager of the factory. Answer based on legal provision. 2 (0)

(f) Every employee, whose salary is not more than Rs.3500 per month is entitled to Gratuity as per Payment of Gratuity Act. State the legal provision if not correct. 2 (0)

(g) State the rights and liabilities of ‘A’ in the following cases;

(i) ‘A’ is owner of the factory building and also of product ‘A’ authorizes ‘B’ to take an insurance policy on factory building for Rs.2 lacs. ‘B’ procures a policy for Rs.2 lacs on factory and another policy for Rs.2,000 on products. ‘A’ refused to reimburse to ‘B’. 2 (0)

(ii) ‘A’ authorises ‘B’ to buy 500 pieces of Sunlight soap for him but ‘B’ buys 500 pieces Sunlight and 200 pieces Henko at a total price of Rs.5000. ‘A’ refused to pay to ‘B’. 2 (0)

(iii) An Auctioneer advertised in a newspaper that a sale of office furniture will be held at Kolkata on 29.11.2009. ‘A’ came from New Delhi to buy the furniture but the auction was cancelled. Whether ‘A’ can a file a suit against the auctioneer for his loss of time and cost. 2 (0)

3. (a) As per provision of Factories Act, every factory is to appoint at least one Welfare Officer – Do you agree? Answer citing rules. 2 (0)

(b) A minor can be appointed as agent. – Comment. 2 (0)

(c) What is dominant position (Competition Act, 2002)? 2 (0)

(d) In an Auction sale, a bid once made can be withdrawn by the Bidder. Comment citing rules. 2 (0)

(e) Stipulation as to time of payment is deemed to be essence of a contract of sale.—Comment. 2 (0)

(f) As per sales order A is to supply 20MT of sugar to B.A however supplied 22 MT and billed for accordingly. B paid cost of 20MT which was ordered by B. Can A take any action against B? 2 (0)

(g) When property passes to the buyer under 'goods on approval' or 'on sale or return'? 2 (0)

(h) A Railway company refuses to deliver certain goods to the consignee except upon payment of Rs.2000 being excess/illegal charge. The consignee paid the said amount in order to obtain the goods. Is there any remedy? 2 (0)

(i) What is fraud under Indian Contract Act, 1872? 2 (0)

4. (a) Write explanatory notes on any four: 4x4=16

(i) Effects of 'coercion' on a contract; (0)

(ii) Powers of Inspectors (Minimum Wage Act); (0)

(iii) Bailee's particular lien; (0)

(iv) Recovery of Gratuity; (0)

(v) Seller's lien. (0)

(b) Mr. B (a broker) by the order of Mr. A purchases 10 Drums of oil for A from Mr. C. Afterwards Mr. A refuses to receive oil. Mr. C sues Mr. B who informs Mr. A but Mr. A repudiates the contract. Although Mr. B defends but failed. Mr. B has to pay cost, damagees and incurs expense. Can B recover any amount from A. 2 (0)

SECTION II (Marks 50)
(Auditing)

Idle facilities. (0)

5. Comment on the following statements based on legal provision: 2x7=14

(a) It is mandatory that provisions of Audit Committee is applicable to all the companies. (0)

(b) When assets are revalued, the increase or decrease in value of fixed assets need not be shown in the Balance Sheet but should be adjusted in the Profit & Loss Account. (0)

(c) When Chairman of a Company is also a Mg. Director, the Companies Act provides the constitution of Board of Directors. (0)

(d) While auditing in computerized environment , overall objective and scope of audit remains same as for auditing in non–computerised environment. (0)

(e) Auditor's primary responsibility is to detect errors and frauds. (0)

(f) An information system audit is entirely similar to that of financial audit. (0)

(g) Management emphasizes on problem identification rather than problem solving. (0)

6. (a) What are the limitation of Management audit? 4 (0)

(b) State in brief the important points that should be considered by an Auditor while conducting vouching. 4 (0)

(c) State the components of Audit risk. 2 (0)

(d) State what aspects should be checked while conducting audit of 'Bills receivables'. 4 (0)

(e) Auditors are to observe certain standards in field work and reporting under GAAP/GAAS – Explain. 4 (0)

7. (a) Under certain circumstances the accounts of Branches may not be audited. Comment citing rule position. 4 (0)

(b) How as an Auditor you will verify the 'Sales Tax/VAT?' 2 (0)

(c) As an Auditor, how you will audit in the case of data processing through computer service centre? 4 (0)

(d) Explain how the following are dealt with under CARO: 2+2 (0)

(i) Transactions in which Directors are interested;

(ii) Internal Audit System.

(e) Find out the difference between Indias' GAAP & US GAAP is respect of: 2+2 (0)

(i) Pre–operative Expense;

(ii) Foreign currency transactions.

8. (a) State the basic items which the Auditor should be familiar to under stand the computer system used by the Clients. 4 (0)

(b) How you will conduct the: 2+2 (0)

(i) Physical verification of Fixed Capital Assets;

(ii) Idle facilities.

(c) How Internal Audit become an important Management tool . ___ Answer with reasons. 4 (0)

(d) (i) Ray & Bose, Chartered Accountants, who were appointed as Auditor for Financial Year 2008–09 were removed during the month of December 2008. Whether the said Auditor can claim any compensation? 1+1+4 (0)

(ii) Statutory Auditor of the company is legally bount to attend the AGM of the company. State correct position. (0)

(iii) Auditor has no liability under Companies Act. 1956. Do you agree? Answer citing Rules. (0)

CIA Dec 2009

I–P6(CIA)
Syllabus 2008

Time Allowed : 3 Hours Full Marks : 100

The figures in the margin on the right side indicate full marks.

Answer Question No. 1 & Question No. 5 which are compulsory and attempt any two from the rest in Section I and any two from rest in Section II

SECTION I (Marks 50)
(Commercial and Industrial Laws)

Marks

1. Comment on the following statements based on legal provisions: 2x7

(a) Wages of all the workers shall be paid before 5th of following month. (0)

(b) A complaint can be filed under Consumer Protection Act within 30 days from the date on which the cause of action arose. (0)

(c) A factory owner can close a place of employment of his own. (0)

(d) Mr. Sham joining on 1.11.09 as an accountant wanted to become member of PF from 1.11.09 but Personnel Manager disagreed. (0)

(e) Mr. Sham, who retired on 30.11.09 did not vacate office quarter which was provided by his employer. Employer withheld the Gratuity to force him to vacate the quarter. (0)

(f) Mr. Sham agrees to sale Mr. Ram 10 bags of wheat out of 100 bags lying in his godown for Rs. 10,000. Wheat is completely destroyed by fire. Mr. Ram cannot compel Mr. Sham to supply wheat as per contract. (0)

(g) Creches are compulsory in a factory where women employees are employed. (0)

2. (a) Mr. E draws a cheque in favour of Mr. F (a minor). Mr. F endorses it in favour of Mr. G. who in turn indorses in favour of Mr. H. The cheque is dishonoured by the Bank. Discuss the rights of Mr. G and Mr. H and state against whom their rights can be exercised. 2 (0)

(b) Mr. Sham orders on Mr. Ram to deliver certain goods at Mumbai. While the goods are lying at Mumbai Rly. Station, Station Master informs Mr. Sham that the goods are held at station at Mr. Sham's risk, but Mr. Sham became insolvent. Has Mr. Ram has any right as an unpaid seller? 2 (0)

(c) 'Predatory price means the sale of goods or provision of services at price which is above cost with a view to reduce competition or, eliminate competition. Is it correct? 2 (0)

(d) 'B' offered to sell his car to 'A' for Rs.75,000. 'A'accept to purchase at Rs.74,950. 'B' refuses. Subsequently 'A'agrees to purchase at Rs.75,000 but 'B' refused. 'A' sued 'B' for specific performance of the contract. State legal position. 2 (0)

(e) A cheque for Rs.10,000 was dishonoured. Drawer of the cheque submitted valid reasons and justification.
Due to relevant reasons for dishonour, the drawer is not responsible. Answer with legal provisions. 2 (0)

(f) Objectives of Competition Act is to avoid competition. — Comment with legal provisions. 2 (0)

(g) Mr. A a workman while working was attacked by another workman at the instance of an outsider 2 (0) and consequently Mr. A was injured. Whether employer was responsible?

(h) Mr. A approached Union Bank for loan of Rs.1,00,000 which was not available from others due to tight money market. Bank agreed but at a high rate of interest. Mr. A accepted. Can he repudiate on the ground of undue influence? 2 (0)

(i) The Charitable Institutions are not industry (Industrial Disputes Act, 1947). Do you agree? 2 (0)

3. (a) Write short notes on any four: 4x4

(i) Termination of lien; (0)

(ii) Bid Rigging (Competition Act, 2002); (0)

(iii) Award – Ind. Disputes Act; (0)

(iv) Notional extension; (0)

(v) Agency of necessity. (0)

(b) Mr. Sham was terminated from employment by the employer on 25.11.09. Personnel Manager directed him to collect his wages earned on 1.12.09. Mr. Sham objected to the date. State legal provision as to the date of payment. 2 (0)

4. (a) Whether Mr. Sham who joined the company on 1.7.05 and died on 30.11.09 is entitled to Gratuity. Answer citing Rules. 2 (0)

(b) Manager of ABC Ltd. told that total amount of deduction which may be made from the wages of any workman during a month shall not exceed 90% of such wages. – State legal provisions. 2 (0)

(c) On 30.11.09 Mr. Sham agrees to sell a painting to Mr. Ram for Rs.5,000/- but Mr. Sham died on 8.12.09.
Mr. Sham’s son claimed Rs.10,000/-. Can Mr. Ram obtain the painting at Rs.5,000/- which was agreed to by Mr. Sham? 2 (0)

(d) Mr. Sham informs Mr. Ram that Mr. Sham’s estate is free from encumbrances. Mr. Ram buys the property fully relying on Mr. Sham. Subsequently it revealed that the estate was mortgaged. What will be the position of Mr. Ram? 2 (0)

(e) Mr. Ram gives some diamond to Mr. Sham on “sale or return” basis. on the same day, Mr. Sham gives those diamonds to Mr. Jadu on “sale or return” basis. Those diamonds were lost from Mr. Jadu on the same day, who will bear the loss? 2 (0)

(f) In a contract with employer an employee agrees not to institute any legal proceeding against his employer.
Can the agreement be enforced by the employer? 2 (0)

(g) Right of information does not include the right of obtaining information in the form of disketts, floppy, tapes and video cassetts or in any other electronic mode. State correct position. 2 (0)

(h) How the profit of a limited liability partnership are treated for the purpose of Tax Acts? 2 (0)

(i) Statesman publishes at the request of Mr. D.D. a libel upon Mr. S.S. Mr. D.D. agrees to indemnify the Statesman the consequences of the publication if any. Mr. S.S. sued Statesman to pay damagees. Statesman paid Rs.2,00,000 to Mr. S.S. and demanded the amount from D.D. who refused. State legal provision. 2 (0)

SECTION II (Marks 50)
(Auditing)

Marks

5. Comment on the following statements based on legal provision:

(a) Internal Auditor has a big role to play in preventing fraud. 2 (0)

(b) It is mandatory to provide cash flow statement with annual accounts of all the companies. Do you agree? 2 (0)

(c) While auditing in computer Information system, auditor should make assessment of inherent risk. 2 (0)

(d) M/s S.S. & Associates, Chartered Accountants who were appointed as Auditor by the members in A.G.M. refuses to accept the appointment. In such cases Central Govt. only appoint another Auditor. 2 (0)

(e) ABC Ltd. is not listed on any stock exchange. Hence provision relating to Audit Committee is not applicable. 2 (0)

(f) Interest on loan for purchase of raw materials is included in the cost of production. 2 (0)

(g) ABC Ltd. has made provision for payment of dividend out of capital redemption reserve fund. 2 (0)

(h) Auditor has no liability to the third party as there is no contract between Auditor and third party. Do 4 (0)

		you agree?	
6.	(a)	As per India GAAP there is no requirement as to disclosure of assets and liabilities. State correct position.	2 (0)
	(b)	As an auditor, how you will verify the loan against security of stock and shares?	2 (0)
	(c)	To avoid liability, Auditor in his Report remarked that "I have relied upon the review of purchases undertaken by the Internal Auditor". – Can he avoid his liability?	2 (0)
	(d)	Under information system, auditor is to verify different types of audit. As an auditor, what are the items you will cover?	4 (0)
	(e)	Management Audit is useful for society as large. ‘ Comment.	2 (0)
	(f)	As a Branch Auditor how you will conduct Branch Audit?	3 (0)
	(g)	How you will audit the Depreciation	3 (0)
7.	(a)	Explain how the following are dealt with under the CARO: (i) Inventory; (ii) Public Deposit.	3+3 (0)
	(b)	Bright Ltd. was incorporated on 1.6.09. Mr. E who was related to the Chairman of the Company was appointed as Auditor of the company by the Director in its meeting held on 14.7.09. Whether the appointment was valid?	3 (0)
	(c)	How you will deal with the following which have not been reflected in the company’s accounts? (i) Plant valuing Rs.10,000 was ordered before the year end but has not been delivered.	2 (0)
	(d)	Concept of materiality in audit has no relevance. Do you agree?	2 (0)
	(e)	How you will verify “copy right” ?	3 (0)
	(f)	How the previous year’s transaction are adjusted and treated in current year’s accounts?	2 (0)
8.	(a)	Management audit is beneficial to the Foreign Collaborators also. How?	2 (0)
	(b)	In conducting information system audit, auditor is to be guided by systematic approach. — Comment.	2 (0)
	(c)	In case of ABC Pvt. Ltd. whose paid up capital is Rs.80 lakhs, accumulated loss is Rs.20 lakh and misc. expenditure of Rs.15 lakhs (yet to be written off) Whether the auditor is to report under CARO?	2 (0)
	(d)	To comply with CARO in respect of “fixed deposit”, the auditor is to report on certain points. – What are those?	2 (0)
	(e)	As an Internal Auditor how you will audit the ‘Sales Return’ ?	2 (0)
	(f)	Internal Audit and Internal Control are one and same. Explain.	2 (0)
	(g)	Find out the difference between India’s GAAP and US GAAP in respect of "Related party transactions".	2 (0)
	(h)	It is mandatory that all the companies and the auditor shall disclose fundamental accounting assumptions in the accounts. – State the correct position.	2 (0)
	(i)	In course of audit, auditor advised to amend the Profit & Loss A/c. Which was faulty but the directors did not follow his advice. As an auditor, what you will do?	2 (0)

CIA June 2010

I–P6(CIA)
Syllabus 2008

Time Allowed : 3 Hours — Full Marks : 100

The figures in the margin on the right side indicate full marks.

Answer Question No. 1 & Question No. 5 which are compulsory and attempt any two from the rest in Section I and any two from rest in Section II

SECTION I (Marks 50)
(Commercial and Industrial Laws)

Marks

1. Comment on the following statements based on legal provisions (No marks for wrong Reasons/Justification). 2x7

(a) Gratuity can be attached in execution of a decree or order of any civil revenue or criminal court. (0)

(b) During 2001– 02, the number of employees were 50 and subsequently reduced to 10 during 2009–10. Employer discontinued deduction as EPF not applicable due to reduction of Employees. (0)

(c) Mr. Roy sells by auction, to Mr. Paul a cow which Mr. Roy knows to be unsound. Mr. Roy says nothing to Mr. Paul about the cow's unsoundness. This is a clear of fraud by Mr. Roy. (0)

(d) Sale and Agreement to sale are same. (0)

(e) Cheque for Rs. 2,00,000 issued by Mr. Nair was returned unpaid with remarks “account closed”. Hence drawee has no remedy. (0)

(f) Rights to information Act 2004 provides that Public Information Officer is required to furnish the Information within 15 days from the date of receipt of application with a fee of Rs. 50/–. (0)

(g) Mr. Tarafdar instruct Mr. Kinkar a merchant to buy a ship for him. Mr. Kinkar employs a renowned ship surveyor to choose a seaworthy ship for Mr. Tarafdar. The ship turns out to be un seaworthy and is lost. Mr. Kinkar, who is agent is responsible. (0)

2. (a) Mr. ‘A’ agrees that Mr. A shall sell Mr. B a house for Rs. 1,00,000 but if Mr. B uses the house for ‘Gambling House’ then Mr. B shall pay Rs. 1,50,000 for the same. Explain the legality. 2 (0)

(b) A contract without adequate consideration is not a contract–offer your views. 2 (0)

(c) Discuss the position of Agent appointed by minor. 2 (0)

(d) An exchange of goods for goods is a sale. Comment with Rule position. 2 (0)

(e) When sale is complete in an Auction sale. 2 (0)

(f) Factories Act provides certain precaution measures in case of five–give details. 4 (0)

(g) Under what circumstances compensation is not payable (Workmens Compensation Act 1923.) 4 (0)

3. (a) Write short notes on any *four* 4x4

(i) Undue influence (0)

(ii) Right of resale (0)

(iii) Industrial Disputes (0)

(iv) Working hours for children (0)

(v) Consumer (Consumer Protection Act 1986) (0)

(b) Give correct answer if the following statements are wrong: 1+1 (0)
A limited liability partnership must ensure that

(i) Where a person becomes or ceases to be a member or designated member, notice is delivered to the Register within 30 days.

(ii) Where there is any change in the name or address of a member, notice is delivered to the Registrar within 30 days.

4. (a) Mr. Roy give Mr. Ghosh on hire, a horse for his own riding but Mr. Ghosh drives the horse in his carriage. What action Mr. Roy can take? 2 (0)

(b) A saved life of ‘B’, when ‘B‘ was drowning. Later ‘A‘ sued ‘B‘ for remuneration/reward because saving life was the consideration received by ‘B’ . State based on Rules whether ‘A’ would succeed? 2 (0)

(c) Sale and Bailment are same. Do you agree? 4 (0)

(d) Manager of the factory fixed the working hours of women from 6 p.m. to 1 a.m. during the period from Monday to Friday of first week of May 2010. Whether it is permissible, cite with Rule position. 2 (0)

(e) As per factories Act ‘First Aid Boxes’ shall be provided and maintained not less than one for every 200 workers ordinarily engaged. 2 (0)

(f) When and to whom gratuity is payable? 4 (0)

(g) What is negotiation? 2 (0)

SECTION II (Marks 50)
(Auditing)

5. Comment on the following statements based on legal provisions(No marks for wrong reasons). 2x7

(a) US GAAP is not different from India GAAP. (0)

(b) Auditor is not liable in case of honorary Audit. (0)

(c) Besides statutory Audit by Chartered Accountants, Comptroller and Auditor General of India conducts Audit of Government Companies. Hence Internal Audit is not necessary in Government Companies. (0)

(d) Cost Audit is submitted to the Company within 90 days from the end of Company's financial year. (0)

(e) Scope of management Audit is limited to review the Audit Reports of Statutory Auditor and Internal Auditor. (0)

(f) CARO is not applicable to Private Company. (0)

(g) To comply with CARO, Auditor is to comment in his Report on “Application of Term Loan”– comment. (0)

6. (a) Find out the difference between US–GAAP and India–GAAP in respect of R & D 4 (0)

(b) What are the basic items/areas you will consider for review of Fixed Capital assets? 4 (0)

(c) State the matters that should be considered to determine the effects of computer information system environment on the Audit. 4 (0)

(d) Internal Check is said to have some fundamental aims. If so give details. 4 (0)

(e) Articles of Association of ABC Ltd. provides that Fixed Deposit Receipts should not be shown to the statutory Auditor. Accordingly Manager(Accounts) refused to show. State the legality. 2 (0)

7. (a) A sum of Rs. 4,00,000 which was spent for Trial Production run was included in Production Cost. Give correct answer if this was wrong. 2 (0)

(b) What are the disclosure requirements if the assets of a company are revalued. 2 (0)

(c) Statutory Auditor is to give a certificate regarding compliance of corporate Governance which is annexed with the Director's Report. What are the documents and records to be checked by you before signing of such certificate. 4 (0)

(d) What are the control measures which the Auditor is concerned under computer information system. 2 (0)

(e) State what are the items to be verified for conducting “Stores Accounting”. 4 (0)

(f) How you will verify the interest received? 4 (0)

8. (a) How you will verify Petty Cash? 3 (0)

(b) How you will verify provision for taxation? 5 (0)

(c) What is expected under the CARO regarding (a) Internal Audit and (b) Fraud. 2+2 (0)

(d) Under what circumstances, Auditor has to Qualify his report. 4 (0)

(e) Name the circumstances where in the management audit is useful. (Name 4 such circumstances) 2 (0)

CIA Dec 2010

I—P6(CIA)
Syllabus 2008

Time Allowed : 3 Hours Full Marks : 100

The figures in the margin on the right side indicate full marks.

Answer Question No. 1 & Question No. 5 which are compulsory and attempt any two from the rest in Section I and any two from rest in Section II

SECTION I (Marks 50)
(Commercial and Industrial Laws)

Marks

1. Comment on the following based on legal provisions (No marks for wrong reasons/justification) 2x7

(a) A dismissed employee who was reinstated without wages for the period of dismissal is entitled to bonus. (0)

(b) Mr.X accepted certain Goods of Mr.Y for delivery at Durgapur. When the driver of the truck which was carrying the Goods went for lunch, the Goods were stolen. There was no insurance. Mr.Y has no remedy. (0)

(c) As per Factories Act, Canteen is mandatory in all the factories. (0)

(d) Payment of Gratuity Act, 1972 applies to all the factories. (0)

(e) A counter offer constitutes an acceptance of an offer. (0)

(f) Death or insanity of the proposer automatically revokes the proposal. (0)

(g) An enterprise entered into an agreement with an association in respect of production and supply which causes and appreciable adverse effect on competition within India. Hence this is voidable agreement and can be ratified with the approval of commission. (0)

2. (a) Mr. Roy consigns some fruits to his agent Mr.Paul at Mumbai with direction to send those fruits to Mr.Kar at Chembur. Mr.Paul sold fruits, which were spoiling at Mumbai below cost price without prior consent of Mr.Roy. Whether Mr.Paul's action was valid? 2 (0)

(b) Mr.Bose is indebted to Mr.Das and Mr.Ghosh is the surity. When Mr.Bose & Mr.Ghosh refused to pay, Mr.Das sued the surity (Mr.Ghosh) who paid the amount & cost as per orders of the court. Can the surity recover the amount from Mr.Bose? 2 (0)

(c) Mr.X buys a ring from Mr.Y at a low price employing 'undue influence' and sells the ring to Mr.Z who purchased against consideration and without knowing of Mr.X's undue influence'. Can Mr.Y recover the ring from Z.? 2 (0)

(d) Performance of a contract may be made only by the parties to the contract – Comment. 2 (0)

(e) Mr.Bose settled the price after selecting two chairs. He arranges to take delivery of chairs next day and agrees to pay next month. Said chairs were destroyed by fire before delivery. Seller demanded the price. Mr.Bose refused. State legal position. 2 (0)

(f) Mr.Suresh, a casual labour draws Rs.5,000/- per month. His Employer does not include his name for the purpose of provident fund. Whether the Employer is justified? 2 (0)

(g) Under what circumstances pension under E.P.F. can be applied for by an employee? 4 (0)

(h) What is bargain price (Consumer Protection Act). 2 (0)

3. (a) Write short notes on any four: 4x4

(i) Effects of 'coercion' on a contract. (0)

(ii) Exceptions to 'implied condition as to quality or fitness'. (0)

(iii) 'Over crowing' (Factories Act). (0)

(iv) Employees Deposit Linked Insurance. (0)

(v) 'Available surplus' Allocable surplus'. (0)

(b) Mr.Saxena received cheque dated 02.05.2010 for Rs.10,000/- from Mr.Malhotra towards cost of furniture. On 13.11.10 Mr.Malhotra closed the Bank Account. What action Mr.Saxena can take to receive the amount against the cheque which is still with him. 2 (0)

4. (a) (i) How the surity is discharged from liability? 4 (0)

(ii) A.Das entered into contract to sing for B.Roy at a concert for Rs.10,000/- which was received in advance. A.Das being too ill could not sing. B.Roy demanded compensation for loss of profit which he would have made if A.Das had been able to sing. State B.Roy's right. 2 (0)

(b) (i) Ramen sold 50Kg. of rice to Khagen who paid by cheque and Ramen gave the delivery order to Khagen. Khagen resold such rice to Bhaben who purchased on good faith and for consideration. Khagen's cheque was dishonoured. Ramen refused to deliver rice to Bhaben on the plea of non–payment. Advise Bhaben. 2 (0)

(ii) Distinguish between 'condition' and 'warranty' (Sale of Goods Act). 4 (0)

(c) (i) What is the normal time for payment of Wages (factories Act.) 4 (0)

(ii) A complaint can be instituted with the prescribed Authority of any place in India. Do You agree? 2 (0)

SECTION II (Marks 50)
(Auditing)

5. Comment on the following statements based on legal provisions (No marks for wrong reasons/justification) 2x7

(a) Cash flow statement with Annual Accounts is mandatory in case of all Public Companies. (0)

(b) Auditor, on receipt of appointment letter, is to inform to Central Government within 45 days. (0)

(c) The Auditor has nothing to do with inherent or control risk. (0)

(d) Auditor demanded notice for Annual general Meeting but the Director of the Company refused. (0)

(e) XYZ India Ltd. has a Branch Office in England. M/s. R.B. Dutta & Co. Chertered Accountants were appointed as Auditor of the Company whereas an Accountant qualified to act as Auditor in England was appointed as Branch Auditor to conduct Audit of that Branch. Indian Auditor opined this was not legally valid. (0)

(f) Statutory Auditor certifies the Statement of Accounts including Balance Sheet with reference to documentary evidence based on Vouchers only. (0)

(g) Is it correct to say that while auditing in computerised environment, over all objective and scope of Audit remains the same as for audit in non–computerised environment. (0)

6. (a) "Management Audit emphasizes on problem identification rather than problem solving" – Comment. 4 (0)

(b) How Auditor should conduct Audit in the case of Data Processing through computer service centres. 4 (0)

(c) What is expected under CARO regarding 2+2 (0)

(i) 'transactions in which Directors are interested'.

(ii) 'Guarantees for loan' taken by others'.

(d) The Auditor has no liability under Companies Act, 1956 excepting rights – Do you agree? Otherwise State the liabilities, if any. 4 (0)

(e) How you will deal with in the Audit Report in respect of Fixed Assets being maintained at Mumbai Branch Office of a foreign company incorporated outside India. 2 (0)

7. (a) (i) A Company has not followed the Accounting Standards. Auditors suggested to finalize the Accounts after complying with relevant accounting standard. Suggest whether there is any way out to finalise the accounts without change at this stage. 2 (0)

(ii) IFRS applies to all entities & also to non–individual companies. The ICAI has decided to fully coverage with IFRS from Accounting period commencing from 1st January 2012. Do you agree? Give correct reasons. 2 (0)

(b) Explain the factors which act as guiding measures to the concept of materiality. 4 (0)

(c) As an Internal Auditor, how would you examine the "Receivables"? 5 (0)

(d) (i) What are the points an Auditor shall consider for I.T. Audit in respect of "Systems Development". 2 (0)

(ii) What is 'Audit Trails' being one of the control under computer information system. 2 (0)

(iii) Do you agree that Management Audit can be conducted by an Audit Committee? 1 (0)

8. (a) Find out the difference between India GAAP & US GAAP in respect of 'Assets & Liabilities'. 2 (1)

(b) Abnormal losses during construction period has been capitalised. As an auditor, what treatment you suggest. 2 (0)

(c) A person qualified to be appointed as auditor, who is already Auditor of 20 Public Limited Companies and 10 Private Companies received appointment as Auditor of XYZ Ltd. Advice whether he can accept this appointment. 2 (0)

(d) How an Auditor shall conduct and Report when he finds any embezzlement of cash which considerably affects the financial position of the Company. 2 (0)

(e) What is expected under CARO regarding "Maintenance of cost records"? 2 (0)

(f) Name at least 4 aspects which are being examined by the Auditor while making appraisal and review of Internal Audit/Check. 2 (0)

(g) What is Information System Audit? 4 (0)

(h) State at least 4 Limitations of Management Audit. 2 (1)

CIA June 2011

I—P6(CIA)
Syllabus 2008

Time Allowed : 3 Hours Full Marks : 100

The figures in the margin on the right side indicate full marks.

Answer Question No. 1 & Question No. 5 which are compulsory and attempt any two from the rest in Section I and any two from rest in Section II

SECTION I (50 Marks)
(Commercial and Industrial Laws)

Marks

1. Comment on the following based on legal provisions(No marks for wrong reasons or justification): 2x7

(a) Mr.Saxena a pledgee incurred extra–ordinary expense for preservation of goods pledged. pledgee (0) refused to return such goods till the payment is settled ,can he retain?

(b) Mr.Sadhu offers to sell his house to Mr.Sarkar at Rs.221 lakh but by mistake makes the offer in writing for Rs.212 lakh which was accepted by Mr.Sarkar Can Mr .Sadhu plead the mistake as defence?. (0)

(c) A mistake apparent from the records was brought to the notice of competition commission by the affected party.can the affected party get relief? (0)

(d) Occupier of a Factory means the person who occupies and resides in the factory–offer your views. (0)

(e) On 2.1.11 Mr.Nair met an accident and injured in the factory.He was treated in ESI Hospital free.On joining duty,on 4.11.11,he claimed disablement compensation but the employer refused.Advise Mr.Nair how to receive the amount. (0)

(f) Mr.Malhotra,Factory Manager,stated that payment of wages can also be made in kind.(Minimum Wages Act 1948)—offer your views. (0)

(g) Complainant means any allegation made before the District forum. (0)

2. (a) An women who had an abnormally sensitive skin bought Harris Tweed Coat and got rashes through wearing the Coat.Is there any breach of condition?Can the women take shelter under Consumer Protection Act as the goods are hazardous to life&safety. 2 (0)

(b) Employees Provident Fund Scheme applies to Sick Industrial Undertakings with the same Rate of Contribution at par with others.Do you agree? 2 (0)

(c) How and to whom you will approach for "Information" under Rights to Information Act 2004? 2 (0)

(d) Mr.Adrash was due to perform on 20th February but on 17th February 2011 repudiated his obligation.On 25th February the Contract become illegal through a change in Law.Mr.Vasant the other Party requested you to advice action against Mr.Adarsh. 2 (0)

(e) Mr Bose directs Mr.Roy to sell wheat for which Mr.Bose agreed to pay 10% Commission on the price fetched by the goods.Mr.Bose afterwards by a letter revokes Mr.Roy’s Authority.But before receiving that revocation letter Mr.Roy sold wheat for Rs.10,000/– .Mr.Bose refused to pay commission to Mr.Roy Offer your views. 2 (0)

(f) What is ‘fraud’? 4 (0)

(g) " Only the owner of goods can transfer a good title—none else" but there are some exception.Can you cite at least 2 such exceptions with detailed provision. 4 (0)

3. (a) Retirement and superannuation (under payment of Gratuity Act) are same,—Comment. 4 (0)

(b) State the different kinds or types of Bailment. 4 (0)

(c) What are the essentials of a contract of sale? 4 (0)

(d) Mr.Bakshi wants to submit claims arising out of deduction made contrary to the provision of the Act from his wages,by his employer.Following information be informed (Payment of wages Act): 2+1+1 (0)

(i) Besides the Employee, who can apply to the Authority for direction for refund and compensation ?

(ii) Time limit with in which to apply ?

(iii) Besides refund of deducted amount, whether any compensation is allowed?

(e) All consideration or object of an agreement are not lawful, —Justify. 2 (0)

4. (a) Write short notes on any four: 4x4

(i) Anticipatory Breach of contract (0)

(ii) Inchoate instrument (NI Act) (0)

(iii) Duties of occupier (0)

(iv) Termination of lien (sale of Goods Act) (0)

(v) Protection from attachment (EPF Act 1952) (0)

(b) Nomination once made cannot be changed (payment of Gratuity Act) 2 (0)

SECTION II (50 Marks)
(Auditing)

5. Comment on the following statements based on legal provision (No marks for wrong reasons or justifications): 2x7

(a) Cost Accounting standards pronounced by the ICWA of India are mandatory. (0)

(b) Expenditure on commissioning of projects including the cost of test run have been debited to profit (0)

	& loss A/c as expense on Project.		
(c)	Only officer on Special duty is called company Talent—do you agree?		(0)
(d)	" File Libraries " being one of the control under computer information system.		(0)
(e)	M/s.A.B Associates Chartered Accountants were appointed as Auditor of the company in the month of Sept.2010 at a fee of Rs.3,00,000/— plus other expense at actual.In the month of Dec.10,the Auditor was removed by the Company ,Auditor claimed Rs.3,00,000/— but the Company paid Rs.1,00,000/— being remuneration for 4 months from September to December.2010.		(0)
(f)	Internal Auditing is a function distinct from Authorisation and recording.		(0)
(g)	Importance of follow—up of Audit Report cannot be avoided.		(0)
6. (a)	State the component of Audit risk.	2	(0)
(b)	How you will vouch the interest paid?	2	(0)
(c)	The statutory Auditor submitted his report on purchases relying on the verification Report carried on by the Internal Auditor.Whether this was proper.	2	(0)
(d)	Total subscribed share capital of XYZ Ltd. is Rs.20 lakhs, out of which Rs.6 lakhs share capital is held by a Nationalised Bank.How the Auditor is appointed in such cases?	2	(0)
(e)	"Qualified" opinion and "Adverse" or "negative opinion" in the Audit Report are same—Comment.	2	(0)
(f)	How you will check the 'Sales Return'?	2	(0)
(g)	What is Auditing in depth?	2	(0)
(h)	To carry out an I.T.Audit, What are the systematic approaches are taken care of?	2	(0)
(i)	Unless the observations and recommendation set out in Audit Report are considered, the objective of appraisal is dissipated—offer your views.	2	(0)
7. (a)	What are the Audit Technique?	4	(0)
(b)	How you will verify "Provision for dividend" ?	2	(0)
(c)	M/s.B.K Associates ,chartered Accountants in addition to normal yearly Audit,rendered services for Taxation, Company Law matters etc.for which separate fees were received by them.While preparing Audit Report what points should be covered in his Audit Report?	2	(0)
(d)	What is expected under CARO regarding " Internal Audit System "	2	(0)
(e)	Mr.S.K.Paria,joined the company on 15.11.80 and superannuated on 31.5.11 when his total salary was Rs.25,000/— per month.His Employer paid Rs.3,87,500/— towards Gratuity.Whether the payment was correct?How you will deal in accounts assuming that all Gratuity was on cash basis?	2	(0)
(f)	XYZ Ltd.whose Regd, &Head Office is at Kolkata has branch office in Mumbai .A separate Auditor was appointed for Branch Audit.Branch Manager refused to provide with or show one contractor's bill inspite of Branch Auditors written demand,Branch manager told that this bill being confidential,Auditor has no right to see.How you will deal with?	2	(0)
(g)	What are the points an Auditor should consider for I.T Audit in respect of Systems & Applications?	2	(0)
(h)	Under what circumstances ,management Audit is needed or is useful to the company?	2	(0)
8. (a)	Name the Methods of obtaining " Audit Evidence ".	2	(0)
(b)	As an auditor how you will vouch " Sale of Securities "?	2	(0)
(c)	What are the main points to be reported to the shareholders by the Auditor—(limited to Eight such points).	4	(0)
(d)	What are the expected under CARO regarding (i) Preferential allotment of shares (ii) Public Deposit	2+2	(0)
(e)	What is Computer assisted Technique?	4	(0)
(f)	What are the activities undertaken by the management Auditor in its review of material management etc.	2	(0)

CIA Dec 2011

I—P6(CIA)
Syllabus 2008

Time Allowed : 3 Hours Full Marks : 100

The figures in the margin on the right side indicate full marks.

Answer Question No. 1 & Question No. 5 which are compulsory and attempt any two from the rest in Section I and any two from rest in Section II

SECTION I (50 Marks)
(Commercial and Industrial Laws)

1. Comment on the following based on legal Provisions (no marks for wrong reasons or justification): 2x7

(a) An employee desirous to contribute 20% of salary as against 12% towards P.F. contributions (8% being voluntary) and demand that employer shall also contribute 20%. (0)

(b) An young employee disagreed to work on dangerous machines in a factory. (0)

(c) Mr. A. B. Roy a dissatisfied worker willfully causing damage of a machine. Employer had to spent Rs. 10,000/–to get the machine rectified. Hence his gratuity was forfeited.—Whether justified. (0)

(d) A stock of bark was sold at an agreed price per tonne. The bark was to be weighed by the agent of seller as also by the buyer for ascertainment of price. A part of the bark was weighed and carried away by the buyer's agent on 12.11.11. On 13.11.11, the remaining stock was swept away by flood. Who will bear the loss and why? (0)

(e) Mr. Ray made a contract with Mr. Basu to grow vegetables on Mr. Ray's hind and to deliver to Mr. Basu at a fixed rate. Mr. Karmakar guarantees Mr. Ray's performance of this contract. Mr. Basu diverts stream of water which is necessary for production thereby prevented Mr. Ray to grow vegetables. Mr. Ray fails to supply as per contract. Hence Mr. Basu sues Mr. Karmakar (guarantor), for non–performance.—Advise. (0)

(f) A minor can neither undertake liabilities nor receive benefit under the contract.—Comment. (0)

(g) All the members of a limited partnership firm are "designated members". (0)

2. (a) Mr. Ardhendu and Mr. Barun entered into a contract to build a house for a specified consideration Clause 14 of 'contract provides that in case of disputes, neither party may move Court of Law but must accept the decision of an Arbitrator named in the contract. Does this clause violate the provisions of law? 3 (0)

(b) An illegal agreement is void but void agreement is not necessarily illegal.—Explain. 3 (0)

(c) Mrs. Kamini purchased a tin of standard quality kerosene oil from a dealer of repute. When part of the kerosene was put to use in a stove for cooking, an explosion occurred causing damage. Mrs. Kamini claims damages from the dealer who refuses, to pay damages. Offer your views based on provisions of sale of Goods Act 4 (0)

(d) Mr. Malhotra purchased one micro oven on 30.03.11 at a cost of Rs. 18,000/– with one year guarantee through an authorized dealer. Some defects were occurred in the month–of November, 2011. You are to answer: 1+1+1 (0)

(i) Whether Mr. Malhotra can submit complain, if so to whom he is to file?

(ii) Whether appeal can be filed by the aggrieved consumer/complainant if the decision of the Authority is not favourable?

The time limit if any for submission of appeal.

(e) Under Payment of Bonus Act number of days actually worked is one of the conditions and therefore state the method of calculation of working days. 3 (0)

(f) Bill of Exchange dated 1st February, 2011 payable two months after date–was presented to the maker for payment 10 days after maturity. What is the date of maturity? 2 (0)

3. (a) "Void Agreement" and "Void Contract" are same.—Offer your views based on Rule Provision. 4 (0)

(b) Mr. Barick owe Banker a debt guaranteed by both Mr. Arora and Mr. Bora. The Banker releases Mr. Arora one of the co–surities. Hence the remaining i.e. other surity (Mr. Bora) is also released automatically. Offer views. 2 (0)

(c) Mr. Ambika an agent of a buyer obtained goods from Railways and loaded such goods on his truck on 02.11.11. In the meantime, the Railways received a Notice from the seller (i.e. consinor) for stopping goods in transit as the Buyer become insolvent. Referring to the provisions of the Sale of Goods Act, 1930 decide whether the Railways can stop goods in transit as instructed by the seller? 2 (0)

(d) Mr. Paul sold to Mr. Ray certain quantity of foreib'1l refined palm oil warranted equal to sample. The samples consisted of pallm oil mixed with vegetable oil. The oil tendered corresponds with the sample but it was not such as is known in market as foreign refined palm oil. Mr. Ray wants to reject the oil on the ground that the oil supplied was not in accordance with the foreign refined palm oil. Advise Mr. Ray. 2 (0)

(e) Mr. Singh is engaged in two types of jobs in a factory that of a welder and security guard. As the wage rates are different for two different jobs, the employer calculates his minimum wages at an average rate.—Whether this is correct 2 (0)

(f) The employer is not liable to pay any wages or compensation to workman when an undertaking closes down.—State legal position. 2 (0)

(g) Mr. Saxena on superannuation on 30.09.2011 submitted an application in prescribed form to his employer on 05.10.2011 for payment of gratuity of Rs. 15,00,000/-.
He has not received any payment till 10.12.2011 inspite of reminders. Advise the steps to be taken by him and the benefits which he may receive. 4 (0)

4. (a) Write short notes on any *four* 4x4

(i) Agency by ratification; (0)

(ii) Transfer of Property in Unascertained Goods; (0)

(iii) Safety Officers (Factories Act); (0)

(iv) Information (RTI Act, 2005); (0)

(v) When Compensation is not Payable (Workmen's Compensation Act, 1923). (0)

(b) Room air conditioner which was purchased by Mr. Rajesh a practising Cost Accountants for his office stopped working within 3 months of purchase. There was a warrenty of free service for one year. Both the dealer and manufacturer refused to attend the defect. Advice Mr. Rajesh whether he can make complaint under Consumers Protection Act. 2 (0)

SECTION II (50 Marks)
(Auditing)

5. Comment on the following statements based legal provisions(No marks for wrong reasons or justification): 2x7

(a) Ratio analysis only highlights symptoms.—Comment. (0)

(b) Automated data Processing Audit and Information Technology Audit are same. (0)

(c) Vouching can be avoided (0)

(d) When a company appoints Joint Auditor, auditors' liability and responsibility arc increased because an auditor is made responsible for the audit work of another auditor. (0)

(e) Best Ltd. has not deposited provident fund contribution of Rs. 10,00,000/– to the Provident Fund Authority but accounted for in the Accounts. (0)

(f) For an internal audit function to be effective, the same must be independent of the activities to be audited. (0)

(g) Financial Institutions conduct Management Audit of a company. —state under what circumstances (0)

6. (a) Explain the concept of materiality in auditing. 2 (0)

(b) Find out the difference between India GAAP and US GAAP in respect of "financial statements". 2 (0)

(c) ABC Ltd. requested the Statutory Auditor for issue of certificate to comply with the conditions of corporate governance under clause 49 of listing agreement. What points shall be checked before issue of •such certificate. 2 (0)

(d) Mr. A. B. Ray, Chartered Accountants in practice has been appointed as the Statutory Auditor by ABC Ltd. in its AGM held on 30.09.2011. The Auditor purchased goods from the said company. The amount outstanding exceeded Rs. 2,000/–. Similar credit facilities is allowed to other customers also. State the legal consequences. 2 (0)

(e) How the following are dealt with in the Audit Report under CARO, 2003: 2+2 (0)

(i) Fixed Assets,

(ii) Guarantees for loan taken by others.

(f) What are the items to be checked in connection with physical verification of Fixed Capital Assets. 2 (0)

(g) What are the factors to be considered to determine the effect of computer information system on audit. 2 (0)

(h) Scope of Management Audit is limited to achieve better means of control only . Do you agree? Give correct answer. 2 (0)

7. (a) What are the activities considered by the Management Auditor in its review of industrial engineering management? 2 (0)

(b) Board of Directors of Evershine Ltd. in its meeting held on 11.08.2011 declared and paid final dividend of 30% for 2010–11. As an Auditor how you will react? 2 (0)

(c) As a statutory auditor of a company, how you will verify the petty cash? 2 (0)

(d) Statutory auditor cannot avoid the generally accepted fundamental assumption underlying the preparation of financial statements. State such assumptions and actions to be taken if not followed. 2 (0)

(e) What is expected under CARO in respect of 2+2 (0)

(i) Default in repayment of dues,

(ii) Application of term loans?

(f) Advise with reasons whether CARO 2003 is applicable to ABC Pvt. Ltd. which is having following balances in Balance Sheet on 31.03.2011: 2 (0)

	Rs.
Paid up Capital	55 lacs
Reserve & Surplus	5 lacs
Assets	40 lacs
Misc. Expenses not written–off	20 lacs

(g) What are the general internal control and application control in a computer based system? 4 (0)

8. (a) Balance Sheet of holding company to include certain particulars as to its subsidiaries.—State such particulars u/s.212. 4 (0)

(b) Central Goverrunent issued order for audit of Cost Accounts of ABC Ltd. ufs. 209(i)(d). In view of this, state the following: 4 (0)

(i) Who appoints the Cost Auditor?

(ii) Whether Company's Statutory Auditor can conduct Cost Audit?

(iii) To whom the Cost Audit report is submitted?

(iv) Time limit within which such report is submitted by the Cost Auditor.

(c) (i) The patterns and degree of internal control may vary between organisation to organisation due to certain variable factors. Name at least six such factors. 3 (0)

(ii) As an internal auditor how you will verify the amount due to subsidary companies? 2 (0)

(d) (i) What are the points an auditor should consider for IT Audit in respect of system development? 2 (0)

(ii) There is no need to design better internal controls in an EDP or computerised system.–State the correct position. 3 (0)

CIA June 2012

I—P6(CIA)
Syllabus 2008

Time Allowed : 3 Hours Full Marks : 100

The figures in the margin on the right side indicate full marks.

Please: (i) Answer all bits of a question at one place.

(ii) Open a new page for answer to a new question.

(iii) Attempt the required number of questions only.

Answer Question No. 1 & Question No. 5 which are compulsory and attempt any two from the rest in Section I and any two from rest in Section II

SECTION I (50 Marks)
(Commercial and Industrial Laws)

1. Comment on the following based on legal Provisions (no marks for wrong reasons or justification): 2x7

(a) Mr. A. Bose contracts with Mr. B. Ghosh to deliver to him 300 kgs Rice before 31.05.2012. Mr. Bose delivered 200 kgs by 31.05.2012. Mr. Ghosh refused to pay due to non–performance. (0)

(b) Remaining silent with respect to the known defects is fraudulent. (0)

(c) There are in total two parties to a Promissory Note. (0)

(d) Any child can be employed in a factory. (0)

(e) ABC Ltd. who incurred heavy loss during 2011 – 12 has not paid Bonus to any of its employees. (0)

(f) Works Manager has deducted INR 500 from wages towards the cost of tools and raw materials supplied to workers for purpose of employment (Payment of Wages Act). (0)

(g) Mr. A being an agent of Mr. P (who is owner of land) agrees for money to obtain for Mr. B a lease of P's land but without the knowledge of 'P'. Discuss the validity of this agreement. (0)

2. (a) Orders once passed by the Competition Commission of India cannot be reviewed. Do you agree? 2 (0)

(b) Saxena lets to Mr. Menon for hire a horse for his own riding but Mr. Menon drives the horse in his carriage. What action saxena can take? 2 (0)

(c) Mr. Malhotra aged 50 years joined the P.F. Scheme on 01.01.2003. He decided to leave the service 2 (0) w.e.f. 01.07.2012 provided he gets Pension under E.P.F. Scheme. Advice based on Rules.

(d) Arun entered into a contract with Barun to let out the house under construction and received advance of INR 2 lakhs. The house was, however, requisitioned by Government and, therefore, Arun failed to honour the contract. Can Barun recover damages for breach of contract? Advice. 2 (0)

(e) As per order, Mr. Malhotra sent some goods to Mr. Paul at Kolkata through Rail. The Station Superintendent of Howrah Station informed Mr. Paul that goods are held at the Station at Paul's risk and cost. In the mean time, Mr. Paul became insolvent. Mr. Malhotra wants to enforce right as an unpaid seller. Advice. 2 (0)

(f) Ashim Sells 1600 kgs of wheat out of large quantity lying in his godown forwarded to Bablu. Out of these, Bablu sells 600 kgs to Chandan (wheat yet to be ascertained). Then Chandan the delivery order signed by Bablu to Ashim who confirmed that wheat would be despatched in due course. Bablu then becomes insolvent. Ashim refused to deliver to Chandan. Advice Chandan based on rules. 2 (0)

(g) Under Rights to Information Act if life or liberty of any person is involved, the Public Information Officer expected to reply within one month. Give correct period if this is wrong. 2 (0)

(h) Mr. Batliboi bought 50 kgs of potato against cash payment from Mr. Joshi under a Contract of Sale but half of consignment was rotten and Mr. Joshi refused to change the rotton potato nor refunded the value. Advice Mr. Batliboi. 3 (0)

3. (a) Fill in the blanks: 1x4

(i) Drinking water shall be provided at suitable points which shall not be situated within ________________ metres of any washing place/urinal. (0)

(ii) In every factory wherein more than ________________ workers are ordinarily employed, cooling drinking water during hot weather shall be provided. (0)

(iii) No person shall spit except in the spittons provided for in factory and whoever spits in contravention shall be punishable with fine of INR. ________________ (0)

(iv) In every factory wherein ________________ workers are ordinarily employed, Welfare Officer as may be prescribed shall be employed. (0)

(b) A seller may deliver goods to a carrier with a right of disposal. Comment. 2 (0)

(c) Jayanta, the owner of a car handovers the car with key to Partha (the mercantile agent) to sell the car at a price not below INR 1,00,000. Partha (the agent) sold at INR 90,000 to Amitava, who buys in good faith and without notice of reserve price/or any fraud. Partha misappropriated the money also. Jayanta filed a suit against Amitava to recover the car. Advice with reasons whether Jayanta can succeed. 3 (0)

(d) Arun seeing a watch in Barun’s shop marked for sale for INR 1000 entered the shop, places INR 1000 on the counter and asks for the watch. Barun refused. Can Barun refuse to sell the watch? Give reasons. 2 (0)

(e) State the essentials of a valid contract. 5 (0)

(f) "Young persons" means a person who has completed 18 years of age (Factories Act, 1948). Do you agree? 2 (0)

4. (a) Write short notes on any *four* 4x4

(i) Future Goods; (0)

(ii) Counter Offer; (0)

(iii) Protection of Gratuity; (0)

(iv) Limited Liability Partnership; (0)

(v) Industrial Disputes (I.D. Act, 1947). (0)

(b) In the event of principal debtor being a minor, creditor cannot recover his money, from the surety– offer your views. 2 (0)

SECTION II (50 Marks)
(Auditing)

5. Comment on the following statements based legal provisions (No marks for wrong reasons or justification): 2x7

(a) Development of the audit evidence is the basic to the understanding of the audit process. (0)

(b) Verification of assets and liabilities is very important function. (0)

(c) EDP audit has not changed the fundamental nature of auditing. (0)

(d) Year end stock ready for exports are proposed to be valued at realisable value. (0)

(e) Practicing Cost Accountant cannot be Internal Auditor as Internal Audit is related to financial accounting. (0)

(f) Test checks may be applied to all transactions. (0)

(g) Dividend has been declared out of profit on re–issue of forfeited shares. (0)

6. (a) Newly formed ABC & Associates, Chartered Accountants have received offer from 25 Public Ltd. Companies having a Paid-up Capital of INR 10 lakh and 5 Private Companies with Paid–up Capital of INR 15 lakh each. All the offers have been accepted. Comment on validity. 4 (0)

(b) Accounts of Mumbai Branch was audited by a firm of Chartered Accountants of Mumbai. Even then the Company Auditor demanded to visit Mumbai Branch, Director (Finance) could not agree. Offer views. 2 (0)

(c) Internal Control and Internal Check are same.— Comment. 4 (0)

(d) What are the points an Auditor shall consider in I.T. Audit in respect of "Information Processing Facilities". 2 (0)

(e) Managing Director of the Vintex Co. Ltd. opined that Management Audit is not useful and, therefore, there is no need of Management Audit.—State the circumstances if Management Audit is useful to the management. 2 (0)

(f) Explain what are expected under CARO regarding — 2+2 (0)

(i) Maintenance of Cost Records;

(ii) Financial Management.

7. (a) What are expected under CARO in respect of 2+2 (0)

(i) Fraud;

(ii) Internal control on purchase of assets.

(b) Proposed dividend was not adjusted in the financial statement. Offer your views. 2 (0)

(c) How you will verify the machinery imported from Germany? 4 (0)

(d) In course of verification of production equipment, how you will verify the idle facilities? 4 (0)

(e) Auditor is concerned with "Desired Audit Risk" under computer information system, as such risk also help him in making a decision. Name with short description of such "Desired Audit Risk". 4 (0)

8. (a) After understanding the importance of system to reduce complexity, the nature of audit risk, the types of audit procedures etc. under computer information system, Auditor is to take steps for carrying out Audit. —Indicate the ‘steps’. 4 (0)

(b) Following figures are given in respect of ABC Ltd.: 1+1 (0)

	Gross Profit	sales
2010 – 11	12800	60000
2011 – 12	15200	74800

(i) Is there fall or rise in gross profit ratio?

(ii) What can cause if rise or fall in the gross profit ratio?

(c) One electric bill for INR 20000 for the month of March, 2011 was paid in the month of October, 2011, for which no provision was made in the Accounts for 2010 – 11. How you will solve this item in the Accounts of 2011 – 12? 2 (0)

(d) CMA Ltd. want to treat the heavy advertisement expense incurred for launching a new product as revenue expenditure. The product did not pick up and the sales were negligible. It is anticipated that no material benefit would accrue in future. —Offer your views. 2 (0)

(e) As an auditor of a company, how you will vouch the sales tax/VAT ? 4 (0)

(f) Explain what is expected under CARO regarding "Disclosure of end use of money raised from Public Issue". 2 (0)

(g) Find out the difference between India GAAP and US GAAP in respect of "Investment in own shares". 2 (0)

[Applied Direct Taxes]

ADT Dec 2008

I—P7(ADT)
Syllabus 2008

Time Allowed : 3 Hours | Full Marks : 100

The figures in the margin on the right side indicate full marks

Answer Question No. 1 which is compulsory and any five from the rest.

Marks

1. (a) Choose the correct answer: 1x6

(i) The following assesse is charged to income-tax in the assessment year following the previous year: (0)

(1) A non-resident business firm which shipped goods on 1.5.08 at Visakhapatnam Port in Andhra Pradesh;

(2) An employee left India to USA on 1.8.08 with no intention of returning;

(3) ABC firm which discontinued its business on 1.9.2008;

(4) An employee- assessee of a University who worked during 1.4.07 to 30.03.08.

(ii) The following is exempt income: (0)

(1) Travel concession to employee;

(2) Remuneration received for valuation of answer scripts;

(3) Encashment of leave salary whilst in service;

(4) Perquisites in India.

(iii) The following is not "plant" under section 43(3) of Income–tax Act,1961; (0)

(1) Books;

(2) Know–how;

(3) Road in the factory building;

(4) Electrical fittings.

(iv) The following is not a venture capital undertaking for the purposes of section 10(23F), if engaged in business of; (0)

(1) Generation of power;

(2) Telecommunications;

(3) Providing infrastructural facility;

(4) Dairy farming whose shares are not listed in a recognised stock exchange.

(v) In valuation of immovable property in Bangalore, the specified area means__________of the aggregate area, for wealth–tax purposes. (0)

(1) 60 per cent;

(2) 65 per cent;

(3) 70 per cent;

(4) 75 per cent.

(vi) The following is not an "asset" as envisaged by section 2(ea) of the Wealth–tax Act; (0)

(1) Bullion;

(2) Urban land;

(3) Jeep used in business of manufacture of medicines;

(4) Motor boats of fishing business.

(b) Fill up the blanks:

(i) Under the Wealth-tax Act, "assessment year" means the period of__________commencing on 1st day of April every year, falling immediately after the _________. 2 (0)

(ii) The term "net wealth" is defined in section _________of the wealth–tax Act 1 (0)

(iii) Assets held by a minor married daughter __________(will/will not) be clubbed in the hands of the individual. 1 (0)

(iv) Where a charitable trust is created on 01.04.2007, the application for registration u/s. 12A of the Income-tax Act. 1961 should be submitted within________from________ 1 (0)

(v) Under section 44BBB (i) of the Income-tax Act, 1961, the presumptive income is taken 1 (0) as_________½% of ½ the eligible receipts in the hands of eligible assesse.

(vi) The amount of contribution made in excess of Rs._________in respect of each employee to approved superannuation fund for employees, is taken as the value of fringe benefit u/s. 115WC(1) of the Income-tax Act, 1961. 1 (0)

(vii) Electronic furnishing of income-tax return in approved computer readable media can be furnished under sub-section_________of section 139 of the Income-tax Act, 1961. 1 (0)

(viii) From out of his agricultural income. X has paid interest of Rs. 10,000 on education loan taken from nationalized bank last year. Deduction available under section 80E of the Income-tax Act, 1961 is Rs.____________. 1 (0)

(c) Provide very brief answers to the following;

(i) What is the tax incidence of contribution made by an employer to the pension scheme of Central Government? 2 (0)

(ii) What is the cost of acquisition of sweat equity shares in the hands of the employee? 2 (0)

(iii) In a house belonging to Janak, his cousin is living without paying any rent, Janak says that since his relative is residing there without paying any rent, there is no rental income chargeable to income–tax. Is he correct? 2 (0)

(iv) What is the binding nature of the arm's length price determined by the Transfer Pricing Officer upon a reference made to him by the Assessing Officer? 2 (0)

(v) Is it correct to state that every member of AOP is an "assesse" for the purposes of wealth–tax? 2 (0)

2. (a) Answer the following questions briefly:

(i) Gratuity of Rs. 1,20,000 is received in August, 2007 by Mr. M, a legal heir of Mr. R aged 45 years who died on June 28, 2007. Is it taxable? 2 (0)

(ii) ABC Company derived income from two separate industrial units during the year ending March 31, 2008, eligible for deduction under section 80-IB. The profit of one unit was Rs. 4,50,000 while the other unit suffered a loss of Rs. 2,50,000. What is the deduction available under section 80-IB of the Income-tax Act, 1961? 2 (0)

(iii) RR Ltd., engaged in manufacture of paper, has taken a building on lease, sub–leased aportion of it along with furniture and fixtures from 1.4.2006. It received rent Rs. 1,20,000 and non–refundable deposit of Rs. 10,000 for the financial year 2007–08. It also received an amount of Rs. 70,000 as arrears of rent. What are the heads of income under which the various receipts will be taxed, If found exigible to tax? 2 2 (0)

(iv) Mr. Suman's assessed tax for the assessment year 2008–09 is Rs. 12,000. Tax on it was Rs. 14,420. The advance tax instalments paid were Rs. 4,000 on 18.10.2007, Rs. 4,000 on 20.01.2008 and Rs. 4,000 on 10.03.2008. Are the payment of advance tax instalments paid proper? If not, is any interest chargeable under the Income–tax Act, 1961? 2 (0)

(v) Vasudha plastics Ltd., engaged in manufacture of PVC pipes, purchased a machinery on 25.09.2007 for Rs. 2,00,000 and put it to use after two weeks. There is no other asset in the block. What is the WDV of the block as on 31.03.2008? 3 (0)

(vi) What are "International transactions" in the context of transfer pricing provisions? 4 (0)

3. (a) Thilagam has given donation of Rs. 30,000 in cash and cement bags worth Rs. 20,000 to an approved charitable institution. What is the deduction under section 80G of the Income-tax Act, 1961 available to the assesse whose gross total income is Rs. 6,00,000? 3 (0)

(b) Are the profits arising from sales of agricultural lands situated In a village 10 kms. From Vishakhapatnam Corporation limits and another situated in city limits of Vishakhapatnam liable to Income-tax? 2 (0)

(c) A, B and C are three partners of a firm; the firm provides the following information: 5 (0)

(i) Total income of the firm is (-)Rs. 1,40,000, output of which unabsorbed depreciation is Rs. 50,000. The return of income of the firm was filed in time.

(ii) On March 31. 2007, C retires from the firm and the other partners continue the same business;

(iii) The firm's income for the assessment year 2008–09 before adjusting the aforesaid loss and depreciation is Rs. 1,08,000;

(iv) A,B and C share Profit and Loss in ration of 1:1:2. Compute firm's total income for the assessment year 2008–09, assuming that salary and interest are not paid to any partner.

(d) Briefly discuss the powers of Commission (Appeals) in disposing of an appeal filed before him under section 251 of the Income–tax Act ,1961. 5 (0)

4. (a) The income and related particulars of Mr. Coorg, aged 56, for the year ended 31.03.2008 are given below: 10 (0)

(i) Salary Rs. 24,000 per month;

(ii) He was provided with a rent–free accommodation in Hyderabad for which rent of Rs. 6,000 per month was paid by his employer;

(iii) His wife was sick and treatment was taken from a private hospital, for which an amount of Rs. 32,000 paid towards medical expenses by his employer in December,2007;

(iv) An allowance of Rs. 13,200 was paid by his employer towards his son's education;

(v) The employer paid DA 10,000 per month (considered for retirement benefits), professional tax of Rs. 2,400 and income–tax liability of Rs. 15,000.

(vi) He encashed earned leave to his credit to the tune of Rs. 10,000;

(vii) Loss from speculative business Rs. 20,000;

(viii) Loss from sale of shares in ABC Pvt. Ltd. Held for ten months Rs. 8,000;

(ix) Profit on sale of long–term capital assets Rs. 10,000.

Compute the total Income and Tax liability of Mr. Coorg for the assessment year 2008–09.

(b) Briefly sketch the responsibilities and liability of a person liable to collect tax at source under the income–tax act, 1961. 5 (0)

5. (a) Kamalesh was working as a crew member on an Indian ship plying in foreign waters. During the year ended 31.03.2008, the ship did not touch the Indian coast, except for 180 days. State the residential status for the assessment and taxability of his salary. 2 (0)

(b) Amalesh owns a house property which is let–out for Rs. 6,500 per month. The fair rent of the property is Rs. 90,000. Municipal taxes paid during the year for each half year is Rs. 3,200. The tenant has spent Rs. 10,000 towards repairs of the property during the year. Compute the income from house property for the assessment year 2008–09. 2 (0)

(c) Under what circumstances, will urban land be not considered as an "asset" for wealth tax purposes? 2 (0)

(d) State the time limit under Wealth–tax Act, 1957 for completion of 2 (0)
(i) Regular assessment under section 16; and
(ii) Assessment or reassessment under section 17.

(e) Is a representative assesse exempt from liability to pay advance income–tax? 2 (0)

(f) State any ten circumstance when payment exceeding Rs. 20,000 relating to an expenditure, made otherwise than by a crossed cheque or by a crossed demand draft. Will not be disallowed under section 40A(3) of the Income-tax Act, 1961. 5 (0)

6. (a) State briefly the requisites of a charge income-tax of capital gains under section 45(1) of the Income-tax Act, 1961. 3 (0)

(b) Vatsan has the following incomes for the financial year 2007–08; 4 (0)

	Rs.
Business Income	(–) 40,000
Short–term capital gains	16,000
Long–term capital gains	1,90,000

He deposits Rs.10,000 in public provident fund account. You are required to find out his tax liability for the assessment year 2008–09.

(c) Vasudevan purchased a motor car in December, 2007, Which was used by him for business purposes during rest of the year. However, the relevant transfer in the records of the Regional Transport Office was made only in April, 2008. Can the assesse claim depreciation on motor car for the assessment year 2008-09? 2 (0)

(d) What are the types of income of a political party exempt from income-tax under section 13A if the Income-tax Act, 1961? Are conditions required to be fulfilled in this regard? 3 (0)

(e) Who is an "employer" for the purposes of levy of fringe benefit–tax? Who are the persons excluded in this regard? 3 (0)

7. (a) Ramesh furnishes the following particulars fore compilation of his wealth-tax return pertaining to the assessment year 2008–09; 5 (0)

		Rs.
(i)	Flat purchased under instalment payment scheme in 1994 for Rs. 8,50,000 used for self occupation and market value as on 31st March,2008	15,00,000
(ii)	Gift of jewellery made to wife from time to time amounting to Rs. 5,00,000 and market value as on 31st March,2008	9,00,000
(iii)	Cash in hand	1,25,000
(iv)	Bank Balance with HDFC Bank	2,50,000
(v)	Urban land transferred to minor handicapped child, market value as on 31st March,2008	5,00,000
(vi)	2 motor cars (one is held as stock-in-trade in business and other used for personal purposes)	6,00,000 (each)
(vii)	Loan against flat being instalment remaining unpaid	70,000
(viii)	Wealth-tax liability outstanding	10,000

Compute the net wealth of Ramesh indicating reasons for the treatment under the provisions of the Wealth-tax Act, 1957 and the wealth–tax payable.

(b) How will you treat unrealized rent allowed as a deduction in the past and realized in a subsequent year when the assesse is no more the owner of the property. 3 (0)

(c) Mr. Daga is a trader, Particulars of his income and those of the members of his family are given below. (These incomes relate to the year ended 31st March,2008): 7 (0)

		Rs.
(i)	Income from Mr. Daga's business	90,000
(ii)	Salary derived from an educational institution by Mrs. Daga; she is the principal of the institution	50,000
(iii)	Interest on company deposits derived by Master Deep Daga (Minor son). These deposits were made in the name of Deep Daga by his father's father about 6 years ago	12,000
(iv)	Receipts from sale of paintings and drawings made by minor Dipali Daga (Minor Daughter of Mr. and Mrs. Daga and a noted child artiste)	60,000
(v)	Income by way of lottery earning by Master Dipendar Daga (Minor son of Mr. and Mrs. Daga)	26,000

Discuss whether the above will form part of the total income of any individual, duty considering applicability of clubbing provisions in each case, and also compute the total income of Mr. Daga.

ADT June 2009

I—P7(ADT)
Syllabus 2008

Time Allowed : 3 Hours Full Marks : 100

The figures in the margin on the right side indicate full marks

Answer Question No. 1 which is compulsory and any five from the rest.

Working notes should form part of the answer.

Wherever required, the candidate can make suitable assumptions and state the same clearly in the answer.

Marks

1. (a) State with reasons whether the following statements are true or false (No credit will be given for mere conclusions:) 2x7=14

(i) For the purpose of transfer pricing provisions, arm's length price is determined by the taxpayer in consultation with qualified accountant. (0)

(ii) As per section 194–C of the Income-tax Act, 1961, all Association of Persons and Body of Individuals are liable to deduct tax at source from specified payments made to resident contactors. (0)

(iii) Where a person does basic operations in lands and later sells the saplings grown by him in a nursery owned by him, the same will be agricultural income. If the basic operations are not done by the assessee and the saplings are sold in his nursery, the same will still be regarded as agricultural income. (0)

(iv) Short–term capital gains arising from sale of listed shares through a recognized stock exchange, for which security transaction tax has been paid, will be charged to tax at a concessional rate of 10%. (0)

(v) For the purposes of computing minimum alternate tax(MAT) under section 115JB(2) of the Income–tax Act, 1961, the book profit need not be increased, by inter alia, the amount of deferred–tax or provision for deferred–tax debited to the profit and loss account. (0)

(vi) A political partly is exempt from paying wealth–tax. (0)

(vii) The maximum amount of penalty leviable under section 18(1)(c) of the Wealth–tax Act, 1957, for concealing the particulars of any asset chargeable to wealth–tax is five times the amount of tax sought to be evaded. (0)

(b) Fill up the blanks: 1x4=4

(i) As per section 2(ea)(i) the Wealth–tax Act, 1957, "asset" means, inter alia, farmhouse situate within _________ kilometers of only municipality. (0)

(ii) Service tax return can be revised within a period of ________ days. (0)

(iii) Interest on refund on Income–tax paid in excess is a _______ receipt. (0)

(iv) An assessee, after sale of house property, receiving arrears or rent _________–(is/is not) chargeable to tax; the same computed in the stipulated manner, is chargeable to tax as ____(income from other sources/income from house property). (0)

(c) Choose the correct answer: 1x7=7

(i) Where the Karta is not available, the return of wealth of a HUF can be signed by (0)

(1) Any adult member of the family;

(2) Any adult coparcener of the family;

(3) The male member who is next in seniority to the karta;

(4) None of the above.

(ii) The following is capital receipt: (0)

(1) Dividend from investments;

(2) Bonus shares;

(3) Sale of technological know–how;

(4) Compensation received for compulsory evacuation of place of business.

(iii) In case of assesses other than companies, the following is advance tax rate to be payable on or before of 15th September on the current fringe benefits. (0)

(1) 15 per cent;

(2) 30 per cent;

(3) 45 per cent;

(4) 60 per cent.

(iv) Cash gifts received under section 56(2)(vi) from non-relatives are not taxable upto (0)

(1) Rs.1,00,000;

(2) Rs.75,000;

(3) Rs.50,000;

(4) Rs.25,000

(v) Mr. A has three minor children deriving interest from bank deposits to the tune of Rs.2,000, Rs.1,300 and Rs.1,600 respectively. Exemption available under section 10(32) of the Income–tax Act, 1961 is (0)

(1) Rs.4,900

(2) Rs.4,300

(3) Rs.4,500

(4) None of the above.

(vi) Miss Femina, aged 17, is married to Mr. Masculine. Her mother alone is alive. Income by way of interest on loans, of Miss Femina will be. (0)

(1) Assessed to tax in the hands of Mr. Masculine;

(2) Assessed to tax in the hands of her mother;

(3) Taxable in her own hands;

(4) None of the above.

(vii) Mr. X gifts Rs.60,000 to the HUF of which he is member; said amount will be treated as income of (0)

(1) Mr. X;

(2) The HUF;

(3) None, as it is exempt;

(4) None of the above.

2. (a) The Hyderabad Co–operative Society has the following sources of income during the financial year 2008–09: 6 (0)

Income from processing with the aid of power	Rs. 8,000
Income from collective disposal of labour of its members	Rs. 15,000
Interest from another Co-operative society	Rs. 25,000
Chargeable income from house property	Rs. 60,000
Income from other business	Rs. 55,000

Find its total income, showing the computation under proper heads of income, and the tax payable, as per the provisions of the Income–tax Act, 1961.

(b) Discuss the consequence of non–compliance of TDS provisions of the Income–tax Act, 1961. 5 (0)

(c) Is commodities transaction tax a permissible business expenditure? Explain. 4 (0)

3. (a) Write a brief note on deduction available under section 80DD of the Income-tax Act, 1961. 6 (0)

(b) Mrs. Vasudha is running a cotton ginning factory. Raw cotton is grown in the lands owned by her and the same is used for ginning in her factory. The ginned cotton is sold subsequently for Rs.12,00,000. The following data are also available: 5 (0)

	Rs.
Cost of cultivation	4,00,000
Selling price of raw cotton when sent to the ginning factory	6,00,000

Expenses of ginning factory 3,40,000

You are required to ascertain the agricultural income and business income of Mrs. Vasudha.

(c) The urban lands of Mr. A were required by the State Government 10 years back and compensation was paid. Mr. A took up the matter before the Court. Enhanced compensation of Rs.10 lakhs was awarded by the Court in Februaty, 2008 and the same was received in May, 2008. 4 (0)
State the consequences under the Income-tax Act, 1961, showing clearly the year of taxability. What will happen if Mr. A dies and Mr. L, his legal heir receives the enhanced compensation?

4\. (a) Discuss the provisions of the Income–tax Act, 1961 with regard to interest payable by the Department on refund. 5 (0)

(b) M, N and O are partners in the firm Upadhyay & Co. sharing profit and losses in the ratio of 2:1:1 respectively. The summarized profit and loss account for the year ended 31.03.2009 is given below: 10 (0)

		Rs.		Rs.
Office salaries		5,680	Gross profit	60,570
Interest on loan from M		2,000	Rent received	6,000
Telephone, telegram, etc.		2,000	Interest on securities	4,000
Local taxes (let-out property)		1,000		
Salary to working partner N		3,000		
Commission to partners:				
M	4,000			
N	5,000			
O	6,000	15,000		
Collection charges of interest on securities		50		
Provision for bad debts		1,000		
Net profit to partners:				
M	20,420			
N	10,210			
O	10,210	40,840		
		70,570		70,570

Compute total income of the firm for the assessment year 2009–10 and tax payable thereon.

5\. (a) Mr. Y submits the following particulars for the year ended 31.03.2009: 7 (0)

(i) On 30.04.2008, when he attained the age of 60, his friends gave him a new flat at Surat, each contributing Rs.40,000 in cash. The cost of the flat was Rs.6.4 lakhs.

(ii) Another friend sent cash gift of Rs.75,000 for the occasion.

(iii) Mr. Y sold the flat on 30.01.2009 for Rs.8.9 lakhs. The Registrar's valuation for stamp duty purposes was Rs.9.2 lakhs. Neither the buyer, nor Mr. Y questioned this value.

(iv) He had purchased equity shares in X Ltd. On 05.02.2008 for Rs.3.5 lakhs. These were sold on 15.03.2009 for Rs.2.8 lakhs.

(v) He has paid life insurance premium of RS.90,000 for his major son who is not dependent on him.

You are required to calculate the total income of Mr. Y for the assessment year 2009–10. Cost inflation indices are 551 for financial year 2007–08 and 582 for financial year 2008–09.

(b) State briefly the exemptions available under section 5 of the Wealth–tax Act.1957. 6 (0)

(c) Mr. A, is engaged in retail trade and is a distributor for the products of Mr. X. In appreciation of high turnover effected by Mr. A, Mr. X presented him a new car worth Rs.4 lakhs. Discuss the exigibility to tax of the above receipt in the hands of Mr. A. 2 (0)

6\. (a) The following details of income of Mr. X and his wife , for the assessment year 2009–10 are made available to you: 11 (0)

	Mr. X Rs.	Mrs. X Rs.
Income from own business/profession	1,20,000	90,000
Income from other sources	2,10,000	1,10,000
Interest received from Z & Co.	20,000	4,10,000
Salary received form Z & co.	96,000	84,000

Mr. X and Mrs. X are partners in Z & Co. each having 10% share in profits. Determine the total income of Mr. X and Mrs. X.
Will your answer be different, (a) If each one of them hold 8% shares in profits of Z & Co.? (b) If Mr. X and Mrs. X both possess professional qualifications.

(b) Can income–tax return be filed through computer readable media? 4 (0)

7\. Write short notes on any three of the following: 5x3=15

(a) Amendment by the Finance Act, 2008 to "Charitable purpose" as defined in section 2(15) of the Income tax Act, 1961; (0)

(b) Reverse mortgage and its income–tax implications; (0)

(c) Advance payment of service tax and its subsequent adjustment; (0)

(d) "Employer" for FBT purposes; (0)

(e) Factors affecting determination of the most appropriate method in arriving at Arm's Length Price in transfer pricing regulations. (0)

8. (a) Is there any option available to a service provider to pay a lower rate of service tax, based on the gross amount, in relation to purchase or sale of foreign currency? Brifly explain. 3 (0)

(b) Janak Ltd., is an associated enterprises of Takoya Inc., Tokyo; the latter has a permanent establishment in India. This company rendered service to Janak Ltd. For which tax was deducted at source and remitted. The Arm's Length Price of Takoya Inc. was recomputed during the course of transfer pricing assessment. Janak Ltd. Wants to know whether there will be a corresponding re–computation in its hands also. Advice. 2 (0)

(c) Discuss whether the following payments are permissible as business expenditure: 2x2=4 (0)

(i) For an existing business on 10.05.2008, and assessee had borrowed Rs.25 lakhs for acquiring a machinery. Interest paid Rs.1,10,000/–. The machinery was not put to use during the year ended 31.03.2009.

(ii) Payment of Rs.60,000/– was made to a Don for ensuring that the employees will not indulge in strike. The Don had threatened initiating a labour strike.

(d) Distinguish between Association of persons and Body of Individuals as envisaged in the Income-tax Act. 1961. 2 (0)

(e) Is it possible for the net annual value of a house property to be negative? What will be tax treatment if income under the head "income from house property" is negative? 2+2 (0)

ADT Dec 2009

I—P7(ADT)
Syllabus 2008

Time Allowed : 3 Hours — Full Marks : 100

The figures in the margin on the right side indicate full marks

Answer Question No. 1 which is compulsory and any five from the rest.

Working notes should form part of the answer.

Wherever required, the candidate can make suitable assumptions and state the same clearly in the answer.

Marks

1. (a) Fill up the blanks: 7

(i) Compensation received from an insurer on account of damagee to the crops is __________ income. (1)

(ii) Time limit for filing revised return when assessment has not been completed is __________ from the end of the relevant assessment year. (0)

(iii) A ____________ means A Company which is not a domestic company. (1)

(iv) The deduction for amortisation of preliminary expenses under section 35D is allowable at ___________ of the qualifying expenditure in each of the ___________ successive years beginning with the year in which business commences. (0)

(v) __________ is a non–recurring expenditure whereas ___________ is normally a recurring one. (0)

(vi) The term business would include ______________ and accordingly the term business used in section _____________ would also include a professional connection. (0)

(vii) Any commission due or received by a partner of a firm from the firm shall ___________ be regarded as _________ under Sec. ___________ . (0)

(b) State with reasons, whether the following statements are True or False : 6

(i) Depreciation is allowed only when it is claimed. (0)

(ii) X is employed in complex Ltd. as a Chartered Accountant. The annual membership fee of X paid by complex Ltd is not a perquisite and hence not chargeable to tax. (0)

(iii) In the case of a dealer in shares, Income by way of dividend is taxable under the heads "profits and gains of business or profession". (0)

(iv) In case of an artificial juridical person, no surcharge is payable where the total income exceeds Rs.10,00,000. (0)

(v) Partnership firm deriving loss need not file return of income. (0)

(vi) The term 'Individual' as defined in the wealth tax act, 1957 means only a single human being. (0)

(c) Expand abbreviations: 2 (0)

(i) ITAT (ii) MAT

(d) (i) Is it compulsory to file a claim for refund? discuss. 5x2 (0)

(ii) Income earned by a mutual concern from mutual activities is not taxable comment. (0)

(iii) Whether profit arises on the valuation of closing stock is a source of income? Discuss. (0)

(iv) A company which has its head office in India operated in Pakistan declared dividend subject to remittance from Pakistan. During the previous year relevant to the assessment year, the remittance could not be recovered from Pakistan. What is the tax liability in the hands of shareholder? Discuss. (0)

(v) The tax liability under the wealth tax act is determined solely on the basis of residential status of an assessee. Comment. (0)

2. (a) Raja who was born on 1.06.1943 is a retired Government Officer. Approximately he earns Rs.1,80,000 as interest on Company deposits. Besides, he gets Rs.1,00,000 pension. He invested Rs.1,00,000 in securities and other investments qualified for deduction u/s 80C. He also paid Rs.20,000 as Medical Claim Insurance Premium. Can he submit the declaration in Form No.15H to the Company which will pay interest on company deposits so that tax is not deducted by the payer company u/s 194A read with Section 197A. 3 (0)

(b) Miss. Rama sells a residential building at Jodhpur for Rs.15,00,000 on July 1, 2008. The building was acquired for Rs.1,50,000 on June 1, 2001. 3 (0)

She pays brokerage @ 2% at the time of sale of the Building. She invests Rs.7 lakh in purchase a residential building on December, 2008 and deposit Rs.2 lakh under Section 54EC in bonds of NHAI (Redeemable after 3 years) on March, 2009.

Compute the capital gain Chargeable to tax for the assessment year 2009–10.

(c) State the assessee whose net wealth is not chargeable to tax u/s 45. 4 (0)

(d) A single letter of enquiry was issued by the Income Tax Department to X of Mumbai. In this letter there was no specific mention of any provision of the Income Tax Act. Can X be treated as an 'Assessee' ? 2 (0)

(e) What are the assets defined in Section 2(EA) of the Wealth Tax Act. 3 (0)

3. (a) The total income of Mrs. Z computed for the assessment year 2009–10 is Rs.2,00,000 which includes the following: 5 (0)

	Rs.
Long term capital gains	30,000
Winning from lotteries	20,000
Short term capital gains covered by Section IIIA	10,000

Agricultural Income earned by her was Rs.50,000. Compute the tax payable by Mrs. Z.

(b) State briefly the deduction available under Sec.80E in respect of interest on loan taken for Higher Education. 5 (0)

(c) From the following information compute the total income of Mr. Ramesh for the assessment year 2009–10: 5 (0)

	Rs.
Income from salary	2,60,000
Income from House Property	1,00,000
Business loss (non speculative)	3,20,000
Short–term capital loss	1,40,000
Long–term capital gain	2,80,000

4. (a) X, a retail trader of Mumbai gives the following Trading and Profit and Loss Account for the year ended 31st March, 2009. 10 (0)

Trading and Profit and Loss Account for the year ended 31.03.2009

	Rs.		Rs.
To Opening Stock	86,000	By Sales	12,11,500
" Purchases	10,00,000	" Other business receipts	6,500
" Gross profits	3,06,000	" Income from UTI	2,400
		" Closing Stock	1,71,600
	13,92,000		13,92,000
To Salaries	60,000	By Gross Profit B/D	3,06,000
" Rent and rates	40,000		
" Interest on Loan	10,000		
" Depreciation	1,02,000		
" Postage and Telegram	1,640		
" Printing and Stationary	23,200		
" Loss on sale of Shares (Short term)	8,100		
" General Expenses	11,060		
" Net Profit	50,000		
	3,06,000		3,06,000

Additional Information:

(i) Some stocks were found to be not included in both the opening and Closing Stock, the value of which were: Opening Stock Rs.12,000, Closing stock Rs.21,000.

(ii) Salary include Rs.18,000 paid to his brother, which is unreasonable to the extent of Rs.2,000.

(iii) The whole amount of Printing and Stationary was paid in cash.

(iv) Depreciation as per Income Tax rules is Rs.66,000.

(v) Rent and Rates includes Sales Tax Liability of Rs.5,000 paid on April, 4,2009.

(vi) Other Business Receipts include Rs.3,000 received as refund of Sales Tax relating to the year, 2007–08.

(vii) General expenses include Rs.1,500 paid as donation to A Public Charitable Trust.
You are required to Advise X whether he can offer his Business Income under sec 44 AF, i.e. presumptive Taxation.

(b) Sate briefly with regard to deduction allowable under Sec.57 of the Income Tax Act, 1961 in respect of income from other sources. 5 (0)

5. (a) P.K. retired as General manager of XYZ Co Ltd. on November 30, 2008 after rendering service for 20 years and 10 months. He received Rs.3,20,000 as gratuity from the employer. He is not covered by the payment of Gratuity Act, 1972. 10 (0)
His salary particulars are given below:

Basic pay	Rs.10,000p.m. up to June 30, 2008
Basic pay	Rs.12,000 p.m. from July 1, 2008
Dearness Allowance (Eligible for Retirement Benefits)	50% of basic pay
Transport Allowance	Rs.1,500 p.m.

He resides his own house. Interest on moneys borrowed for the self occupied house is Rs.20,000 for the year ended March 31, 2009.

From a fixed deposit with a Bank he earned interest income of Rs.14,000 for the year ended 31.03.09.

Compute taxable income of P.K. for the year ended March 31, 2009.

(b) An employee instructs his employer to pay a certain portion of his salary to a charity and claims it as exempts as it is diverted by overriding charge or title. Comment. 2 (0)

(c) Discuss the treatment of the following items for the purpose of Wealth Tax Assessment. 3 (0)

(i) A three storied residential house at Kolkata – One floor is occupied by the Assessee for his residence and the other floors are let out.

(ii) A personal motor car of the assessee transferred to Hindu Undivided Family of which he is a member without any adequate consideration.

(iii) By profession A is an architect and the value of the tools and instruments required by him for his professional use is Rs.50,000

6. (a) P, Q and R are partners in a firm sharing profits and losses in the ratio of 1:1:2 provide the following information. Find firm's Net Income assuming that salary and interest are not paid to partners. 5 (0)

(i) Net income of the firm is (–) Rs.1,20,000, out of which unadjusted depreciation is Rs.40,000.

(ii) On 31.05.08 R retires from the firm and the other partners carry on the same business.

(iii) The firm's income for the Assessment Year 2009–10 before adjusting the aforesaid loss and depreciation is Rs.1,20,000.

(b) A firm filed a Return of Income disclosing an income of Rs.60,000 on June 30, 2009 in respect of Assessment Year 2007'08. The Assessing Officer completed the assessment on September 30, 2009 under Sec. 143(3) on an income of Rs.90,000. A part from questioning the merits of the addition made by the Assessing Officer, on what other ground will you challenge the assessment? 4 (0)

(c) Mr. D.K. is employed with X Ltd. drawing salary of Rs.75,000 per month (Eligible deduction under Sec.80C Rs.1,00,000). He furnishes the following particulars of income and losses from other sources as follows: 4 (0)

Loss from House property	Rs.25,400
Bank interest (after deduction of tax Rs.3,090)	Rs.26,910
Dividend from Reliance Industries	Rs.30,000

Compute the liability of X Ltd. to deduct Tax at source.

(d) X got an employment in Singapore during the previous year 2008–09. He left for Singapore on August 9, 2008. 2 (0)
He is an Indian Citizen. Determine the residential status for the Assessment Year 2009–10.

7. (a) C is the minor child of Mr. and Mrs. X Mr. X has business income of Rs.2,80,000. Mrs. X has salary income of Rs.2,20,000. C earns income of Rs.60,000 from a dancing programme. C also earns interest of Rs.20,000 from a fixed deposit with a Bank. Compute total income of Mr. X, Mrs. X and C. 3 (0)

(b) Amount received from superannuation fund on resignation before specified age is exempt from income tax. Comment 2 (0)

(c) Simplex Ltd. a company providing telecommunication service, obtain a Telecom License on April 20, 2008 for a period of 10 years which ends on March 31, 2018 (License Fee being Rs.18 lakh). 5 (0)

Find out the amount of deduction under Sec.35ABB if –

(i) The entire amount is paid on May 6, 2008; or

(ii) The entire amount is paid on April 1, 2009; or

(iii) The entire amount is paid in 3 equal installments on April 30, 2008, April 30, 2009 and April 30, 2010.

(d) Is there any option for an employer, not to deduct Tax at Source, in respect of perquisites portion of salaries paid to an employee? Discuss. 5 (0)

8. (a) Indicate, with reasons whether the following expenses are deductible in computing income from business for the Assessment Year 2009–10. 4 (0)

(i) Rs.10,000 paid to a Lawyer to examine the Title Deed which the Assessee intends to purchase.

(ii) Compensation of Rs.20,000 paid to an employee who has been retrenched for continuously committing some fraudulent Acts.

(iii) Rs.5,000 paid for shifting the factory from one place to another for easier supply of raw materials.

(iv) Penalties of Rs.10,000 paid to the West Bengal Government for the non–fulfillment of contract entered into with the said Government.

(b) Distinguish between foregoing of salary and surrender of salary. 4 (0)

(c) Under what circumstances will urban land be not considered as an 'Asset' for Wealth Tax purposes? 3 (0)

(d) X and Y are co–owners of two houses with equal share of both the houses. While the first house is used by them for their residence, the second house is let to a tenant at a monthly rent of Rs.2,500. The other relevant particulars of the houses for the year 2008–09 are as follows: 4 (0

	First House	Second House
Construction completed on	30.06.91	31.03.94
Municipal Tax	Rs.2,000	Rs.2,500
Insurance Premium	Rs.2,500	Rs.2,500
Interest on loan	Rs.10,000	Rs.9,000

Compute income from house property of X and Y for the relevant assessment year.

ADT June 2010

I—P7(ADT)
Syllabus 2008

Time Allowed : 3 Hours Full Marks : 100

The figures in the margin on the right side indicate full marks

Answer Question No. 1 which is compulsory and any five from the rest.

Working notes should form part of the answer.

Wherever required, the candidate can make suitable assumptions and state the same clearly in the answer.

Marks

1. (a) Fill up the blanks: 7

(i) Sec. 139(1) applies to all persons whether they are _____________ or ________________. (1)

(ii) Receipts from TV serial shooting in Farm house ____________ agricultural income. (1)

(iii) Sec. ______________ defines various income which are chargeable to tax under the head "Profits and gains of business or profession " (0)

(iv) For the applicability of clubbing provisions of the Wealth Tax Act, 1957, the expression 'child' includes _______ child and __________ child. (0)

(v) The rate of tax in case of Minimum Alternate Tax has been increased to _______ % with effect from Assessment year 2010—11. (0)

(vi) The basis of chargeability under the head ' income from house property ' is _________. (0)

(vii) _____________ salary is taxable, while ________________ against salary is not taxable. (0)

(b) (i) "Capital Gains arises on sale of Capital Assets" is — Comment. 2x5 (0)

(ii) Income earned by an Association of Trade Unions is not taxable.— Comment. (0)

(iii) Non–allowing of interest to rectification order is appealable.– Discuss. (0)

(iv) Undertaking in the context of "DEMARGER COMPANY" indicates any part of undertaking or a unit or division of an undertaking or a business activity taken as a whole including individual assets or liabilities or combination of both.—Comment. (0)

(v) Wealth Tax is a Socialistic Tax.— Discuss. (0)

(c) State with reasons whether the following statements are True or False(answers without reasoning will not receive any credit): 1x8

(i) An assessee owns 11 trucks. One truck is always kept as a spare vehicle and is never plied on the road. Since only 10 vehicles are piled on the road at any given point of time, the provisions of section 44AE of the Income Tax Act, 1961, can be availed by the assessee. (0)

(ii) Mr. Janak has received as gift, gold bullion bars worth Rs. 70,000 from his friend on his birthday on 15.3.2010. The same is not to be treated as income from other sources. (0)

(iii) Mr. Saravanan follows mercantile system of accounting. On 13.3.2010, he has received from the State Government, in respect of lands acquired, interest on enhanced compensation of Rs. 1,50,000 which includes a sum of Rs. 20,000 relatable to this year. The amount assessable is Rs. 20,000. (0)

(iv) The period for setting off the MAT credit under section 115JB is seven years. (0)

(v) The rate of TDS applicable for payment made on 28.2.2010 to non-individual sub-contractor, as per section 194C, is 2%. (0)

(vi) Only in the TDS certificate furnished by the deductor, quoting the PAN of deductor is compulsory and not in other correspondences between the deductor and the deductee. (0)

(vii) An individual himself has to sign the return of wealth and whatever be the contingency, cannot authorize another persons to sign on his behalf. (0)

(viii) A company owns a plot of urban land comprising of area of 500 square metres. Exemption is not available in respect of this asset under the provision to section 5(vi) of the Wealth Tax Act, 1957. (0)

2. (a) Discuss whether the expenditure incurred by an assessee to remove an encumbrance be claimed as a deduction under section 48, while computing the capital gains, in the following cases: 5 (0)

(i) Where the mortgage was created by the assessee himself;

(ii) Where the mortgage was created by the previous owner.

(b) Ramesh an individual, is engaged in manufacture of fertilizers. He is following mercantile system of accounting. He borrowed loans from Tamil Nadu Industrial Development Corporation and Indian Bank and has not paid interest as detailed below: 6 (0)

		Rs.
(i)	Tamil Nadu Industrial Development Corporation (P.Y.2008—09 & 2009—10)	15,00,000
(ii)	Indian Bank (P.Y. 2009—10)	30,00,000
		45,00,000

Both Tamil Nadu Industrial Development Corporation and Indian Bank, while rephasing the loan facilities of Ramesh during the year ended 31.3.2010, converted the above outstanding interest due to them from Ramesh as a loan repayable in 30 equal installments. During the year ended 31.03.2010, Ramesh paid 4 installments to Tamil Nadu Industrial Development Corporation and 3 installments to Indian Bank.

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

(c) What are the due dates for filing the return of incomes as envisaged by section 139(1) of the Income Tax Act. 1961? 4 (0)

3. (a) During the year ended 31.3.2010, Mr. Subramani has following income and the brought forward losses: 7 (0)

Particulars	Rs.
Short—term capital gain on sale of shares	2,60,000
Long—term capital loss of A.Y.2008—09	90,000
Short—term capital loss of A.Y.2009—10	80,000
Long—term capital gain	78,000
Income from lotteries	3,10,000
Cost of lottery tickets purchased	2,000
Loss from betting	–1,20,000
Income from card games	80,000

Briefly compute the gross total income and loss eligible for carry forward in the hands of Mr. Subramani for the A.Y.2010—11.

(b) Discuss the allowability of the following expenditure while computing income under the head "Profit and gains of business or profession"

(i) Expenses incurred on partly convertible debentures, and 2 (0)

(ii) Expenditure incurred on MS office software. 2 (0)

(c) (i) If two or more persons jointly own a property and if their shares are definite and ascertainable, can the income from such property be taxed as income of an association of persons? 2 (0)

(ii) Where an urban agricultural land owned by an individual, continuously used by him for agricultural purposes for a period of two years prior to the date of transfer, is compulsorily acquired under law and the compensation is fixed by the State Government, is the resultant capital gain chargeable to tax? 2 (0)

4. (a) Mr. Srinivasan, aged 66 years, furnishes the following particulars for the year ending 31.3.2010: 7 (0)

(i) Life Insurance premium paid Rs. 40,000, actual capital sum of the policy assured for Rs. 1,50,000;

(ii) Contribution to Public Provident Fund Rs. 50,000 in the name of father;

(iii) Tuition fees payment Rs.5,000 each for 3 sons pursuing full time graduation course in Mumbai; Tuition fee paid for daughter pursuing Ph.D. in Melbourne University, Australia Rs. 3.50 lakhs;

(iv) Housing loan principal repayment Rs. 30,000 to HDFC Bank. This property is under construction at Bangalore as on 31.03.2010;

(v) Principal repayment of housing loan taken from a relative Rs. 60,000. The property is self—occupied and situated at Chennai;

(vi) Deposit under Senior Citizens Savings Scheme Rs.15,000;

(vii) Five year deposits in an account under Post Office Time Deposit Scheme Rs. 20,000;

(viii) Investment in National Saving Certificate Rs. 25,000;

(ix) Subscription to bonds issued by NABARD Rs. 30,000.

Compute the quantum of eligible deduction under section 80C of the Income Tax Act, 1961 for A.Y.2010—11.

(b) Briefly explain marginal relief allowable while computing tax payable by certain assessees. 3 (0)

(c) Discuss whether there is any exemption for voluntary contributions received by electoral trusts, Can an assessee giving such donation claim the same as deduction? 5 (0)

5. (a) Compute the total income of Mr. Pankaj Dhimani from the information given below: 7 (0)

Particulars	Rs.
Net income for house property	1,75,000
Income from business(before providing for depreciation)	2,25,000
Short—term capital gain on sale of shares	80,000
Long—term capital loss from sale of property (brought forward A.Y.2009—10)	(70,000)
Income from integrated activities of growing tea crops and manufacturing tea	1,50,000
Dividends from Indian companies carrying on agricultural operations	70,000
Current year depreciation	35,000
Brought forward business loss(loss incurred six years ago)	(65,000)
Expenditure incurred on medical treatment of dependant with severe disability	1,20,000

(b) Is it correct to say that section 50C can be invoked only in situations in which transfer of land building or both takes place through a registered deed of conveyance and that the section cannot be invoked where the no registered deed of conveyance, like in power of attorney transactions and agreements to sell?—Discuss. 4 (0)

(c) What are the due dates for payment of advance income tax by corporate assessees? 4 (0)

6. (a) Kidwai Club is a private members club which provides entertainment to its members by offering accommodation, library, reading room, etc. The club also earned income by letting out its marriage hall to non—members by making them as temporary members. The club contends that the "doctrine of mutuality" would apply in such a case and hence, its income would not be taxable. Discuss the correctness or otherwise of the contention of the assessee club. 4 (0)

(b) Mrs. Hemalatha, working in a public sector company, opted for voluntary retirement scheme and received Rs. 7 lakhs as VRS compensation. she claimed relief under section 10(10C) and in respect of the balance amount of Rs. 2 lakh, she claimed under section 89(1). Advise Mrs. Hemalatha as to correctness of the aforesaid tax treatment. 7 (0)

(c) In the following cases, state the head of income under which the relevant receipt is to be assessed, along with reasons: 2+2 (0)

(i) Vibhisana let out his property to Bharath. Bharath sublets it. How is subletting receipt to be assessed in hands of Bharath?

(ii) Ashok has constructed a house on a leasehold land. He has let–out the said property and has treated the rent from such property under the head "Income from other sources" and deducted expenses on repairs, security charges, insurance and collection charges in all amounting to 35% of receipts.

7. Write short notes on *any three* of the following: 5x3

(a) Capital gains on buy back of shares; (0)

(b) Restriction under section 79 of the Income Tax Act, 1961 for carry forward and set off losses in case of certain companies; (0)

(c) Deduction under section 80RRB of Income Tax Act, 1961 towards royalty of a patient; (0)

(d) Wealth escaping assessment; (0)

(e) Liability of charitable trusts under Wealth Tax Act, 1957. (0)

8. (a) Royal Construction Ltd., engaged in promoting residential houses, flats, etc. furnishes the following particulars of its wealth as on 31st March, 2010; 12 (0)

Particulars	Rs.

Land in rural area(within 7 kms. from the local limits of a municipality) on which construction is permissible	45,00,000
Land in urban area (on which construction is not permitted)	35,00,000
Land in urban area (held as stock—in—trade for 8 years)	35,00,000
Motor cars(including one imported car worth Rs. 5 lakhs)	12,00,000
Gold jewellery	21,00,000
Shares in private limited companies	9,20,000
Cash at bank	2,30,000
Guest house and land appurtenant thereto in rural area	12,00,000
Cash in hand	45,00,000
Residential flats of identical size provided to three employees for their use near factory in rural area(Salaries of one such employee exceed Rs. 5,00,000 p.a.)	27,00,000
Residence provided to Managing Director (whose salary is Rs. 8,00,000 p.a.)	22,00,000
Flats constructed remaining unsold	40,00,000
The company has taken the following loans:	
For purchase of gold jewellery	10,00,000
For flats constructed remaining unsold	10,00,000

Compute the Company's net wealth as on 31.3.2010. (Brief note on treatment of each item is required).

(b) State the Elements/Sources of Income Tax Law. 3 (0)

ADT Dec 2010

I—P7(ADT)
Syllabus 2008

Time Allowed : 3 Hours Full Marks : 100

The figures in the margin on the right side indicate full marks

Wherever required, the candidate may make suitable assumptions and state them clearly in the answer.

Working notes should form part of the relevant answer.

All questions relate to the assessment year 2010 – 11 unless stated otherwise in the question.

Answer Question No. 1 which is compulsory and any five from the rest.

Marks

1. (a) Fill up the blanks: 1x12=12

(i) Medical insurance premium paid otherwise than in _____________ is eligible for deduction under section 80D of the Income–tax Act, 1961. (0)

(ii) Deemed individual is ____________ (liable to tax/not liable to tax) under section 2(22)(e) of the Income–tax Act, 1961. (0)

(iii) Expenditure incurred towards demerger is deductible in _____________ equal annual instalments under section 35DD of the Income–tax Act, 1961. (0)

(iv) Arrear rent is taxable after deducting _____________ % as per section 25B of the Income–tax Act, 1961. (0)

(v) Amount received towards permission for putting up hoarding at the top of the building is taxable under the head ___________. (0)

(vi) The cost of acquisition of 100 bonus shares, where the original shares (100 nos.) were acquired for Rs.30,000 is ___________. (1)

(vii) Income–tax rates are not prescribed by the _____________ Act, but by the _____________ Act of each year. (0)

(viii) It is obligatory to pay advance tax where the amount of tax is Rs. ________________ or more. (0)

(ix) While effecting the tax deduction at source, education cess and special higher education cess totalling 3% ______________ (should/need not) be also deducted from the amount due or payable to the deducted. (0)

(x) The term "asset" is defined in clause ___________ of section 2 of the Wealth–tax Act, 1957. (0)

(xi) In the case of an individual or a HUF, a plot of land not exceeding ____________ sq. meters in area is exempt under section 5(vi) of the Wealth–tax Act, 1957. (0)

(xii) In computing the net wealth of an individual, the value of assets, which on the valuation date, are held by a minor child who is a married daughter of such individual, __________________ (shall/shall not) be included. (0)

(b) Choose the correct alternative: 1x5=5

(i) Mr.L bought a motor cycle on 10th August 2009 for Rs.3 lacs and used it in his business. This is the only asset in the block. 20% of the usage is for personal purposes. The WDV of the block as on 31–3–2010 is: (0)

(A) Rs.2,70,000;

(B) Rs.2,55,000;

(C) Rs.2,10,000;

(D) None of the above.

(ii) The following is not taxable as income under the head “Salaries”: (0)

(A) Commission received by a full-time director;

(B) Remuneration received by a partner;

(C) Allowances received by an employee;

(D) Free accommodation given to an employee.

(iii) Following Form Number is to be used for filing the return of income by an individual having business income: (0)

(A) Form No. 1;

(B) Form No. 2;

(C) Form No. 4;

(D) Form No. 4A;

(iv) Income received in India in previous year is taxable in the hands of: (0)

(A) Resident;

(B) Not–resident;

(C) Non ordinarily resident;

(D) All above.

(v) Following is not a capital receipt: (0)

(A) Dividend on investment;

(B) Bonus shares;

(C) Sale of know–how;

(D) Compensation received for vacating business place.

(c) State with reasons whether the following statements are True of False (Answers without reasons are not eligible for any credit): 1x8=8

(i) Political parties governed by section 13 A of the Income–tax Act, 1961 have to file their returns of income within the time limit prescribed under section 139(1) even if there is no income chargeable to tax under the Act. (0)

(ii) ‘Gross total income’ means aggregate of income computed under various heads and after allowing deduction under Chapter VI–A. (0)

(iii) Municipal tax in respect of staff quarters is deductible only if it is paid, in computing business income. (0)

(iv) Amount received under Keyman insurance policy is not exempt under section 10(10D) of the Income-tax Act, 1961. (0)

(v) Market value of donation given in kind is also eligible for deduction under section 80G of the Income–tax Act, 1961. (0)

(vi) Amount received under Reverse Mortgage Scheme is taxable as income under the head ‘income from other sources’. (0)

(vii) Advertisement in any souvenir, brochure, pamphlet or the like published by a political party is not deductible under section 37(2B) of the Income–tax Act, 1961. (0)

(viii) Vacant side held as stock–in–trade is not liable for wealth tax for 12 years from the end of the year in which it was acquired. (0)

2. (a) Janak received the following gifts during the financial yeai 2009–10: 5 (0)

Cash gift from father–in–law	Rs.25,000
Cash gift from friends on the occasion of marriage	Rs.37,000
Gift by way of wrist watch from a friend. Value of the watch	Rs.12,000

Shares received as gift from wife's friend. Market value as on the date of gift	Rs.51,000

State the taxability of each item above. Calculation of total amount liable to tax is not required.

(b) Parvez(P) Ltd. confers of electricity benefit to its employee Mi Ashvvin, Annual consumption as per meter reading was 3200 units. Determine the value of perquisite in the following cases: 2+2+1 (0)

(i) Electricity meter is the name of Mr. Ashwin and the rate of electricity is Rs. 5 per unit paid by Parvez(P) Ltd. to the State Electricity Board (Give brief reason).

(ii) Electricity meter is in the name of Parvez(P) Ltd. and the rate of electricity charged by the State Electricity Board is Rs.5 per unit. Is this chargeable in all situations?

(iii) Parvez(P) Ltd. is a power generating company. The manufacturing cost is Rs. 1.90 per unit but supplied to public @ Rs.5 per unit. However, it charges Re.1 per unit from its employees.

(c) Discuss the conditions to be fulfilled for the applicability of section 35AD of the Income–tax Act, 1961. 5 (0)

3. (a) Ramesh owns a house at Hyderabad. Its municipal valuation is Rs. 24,000. He incurred the following expenditure in respect of the house property: 5 (0)

(i) Municipal Tax at 20%;

(ii) Fire insurance premium Rs.2,000; and

(iii) Land revenue Rs.2,400.

He had taken bank loan of Rs.25,000 at 16% per annum on April 1, 2007; the whole amount is still unpaid.

The house was completed on April 1, 2009.

Find the income from house property for the assessment year 2010-11 for the following situations:

(i) If the assessee uses house for self-occupation throughout the previous year, and

(ii) If the house is let out for residential purpose on monthly rent of Rs. 2,500 iron April 1. 2009 to December 31, 2009 and self and self occupied for the remaining period.

(b) Mr. Ramesh, aged 62, paid Rs.4,800, Rs.11,000 and Rs.28,000 on 15–9–2009, 12–12–2009 and 15–3–2010 respectively as advance tax instalments. He filed return of income for the assessment year 2010–11 showing total income of Rs.5,57,400; he is entitled to tax credit of Rs.12,003 on account of tax deducted at source. Ascertain the interest, if any, chargeable under section 234C of the Income–tax Act. 1961. 5 (0)

(c) What is the income–tax treatment of consequence of repurchase or buy back of shares or specified securities by a company? 5 (0)

4. (a) Following are the details of income of Mr. Subramani for the financial year 2009–2010: 9 (0)

Income from property in Sri Lanka remitted by the tenant to the assessee	Rs.2,10,000
in India through SBI	Rs.1,00,000
Profit from business in India	
Loss from business in Sri Lanka (whose control and management	Rs.80,000
of business wholly remained in India)	Rs.60,000
Dividend from shares in foreign companies received outside India	Rs.1,20,000
Interest on deposits in Indian companies	

Determine the total income in terms of the Income–tax Act, 1961 in the following situations:

(i) Resident and ordinarily resident of India;

(ii) Resident but not ordinarily resident of India;

(iii) Non–resident.

(b) The question whether a particular income is income from salary or is income from business depends upon whether the contract is a contract of service or is a contract for service. Discuss. Also explain with the help of one example. 6 (0)

5. (a) Manish owned a land located in Chennai–Bangalore highway in Thambaram Municipal Corporation limits, which was acquired by NHAI in the financial year 2009–10 for Rs.10,00,000. The land had been purchased by Manish on 2–4–1980 for Rs.10,000. The fair market value of the land as on 1–4–1981 was Rs.19,000. 10 (0)

Yet another piece of urban land located in Chennai purchased in April, 2006 for Rs.25 lakhs was sold by him in February, 2010 for Rs.35 lakhs, but the sale deed thereof, was not registered till 31–3–2010. The possession was given to the buyer on 31.1.2010 and the sale deed was finally registered on 16–4–2010. The value adopted by the Stamp Valuation Authority was Rs.38 lakhs. Manish paid 2% of the sale consideration towards brokerage. Manish deposited Rs.10 lakhs in Capital Gain Deposit Account of SBI on 20–11–2010 in order to avail exemption under section 54F of the Income–tax Act, 1961 subsequently by constructing a residential house.

Cost inflation indices are 632 for the FY 2009–10, 519 for the FY 2006–07 and 100 for the

FY 1981–82.

Compute the capital gain chargeable to tax arising as a result of these transactions.

(b) One of the exceptions to the rule that the income of the previous year shall be assessed in the subsequent assessment year is the shipping business of non–resident. Discuss briefly the assessment aspect of such income from shipping business. 5 (0)

6. (a) Devender, aged 55, resident in India, furnishes the following information for the previous year ended 31–3–2010: 10 (0)

	Rs.
House property income (Net)	18,500
Business income	5,000
Capital gains (short–term)	22,000
Capital gains (long–term)	2,500
Income from horse race	15,000
Income from card games	16,000
Additional information are as follows:	
Brought forward business loss for AY 2002–03	12,000
Unabsorbed depreciation for AY 2008–09	6,000
Long–term capital loss for AY 2007–08	12,000
Loss from horse race suffered in AY 2007–08	8,000
Speculative loss for AY 2006–07	10,000

Devender has taken a life insurance policy for his major son working in a software company for a salary of Rs.5 lacs per annum. He has paid premium of Rs.60,000 in cash for a capital sum assured of Rs.2,00,000/-. He has paid PPF of Rs.70,000 by raising a hand loan from his friend.

Calculate total income and tax liability. State the items to be carried forward.

(b) Discuss the provisions of the Income–tax Act, 1961 requiring quoting of PAN mandatory in the context of TDS rates and filing of declarations by the deductees. Also discuss the related TDS areas relating to mandatory quoting of PAN. 5 (0)

7. (a) Ravan has furnished the following information as on 31–3–2010 10 (0)

(i) Cash in hand Rs.75,000;

(ii) Cash at bank Rs.10,00,000;

(iii) Residential house (loan taken to purchase this house Rs,5,00,000) Rs.45,00,000;

(iv) Land in rural area (within 5 kms from Bhopal municipality) Rs.48,00,000;

(v) Land in urban area (constructed not permitted under the law, loan taken to purchase this land Rs.3,00,000) Rs.28,00,000;

(vi) Motor car for personal use Rs.14,00,000;

(vii) Jewellery Rs.6,00,000;

(viii) Aircraft for personal use (loan taken to purchase aircraft Rs.20,00,000) Rs.1,00,00,000;

(ix) Farm house situated within 20 kms from local limits of municipal corporation Rs.24,00,000 and

(x) One let–out residential house given on rent throughout year (loan taken to construct this house Rs.2,00,000) Rs.20,00,000.

Ascertain the net wealth as on 31–3–2010 and the wealth tax payable for the assessment year 2010–11.

(b) Is e–filing of income–tax return mandatory for all assessees? Also state the assessees for whom the same is mandatory. 3 (0)

(c) Can a revised return of income be further revised? 2 (0)

8. Answer any three of the following; 5x3=15

(a) Discuss the tax issues including cost of acquisition and period of holding, determined in the hands of the shareholder determined after demerger, covering deemed dividend and capital gains. (0)

(b) What is meant by "arm's length price" in the context of transfer pricing provisions? Name the six methods used for computing the arm's length price. (0)

(c) Mrs. Sukanya is a qualified cost accountant. She is a salaried employee in a firm of cost accountants in which Mr. Ashok (her husband) is a partner. Mr. Ashok's share in the firm is 10%. His younger brother holds 10% share in this firm. Mrs. Sykanya draws a salary of Rs.18,000 per month from the firm. This is however paid in kind and not in cash. Mr. Ashok's income by way of sitting fees from the various boards of the companies in which he is an independent director is Rs.3,50,000 Will Mrs, Sukanya's income be clubbed with that of Mr. Ashok under section 64 of the Income–tax Act, 1961? (0)

(d) Narang Textiles Ltd. purchased a machinery from Germany for Euro 1,00,000 on 3.9.2009 through a term loan from Fortune Bank Ltd. The exchange rate on the date of acquisition was Rs.65. The assessee took a forward exchange rate on 05.10.2009 when the rate specified in the contract was Rs.67 per USD. Compute depreciation for the assessment years 2009–10 and 2010–11. Ignore additional depreciation. (0)

(e) Discuss the wealth tax consequences of (i) Conversion by an individual of his self–acquired property into joint family property, and (ii) Gift by way of book entries. (0)

I—P7(ADT)
Syllabus 2008

Time Allowed : 3 Hours Full Marks : 100

The figures in the margin on the right side indicate full marks

Wherever required, the candidate may make suitable assumptions and state them clearly in the answers.

Working notes should form part of the relevant answers.

All questions relate to the assessment year 2011 – 12 and the provisions stated relate to Income Tax Act, 1961, unless stated otherwise in the question.

Answer Question No. 1 which is compulsory and any five from the rest.

Marks

1. (a) Fill up the blanks: 1x12=12

(i) Mr. Nathan acquired on 30–3–2011, a building for Rs. 10 lakhs when the State stamp valuation authority adopted Rs. 15 lakhs for stamp duty purpose. the amount taxable in the hands of Mr. Nathan u/s. 56(2) will be __________. (1)

(ii) The due date for filling return of income u/s.139(1) in the case of individual assessee having turnover above Rs. 60 lakhs is ___________. (1)

(iii) Where an employee is paid fixed medical allowance of Rs. 1000 per month, a sum of Rs. ________ is taxable per annum. (1)

(iv) Salary paid to a working partner of a firm is chargeable to income– tax in the hands of such partner under the head __________. (1)

(v) Total tax payable on a lottery income of Rs. 3,00,000 as per section 115BB is Rs._________. (1)

(vi) Payment of education loan________(principal/interest) is deductible under section 80E. (1)

(vii) Property held under trust of charitable/religious purpose is _________(exempt/non–exempt) from wealth tax. (1)

(viii) Surcharge is payable by Indian Companies when the total income exceeds _________. (1)

(ix) Maximum amount exempt in respect of Transport Allowance granted to an employee for commuting between residence and place of work is Rs.________ per month. (1)

(x) Claim of depreciation is __________(mandatory/optional) while computing business income of the assessee. (2)

(xi) Advance tax is payable in _______ installments by a non– corporate assessee. (1)

(xii) The Minimum Alternate Tax rate applicable to certain companies is ________ per cent of the book profits. (2)

(b) Choose the correct alternative: 1x5=5

(i) An individual (aged 28 years) born in India left for employment in France on 30.10.2010. His visit outside India is for the first time. His residential status for the assessment year 2011–12 will be (1)

(a) Resident and Ordinarily Resident

(b) Resident but Not Ordinarily Resident

(c) Non – resident

(d) None of the above

(ii) Xmas Charities received anonymous donation of Rs. 5 lakhs. The said sum is. (1)

(a) Exempt from tax

(b) Partly exempt and partly taxable

(c) Taxable @ 30%

(d) None of the above

(iii) Mr.A let out his house property to Mr.B. Mr.B sub–Let the property to Mr.C. The income from sub–letting in the hands of Mr.B will be (1)

(a) Exempt income

(b) Taxable under the head ‘house property’

(c) Income from other sources or business income, depending on facts

(d) Income under the head ‘capital gains’

(iv) Miss padmaja received Rs. 50,000 on 13.10.2010 being the unrealized rent pertaining to an earlier year, consequent to court decree. The property to which the unrealized rent relates was sold in the year 2006–2007. The unrealized rent amount received now is ,— (1)

(a) Fully taxable as income from other sources

(b) 50% taxable as income from other sources

(c) Fully taxable as income from house property

(d) 70% taxable as income from house property

(v) Guest home is liable for wealth tax (1)

(a) If it is located within the local limits of Municipality

(b) If it is located within 8 kms from the local limits of Mumicipality

(c) If it is located within 25 kms from the local limits of Municipality

(d) Regardless of the distance or location

(c) State **with reasons** whether the following statements are true or false: 2x4=8

(i) Where **Mr.VKS**(an Indian resident) received Rs. 50,000 as dividend from a foreign company, the same is taxable. (1)

(ii) Farm house rent received from tenant of agricultural land is chargeable to tax as income from house property. (1)

(iii) Motor cars held by a dealer in vehicles for trading purposes, are treated as "assets" for purposes of wealth tax. (1)

(iv) Income from transfer of self–generated goodwill of a profession is not chargeable to tax under the head "Capital gains". (1)

2. (a) Mrs.Sneha, aged 64, has carried on business during the year ended March 31, 2011. The particulars of Profit and Loss Account are given below: 9 (1)

Profit and Loss Account for the year ended 31–3–2011

	Rs.		Rs.
To office salaries	22,000	By Gross profit	3,78,150
To Proprietor’s salary	12,000	By profit on sale of residence	33,500
To General expenses	8,500	By disallowed bad debts recovered	62,000
To Bad debts	7,500	By Interest from Govt. securities	12,600
To Fire insurance premium	5,500	(net)	4,000
To Depreciation	2,500	By Dividend from JB Agro Ltd.	16,000
To Motor car expenses	7,500	By Income from Horse race (gross)	1,500
To Donation to Goa	60,000	By Sundry receipts	
University	8,000		
To Income tax 2010–11	10,000		
To Life Insurance premium	2,000		
To reserve for future loss	6,000		
To Advertisement	3,56,250		
To Net profit	5,07,750		5,07,750

Additional information:

(i) General expenses include Rs. 1500 paid as compensation to an old employee whose services were terminated. His service was considered detrimental to business interest. A sum of Rs. 6000 being cost of small machine is also included in general expenses.

(ii) One–third of motor car expenses is for personal use.

(iii) Reserve for future loss represents a demand of sales tax under dispute.

(iv) Depreciation is found to be in excess by rs. 500 as per Income–tax Rules.

(v) Actual income tax for 2010–11 Rs. 12,000.

(vi) Profit on sale of residence represents long–term capital gains computed in the prescribed manner.

(vii) Tax has been deducted at source from the Govt. Securities at 10%.

(viii) JB Agro Ltd. is a listed Indian company.

(ix) She received interest of Rs. 4,000 on moneys lent to her friends, which has not been reflected in her books.
Compute her total income and tax liability.

(b) Scindia furnishes the following particulars for the previous year 2010–11: 6 (0)
A plot of land was sold on 19–7–2010 for Rs. 35,00,000. He paid brokerage on its sales at one per cent. He had purchased this plot on 20–12–1988 for Rs.4,20,000. On 1–2–2010, he had purchased a residential house for Rs.18,00,000. He owns another residential house, purchased on 8–7–2009.
The cost of inflation index for financial years 1988–89 and 2010–11 are 140 and 711 respectively.
Find out the amount of capital gains chargeable to income tax.
Suppose Scindia sells the new residential house on 1–1–2013. What will be the taxable amount of capital gains and in which year it will be charged to tax?
If he purchases any other residential house on 1–6–2012. What will be taxable amount of capital

gains and in which year it will be charged to tax? Is the same short–term or long–term in nature?

3. (a) Mrs.Vasudha retires on 15th Feb., 2011, after serving for 30 years and 5 months. She gets Rs. 10,70,000 as gratuity. Her salary details are as under: 6 (0)
FY 2010–11 Salary Rs.1,00,000 p.m D.A. 50% of salary.50% there of taken for retirement benefits.
FY2009–10 Salary Rs.90,000 p.m. D.A. 50% of salary.50% there of forms part of retirement benefits.
Compute the taxable amount of gratuity in her hands in the following situations:
(i) She retires from Government service;
(ii) She retires from seasonal factory in a private sector, covered under Payment of Gratuity Act,1972.

(b) State the treatment of the following perquisites for income tax purpose in the hands of the employee: 1x4=4 (1)
(i) Firm (employer) offers special discount on its product sales to employees.
(ii) Employee is allowed to use the laptop of the employer, at his residence.
(iii) Reimbursement of air travel expense to an employee's wife.
(iv) Assessee is given interest–free loan for purchase of car.

(c) State the conditions under which the political party gets tax exemption under section 13 A in respect of certain types of income/receipts. 3 (0)

(d) Distinguish between inter – source adjustment and inter –head adjustment. 2 (1)

4. (a) Mrs.Vimala commenced construction of house meant for residential purpose on 01.11.2008. She raised a loan of Rs. 10 lakhs @ 11% per annum from a bank. Finding that there was over run in the cost of construction, she raised a further loan of Rs. 5 lakhs from her friend at 15% rate of interest per annum on 1.10.2010. The construction was completed by February, 2011. 6 (1)

Compute the amount of interest allowable exemption under section 24 of the income–tax Act, 1961 in the following cases:

(i) The house was meant for self occupation from 01.03.2011
(ii) The house was to be let out from 01.03.2011

Is there any deduction available u/s. 80C towards principal repayment in respect of above loans?

(b) Mr.Janak receives the following gifts during the previous year 2010–2011: 5 (1)

	Date of gift	Details of gift and donor	Amount of gift (Rs.)
1.	01.07.2010	Gift from Raju, a friend, by cheque	50,000
2.	01.09.2010	Cash gift from sister–in–law	1,00,000
3.	01.12.2010	Gift of diamond ring on his birthday, by his friend living in Dubai	75,000
4.	15.12.2010	Cash gifts of Rs.31,000 each made by four friends on the occasion of his son's marriage	1,24,000
5.	01.12.2010	Gift of a rosewood cot made by friend on house opening ceremony	51,000

Discuss the taxability of each of the above as income from other sources.

(c) What do you mean by annexure less return? In what manner can the return of income be filed? 4 (0)

5. (a) Miss Vivitha, who carried on wholesale cum retail trade during the year 2010–11, reports a turnover of Rs. 52,50,000. 6 (0)
WDV of plant as on 01.04.2010 was Rs. 3,10,000.
On 01.12.2010, she acquired a plant for Rs. 50,000.
Net profit as per profit and loss account (before depreciation) was Rs. 4,35,000.
Compute business income both under regular provisions and applicable presumptive provisions of the Act.
State what would be the income chargeable to tax with the conditions to be complied with in this regard.

(b) Mrs. Arundhati aged 70 years furnishes, the following details for the assessment year 2011–12: 6 (0)

	Rs.
Family pension (gross)	1,32,000
Income from house property (computed)	(62,000)
Income from horse racing (gross)(TDS deducted @ 30%)	55,000
Bank deposit interest	17,000
Short term capital loss from shares	(1,00,000)
Agricultural income in India	75,000

Compute total income of Mrs.Arundhati and her tax liability.

(c) What is the due date of filling of return of income in case of a non–working partner of a firm whose accounts are subject to tax audit? who is regarded as 'working partner'?. 3 (0)

6. (a) Mr.Rajiv commenced business with a capital of Rs.2 lakhs in the financial year 2004–05. His capital as on 1.4.2009 was Rs. 5 lakhs. His wife gifted Rs. 1 lakh on 10.04.2009, which was also invested in the business. 6 (0)
His Net profit for the year 2009–10 = Rs.2 lakhs
His Net profit for the year 2010–11 = Rs. 4 lakhs

Compute the income from business to be clubbed in the hands of Mrs. Rajiv and the income from business taxable in the hands of Mr. Rajiv for the assessment year 2011–12.

Mr. Rajiv did not withdraw any money from the business from 01.04.2009 to 31.03.2010.

(b) Johnson is provided 2 cars by his company ABC Ltd. Other pertinent details are as under: 5 (0)

Paritculars	Car 1	Car 2
Cost of the Car (Rs.)	6,00,000	4,00,000
Cubic capacity of engine	Above 1.6 litres	Less than 1.6 litres
Running & repairs/amintenance (borne by the company)	72,000	45,000
Drivers salary(borne by the company)	39,000	33,000

Compute the perquisite value of car on the assumption that Car 1 is meant for both official and personal use and that Car 2 is meant for exclusive personal use.

(c) Vasudevan converted jewellery/ornaments owned by him into stock in trade on 1.9.2010, when he commenced a sole proprietary business by name Vaasu Jewellers. The jewellery/ornaments were acquired on 1.4.1975 for Rs.2,00,000. The FMV on 1.4.1981 was Rs. 4 lakhs. The market value on 1.9.2010 was RS. 35 lakhs. 4 (0)

He recorded the value at Rs. 25 lakhs in his books of account.

Compute taxable capital gain chargeable to tax.

If the entire jewellery stock so converted was sold for Rs. 32 lakhs before 31.03.2011, how much is taxable and under what head it is taxable?

Clearly indicate the assessment years in which the above are taxable. Cost inflation indices for financial years 1981–82 and 2010–11 are 100 and 711 respectively.

7. (a) Banerjee, a person of Indian origin was working in Australia from 1997. He returned to India for permanent settlement in May , 2009, when he remitte money into India. For the valuation date 31st March, 2011, the following particulars were furnished: 11 (0)

		Rs.
(i)	Building owned and let out for 270 days for residence. Net maintainable rent (60,000) and the market value Rs.20,00,000. (Excess of unbuilt area over specified area is 20% of the aggregate area).	
(ii)	Jewellery	
	(a) Bought in April'09 out of money remitted to India from Australia	15,00,000
	(b) Puchased in April'2010 out of sale proceeds of motor car brought from abroad and sold	14,00,000
(iii)	Value of interest in urban land held by a firm in which he is a partner	17,00,000
(iv)	Shares held in Indian companies	5,00,000
(v)	Vacant house plot of 400 sq.mts.(purchased in December 2005)	9,00,000
(vi)	Cash in hand	1,80,000
(vii)	Urban land purchased in the year 2009 out of withdrawals from **NRE** a/c	10,00,000

You are required to compute the taxable wealth as on 31–3–2011.*The reason for inclusion or exclusion of each item above should be stated.*

(b) What is a protective assessment under income–tax law? When is it resorted to and what is the procedure followed for the recovery of tax in such cases? Can penalty be imposed in a protective assessment? 4 (0)

8. (a) X held 18% shares in a private limited company. He gifted all the shares to his wife Y on 1st Nov., 2010. Y obtained a loan of Rs. 8,00,000 from the company when the company's accumulated profit was Rs. 6,00,000. What are the tax implications of the above transaction? 2 (0)

(b) Mr. Ramachandran submits details of his income/savings for the previous year 2010–11 as below: 7 (0)

		Rs.
(i)	Interest on capital from partnership firm	1,04,000
(ii)	Other interest receipts:	
	(a) Interest on loan from Y	20,000
	(b) Interest from Bank FDR	10,000
(iii)	Long term capital gain	46,000
(iv)	Contribution to PPF	50,000

Compute the tax liability of Mr. Ramachandran.

(c) Discuss the liability towards deduction of tax at source in the following cases: 3x2=6 (1)

(i) An Indian company pays dividends on preference shares to a shareholder, of an amount of Rs. 10,000 on Sept. 30, 2010.

(ii) A foreign enterprise enters into a contract for the fabrication and supply of components for machinery with X & Co. firm in India on Dec.1,2007. X & Co. in turn sub–contracts the work to Y & Co. and pays Rs. 20 lakhs on June 16, 2010.

(iii) A domestic company pays to a doctor a monthly retainership of Rs. 2,500/– for attending an outpatient clinic at its factory premises.

ADT Dec 2011

I—P7(ADT)
Syllabus 2008

Time Allowed : 3 Hours Full Marks : 100

The figures in the margin on the right side indicate full marks

Wherever required, the candidates may make suitable assumptions and state them clearly in the answers.

Working notes should form part of the relevant answers.

All questions relate to the assessment year 2011 – 12 and the provisions stated relate to Income Tax Act, 1961, unless stated otherwise in the question.

Answer Question No. 1 which is compulsory and any five from the rest.

1. Choose the correct answer: 1x25

(a) For RAJASTHALILTD., a company engaged in the manufacture of automotive parts, the rate of depreciation on acquiring machinery from UK on 1 January, 2011 to be used in India for the first time for AY 2011–12 will be: (1)

A. 15%	B. 25%	C. 7.5%	D. None of these

(b) ARUN JAIDEV Ltd. has taken office premises on lease from Mr. X. The monthly rental amounts to Rs.15,000- on which service tax is levied @ 10.30% thereby resulting in a total monthly expense of Rs.16,545. TDS u/s 1941 on this transaction is applicable on: (0)

A. Rs. 15,000	B. Rs. 16,500	C. Rs. 16,545	D. Nil

(c) PREM BANSAL Ltd. makes a payment of Rs. 35,000 in cash to a transporter for plying of goods carriages in a single day. The disallowance under section 40A(3) will be: (0)

A. Rs. 35,000	B. Rs. 20,000	C. Rs. 15,000	D. Nil

(d) S. S. CORPORATE SECURITIES Ltd., an existing company incurred an expenditure of Rs. 1,00,000 in FY 2010–11 in connection with issue of shares to increase its share capital for a period of 10 years. The amount allowed as deduction under section 37(1) for A Y 2011–12 will be: (0)

A. Rs. 10,000	B. Rs. 20,000	C. Rs. 1,00,000	D. Nil

(e) PELF FINSTOCK Ltd. filed its Return of Income Tax for AY 2010–11 on 30th March, 2011. The notice for making scrutiny assessment under section 143(3) can be served on the assessee upto: (1)

A. 30th September, 2011	B. 31st December, 2011	C. 30th March, 2012	D. 30th September, 2012

(f) Interest under section 234B is payable by an assessee due to the following reason: (0)

A. Defaults in furnishing return of income	B. Defaults in payable of advance tax	C. Defaults in instalments of advance tax	D. Defaults due to non–deduction of tax at Source

(g) The basic exemption limit for a Non-resident woman who is 70 years old for the Assessment Year 2011–12 is: (0)

A. Rs. 1,60,000	B. Rs. 2,40,000	C. Rs. 1,90,000	D. Rs. 1,80,000

(h) The charging section of the Income Tax Act is: (0)

A. Section 1	B. Section 2	C. Section 3	D. Section 4

(i) Deduction of profit and gains derived from export under section IOAA available to SEZ units is for—years. (0)

A. 10	B. 5	C. 8	D. None of these

(j) In case of conflict between the provisions of Income Tax Act and the provisions of Double Taxation Avoidance Agreement (OTAA), the following shall prevail: (0)

A. The Income Tax Act, 1961	B. DTAA	C. Whichever is beneficial to the assessee	D. Whichever is beneficial to the Income Tax authorities

(k) Walmart Ltd., is in the business of setting up and operation cold chain facilities, It commenced its operations on 1.4.2010 and claimed deduction of all expenditure under section 35AD. The net loss for the year ending 2010–11 is Rs. 50,00,000, The number of years for which this loss can be carried forward is: (0)

A. 8 years	B. 4 years	C. Infinitely	D. Cannot be carried forward

(l) MR. RAKESH BEHARI is a trader and deals in purchase and sales of cloth. He is required to get his accounts audited under section 44AB if his total sales/turnover exceeds: (0)

A. Rs. 40,00,000	B. Rs. 10,00,000	C. Rs. 15,00,000	D. Rs. 60,00,000

(m) MAT credit under section 115JAA is allowed to be carry forward and set–off for——years. (0)

A. 10	B. 8	C. 7	D. Infinitely

(n) Xing Ltd. is incorporated in USA, it declared of Rs. 1,00,000 to its Indian shareholders on 30th September, 2010. The rate at which Xing Ltd. is liable to pay Dividend Distribution Tax (DDT) under section.115–0 is equal to: (0)

A. 15%	B. 16.995%	C. 16.61%	D. Not liable to pay DDT

(o) The celling limit for exemption of Gratuity under section 10(10) received from the employer is: (0)

A. Rs. 10,00,000	B. Rs. 3,50,000	C. Rs. 5,00,000	D. Rs. 3,00,000

(p) On 17th January, 2011, M/s. Naina sold a house property and earned a long term capital gain of Rs. 1,02,50,000. She invested a sum of Rs. 50,00,000 in bonds specified in section 54EC on 8th March, 2011. She further invested a sum of Rs. 50,00,000 in same bonds on 8th May, 2011. Taxable Income of M/s. Naina for the Assessment Year 2011–12 will be: (0)

A. Rs. 50,00,000	B. Rs. 50,50,000	C. Rs. 1,00,50,000	D. Rs. 2,50,000

(q) PRARTHANA Ltd. has to make a payment of Rs. 10,00,000 to Mr. PIYUSH for certain services. PRARTHANA Ltd. is required to deduct tax at source at the rate of 10%. However, Mr. PIYUSH does not provide Permanant Account Number (PAN) to PRARTHANA Ltd. for deduction of tax from Rs. 10,00,000. The rate at which tax will be deducted by PRARTHANA Ltd. will be: (0)

A. 10%	B. 20%	C. 30%	D. No TDS should be deducted due to non–availability of PAN

(r) Incomes which accrue or arise outside India but are received directly in India are taxable in case of: (0)

A. Resident only	B. Non–Residents	C. All Assessees	D. Resident but not Ordinarily Resident

(s) Where the Assessing Officer is aggrieved by an order of the Commissioner of Income–tax (Appeals), further appeal in respect of same lies to: (0)

A. Income-tax Appellate Tribunal	B. Dispute Resolution Panel	C. Central Board of Direct Taxes	D. Income-tax Settlement Commission

(t) A company is required to pay 75% of its advance tax liability by which date: (0)

A. 15 March of the previous year	B. 15 December of the previous year	C. 15 September of the previous year	D. 15 June of the previous year

(u) S. Ltd. is an Indian Company which is 100% subsidiary of H. Ltd., a Foreign Company. H. Ltd. sells its products to S. Ltd. at $ 15 per unit. At the same time, it sells its products to an unrelated party at $ 20 per unit. The arm's length price as per section 92C in this transaction will be: (0)

A. $ 15	B. $ 20	C. $ 15.75	D. $ 21

(v) R. Ltd. is registered in UK. Its control and management is wholly situated in India. R. Ltd. shall be: (0)

A. Resident in India	B. Non-resident in India	C. Resident but not ordinarily resident	D. Resident in India if other certain conditions are satisfied

(w) Transfer Pricing provisions are applicable if: (0)

A. There is an international transaction	B. There is any transaction between associated	C. There is an international transaction	D. There is an Interna- tional transaction

between any two parties	enterprises	between associated enterprises	between associated enterprises and the transaction is not at arm's length price

(x) Circulars issued by the Central Board of Direct Taxes is binding on: (0)

A. Assessee only	B. Income–tax authority only	C. Both assessees and income tax authorities	D. On everyone except the Judiciary

(y) Additional depreciation under section 32(1)(iia) of the Income–tax Act, 1961 is available to: (0)

A. Plant & Machinery	B. Plant & Machinery and Buildings	C. Plant & Machinery and intangible assets	D. All depreciable assets under the Income–tax Act, 1961

2. (a) Answer the following with reference to the provisions of the Income–tax Act, 1961: 6 (0)

(i) Bad debt claim disallowed in an earlier assessment year, recovered subsequently. Is the sum recovered, chargeable to tax?

(ii) Return of income of a company was signed by the Company Secretary. Is the return a valid return?

(iii) Tax deducted at source on salary paid to employees not remitted till the 'due date' for filing the return prescribed in section 139. Is the expenditure to be disallowed under section 40(a)(ia)?

(iv) X Co. Ltd. paid Rs. 120 lakhs as compensation as per approved Voluntary Retirement Scheme (VRS) during the financial year 2010–11.
How much is deductible under section 35DDA for the assessment year 2011–12?

(b) BHART doing manufacture and wholesale trade furnishes you the following information: 3 (0)
Total turnover for the financial year:

	Rs.
2009–10	45,00,000
2010–11	55,00,000

State whether tax deduction at source provisions are attracted for the below said expenses incurred during the financial year 2010–11:

	Rs.
Interest paid to UCO Bank	41,000
Contract payment to Raj (2 contracts of Rs. 12,000 each)	24,000
Shop rent paid (one payee)	1,90,000
Commission paid	7,000

(c) RAJASTHALI Ltd. furnishes you the following information for the year ended 31.3.2011: 3 (0)

	Rs.
Total turnover of Unit A located in Special Economic Zone.	100 lakhs
Profit of the business of Unit A	30 lakhs
Export turnover of Unit A	50 lakhs
Total turnover of Unit B located in Domestic Tariff Area (DTA)	200 lakhs
Profit of the business of Unit B	20 lakhs

Compute deduction under section 10AA for the A.Y. 2011–12.

(d) TUSHAR had 4 heavy goods vehicles as on 1.4.2010. He acquired 7 heavy goods vehicles on 27.6.2010. He sold 2 heavy goods vehicles on 31.5.2010. 3 (0)

He has brought forward business loss of Rs. 50,000 relating to assessment year 2007-08 of a discontinued business. Assuming that he opts for presumptive taxation of income as per section 44AE, compute his total income chargeable to tax for the assessment year 2011–12.

3. (a) Mr. PADAM engaged in retail trade, reports a turnover of Rs. 58,50,000 for the financial year 2010–11. His income from the said business as per books of account is computed at Rs. 2,90,000. Retail trade is the only source of his income: 5 (0)

(i) Is Mr. PADAM eligible to opt for presumtive determination of his income chargeable to tax for the assessment year 2011–12?

(ii) If so, determine his income from retail trade as per the applicable presumtive provision.

(iii) In case he does not opt for presumtive taxation of income from retail trade, what are his obligations under the Income–tax Act, 1961?

(iv) What is the due date for filing his return of income under both the options?

(b) MITTAL (P) Ltd., converted into a Limited Liability Partnership (LLP) by name All Trade LLP, with effect from 01.04.2010: 5 (0)
The following details are given to you:

	Rs.
Asst. year 2003–04: Business loss brought forward	2,00,000
Asst. year 2010–11 : Business loss brought forward	5,00,000
(These are related to erstwhile MITTAL (P) Ltd.	
Total income of All Trade LLP, for the financial year	

2010–11 (Before set off of brought forward business losses of erstwhile company i.e. MITTAL (P) Ltd.) 6,00,000

Assume that all the conditions prescribed in section 47(xiiib) were satisfied by (P) Ltd. at the time of conversion into LLP:

(P)

(i) Explain whether All Trade LLP can set off and carry forward the business loss of its predecessor i.e. MITTAL (P) Ltd.?

(ii) State whether any change in partners of All Trade LLP at later date would have any tax consequence.

(c) CHERRY Limited commenced the business of operating a three star hotel in Tirupati on 1.4.2010. 5 (0)

It furnishes you the following information:

		Rs.
(i)	Cost of land (acquired in June 2008)	60 lakhs
(ii)	Cost of construction of hotel building	
	Financial year 2008–09	30 lakhs
	Financial year 2009–10	150 lakhs
(iii)	Plant and Machineries (all new) acquired during financial year 2009–10	30 lakhs
	[All the above expenditures were capitalized in the books of the company]	
	Net profit before depreciation for the financial year 2010–11	80 lakhs

Determine the amount eligible for deduction under section 35AD of the Income-tax Act, 1961, for the assessment year 2011–12.

4. (a) BIRLA Ltd., a cement manufacturing company, entered into an agreement with a supplier for purchase of additional cement plant. One of the conditions in the agreement was that if the supplier failed to supply the machinery within the stipulated time, the company would be compensated at 5% of the price of the respective portion of the machinery without proof of actual loss. The company received Rs. 8.50 lakhs from the supplier by way of liquidated damages on account of his failure to supply the machinery within the stipulated time. What is the nature of liquidated damages received by BIRLA Ltd. from the supplier of plant for failure to supply machinery to the company within the stipulated time-a capital receipt or a revenue receipt? 5 (0)

(b) A public charitable trust, created under a trust deed for providing relief to poor, registered under section 12A, furnishes the following particulars of its receipts during the year ended 31 st March, 2011: 5 (0)

		Rs. in lakh
(i)	Income from properties held by trust (net)	12
(ii)	Income (net) from business (incidental to main objects)	25
(iii)	Voluntary contributions from public (including the corpus donation of Rs. 4 lakh)	14

The trust applied Rs. 15 lakhs towards activities undertaken for the benefit of street urchins and "Below Poverty Line" (BPL) families during the year. The trust has also paid Rs. 18 lakh towards repayment of a loan taken a year back for the purpose of construction of a vocational training centre for the benefit of training of youth from BPL families.

Determine the Taxable Income, if any, of the trust for the assessment year 2011–12.

(c) During the financial year 2010-11, the following payments/expenditures were made/incurred by Mr. ATUL GUPTA, a resident individual (Whose turnover during the year ended 31.3.2010 was Rs. 39 lakhs). 5 (0)

(i) Interest of Rs. 12,000 was paid to P C T & Co., a resident partnership. firm, without deduction of tax at source;

(ii) Interest of Rs. 4,000 was paid as interest to Mr. PULKIT a non-resident, without deduction of tax at source;

(iii) Rs. 3,00,000 was paid as salary to a resident individual without deduction of tax at source;

(iv) He had sold goods worth Rs. 5 lakhs to Mr. SANCHIT. He gave Mr. SANCHIT a cash discount of Rs. 12,000 later. Commission of Rs. 15,000 was paid to Mr. Vidyasagar on 2.7.2010. In none of these transactions, tax was deducted at source.

Briefly discuss whether any disallowance arises under the provisions of section 40(a)(i)/4O(a)(ia) of the Income–tax Act, 1961.

5. (a) The following are the details relating to Mr. SUNIL a resident Indian, aged 57, relating to the year ended 31.3.2011: 8 (0)

	Rs.
Income from salaries	2,20,000
Loss from house property	1,90,000
Loss from cloth business	2,40,000
Income from speculation business	30,000
Loss from specified business covered by section 35AD	20,000
Long-term capital gains from sale of urban land	2,50,000
Long-term capital loss from sale of listed shares in recognized stock exchange (STT paid)	1,10,000
Loss from card games	32,000
Income from betting	45,000
Life Insurance Premium paid	1,20,000

Compute the total income and show the items eligible for carry forward.

(b) NIKITA Pvt. Ltd. is converted into NIKITA LLP on 1.1.2011. The following particulars are 7 (0) available to you:

		Rs.
(i)	WDV of land as on 1.4.2010	5,00,000
(ii)	WDV of machinery as on 1.4.2010	3,30,000
(iii)	Patents acquired on 1.6.2010	3,00,000
(iv)	Building acquired on 12.3.2009 for which deduction was allowed under section 35AD	7,00,000
(v)	Above building was revalued as on the date of conversion into LLP as	12,00,000
(vi)	Unabsorbed business loss as on 1.4.2010 (A. Y. 2007–08)	9,00,000

Though the conversion into LLP took place on 1.1.2011, there was disruption of business and the assets were put in to use by the LLP only from 1st March, 2011 onwards.

The company earned profits of Rs. 8 lakhs prior to computation of depreciation.

Assuming that the necessary conditions laid down in section 47(xiiib) of the Income–tax Act, 1961 have been complied with, explain the tax treatment of the above in the hands of the LLP.

Note—"WDV of land as on 1.4.2010" may be read as "Cost of land".

6. (a) VERTIKA Limited has two units - one engaged in manufacture of computer hardware and the other involved in developing software. As a restructuring drive, the company has decided to sell its software unit as a going concern by way of slump sale for Rs.385 lakh to a new company called SUMEDHA Limited, in which it holds 74% equity shares. 8 (0)

The balance sheet of VERTIKA Limited as on 31st March, 2011 being the date on which software unit has been transferred, is given hereunder—

Balance Sheet as on 31.3.2011

Liabilities	Rs. In lakh	Assets	Rs. In lakh
		Fixed Assets	
Paid up Share Capital	300	Hardware unit	170
General Reserve	150	Software unit	200
Share Premium	50	Debtors	
Revaluation Reserve	120	Hardware unit	140
Current Liabilities		Software unit	110
Hardware unit	40	Inventories	
Software unit	90	Hardware unit	95
		Software unit	35
	750		750

Following additional information are furnished by the management.

(i) The Software unit is in existence since May, 2007.

(ii) Fixed assets of software unit includes land which was purchased at Rs. 40 lakh in the year 2004 and revalued at Rs. 60 lakh as on March 31, 2011.

(iii) Fixed assets of software unit mirrored at Rs. 140 lakh (Rs.200 lakh minus land value Rs. 60 lakh) is written down value of depreciable assets as per books of account. However, the written down value of these assets under section 43(6) of the Income Tax Act is Rs. 90 lakh.

Ascertain the tax liability, which would arise from slump sale to SUMEDHA Limited.

(b) Mr. AGGARWAL purchased a house property on 14th April, 1979 for Rs.1,05,000. He entered into an agreement with Mr. B for the sale of house on 15th September, 1982 and received an advance of Rs. 25,000. However, since Mr. B did not remit the balance amount, Mr. AGGARWAL forfeited the advance. 7 (0)

Later on, lie gifted the house property to his friend Mr. A on 15th June, 1986.

Following renovations were carried out by Mr. AGGARWAL and Mr. A to the house property:

	Amount (Rs.)
By Mr. AGGARWAL during FY 1979–80	10,000
By Mr. AGGARWAL during FY 1983–84	50,000
By Mr. A during FY 1993–94	1,90,000

The fair market value of the property as on 1.4. 1981 is Rs. 1,50,000.

Mr. A entered into an agreement with Mr. C for sale of the house on 1 st June, 1995 and received an advance of Rs. 80,000. The said amount was forfeited by Mr. A since Mr. C could not fulfil the terms of the agreement.

Finally, the house was sold by Mr. A to Mr. Sanjay on 2nd January, 2011 for a consideration of Rs. 12,00,000. Compute the capital gains chargeable to tax in the hands of Mr. A for the assessment year 2011-12. Cost inflation indices are as under:

Financial Year	Cost Inflation Index
1981–82	100
1983–84	116
1986–87	140
1993–94	244

2010–11	711

7\. (a) ANJU, an individual resident retired employee of the All India Radio aged 60 years is a well-known dramatist deriving income of Rs. 1,10,000 from theatrical works played abroad. Tax of Rs. 11,000 was deducted in the county where the plays were performed. India does not have any Double Tax Avoidance Agreement under section 90 of the Income-tax Act. 1961, with that country. Her income in India amounted to Rs. 5,10,000, In view of tax planning she has deposited Rs. 70,000 in Public Provident Fund and paid contribution to approved Pension Fund of LIC Rs. 32,000 along with subscription to notified long-term infrastructure bonds Rs. 25,000. She also contributed Rs. 18,000 to Central Government Health Scheme during the previous year and gave payment of medical insurance premium of Rs. 21,000 to insure the health of her father, a non-resident aged 76 years, who is not dependent on her. Compute the tax liability of ANJU for the Assessment year 2011–12. 8 (0)

(b) CHERRY Ltd. is running two industrial undertakings, one in a SEZ (Unit S) and another in a normal area (Unit N). The brief summarized details for the year ended 31.3.2011 are as under: 7 (0)

	(Rs. in lacs)	
	S	N
Domestic turnover	10	100
Export turnover	120	Nil
Gross profit	20	10
Less: Expenses and depreciation	7	6
Profits derived from the unit	13	4

The brought forward business loss pertaining to Unit N is Rs. 2 lacs. Briefly compute the business income of the assessee.

8\. (a) Mrs. MITTAL furnishes the following particulars for the computation of her wealth-tax liability for the assessment year 2011–12. 8 (0)

(1) She owns two residential house properties, valuing Rs. 52 lakhs and Rs. 55 lakhs.

(2) She is one of the partners in the business with her husband. The value of her interest in assets of the firm as at 31st March, 2011 is Rs. 15 lakhs. The said business is conducted in one of the house properties owned by Mrs. MITTAL.

(3) She has two motor cars – one Indian car valued at Rs. 8 lakhs and an imported car valued at Rs. 19 lakhs.

(4) She has invested Rs. 5,00,000 in a bank deposit for five years to meet the future expense of children on their education.

(5) She has signed "agreement to sell" for purchase of new residential house property of Rs. 40 lakhs and has made advance payment of Rs. 20 lakhs on 15th March. 2011 and has taken possession. However, the Sale deed has not been executed till 31st March, 2011. She has taken loan of Rs. 20,00,000 from bank for purchase of said property.

(6) She has cash balance of Rs. 80,000.

Compute the wealth tax payable by Mrs. MITTAL for the assessment year 2011–12.

(b) On 21.3.2010, Mr. PIYUSH gifted to his wife Mrs. PRARTHANA 200 listed shares, which had been bought by him on 19.4.2009 at Rs.2,000 per shares. On 1.6.2010 bonus shares were allotted in the ratio of 1:1. All these shares were sold by Mrs. PRARTHANA as under.

Date of sale	Manner of sale	No. of shares	Net sales value (Rs.)
21.5.2010	Sold in recognized stock exchange, STT paid	100	2,20,000
21.7.2010	Private sale to an outsider	All bonus shares	1,25,000
28.2.2011	Private sale to her friend Mrs. NIKITA (Market value on this date was Rs. 2,10,000	100	1,70,000

Briefly state the income-tax consequences in respect of the sale of the shares by Mrs. PRARTHANA showing clearly the person in whose hands the same is chargeable, the quantum and the head of income in respect of the above transactions. Detailed computation of total income is NOT required .

Net sales value represents the amount credited after all taxes, levies, brokerage, etc., and the same may be adopted for computing the capital gains.

Cost inflation index for the FY 2010–11 is 711 and for the FY 2009–10 is 632.

ADT June 2012

I—P7(ADT)
Syllabus 2008

Time Allowed : 3 Hours | Full Marks : 100

The figures in the margin on the right side indicate full marks

Answer Question No. 1 which is compulsory and any five from the rest.

Wherever necessary, suitable assumptions may be made by the candidate and state clearly in the answer.

Working notes should form part of the answer.

1. (a) Choose the correct alternative: 1x13

(i) The basic exemption limit for a non–resident woman above the age of 60 years for the assessment year 2012–13 is (0)

(a) Rs. 1,90,000 (b) Rs. 1,80,000 (c) Rs. 2,40,000 (d) Rs. 2,50,000

(ii) When a person retires from a profession and receives any amount towards self–generated goodwill, it is (0)

(a) Taxable as income from profession (b) Exempt income under section 10

(c) Not taxable since there is no cost of acquisition (c) Taxable as capital gain

(iii) Mr. Xavier received Rs. 2,00,000 from the prospective employer before joining duty in order to resign from the present employer. Subsequently, he joined the new employer. The amount received is (0)

(a) Taxable as income from business (b) Taxable as salary income

(c) Exempt from tax u/s 10 (d) Exempt being capital receipt.

(iv) Jain introduced his motor car costing Rs. 3,00,000 acquired in April, 2009 into the business newly commenced by him from 01.04.2011. The actual cost of car for the purpose of depreciation would be (0)

(a) Rs.3,00,000 (b) Rs.2,16,750 (c) 1,50,000 (d) Rs. 'Nil' not eligible for depreciation

(v) For non–Government employee governed by Payment of Gratuity Act, 1972, the monetary limit for exemption is (0)

(a) Rs. 5,00,000 (b) Rs. 3,50,000 (c) Rs. 10,00,000 (d) Limitless

(vi) Unrealised rent of Rs. 50,000 was received in June, 2011. The property was sold before April, 2011. How much of unrealized rent is taxable? (0)

(a) Rs.50,000 (b) Rs.35,000 (c) Rs.30,000 (d) Not taxable

(vii) A registered charitable trust meant for educational purpose has annual aggregate receipt of Rs. 80,00,000. Its income after expenses is Rs. 20,00,000. The income liable to income-tax would be (0)

(a) Rs. 80,00,000 (b) Rs. 60,00,000 (c) 'Nil' (d) Rs. 30,00,000

(viii) Pravin received Rs. 1,000 per month as transport allowance. The amount eligible for exemption would be (0)

(a) Rs. 1,000 p.m. (b) Rs. 200 p.m. (c) Rs. 800 p.m (d) Rs. 'Nil' fully taxable

(ix) Jayant working in a college received Rs. 2,000 per month as research allowance for pursuing research. The taxable portion of allowance would be (0)

(a) Rs. 2,000 p.m. (b) Rs. 'Nil' (c) Rs. 1,000 p.m. (d) Rs. 'Nil' fully exempt

(x) Pankaj was provided accommodation in a hotel by the employer for 10 days mnsequent to his transfer from Mumbai to Kolkata. The cost of accommodation was Rs. 30,000 to the employer. The value of perquisite is (0)

(a) Rs. 'Nil' (b) Rs.30,000 (c) Rs. 15,000 (d) Rs. 20,000

(xi) A & Co., a partnership finn, contributed Rs. 1,00,000 towards family planning programme among the employees. The amount eligible for deduction would be (0)

(a) Rs. 1,00,000 (b) Rs.20,000 (c) Rs. 1,50,000 (d) Rs. 'Nil' not eligible for deduction

(xii) A sum of Rs. 50,000 was written off as bad debt in the assessment year 2008–09 and was disallowed. During financial year 2011–12 Rs. 20,000 was recovered. Out of the recovery how much is taxable? (0)

(a) Rs. 20,000 (b) Rs. Nil (c) Rs. 30,000 (c) Rs. 70,000

(xiii) Pon Ltd. incurred Rs. 35,00,000 towards voluntary–retirement compensation paid to its employees in the financial year 2011–12. How much is deductible for the assessment year 2012–13 out of the said payment (0)

(a) Rs. 7,00,000 (b) Rs. 5,00,000 (c) Rs. 35,00,000 (d) Rs. 3,50,000

(b) Fill up the blanks: 1x12

(i) Salary expenditure not recorded in the books is taxable as unexplained expenditure and at the same time ____________ it is (deductible/not deductible) for computing total income as per section 69C. (0)

(ii) Amount received under keyman insurance policy including bonus thereon is __________ (income/exempted income) under the Income–tax Act, 1961. (0)

(iii) Income of minor child when subjected to clubbing, a sum of Rs. ____________is exempt. (0)

(iv) Deposit in public provident fund in the name of minor child is ______________(deductible/not deductible) under section 80C in the hands of contributing parent. (0)

(v) An individual can avail the benefit of exemption in respect of leave travel concession offered by his employer ______________in a block of four years. (0)

(vi) The maximum amount of exemption in respect of encashment of earned leave is Rs. _____________. (0)

(vii) A charge created consequent to the decree of a Court of law is _____________(application/diversion) of income. (0)

(viii) Amount recovered by an employer from the employees towards the latter's share of provident fund contribution is ____________(income/not an income) of the assessee–employer. (0)

(ix) Loss from non–speculation business ___________(can/cannot) be set off against profits derived from speculation business. (0)

(x) Salary foregone is ___________(taxable/not taxable) in computing the income from salaries in the hands of the concerned employee. (0)

(xi) The monetary ceiling limit for exemption for gratuity received w.e.f. 21.05.2011 under the Payment of Gratuity Act, 1972 is Rs. ___________. (0)

(xii) Fixed medical allowance of Rs. 2,000 per month paid by an employer is _____________(taxable/exempt) in the hands of the employee. (0)

2. (a) Following details are furnished by Mr. Appaji for the year ended 31.03.2012: 9 (0)

		Rs.
(i)	Profit on sale of shares in Indian company, sold in India but proceeds received in France	30,000
(ii)	Dividend from a Korean company received in France	50,000
(iii)	Rent from property in Sri Lanka deposited in Sri Lanka but later remitted to India through approved banking channel–Gross	1,00,000
(iv)	Dividend from ABC (P) Ltd.	20,000
(v)	Income from nursery in Gujarat	40,000

Compute the total income of Mr. Appaji if he is

(i) Resident and ordinarily resident;

(ii) Resident but not ordinarily resident;

(iii) Non–resident.

(b) Ms. Monisha, a Sikkimese woman, married Mr. Atul of Surat in June, 2006. She has income from let out property at Sikkim being Rs. 10,000 per month. She is employed in a bank at Surat and her salary income for the year ended 31.03.2012 was computed at Rs. 3,12,000. Determine her total income. 4 (0)
What would be your answer if she got married on 30th June, 2010?

(c) Is any income of Khadi and Village Industries Board exempt from tax? If not, state taxable and exempted items of income. 2 (0)

3. (a) State how the residential status of a company is determined under the Income–tax Act, 1961. 3 (0)

(b) Mr. Rajan doing business, donated Rs. 50,000 to Madras University on 10.01.2012, to be used for scientific research programme approved by Principal Scientific Advisor to the Government of India. 3 (0)

(i) How much of such donation is deductible in computing business income of Mr. Rajan for the assessment year 2012–l3? How much of such donation is deductible in computing business income of Mr. Rajan for the assessment year 2012–l3?

(ii) If Mr. Rajan was an employee having only salary income, what would be your answer?

(c) Mr. David is employed in Vertex Co. Ltd., Mumbai. His salary details for the financial year 2011–12 are given below: 9 (0)

(i) Basic salary Rs. 70,000 per month;

(ii) Dearness allowance 50% of basic salary (Eligible for retirement benefits);

(iii) House rent allowance Rs. 10,000 per month (Rent paid by employee Rs. 15,000 per month);

(iv) Bonus Rs. 30,000 per annum;

(iv) Both David and his employer contribute Rs. 15,000 each per month towards pension scheme notified in section 80 CCD.

Calculate the total income of Mr. David for the assessment year 2012–l3.
Determine the amount of contribution to the pension scheme eligible for deduction in the hands of employer.

4. (a) Under what head of income is family pension assessed? Is any deduction available for such amount received ? 3 (0)

(b) State the due dates for filing of return of income under section 139(1) of the Income–tax Act, 1961 in the following cases, for the assessment year 2012–l3: 3 (0)

(i) By a non–working partner of a LLP, whose accounts are required to be audited under section 44AB;

(ii) By a company which has entered into international transactions with a non–resident and is required to file audit report in this regard;

(iii) By a University whose gross fee receipts are Rs. 3 crores.

(c) Write a brief note on the valuation of self–occupied house property for the purposes of the Wealth–tax act,1957. 4 (0)

(d) The following are the income details of Padmaja Textiles LLP, for the assessment year 2012–13: 5 (0)

	Rs.
Book profits of the LLP (before considering interest and remuneration to partners)	15,00,000
Interest to partners at 15%	2,10,000
Remuneration to working partners as per books	4,50,000
Permissible deduction u/s 80–ID	6,20,000

Compute the tax payable by the LLP for the assessment year 2012–l3.

5. (a) Vaibhav Solvents Ltd. is an existing Indian Company, which sets up a new industrial unit. It incurs the following expenditure in connection with the setting up of a new industrial unit: 5 (0)

	Rs.
Preparation of project report	4,00,000
Feasibility report expenses	6,00,000
Expenses for raising additional capital required for the new unit	3,00,000
The following additional data are given:	
Factory construction cost	12,00,000
Cost of project	40,00,000
Capital employed in the new unit	30,00,000

Compute the deduction admissible to the company under section 35D of the Income–tax Act, 1961 for the assessment year 2012–13.

(b) State the conditions to be fulfilled for claiming deduction of unrealized rent while computing the income from house property. 5 (0)

(c) A domestic company derives the following income for the year ended 31.3.2012: 5 (0)

Income from business	Rs. 90 lakhs
Chargeable long–term capital gains from sale fo vacant site	Rs. 30 lakhs

Compute the total income and tax payable by the company for the assessment year 2012–13. Ignore MAT provisions.

6. (a) What are the circumstances the Assessing Officer may refer the valuation of the capital asset to the Valuation Officer under section 55A of the Income–tax Act, 1961? 5 (0)

(b) Mr. Ram, the kartha of a Hindu Undivided Family (HUF) invested family .funds of Rs. 5 lakhs in the shares of Hanumaan Couriers P. Ltd. He was appointed as the Managing Director of the company and was paid a remuneration of Rs. 3.6 lakhs for the year ended 31.3.2012. Discuss whether the said remuneration will be assessed in the individual hands of Mr. Ram or in the hands of the HUF, for the assessment year 2012–13. 4 (0)

(c) R Ltd., which had taken up a building on lease, sub–leased the building along with the Furniture to T Ltd. on 01.04.2009. The monthly lease rent is Rs. 10,000 for building and Rs. 4,000 for furniture upto 31.03.2011 and 50% increase in each, for the year ended 31.03.2012. The entire amount was in arrears and only on 31.03.2012, the whole of the lease amount was paid by T Ltd. to R Ltd. 6 (0)
Discuss the obligation of T ltd. to deduct tax at source from the above payment. What is the rate of TDS and the amount of tax to be deducted ? when should this TDS amount be remitted?

7. (a) Explain the tax treatment for set off and carry forward of loss from house property. 5 (0)

(b) Dinesh having a proprietary concern by name ‘Dinesh Jewellers’ has the following assets and liabilities as on 31.03.2012: 10 (0)

(Rs. in lakhs)

Assets

Plot of land (600 sq. mts) at Indore on which a building has been constructed without the approval of appropriate authority	30
Building constructed on the above said land at Indore without the approval of the appropriate authority and used for his business purpose	40
Jewellery held as stock in trade	60
Gold jewellery meant for personal use brought into India from Malaysia, where he was residing, on his return to India on 1.11.2008 for permanently residing in India	10
Motor car (WDV)–Rs. 5 lakhs, Market value	6
Interest in the coparcenary property of the Hindu Undivided Family of which he is a member	20
Cash in hand recorded in the books of account	2.5
Fixed deposits in a nationalised bank	8
Liabilities	
Loan borrowed for marriage of daughter	5
Loan borrowed for construction of building at Indore	8

The amounts stated against the assets, except cash in hand, are the values determined as per section 7 of the Wealth–tax Act, 1957 read with Schedule III thereto.

Compute the net wealth of Dinesh as on 31.03.2012.

8. (a) Mr. Arvind (aged 45 years) has total income of Rs. 7,80,000 for the previous year ended 31.03.2012. He has credit by way of tax deducted at source of Rs. 20,000. He paid advance tax of Rs. 20,000, Rs. 25,000 and Rs. 20,000 before 15th of September, December and March during the financial year 2011–12. 7 (0)

Assume he would be filling his return of income on 31.10.2012 after paying self assessment tax, compute interest payable by him under sections 234B and 234C of the Income–tax Act, 1961.

(b) Compute total income of Mr. Malik for the assessment year 2012–13 from the following particulars: 8 (0)

	Rs.
Income from house property (computed)	(1,40,000)
Income from salary (computed)	4,60,000
Long–term capital gain from sale of vacant site (computed)	2,00,000
Business loss–computed (automobile business)	80,000
Income from growing and manufacturing coffee (cured and roasted)	1,00,000
Tuition fees for higher education pursued by Mrs. Malik	25,000
Tax saver deposit in the name of Mrs. Malik	10,000
Public provident fund deposit in the name of minor son Pervez	15,000