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# THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

## DIRECTORATE OF STUDIES

## TEST PAPERS

## Intermediate

## Group I

**TEST QUESTION PAPERS FOR POSTAL STUDENTS ONLY**

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**PAPER – 5**
**FINANCIAL ACCOUNTING**

**TEST PAPER – I/5/FAC/2008/T-1**

Time Allowed: 3 Hours | Full Marks: 100

**Answer Q.No.1 and any four Questions from the rest**

**Q1a)** Indicate the correct answer: **5 X 2 = 10**

1. The output of financial accounting is

   a. The measurement of accounting income
   b. The measurement of taxable income
   c. The preparation of financial statements
   d. The preparation of financial Position

2. The basic objective of financial accounting is to:

   (a) Provide quantitative information to users of financial statements
   (b) Satisfy the legal requirements
   (c) Report income to the shareholders
   (d) Satisfy listing requirements of stock exchanges

3. Information about performance is disclosed by:

   (a) Balance sheet
   (b) Statement of cash flows
   (c) Profit and loss account
   (d) Both (a) and (b)

4. The lessee's right to recover the short working is related to:
   (a) First five years
   (b) Last three years
   (c) Terms of the agreement
   (d) None of the above.

5. In the books of lessee, short workings recoverable in future years are:

   (a) A revenue expense
   (b) A normal loss
   (c) An asset
   (d) A liability.

**Q1b)** What is meant by Hire purchase system and how does it differ from Installment payment system. **10**

**Q2a)** Oil India is bulk distributor of high octane petrol. A periodic inventory of petrol on hand is taken when the books are closed at the end of each month. The following summery of information is available for the month of June, 2007.

| | | Rs |
|---|---|---|
| Sales | | . 94,50,000 |
| General administration cost | | 2,50,000 |
| Opening stock: 1,00,000 liters | @ Rs. 30 per liter | 30,00,000 |
| Purchases (including freight ) | | |
| June 1: 2,00,000 liters | @ Rs. 28.50 per liter | |
| June 30: 1,00,000 liters | @ Rs. 30.30 per liter | |
| Closing stock June 30 | 1,30,000 liters | |

Compute the following by the FIFO and weighted average method of inventory costing:
(a) Value of inventory on June 30
(b) Amount of the cost of goods sold for June
(c) Profit or loss for June.

**Q2b)** Mahendra closes financial books on 31st December every year. Stock –taking continues one week after this date. In 2007 the value of closing stock came to Rs. 18,700 without making the following adjustment:

(1) Goods Purchased are recorded in the books as on the date of invoice.

(2) Purchase invoice was received on 28th December for Rs. 8,000 but goods adjusted this invoice were received on 4th January.

(3) Purchase invoice was received on 29th December for Rs.500 but goods against this were not received until the stock–taking was completed.

(4) Goods worth Rs. 700 were received on 31st December, the invoice of which was received on 3 rd January.

(5) Purchase invoice Rs.400 was received on 5th January, the goods against which were not received until the stock-taking was completed.

(6) Purchase invoice of Rs.100 was received on 6th January, but goods of only Rs. 80 could be received up to the time of stock-taking.

You are required to calculate the value of stock as on December 31, 2007

**Q3)** The following is the Receipts and Payments account of the "Pluto Club" for the year ending Mar 31, 2007:

| Receipts | Rs. | Rs. | Payments | Rs. |
|---|---|---|---|---|
| Opening balance: | | | Honorium to Secretary | 4800 |
| Cash in hand | | | Rates and taxes. | |
| | 150 | | | 1,260 |
| Balance as per pass book | | | Printing and stationary | 470 |
| | <u>8,230</u> | 8,380 | | |

| | | | | |
|---|---|---|---|---|
| Subscription | | 10,710 | Other miscelin. expenses | 1,530 |
| Receipts from fetes | | 2,400 | Wages | 840 |
| Net proceeds of varity Show | | 4,270 | Expenditure on fetes | 2,390 |
| Bank interest | | 230 | Payments for bar purchases | 5,770 |
| Bar takings | | 7,450 | Repairs | 320 |
| Cash overspent | | 20 | New car (less sale proceeds of old car Rs. 3,000) | 12,600 |
| | | | Closing balance as per bank pass book | 3,480 |
| | | 33,460 | | 33,460 |

You are given the following additional information:

| | 1-04-2006 | 31-03-2007 |
|---|---|---|
| | Rs | Rs |
| (1) Subscription due | 1,200 | 980 |
| (2) Unpresented cheques being payment on printing | | |
| (3) Club premises at cost | 90 | 30 |
| (4) Depreciation on club premises | 29,000 | - |
| (5) Car at cost | 18,800 | - |
| (6) Depreciation on car | 12,190 | - |
| (7) Value of bar stock | 10,290 | - |
| (8) Amount due for bar purchases | 710 | 870 |
| | 590 | 430 |

(9) Cash overspent represents amounts of honorarium to the secretary not drawn due to shortage of fund. But the total salary payable to him for the year was already included in Rs. 4,800.

(10) Depreciation is to be provided @ 5% p.a. on the written down value of the club premises and @ 15% p.a. on car for the whole year.
You are required to adjust bank balance according to cash book and prepare-

(i) An income and expenditure account of the club for the year ending 31$^{st}$ March 2007

(ii) A balance sheet as on 31$^{st}$ March 2007.

**Q4a)** A colliery company took a lease of a coal mine for a period of 20 years from January 1, 2000 upon the terms of royalty of Rs 50 per tonne of the output with a minimum rent of Rs. 8,00,000 per annum with power to recoup short workings over the first three years of the lease. However in case of strike the actual amount payable to be considered as minimum rent.

You are required to prepare the royalty account, minimum rent account and short working account in the books of the colliery company assuming the output for the first six year to be as follows:

| | | | |
|---|---|---|---|
| 2000 | 6,000 tonnes | 2003 | 20,000 tonnes |
| 2001 | 8,000 tonnes | 2004 | 8,000 tonnes (Strike) |
| 2002 | 16,000 tonnes | 2005 | 18,000 tonnes |

**Q4b)** On 1st April 1990 Global Limited, patentees a new type of electric razor, issued a license to Arthar Limited for manufacture and sale of razors. On the same date, Arthar Limited issued to Allied Limited a sub-license for the same purpose. The license issued by Global Limited provided for a royalty of Rs. 10 per razor produced, subject to a minimum sum of Rs. 75,000 per annum, and sub license issued by Arthar Limited provided for a royalty of Rs. 15 per razor sold, subject to a minimum sum of Rs. 30,000 per annum. Both the license and sub-license provided that should the royalties for any year be less than the specified minimum the short workings could be recouped, out of royalties, in excess of the minimum amount falling due for payment in the immediately following two years.

From the following information, prepare royalty accounts and short working accounts in the books of Arthar Limited for the years ended 31st March, 1991, 1992 and 1993:

| | Arthar Limited | | | |
|---|---|---|---|---|
| | Sales | | Stock | |
| 31-3-91 | 3,000 | razors | 500 | razors |
| 31-3-92 | 5,000 | ,, | 1,500 | ,, |
| 31-3-93 | 4,900 | ,, | 2,000 | ,, |

| | Allied Limited Production | | | |
|---|---|---|---|---|
| | Sales | | Stocks | |
| 31-3-91 | 2,000 | razors | 440 | razors |
| 31-3-92 | 3,000 | ,, | 500 | ,, |
| 31-3-93 | 2,400 | ,, | 100 | ,, |

5. Air Cool House sells Air Conditioner both for hire-purchase and cash. Cash sales are priced 25% lower than the price for H.P. sales. The abridged Trial Balance on 31st December 2007 was as follows:

| | Dr. Rs. | Cr. Rs. |
|---|---|---|
| H.P. Installments a/c | 7,30,000 | |
| Stock of Goods (1-1-2007) | 90,000 | |
| Cash | 1,30,000 | |
| Capital | | 5,00,000 |
| Creditors | | 1,60,000 |
| Sales-Hire-purchase | | 6,00,000 |
| Sales-Cash | | 3,00,000 |
| Purchases | 5,60,000 | |
| Selling and other expenses | 50,000 | |
| | 15, 60,000 | 15,60,000 |

Stock of goods on 31 st December 2007 was Rs. 1,67,000

Details of H.P. Installments account were:

| | Total | Sales relating to 2005 | 2006 | 2007 |
|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. |
| Balance on 1-1-2006 | 5,00,000 | 3,00,000 | 2,00,000 | ----- |
| Sales in 2006-07 | 6,00,000 | -------- | ------- | 6,00,000 |
| | 11,00,000 | 3,00,000 | 2,00,000 | 6,00,000 |
| Cash Received | 3,70,000 | 1,80,000 | 1,00,000 | 90,000 |
| | 7,30,000 | 1,20,000 | 1,00,000 | 5,10,000 |

In December 2007, the firm reposed radios from overdue customers. The unpaid balances arising out of the 2006 sales amounted to Rs. 74,000 at the time of repossession. Radios so repossessed have been included in the closing stock at Rs. 67,000.

The rate of gross profit on H.P. sales included the charge for interest also and after making adjustments for repossession was 30% in 2005 and 32% in 2006.

The firm would like to change the practice of taking full credit of hire-purchase profits at the time of delivery of goods with effect from 1st January 2007 to account for profits only on the proportionate bases of installments collected. Adjustments for the prior two years on installments outstanding are to be made.

Prepare the profit and Loss Account for 2007

6. A Company sells goods on hire purchase on the basis of 25 % down, the balance, with 20% interest thereon being payable in 8 quarterly installments due on end of March, June, September and December in each year. The first installments is payable at the end of the quarter in which the sale is made. The Company transfer 50 %, 30 %, and 20 % of the interest to the profit and loss account in the first, second and third years.

Balance on 1.1.2004 : Hire Purchase debtors – Rs 75,735; Hire Purchase Interest suspense- Rs 9,900; Hire Purchase Sales (exclusive of interest ), which have evenly occurred each of the three calendar years are : 2002 – Rs 80,000; 2003- Rs 1,00,000; 2004 – Rs 76,000.

All dues are promptly paid in each year. Prepare for the year 2004

a. Hire Purchase Debtors account

b. Hire Purchase Interest suspense Account and prove the opening and closing balances of the latter account.

# PAPER – 5
# FINANCIAL ACCOUNTING

## TEST PAPER – I/5/FAC/2008/T-2

Time Allowed: 3 Hours Full Marks: 100

**Answer Q.No.1 and any four Questions from the rest**

**Q1)** Fill in the blanks:

i) Under stock and debtors system branch profit is ascertained by opening ……… account.
ii) Under debtors systems branch account is a ……….. account.
iii) In case of amalgamation of partnership firms, any profit and loss on revaluation is transferred to ………… accounts in the …….. ratio.
iv) The liabilities taken over by the new firm in amalgamation are …….. to the new firm account.
v) When the firm sells the business as a going concern cash balance is transferred to ……… account.
vi) The purchasing company records the assets and liabilities taken over at ……. Value.
vii) The excess of net worth acquired by the company from a firm over the purchase price is ……… to ………… account.
viii) Under stock and debtors system branch profit is ascertained by opening …….. account.
ix) When an asset account of the branch is maintained in the head office, the entry for depreciation is made by debiting ……. account and crediting ……… account.
x) When goods are sent from P branch to Q branch , q branch debits …….. account and credits ……. account.

**Q2)** Tuhin carries on business at Surat and makes up his annual accounts on 31st March. In 2005 he opened a branch at Mumbai and on 30th September, 2005, Kumar joined him in partnership having the charge of the branch which was opened on that date and introduced Rs. 2,500 cash as his capital.
As regards the branch it was agreed that: (1) Kumar should obtain from Surat all supplies of goods, (2) such goods should be invoices proforma at the fixed branch selling price of cost plus 25 per cent, (3)all sales should be for cash, which was to be banked intact for credit of Surat, (4) for a period of five years the branch profits should go and belong exclusively to Kumar, the Surat profits being retained by Tuhin as heretofore and (5) the whole of the book-keeping work should be dealt at Surat.

On 31st March, 2006 the following balances appeared in the firm's Books:

| | Dr.(Rs) | | Cr.(Rs) |
|---|---|---|---|
| Purchases | 19,410 | Sales | 19,720 |
| Branch goods account | 6,225 | Branch sales account | 5,450 |
| Stock-1st January, 1995 | 4,700 | Goods sent to branch | 4,980 |
| Salaries-Head office | 1,740 | Branch adjustment account | 1,245 |
| Salaries-branch | 371 | Proceeds-head office stock fire | |
| Bad debs | 14 | Claim | 220 |
| Rates and taxes | 466 | Discounts received | 280 |
| Rates and taxes(Branch) | 280 | Rent received by the branch | 52 |
| Repairs and renewals | 172 | Provision for property repairs | 500 |
| Repairs and Renewals(branch) | 75 | Tuhin's capital | 12,500 |
| General expenses | 260 | Kumar's capital | 2,500 |
| General expenses(branch) | 43 | Tuhin's current account | 50 |
| Premises | 8,910 | Creditors | 2,222 |
| Motor vans | 480 | | |
| Fixtures | 1,500 | | |
| Fixtures(branch) | 280 | | |
| Drawings:Tuhin 2,300 | | | |
| Kumar 312 | 2,612 | | |
| Debtors | 320 | | |
| Bank | 1,811 | | |
| Cash float | 50 | | |
| Total | 49,719 | | 49,719 |

Stocks on 31st March, 2006 were-Head office (Surat) cost Rs. 4,120. Branch (Mumbai) at selling price Rs. 770. Provide 5% for doubtful debts. Depreciate fixtures 5% p.a. and motor van 25%. The provision for property repairs to be retained. Prepare trading profit and loss account for the year ended 31st March, 2006 in columnar form and a balance sheet as on that date

**Q3)** Kalis, Esant, Pollock were in partnership sharing profits and losses in 2:2:1 ratio.

The partnership balance sheet as on March, 31, 2007 was as follows:

| Particulars | Rs | Rs | Rs |
|---|---|---|---|
| Fixed assets: | | | |
| Plant, machinery, fixtures and fittings | | | 80,000 |
| Motor vehicles | | | 20,000 |
| | | | 100,000 |
| Current assets: | | | |
| Stock | | 28,000 | |
| Debtors | | 60,000 | |
| Cash in hand | | 1,500 | |
| | | 89,500 | |
| Less:Current liabilities: | | | |
| Creditors | 40000 | | |
| Bank Overdraft | 24000 | 64,000 | 25,500 |
| | | | 125,500 |

| | | | |
|---|---|---|---|
| Represented by: | | | |
| Fixed capital accounts: | | | |
| Kalis | | 50,000 | |
| Esant | | 30,000 | |
| Pollock | | 20,000 | 100,000 |
| Current accounts: | | | |
| Kalis | | 5,000 | |
| Esant | | 15,000 | |
| Pollock(Dr) | | (4,500) | 15,500 |
| Loan account-Butcher | | | 10,000 |
| | | | 125,500 |

The three Partners, who wish to retire from the business, had agreed to accept an offer from Nishant Ltd. to acquire assets of their business for Rs. 1,30,000 with the exception of the debtors, the cash balance and the motor vehicles.
The consideration was to be satisfied as follows: (i) 3000 10% preference shares of Rs. 10 each valued at par and (ii) 9000 equity shares of Rs. 5 each valued at Rs. 10 each and the balance in cash.
The debtors realized Rs. 42,000 and the creditors were settled at Rs. 39,000. The partners agreed that the basis of distribution on the dissolution of partnership was to be follows: (1) Esant to take over the motor vehicle retained by the partnership at a value of Rs. 14,000. (2) The loan from Butcher to be taken over by Kalis.(3) the equity shares to be allotted in proportion to fixed capital accounts.(4) The preference shares to be allotted in profit-sharing ratio. (5) The balance due to or from the partners to be settled in cash.

You are required to prepare: (a) A realization account, (b) a cash account, and (c) the partners' capital and current accounts in the books of the Firm and Journal entries in the books of Nishant Ltd.

**Q4)** Rabi and Sashi started a partnership business in 2003 sharing profits and losses as 5:4. After the accounts for the calendar year 2006 were made up and their proportionate shares were taken note of in their individual accounts, they decide to share profits and losses equally retrospectively from 1.1.2003. It was discovered that in ascertaining the results in prior year certain adjustments, details of which are given below, had not been considered:

| | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. |
| Profits as per prepared Accounts | 24,000 | 26,000 | 30,000 | 36,000 |
| Outstanding expenses at The close of year | 3,000 | 2,000 | 3,600 | 2,000 |
| Accrued incomes not Taken into account | 1,800 | 1,500 | 1,200 | 2,100 |

On 31st December 2005 reserves should at Rs. 18,000. Capital of Rabi and Sashi were Rs. 42,000 and Rs. 32,000 respectively as on 31st December 2006.

On 1st January 2007, Nitish was decided to be admitted as a partner and was allotted 1/5th share. Goodwill was decided to be ascertained by capitalizing @ 20% the average profits of the immediately two preceding years, before admission. Nitish would bring in proportionate capital. Capitals of Rabi and Sashi are to be equal, the differences to be adjusted in their current accounts.

Profits of 2007 were Rs. 42,000; Drawings of Rabi, Sashi and Nisith for the year were Rs. 18,000, Rs. 16,000 and Rs. 6,000 respectively.
Prepare capital and current accounts of the partners for 2007

**Q5)** ST & Co. Ltd**.** has a branch at New York. It's Trial Balance as at 30th September 2007 as follows:

| Particulars | Dr (USD) | Cr (USD) |
|---|---|---|
| Plant and machinery | 1,20,000 | |
| Furniture and fixes | 8,000 | |
| Stock, Oct 1-2006 | 56,000 | |
| Purchases | 240,000 | |
| Sales | | 416,000 |
| Goods from India Co. (H.O) | 80,000 | |
| Wages | 2,000 | |
| Carriage inward | 1,000 | |
| Salaries | 6,000 | |
| Rent, rates and taxes | 2,000 | |
| Insurance | 1,000 | |
| Trade expenses | 1,000 | |
| Head office a/c | - | 114,000 |
| Trade debtors | 24,000 | |
| Trade creditors | | 17,000 |
| Cash at bank | 5,000 | |
| Cash in hand | 1,000 | |
| | 547,000 | 547,000 |

The following information is given:

(1) Wages outstanding- USD 1,000
(2) Depreciate Plant and Machinery and Furniture and Fixtures @ 10 per cent p.a.
(3) The Head office sent goods to branch for Rs. 39,40,000
(4) The Head office shows an amount of Rs. 43,00,000 due from Branch
(5) Stock on 30th September, 2007- USD 52,000
(6) There were no in transit items either at the start or at the end of the year.

(7) On September 1, 2005 when the fixed assets were purchased the rate of exchange for USD was Rs. 38.
On October 1, 2006 the rate was Rs. 39 and on September 30, 2007 the rate was Rs. 41
Average rate during the year was Rs. 40

You are asked to prepare:
(a) Trial balance incorporating adjustment given under 1 to 4 above converting dollars into rupees.
(b) Trading and Profit and Loss Account for the year ended 30th September 2007 and Balance Sheet as on that depicting the probability and net position of the branch as would appear in India for the purpose of incorporating in the main Balance Sheet.

**Q6)** R, T & C were partners sharing profits & losses at 2:2:1. On 1.4.2007 their balance showed the following position:

| Liabilities | Rs | Rs | Assets | Rs |
|---|---|---|---|---|
| Capitals: | | | Cash | 22,000 |
| R | 50,000 | | Bank | 38,000 |
| T | 40,000 | | Debtors | 35,000 |
| C | 30,000 | 120,000 | Stock | 55,000 |
| | | | Machinery | 110,000 |
| General Reserve | | 100,000 | | |
| Payables | | 40,000 | | |
| | | 260,000 | | 260,000 |

The partnership firm took out a Joint Life Policy of Rs. 1,00,000 and charged its premium against profits.
On 1.10.07 C died. Her representative agreed that: (a) the Goodwill of the firm be revalued at Rs. 50,000; (b) Machinery be valued at Rs. 90,000; (c) C should get @ 25% per annum on her capital at the beginning of the year in lieu of her share of profit.
The policy value was realized on March, 31-2008. The total amount due to the legal hairs of C was paid off. The firm earned a profit of Rs. 80,500 during the year after depreciation on fixed assets Rs. 9,500, out of which Rs. 5,000 was related to the period between 1.4.07 and 1.10.07.
At the close of the financial year ended 31.3.08, the payable were Rs. 15,000 lower, the debtors were Rs. 6,000 lower and the closing stock was lower by Rs 8,000 in comparison to the respective amounts shown on 1.4.2007
The partners' drawings were:

| | Upto 30.9.07 (Rs.) | Between 1.10.07 and 31.3.08 |
|---|---|---|
| R | 10,125 | 5,000 |
| T | 10,125 | 5,000 |
| C (till her date of death) | 8,750 | |

You are required to show the Balance Sheet of the firm on 31.3.2008 assuming that Goodwill was not to be shown in the Balance Sheet.

## PAPER – 5
## FINANCIAL ACCOUNTING

## TEST PAPER –I/5/FAC/2008/T-3

Time Allowed: 3 Hours | Full Marks: 100

**Answer Q.No.1 and any four Questions from the rest**

**Q1)** Indicate the correct answer:

1. Profit or loss for the period includes
(a) Ordinary activities
(b) Extraordinary activities
(c) Prior period items
(d) All the above

2. The perception of extraordinary events must be made with reference to
(a) Business ordinarily carried on by an enterprise
(b) The frequency with which such events are expected to occur
(c) Both (a) and (b)
(d) The size of the transaction

3. Prior period items must be shown
(a) In the current profit and loss account along with the ordinary activities
(b) In the current profit and loss account in a manner that their impact on the current profit or loss can be perceived
(c) As adjustments to reserves
(d) As a separate item in the balance sheet

4. A change in the estimated life of the asset, which necessitates adjustment in the depreciation, is an example of
(a) Prior period item
(b) Ordinary item
(c) Extraordinary item
(d) Change in the accounting estimate

5. A change in the accounting policy should be made
(a) When states so direct
(b) For compliance with an accounting standard
(c) For better presentation of financial statements
(d) All the above.

6. The stage of completion of a contract is determined on the basis of:
(a) Proportion of costs incurred to date to the estimated total contract costs
(b) Survey of work performed

(c) Completion of physical proportion of the contract work
(d) Either (a) or (b) or (c)

7. Revenue is recognized on the basis of:
(a) Percentage of contract completion
(b) Architect's certificates
(c) Payment received from the customer
(d) Either (a) or (c)

8. Items of fixed assets that have been retried from active use and are held for disposal should be stated at:
(a) Net book value
(b) Net realizable value
(c) Lower of the net book value and net realizable value
(d) Higher of the net book value and net realizable value

9. Estimated total loss on the contract:
(a) Spread over accounting periods equally
(b) Must be recognized as an expense immediately
(c) Allocated on the basis of architects certificates
(d) Allocated on the basis of percentage of completion

10. Selling and distribution costs are not included in cost of inventories because they
(a) are negligible
(b) do not relate to bringing the inventories in their present location and condition
(c) are period costs
(d) are in relation to specific customers

**Q2)** Bright Ltd issued Rs. 6,00,000 debentures during 2000 on the following terms and conditions:

(i) A sinking fund to be created by yearly appropriations of profits and similar amount to be invested outside.

(ii) The company will have the right to purchase for cancellation debentures from the market if available below per value.

(iii) The debentures are to be redeemed on 31st December, 2005 at a premium of 2%. The following balances appeared in the books of company as on 1st January, 2005: sinking fund investment Rs.4,43,250; sinking fund Rs. 4,43,250; debentures account Rs. 4,50,000.

The following transactions took place during the subsequent twelve months:

(a) On 1st July, 2005 Rs. 30,000 debentures were purchased for Rs. 26,664 and cancelled immediately the amount being provided out of sale proceeds of investments of the book value of Rs. 34,800 at Rs. 33,900.

(b) The income from sinking fund investment Rs. 22,200, received on 1st July, 2005 was not invested.

(c) On 29th December, 2005 Rs. 4,23,000 was received on sale of the remaining sinking fund investments.

(d) On 31st December, 2005 the remaining debentures were redeemed.

You are required to show for the year ended 31st December, 1986:

(i) Debentures account
(ii) Sinking fund account
(iii) Sinking fund Investment account

(iv) Debenture redemption account.

**Q3)** Nariman Electronics Limited obtained necessary license for manufacture and sale of Television sets. As a part of financing the project 500,00,000 equity shares of Rs. 10 each were issued at a premium of 20 % on the following terms.
Value of each share is payable as follows:

| | |
|---|---|
| On application | Rs. 8 (Including Premium) |
| On allotment | Rs. 4 |
| On first call | Rs. 2 |
| On second and final call | Rs. 1 |

Applications were received for 600,00,000 shares. Allotments were made on the following basis:
(a) To applicants for 100,00,000 shares in full.
(b) To applicants for 200,00,000 shares 150,00,000 shares.
(c) To applicants for 300,00,000 shares 250,00,000 shares.
All excess amounts paid on application to be adjusted against next calls.
The shares were fully called and paid up except the following.

1) Failed to pay the allotment money by those who applied for 200,000 shares belongs to Group B.
2) First and second calls not paid by those who were allotted for 100,000 shares belong to Group C.

All those shares were forfeited by the Board of Directors after Final call was made.
150,000 forfeited shares were re-issued as fully paid on receipt of Rs. 12 per share.
Show journal entries including those relating to cash and show the resultant Balance Sheet.

**Q4)** Kuber Ltd. Furnishes you with the following Balance Sheet as at 31st March, 2000:

| | | |
|---|---|---|
| Sources of funds: | | (Rs. In crores) |
| Share Capital: | 100 | |
| Authorised | | |
| 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 | |
| Security premium | 25 | |
| Revenue reserves | 260 | 300 |
| | | 400 |
| | | |
| Funds employed in: | | |
| Fixed assets: Cost | 100 | |
| Less: Provision for deprecation | 100 | nil |
| | | 100 |
| Investments at cost (market value Rs. 400 Cr.) | | |
| Current assets | 340 | |
| Less: Current Liabilities | 40 | 300 |
| | | 400 |

The company redeemed preference shares on 1st April 2000. 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 part of current assets. Holder of 10000 shares not being traceable.
After completion of All the above decision a bonus issue was made in the form of 1 equity share for every 5 shares held.
You are required to:

(i) Pass journal entries to record the above.
(ii) Prepare balance sheet.

**Q5)** Eskay Ltd. was incorporated on 1.08.2005 to take over the business of PK & Co. with effect from 01.04.2005. The Company received the Certificate for Commencement of business on 1st October 2005. The following profit and loss account was prepared for the year ended 31st March 2006.

| Particulars | Rs'000 | Particulars | Rs'000 |
|---|---|---|---|
| Office salaries | 21,000 | Gross Profit b/d | 80,000 |
| Partners' Salaries | 6,000 | Share Transfer Fees | 1,000 |
| Advertisement | 4,400 | | |
| Printing & Stationery | 1,500 | | |
| Traveling Expenses | 4,000 | | |
| Office Rent | 9,600 | | |
| Electricity charges | 900 | | |
| Auditors Charges | 600 | | |
| Directors Charges | 1,000 | | |
| Bad Debt | 1,200 | | |
| Commission on sales | 4,000 | | |
| Preliminary Expense | 700 | | |
| Debenture Interest | 1,600 | | |
| Interest on Capital | 1,800 | | |
| Depreciation | 2,100 | | |
| Net Profit | 20,600 | | |
| | 81,000 | | 81,000 |

Additional Information:

A. Total sales for the year, which amounted to Rs 800 Lakh arose evenly upto the date of Certificate for Commencement, where after they recorded an increase of 2/3 during the remaining period. Gross profit was at a uniform rate of 10 % of selling price throughout the year and a commission of 0.5 % was paid on sales.
B. Office rent was paid @ Rs 84 lakh p.a up to 30th September and thereafter it was paid @ Rs 10.80 lakh p.a.
C. Traveling expenses include Rs 16 lakh towards sales promotion.
D. Bad debts written off –
    a) A debt of Rs 4 lakh taken over from the vendor;
    b) A debt of Rs 8 Lakh in respect of goods sold in September 2005.

E. Depreciation includes Rs 6 Lakh assets acquired in the post–incorporation period.

Show the 'Pre' and "Post" incorporation results and also state how the results of pre-and post – incorporation are dealt with.

**Q6)** From the following balance of Pascal India Ltd. As on 31.03.2006, prepare Profit and Loss Account for the year ended 31st March 2006 and Balance Sheet as on that date.

| Particulars | Dr(Rs'000) | | Cr(Rs'000) |
|---|---|---|---|
| Stock (31.03.06) | 40 | Income from Investment | 12 |
| Cost of Goods sold | 300 | Provision for bad debt | 2 |
| Salaries and Wages | 15 | Creditors | 30 |
| Repair and maintenance | 2 | Provision for depreciation | |
| Interest on Bank Loan | 3 | Building | 5 |
| Bad Debt | 1 | Furniture | 5 |
| Freehold Premises | 100 | Suspense Account | 3 |
| Land | 250 | Equity Share Capital | 367 |
| Furniture | 30 | 6 % Cum-Pref Capital | 80 |
| Debtors | 50 | Security Premium | 20 |
| Cash in Hand | 1 | Bank Overdraft | 100 |
| Cash at Bank | 15 | Sales | 400 |
| Miscellaneous Expenses | 8 | Profit and Loss account | 7 |
| Advance payment of tax | 16 | | |
| Investment in shares | 200 | | |
| | 1,031 | | 1,031 |

Other informations:

1) Land was revalued on 1st January 2006 but no effect has yet been given.
2) Provision for bad debt @ 5 %.
3) Equity shares capital consists of 36,900 shares @ Rs 10 each. Final call of 500 shares @ Rs 4 per share remains unpaid and subsequently forfeited..
4) Suspense account represents amount received on reissue of 500 shares forfeited. No entry has yet been passed for the same.
5) Provide Tax @ 45 %.
6) Rate of Depreciation : Building – 5%; Furniture – 10 %
7) Dividend on Cumulative Preference Shares is in arrear for 5 years upto 31 st March 2005. Directors have recommended payment of dividend for 4 years.
8) Bills receivable for Rs 6,500 was discounted. Same will mature after 31st March 2006.

**PAPER – 5**
**FINANCIAL ACCOUNTING**

**TEST PAPER – I/5/FAC/2008/T-4**

Time Allowed: 3 Hours Full Marks: 100

**All questions to be answered**

**Q1a)** Indicate the correct answer

1. Livestock in the case of mixed farming is
   (a) A fixed asset.
   (b) A current asset.
   (c) A wasting asset.
   (d) A tangible asset.

2. Crops are valued at
   (a) market price
   (b) Cost price
   (c) Capitalized value
   (d) Economic value

3. Final accounts of a farmer can be prepared under
   (a) Single entry method
   (b) Double entry method
   (c) Both single and double entry methods
   (d) None of the above

4. The cash book usually maintained by the farmer is
   (a) petty cash book
   (b) two-column cash book
   (c) Analytical cash book
   (d) Three column cash book

5. Livestock purchased will figure in
   (a) The balance sheet
   (b) The trading account
   (c) The profit and loss account
   (d) The current account

**Q1b)** Discuss the chief features and relative advantage and disadvantages of the Double Account system as compared with Single Account System

**Q2)** The following figures are extracted from the books of Z Insurance Company Ltd. As at 31st December, 2001:

| | Rs. |
|---|---|
| Claims paid less re-insurance | |
| Fire | 80,000 |
| Marine | 62,000 |
| General Reserve | 1,18,000 |
| Commission paid: | |
| Fire | 48,000 |
| Marine | 39,000 |
| Share Capital (20,000 shares of Rs. 100 each) | 20,00,000 |
| Expenses of Management | |
| Fire | 53,000 |
| Marine | 36,000 |
| Reserve for Unexpired Risks: | |
| Fire | 2,04,000 |
| Marine | 1,23,000 |
| Investments at Costs: | |
| Central Government Securities deposited with RBI | 19,21,000 |
| Other Central Government Securities | 1,23,000 |
| State Government Securities | 2,22,000 |
| Shares in Companies | 2,49,000 |
| Depreciation | 21,000 |
| Additional Reserves: | |
| Fire | 1,32,000 |
| Marine | 16,000 |
| Interest Accrued | 25,000 |
| Furniture (Cost Rs. 18,000) | 12,000 |
| Building (Cost Rs.1,25,000) | 87,000 |
| Office Equipment (Cost Rs. 48,000) | 30,000 |
| Cash in hand | 56,000 |
| Cash in Bank | 1,04,000 |
| Premium less re-insurances: | |
| Fire | 2,11,000 |
| Marine | 1,62,000 |
| Tax deducted at source | 9,000 |
| Premium due: | |
| Fire | 28,000 |
| Marine | 20,000 |
| Claims outstanding on 1st January, 2001 | |
| Fire | 14,000 |
| Marine | 2,000 |
| Due from other Insurers | 27,000 |
| Directors' fees | 4,000 |
| Commission on re-insurance ceded: | |
| Fire | 23,000 |
| Marine | 2,000 |
| Dividends | 20,000 |
| Interest on investments | 1,00,000 |
| Dues to other insurers | 43,000 |
| Contingency reserve | 39,000 |

| | |
|---|---|
| Investment reserve | 47,000 |

The following further information is also given:

(1) Claims Outstanding as on 31st December, 2001, are:

| | |
|---|---|
| Fire | 17,000 |
| Marine | 6,000 |

(2)Market value of investments is Rs. 24,01,00.

(3) Increase Additional Reserve by 10 per cent of net premium for the year of fire.

(4) Maintain reserves for unexpired risks at 50 per cent of Premium for the year in case of Fire insurance and 10 per cent of Premium for the year in case of Marine Insurance.

Prepare Revenue Accounts, Profits and Loss Account and Balance Sheet.

**Q3a)** From the following figures and ratios, draw out a Balance Sheet of Nagarjuna Ltd. as on 31st December, 2006:

| | |
|---|---|
| Fixed Assets/Turnover Ration (Cost of Goods Sold) | 2 |
| Debt Collection Period | 2 months |
| Current Ratio | 1.5 |
| Debt Equity Ratio (Total Debt/Equity) | 0.6 |
| Current Liabilities to Net Worth | 0.8 |
| Reserves to Bank Balance | 4 |
| Consumption of Raw Materials | 40% of Cost of sales |
| Stock of Raw Materials | 3 months' consumption |
| Stock of Finished Goods | 15% of Cost of Sales |
| Bank Balance | 1/30th of Sales |
| Fixed Assets | Rs. 6,00,000 |
| Gross Profit | 1/5th of Sales |

**Q3b)** From following information prepare the Balance Sheet of XYZ. Co. Ltd., showing the details working:

| | | | |
|---|---|---|---|
| Paid-up Capital | Rs. 50,000 | Fixed Assets Turnover | 2 |
| Plant and Machinery | Rs. 1,25,000 | Sales Return | 20% of Sales |
| Total Sales (Annual) | Rs. 5,00,000 | Average Collection Period | 73 days |
| Gross Profit Margin | 25% | Bank Credit To Trade Credit | 2 |
| Annual Credit Sales | 80% of Net Sales | Cash to Inventory | 1:15 |
| Current Ratio | 2 | Total Debt to Current Liabilities | 3 |
| Inventory Turnover | 4 | | |

**Q4)** The following are the figures extracted from the books of Rupali Bank Limited as on 31-3-2007:

| | Rs. |
|---|---|
| . | |
| Interest and Discount received | 37,05,738 |
| Interest paid on Deposits | 20,37,452 |
| Issued and subscribed Capital | 10,00,000 |
| Salaries and allowances | 2,00,000 |
| Directors fees and allowances | 30,000 |
| Rent and Taxes paid | 90,000 |
| Postage and Telegrams | 60,000 |
| Statutory reserve fund | 8,00,000 |
| Commission, exchange and brokerage | 1,90,000 |
| Rent received | 65,000 |
| Profit on sale of investments | 2,00,000 |

| | |
|---|---|
| Depreciation on Bank's properties | 30,000 |
| Stationery Expenses | 40,000 |
| Preliminary expenses | 25,000 |
| Auditor's fees | 5,000 |

The following further information is given:

(a) A customer to whom a sum of Rs. 10 lakhs has been advanced has become insolvent and it is expected only 50% can be recovered from his estate.
(b) There were also other debts for which a provision of Rs. 1,50,000 was found necessary by the auditors.
(c) Rebate on Bills discounted on 31-3-06 was Rs. 12,000 and on 31-3-07 was Rs. 16,000.
(d) Provide Rs. 6,50,000 for Income-tax.
(e) The directors desire to declare 10% dividend.

Prepare the Profit and Loss Account of New Era Bank Limited for the year ended 31-3-1990 and also show how the Profit and Loss Account will appear in the Balance Sheet if the Profit and Loss Account opening balance was Nil as on 31-3-1989.

**Q5) a.** The Naida Electric Co., Ltd. re-built and re-equipped a part of their power-house at a cost of Rs. 80,00,000; the part of the old power-house thus superseded had cost originally Rs. 50,00,000 but if erected at the present time would cost 20% more. Rs. 6,00,000 is realised from the sale of old materials and Rs. 3,00,000 worth of old materials are used in the reconstruction and are included in the cost of Rs. 80,00,000 mentioned above. Give necessary entries for recording the above transactions in the books of the company, indicating the allocations between capital and revenue and give reasons for such allocations.

**Q5) b.** From the following information and details relating to the year ended 31 st March, 2007 and bearing in mind the provisions of the Electricity (Supply) Act, 1948, indicate the disposal of profits of Electricity Company:

| Particulars | Rs | Particulars | Rs |
|---|---|---|---|
| Net profit before charging debenture interest | 22,00,000 | Security deposits of Customers | 150,00,000 |
| Fixed Assets | 400,00,000 | Customers Contribution to Main lines | 4,00,000 |
| Depreciation written-off on fixed assets | 160,00,000 | Preliminary expenses | 10,00,000 |
| Loan from Electricity Board | 60,00,000 | Share Capital | 200,00,000 |
| 6% Investments of the Reserve fund (F.v. Rs 120,00,000) | 120,00,000 | Average of Current Assets | 40,00,000 |
| 6% Investments of the Contingencies Reserve | 40,00,000 | Development Reserve | 20,00,000 |
| Tariffs and Dividends Control Reserve | 12,00,000 | 10% Debenture | 16,,00,000 |

Indicate the disposal of profit ,assuming that the Reserve Bank of India rate on the relevant date was 8 %.

**PAPER 6**
**COMMERCIAL & INDUSTRIAL LAWS AND AUDITING**

**TEST PAPER – I/6/CIA/2008/T-1**

Time Allowed: 3 Hours Full Marks: 100

## Section- I COMMERCIAL & INDUSTRIAL LAWS - (50 Marks)

### Q.No.1 is compulsory and any two questions from rest.

**Q1)** a. Comment on following statement. **18**

(1) A clock repairer of a certain railway proceeded on duty to another station. As a result of communal frenzy prevailing he was stabbed and killed in train whether employer is liable to pay compensation in this case.

(2) The appropriate Government by an order in writing withdraws the proceeding under the Industrial Disputes Act, pending before a Labour court and transfers the same to another Labour Court. Discuss validity of order.

(3) All dealership arrangements require registration (Competition Commission Act)

(4) A stipulation may be a condition though called a warranty in the contract (sale of goods act 1930.)

(5) In the absence of agreement, the partner cannot claim interest on advances and loans given by him to the partnership firm.

(6) Time limit for payment of bonus under the payment of Bonus Act.

(7) Can a single application be made on behalf of or in respect of employee under minimum wages act?

(8) Restrictions with respect to deductions from the wages for absence from duty under Payment of Wages Act.

(9) Comment on Rights of Consumer under Consumer Protection Act.

**Q1)** b. Explain provisions of Unilateral Mistake under Indian Contract Act. **4**

**Q2)** **a.** Explain the term consumer under the Consumer Protection Act. **4**

b. It is permissible to pay wages in kind under Minimum Wages Act. **4**

c. State the legal provisions relating to notice of work for adults under Factories Act. **3**

d. What establishments may be exempted from operation of Employees Provident Fund? **3**

**Q3)** a. Can the condition of service of a workman be changed in course of conciliation proceedings under the Industrial Dispute Act? **4**

b. Explain void contracts under Indian Contract Act. **3**

c. Write provisions regarding noting and protesting of Bill of Exchange. **4**

d. Is the order of a commissioner under the workmen's compensation Act appealable? If so where and what circumstances. **3**

**Q4)** a. Discuss the provisions of Factories Act relating to annual leave with wages. **4**

b. Define - (i) cost of living index number, (ii) employee, (iii) wages under minimum wages act. **4**

c. State the object and scope of Payment of Wages Act. **3**

d. Write procedure of establishment of limited liability partnership. **3**

**Q5) Write short notes (Any Two) 14**

(a) Exceptions to the rule no. consideration no contract
(b) Anti Competitive Agreements
(c) Objectives of Right to Information Act.
(d) Monitoring and Reporting under Right to Information Act.

## Section- II-AUDITING- ( 50 Marks )

### Q.No.1 is compulsory and any two questions from rest.

**Q1)** State with reasons, whether following statements are true or false: (Any Six) **18**

(i) The concept of evidence is fundamental to all auditing situations as an auditor basically
seeks to obtain sufficient appropriate evidence to form his opinion.

(ii) Auditing is generally associated with only accounting and financial records.

(iii) Inspection and observation are not only the ways to obtain audit evidence.

(iv). Comparing the voucher with the transaction recorded in the book of original entry is called as vouching.

(v) While verifying the Sales appearing in the profit and loss account it is important that auditor, first of all should carefully verify the effectiveness of existing internal check system.

(vi)To verify the excisable value and calculation of duty the auditor checks the Daily Stock Account.

(vii). Only the vouching to ascertain the arithmetical accuracy is not enough

**Q2)** What is Auditing? Explain the evolution on auditing. **16**

**Q3)** What is "Statistical Sampling"? What are the methods of Statistical Sampling to be used in auditing and explain how the results of sampling are evaluated? **16**

**Q4)** Write short notes on: **16**

(a) Nature of auditing
(b) Compliance Procedure
(c) Audit procedure
(d) Qualified report.

## TEST PAPER – I/6/CIA/2008/T-2

Time Allowed: 3 Hours Full Marks: 100

### COMMERCIAL & INDUSTRIAL LAWS – (50 Marks)

### Q.No.1 is compulsory and any two questions from rest.

**Q1)** a. Comment on following statement. **18**

(1) Passing of risk is dependent on delivery of goods.

(2) Every trade practice in restraint of trade is not necessarily a restrictive trade practice.

(3) Lay off and retrenchment cans not the same meaning.

(4) Gratuity can be attached by an order of court.

(5) Eligibility of bonus depends on the period of actual service.

(6) Minor under Contract Act is always a beneficiary.

(7) An apprentice is a workman under Industrial Dispute Act.

(8) Acceptance for honour can be made only when the instruments becomes Dishonored by non acceptance or by non payment.

(9) Matters provided in first schedule, second schedule and third schedule of pay ment of Bonus Act.

b. Conditions under sale of goods Act. **4**

**Q2)** a. What is the jurisdiction of various forums/commissions for the purpose of Con sumer Protection Act 1986. **4**

b. Explain the principle of 'Risk follows ownership' under sale of goods Act. **4**

c. Explain the term Industrial Dispute according to Industrial Dispute Act. **3**

d. What is meant by monthly wages and how are they calculated under workmen'sCompensation Act. **3**

**Q3)** a. Define - (a) cost of living index number (b) Employee (c) Wages under minimumWages Act. **7**

(b) How are the Inspector appointed under Minimum Wages Act and what are their powers. **4**

c. Who are certifying surgeons ? State the duties of certifying surgeons under Factory Act. **3**

**Q4)** a. What do you understand by partial disablement and total disablement as de fined in the workmens compensation Act. **4**

b. State the provisions of EPF Act regarding contribution to providend fund. **4**

c. When the notice for dishonour is not necessary. **3**

d. Explain the provisions relating to prohibition of lay off and closure of Industrial undertaking in the light of Industrial Dispute Act. **3**

**Q5)** Write short notes. (Any Two) **14**
(a) Cartel under competition and commission act.
(b) Appeal procedure under right to information act.
(c) Limited liability under competition commission act.
(d) Domestic Nexus under competition commission act.

## Section- II-AUDITING- (50 Marks)

## Q.No.1 is compulsory and any two questions from rest.

**Q1)** Answer in one sentence only. **18**

(i) What is an Audit report?

(ii) What is Audit certificate?

(iii) List down the contents of Audit Report?

(iv) State the different opinions either of which is included in Audit Report.

(v) What is qualified Audit report?

(vi) What do you mean by an unqualified Audit report?

(vii) To whom Audit certificate is addressed?

(viii) To whom Audit report is addressed?

(ix) Whether Audit Report or Audit certificate may provide suggestions for improvements?

**Q2)** What is audit evidence? Explain the different types of audit evidence and different methods of obtaining them. **16**

**Q3)** What do you mean by the Disclosure of Accounting Policies and Practice – discuss in brief. **16**

**Q4)** Discuss the rights, duties & liabilities of the auditor of a company. **16**

## TEST PAPER – I/6/CIA/2008/T-3

Time Allowed: 3 Hours Full Marks: 100

### COMMERCIAL & INDUSTRIAL LAWS – (50 Marks)

### Q.No.1 is compulsory and any two questions from rest.

**Q1)** a. Comment on following statement **18**

(1) Gratuity can be withheld by the employer for non vacation of official quarter by the Employee

(2) Some contracts without consideration are valid.

(3) Can workmen be punished during pendency of proceedings? What procedure is to be followed by the aggrieved workmen to have their grievances redressed?

(4) Mr. X coerces Mr.Y to enter in to a contract to sell Y's house worth Rs.50 lakhs to X for Rs.20 lakhs.

(5) A complainant means any person in terms of consumer protection act 1986.

(6) All contracts caused by bilateral mistake are void comment.

(7) On 1st March an airline corporation declared a lockout with effect from 2nd March on the ground that its workmen have gone on strike from 28th Feb. Discuss the legality of lockout.

(8) Adjudication of claims and appeals as provided under payment of wages Act 1935.

(9) Comment on Limited liability Partnership Act.

b. Difference between bill of exchange and cheque. **4**

**Q2)** a. What are the remedies available to a worker who has paid less than the minimum?
rates of wages. State the procedure for determination of dispute. **4**

(b) Who is occupier of a factory under Factories act? When can he be exempted from liability. **4**

(c) Discuss rights of consumer under consumer protection act. **3**

(d) Discuss rights of unpaid seller. **3**

**Q3)** a. State the provisions of employer's liability for compensation under workmen compensation Act. **4**

b. Explain the legal provisions of Notice of dishonour under Negotiable instrument Act. **4**

c. Explain the difference between Misrepresentation and fraud. **3**

d. Elaborate the provisions of warranties under sale of goods act. **3**

**Q4)** a. Write note on Employee's Provident Funds and the Employee's Provident Fund Scheme. **4**

(b) Explain the principle of 'Caveat Emptor' under Sale of Goods Act. **4**

(c) Distinguish between Cheque and Promissory Note. **3**

(d) Distinguish between Strike and Lockout. **3**

**Q5)** a. Partnership firm once formed can not be dissolved in any circumstances. State legal provisions. **4**

b. A bill of exchange dated 31st August 2007 was made payable at 3 months after date. What was the date of maturity? **3**

c. What are the objectives of competition and commission act? **4**

d. Differentiate between sale and agreement to sale. **3**

**Section- II-AUDITING- ( 50 Marks )**

**Q.No.1 is compulsory and any two questions from rest.**

**Q1)** State with reasons whether the following statement are TRUE or FALSE (Any six) **18**

(i) Internal Audit is entrusted to the employees of the organization.

(ii) When there is a Statutory Audit, introduction of Internal Audit is not necessary at all.

(iii) Evaluation of the performance is called as operational audit.

(iv) To examine whether the transactions have been done in conformity with the established standard is nothing but the proprietary Audit.

(v) Certified statements showing turnover of the company fall under the category of the compliance audit

(vi) The companies (Auditor's Report) order 2003 applies to all companies.

(vii) The CARO extend the scope of audit even further than that of traditional approach.

(viii) To be successful, the internal audit department must have adequate management support.

(ix) Audit to internal audit function is considered necessary.

(x) Statistical sampling in Auditing relieues an auditor from the load of work but not from the risk.

(xi) Internal Audit is similar to that of internal control.

(xii) Internal check is necessary only to comply with the provisions of the CARO

(xiii) Audit Committee is only the luxury to the company.

(xiv)Detection of frauds is the duty of the Statutory Auditor and not necessarily that of an internal auditor.

**Q2)** What is an Internal Audit ? Explain the necessity and scope of Internal Audit. **16**

**Q3) How would you verify the following items –**

(i) Plant and Machinery
(ii) Goodwill
(iii) Investments
(iv) Sundry Debtors
(v) Stock in Trade **16**

**Q4)** What is computer assisted audit technique? Explain the different computer assisted techniques available **16**

## TEST PAPER – I/6/CIA/2008/T-4

Time Allowed: 3 Hours Full Marks: 100

### COMMERCIAL & INDUSTRIAL LAWS – ( 50 Marks )

## Q.No.1 is compulsory and any two questions from rest.

**Q1)** a. Comment on following statement. **18**

(1) Goods bought & used exclusively for purpose of earning's one's livelihood by means of self employment is a commercial purpose

(2) The bank dismissed 153 employees for taking part in pen down strike whether pen down strike is covered by see (2) (a) the industrial dispute Act.

(3) A worker lost his mental balance as a result of an injury by accident while working in the factory and committed suicide discuss whether employer is liable to pay compensation.

(4) Comment on dishonour by non acceptance & dishonour by non payment.

(5) A buyer purchases a radio from the retailer & after coming to house he found that the radio is not at all singing properly comment on rights of buyer in the light of principle buyer be aware under sale of goods Act.

(6) Comment on provisions of payment of wages Act relating to deductions for damage or loss.

(7) Comment on 'Set on' & 'Set off' of allocable surplus under payment of Bonus Act.

(8) Comment on whether the conditions of service of a workman be changed in course of conciliation proceedings under the Industrial Dispute Act.

(9) Comment on whether an apprentice is an workman under Industrial Dispute Act

(b) Mention the conditions subject to which Gratuity is payable to Employees. **4**

**Q2)** (a) Explain the meaning and importance of consideration under Indian Contract Act. **4**

(b) What is meant by —
(a) Defects in goods (b) Deficiency in service under consumer protection act. **4**

(c) What is the procedure of preventing abuser of dominant position under Competition Commission Act. **3**

(d) Describe the welfare measures under the Factories Act? How are they employed **3**

**Q3)** a. Explain the provisions relating to amount of compensation under workmen's Compensation act. **4**

b. On death of a member how disposal is made of his provident fund? State in your answer the arrangements for nomination of beneficiary. **4**

c. Distinguish between liquidated damages and penalty. **3**

d. What are the penalties prescribed under Right to Information Act? **3**

**Q4)** a. Can a minor be liable for payment of supplies of necessaries to him? **4**

b. Explain remedies available under consumer protection act. **4**

c. Write about 'Partnership by holding out.' **3**

d. When an offer lapses. **3**

**Q5) Write short notes on (Any Two) 14**

(a) Definition of 'Information' under Right to Information Act.
(b) Holder in due course under Negotiable Instrument Act.
(c) Noting and protesting under Negotiable Instrument Act
(d) Remedies available under the Consumer Protection Act.

## Section- II-AUDITING- ( 50 Marks )

## Q.No.1 is compulsory and any two questions from rest.

**Q3)** Answer in one sentence only. (Any Six) **18**

(a) What is the professional qualification of Company Auditor?

(b) Who can become a Cost Auditor of a company?

(c) A person disqualified for any reason to be a Co. Auditor is also disqualified to be an auditor of which companies?

(d) When Central Govt. appoints a Company Auditor?

(e) Who can remove the Co. Auditor?

(f) Give any two important rights of Co .Auditor.

(g) What is an important duty of Co. Auditor to shareholders of the co.?

(h) To whom the auditor performs his duty of signing an Audit Report?

**Q2)** What do you mean by CARO? Explain what is expected under the CARO regarding
(a) Inventory
(b) Internal Audit
(c) Internal Control
(d) Deposit of Statutory Dues.
(e) Frauds **16**

**Q3)** Discuss the statutory powers &duties of a company auditor. **16**

**Q4)** What is information system audit? Explain the audit procedure in system audit to determine the material losses. **16**

# PAPER-7
# APPLIED DIRECT TAXATION

## TEST PAPER – I/7/ADT/2008/T-1

Time Allowed: 3 Hours  Full Marks: 100

**Q1)** (A) Fill up the blanks: **1*6=6**

(i) For a person suffering from severe physical disability, deduction available u/s 80U is Rs ___________.
(ii) The tax rebate available under section 88E to a Hindu Undivided Family resident in India is Rs ___________.
(iii) The additional or accelerated depreciation, for an eligible assessee, for machinery installed and used after 31.03.2005 is _________% of _________of the machinery.
(iv) While Fringe benefit Tax __________ (is/is not) a permissible business expenditure, banking Cash Transaction Tax __________ (is/is not).
(v) Death –cum –retirement gratuity received by an employee of Central Government is ___________(wholly exempt/exempt upto Rs. 3,50,000/exempt upto Rs. 5 lakhs.)
(vi) If loan granted by employer to employee does not exceed Rs ____________(10,000/20,000/50,000/1,00,000), it is not treated as perquisite for purpose of income tax.

(B) State with reasons whether the following statements are true or false ( Answers without reasons will not receive any credit) **2*7=14**

(i) Business loss can be set off against any income;
(ii)Long-term capital gains arising from units of debt-oriented equity funds for which securities transactions tax has been paid is exempt.
(iii)Rental income from residential property owned by a company carrying on business of property rentals is taxable under the heads “Income from House Properties”
(iv) Business expenses are allowed to be deducted from business income even if they are in the nature of personal expenditure of assessee, as long as they are reasonable.
(v) Under section 12A of the Income tax Act, 1961, application for registration of charitable trust can be made within one year from the date of creation of the trust.
(vi) Where business is carried on, on behalf of the assesses minor child (whose income is clubbed in assesses hand), by the assessee which is besides assesses own business, the gross receipts of both should be reckoned for judging applicability of section 44AB of the Income tax Act , 1961.

(vii) Section 43B.

**Q2)** Write short notes on the following: **4*4=16**

a. De-merger
b. Legal Representative
c. Amortisation of preliminary Expenses
d. Inquiry before assessment

**Q3)** From the following particulars furnished by Mr.X for the year ended 31.03.2008, you are requested to compute his Total Income and Tax payable for the A.Y.2008-09:

a. Mr. X retired on 31/12/2007 at the age of 58, after putting in 25 years & 9 months of service from a Private Company at Mumbai.

b. He paid a salary of Rs.25,000 p.m. He paid rent of Rs.6,500 p.m. during his tenure of service.

c. On retirement, he was paid a Gratuity of Rs.3,50,000. He was not covered by the Payment of Gratuity Act. His average salary in regard may be taken as Rs.24,500. Mr.X had not received any other gratuity at any point of time earlier, other than this gratuity.

d. He had accumulated leave of 15 days p.a. during the period of his service; this was encashed by Mr. X at the time of his retirement. A sum of Rs.3,15,000 was received by him in this regard. His average salary may be taken as Rs.24,500.

e. After retirement, he ventured into textile business and incurred a loss of Rs.80,000 for the period upto 31/3/08.

f. Mr. X has invested Rs.22,500 in Recognized Provident Fund, of Rs.40,000 in Public Provident Fund & Rs.37,500 in National Savings Certificates.

**16**

**Q4)** X, a retail trader of Cochin, gives the following trading & Profit and loss Account for the year ending 31.03.2008:

| **Particulars** | **(in Rs.)** | **Particulars** | **(in Rs.)** |
|---|---|---|---|
| Opening stock | 90,000 | Sales | 12,11,500 |
| Purchases | 10,04,000 | Income from UTI | 2,400 |
| Gross Profit | 3,06,000 | Other Business Receipts | 6,100 |
| | | Closing stock | 1,80,000 |
| | 14,00,000 | | 14,00,000 |
| Salary | 60,000 | Gross Profit b/d | 3,06,000 |
| Rent & rates | 36,000 | | |
| Interest | 15,000 | | |

| | | | |
|---|---|---|---|
| Depreciation | 1,05,000 | | |
| Printing & Stationery | 23,200 | | |
| Postage & Telegram | 1,640 | | |
| Loss on sale of shares (short term | 8,100 | | |
| Other General Expenses | 7,060 | | |
| Net Profit | 50,000 | | |
| | 3,06,000 | | 3,06,000 |

Additional Information:

(a) It was found, some stocks were omitted to be included in both opening and closing stock, values of which were: Opening stock –Rs.9,000; & Closing stock – Rs.18,000

(b) Salary includes Rs. 10,000 paid to his brother, which is unreasonable to the extent of Rs.2,000.

(c) The whole amount of printing stationery was paid in cash.

(d) The depreciation provided in the P&L Account Rs. 1,05,000 was based on the same the following information:
The WDV of plant & machinery is Rs.4,20,000. A new plant falling under the same Block of 15% was bought on 01.07.2007 for Rs. 70,000.Tow old plants were sold on 01.10.2007 for Rs.50,000

(e) Rent & rate includes Sales Tax Liability of Rs.3,400 paid on 07.04.2008.

(f) Other business receipts includes Rs.2,200 received as refund of Sales Tax relating to A.Y.2007-08 .

(g) Other general expenses include Rs. 2,000 paid as donation to a public charitable trust.

You are required to advice X whether he can offer his business income u/s 44AF, i.e. presumptive taxation. **16**

**Q5)** Mr. Harshad had been working with X Ltd. In Mumbai since 1.10.1989. He was entitled to the following emoluments.

Basic salary w.e.f. 1.1.2002 Rs. 6000p.m

Dearness allowance 40% of basic salary (50% of which forms part of salary for the retirement benefit).

Medical allowance Rs. 500p.m. (entire amount is spent on his own medical treatment)

Entertainment allowance Rs. 500p.m.

Children education allowance Rs. 40p.m. per child for 3 children.

Hostel expenditure allowance Rs. 100p.m. per child for 3 children.

Uniform allowance Rs. 250p.m. (he spends Rs. 1500 for the purchase and Maintainence of uniform)

House rent allowance Rs.750p.m. He pays Rs.7000p.m as rent.

He contributes Rs.900p.m. to a recognized provident fund to which his employer contributes an equal amount.

He retired from his job on 1.1.2003 and shifted to Delhi. He was entitled to the following benefits at the time of his retirement.

Gratuity Rs. 115000

Pension from 1.1.2002 Rs.2000

Payment from recognized provident fund Rs.300000.

Encashment of earned leave for 150 days Rs.36000.

He was entitled to 40 days leave for every completed year of service. He got 50% of his pension commuted in lump sum w.e.f. 1.3.2003 and received Rs.120000 as commuted pension.

He joined S Ltd. At Delhi w.e.f. 1.2.2003 and was entitled to the following emoluments.

Basic salary Rs.5000p.m.

Dearness allowance (forming part of salary) 20% of basic salary.

Rent free unfurnished accommodation in Delhi which is owned by the employer and whose fair rental value is Rs.48000p.a.

He was also given the following facilities by the employer.

Motor car (1.4 litre engine capacity) with driver, which he uses partly for official and partly for personal purpose.

The monthly expenses incurred by 'A' on gas and electricity gas Rs.500 reimbursement by the employer.

Reimbursement of educational expenses of his two children which amounted to Rs.500p.m.

On 4.3.2002 his wife fell ill and the employer reimbursed the expenditure of the medical treatment amounting to Rs.17500.

A watch-man, a sweeper, a cook and a gardner have been provided to whom the company pays the salary of Rs.400p.m each.

Loan of Rs 100000 @ 8% p.a. for construction of his house was given by the company.

He made the following payments during the previous year.

Professional tax Rs.500

LIP on his life policy Rs.100000, Rs. 15000.

Deposit in PPF account Rs. 50000.

Compute his total income for the A.Y. 2008-09. **16**

**Q6) a.** X submits the following information relevant for the previous year ending on March 31, 2007

| Particulars | Rs. |
|---|---|
| Profits of business A carried on in India | 90000 |
| Loss of business B carried on in India | (30000) |
| Profits of business C carried on in Canada (income is earned and received in Canada and business is controlled from Canada) | 52000 |
| Loss of business D carried on in Canada (though profits are not received in India, business is controlled from Delhi) | (46000) |
| Unabsorbed depreciation of business D | 63000 |
| Income from property situated in India | 22000 |
| Income from property situated in Canada (received in Canada) | 192000 |

8

**6b**. X owned 5 acres of agricultural land within the city limits of Madras which he had purchased on October 1, l982 far Rs. 5,00,000. On October 1,2006, he sold the agricultural land for Rs. 50,00,000. On January 1, 2007, he purchased a coffee estate for Rs. 20,00, 000. The coffee estate was in a remote village and the nearest town was about 20 kilometres away from the estate.

On February 28, 2008, he sold the coffee estate far Rs. 35,00,000.

You are required to compute the income chargeable under the head “Capital gains” for the assessment years 2007-08 and 2008-09.

What would be your answer if the coffee estate was situated within the city limits of Ooty? **8**

# PAPER-7
# APPLIED DIRECT TAXATION

## TEST PAPER – I/7/ADT/2008/T-2

Time Allowed: 3 Hours Full Marks: 100

Answer Question No. 1 is compulsory and any two from the rest in this section.

**Q1)** (A) Fill up the blanks: **1*6=6**

(i) In case of an existing industrial undertaking for additional depreciation , increase in installed capacity as compared to the installed capacity as on 31.03.2002 is _________ per cent.

(ii) The due date for filing return of net wealth by an individual who is a non-working partner is a firm whose accounts are audited u/s 44AB of the Income Tax Act, 1961 is ___________.

(iii) The maximum amount of permissible under section 80C, subject to overall ceiling of Rs.1, 00, 000, for repayment of principle part of eligible housing is Rs ________and that of interest is Rs _________.

(iv) The Basic exemption limit in case of a non-resident individual being a senior citizen is Rs ___________.

(v) A person owns 4 heavy goods vehicles. His estimated annual income under section 44AE is Rs.___________ (1, 68,000 /1, 51,200/1, 92,000/2,40,000)

(vi) Where an Indian company incurred any expenditure in connection with amalgamation or demerger, the same is allowable as deduction, spread over _________ successive years beginning with the year _________.

**(**B) State with reasons whether the following statements are true or false (Answers without reasons will not receive any credit) **2*7=14**

(i) Mr. A has compared gift of Rs.1, 50,000 on 12$^{th}$ December, 2004 from his close friend who is assessed to income-tax. The same is taxable at the hands of Mr. A.

(ii) Surplus on sale of motor car on which depreciation has been allowed for 4 years by proprietor of a business will be taxed as long-term capital gain.

(iii) In the case of an individual resident in India, who is an author maximum deduction available from gross total income in respect of eligible royalty income is Rs. 5 lacs

(iv)Gift received from assesses grandfather in excess of Rs. 50,000 will be taxed as income from other sources.

(v) Property held by an assessee under trust for any private purpose of charitable nature in India is not an exempt asset under section 5 of the wealth tax Act.

(vi) A charitable trust whose income is not exempt under any clause of section 10 of the Income tax Act,1961. will be chargeable to wealth tax in all cases, where the trust profits exemption.

(vii) Income from Any Farm house is exempt from Tax

**Q2)** (a) What are expectation to the rule that the Income of the previous year shall assessed in the subsequent assessment year? **6**

(b) State whether the following are capital or revenue receipts:

1. Premium on issue of new shares
2. sales tax collected from purchasers of goods
3. Share Premium **6**

(c) Name any three transaction where tax collection at source is required to be made and the rate at which tax collection is to be done. **4**

**Q3)** (a) Compute the total income of Mr. & Mrs. A from the following information:

| | Rs. |
|---|---|
| (i) Salary Income (computed) of Mrs. A | 2,30,000 |
| (ii) Income from profession of Mr. A | 3,90,000 |
| (iii) Income of Minor son B from Company Deposit | 15,000 |
| (iv) Income of Minor daughter C from Special Talent | 32,000 |
| (v) Gift received by C on 30/09/2006 from friend of Mr.A | 2,500 |

Brief working is sufficient. Detailed computation under various heads of income is not required. **7**

(b) Mr. Yeshwant submits the following information for the financial year ending 31.03.2008.

He desires that you should:

(i) Compute the Gross Total Income

(ii) Ascertain the amount of losses that can be carried forward,

| | |
|---|---|
| (I) He has two houses: | |
| (a) House No. 1 –After all statutory deductions | 36,000 |
| (b) House No. 2 – Current year loss | (10,000) |
| (II) He has three proprietary businesses | |
| (a) Textile Business; | |
| - Discontinued from 31.10.2007- Current year loss | (25,000) |
| - Brought forward business loss of year 2003-04 | (80,000) |
| (b) Chemical business: | |
| -Discontinued from 01.03.2006- hence no profit/loss | Nil |
| - Bad debts allowed in earlier years recovered this year | 30,000 |
| - Brought forward business loss A.Y 2006-07 (20,000) | |
| (c) Leather Business: Profit for current year | 70,000 |
| (III) Capital Gains: | |
| (a) STCG | 20,000 |
| (b) LTCL | (15,000) |

**9**

**Q4)** Mr. A, a senior citizen has furnished the following particulars relating to his House properties

| **Particulars** | **House I** | **House II** |
|---|---|---|
| Nature of occupation | Self Occupied | Let Out |
| Municipal Valuation | Rs. 60,000 | Rs. 1,20,000 |
| Fair Rent | Rs. 90,000 | Rs. 1,50,000 |
| Standard Rent | Rs. 75,000 | Rs. 90,000 |
| Actual Rent | Nil | Rs. 9,000 |
| Municipal Taxes paid | Rs. 6,000 | Rs. 12,000 |
| Interest on Capital Borrowed | Rs. 70,000 | Rs. 90,000 |

Loan for both Houses were taken on 01.04.2003. House II remained vacant for 4 months.
Besides the above two houses, A has inherited during the year an old house from his grandfather. Due to business commitments, he sold the house immediately for a sum of Rs. 250 lakhs. The house was purchased in 1962 by his grandfather for a sum of Rs. 2 lakhs.
However the fair market value as on 01.04.1981 was Rs. 20 lakhs. With the sale proceeds, A purchased a new house in March 2008 for a sum of 100 lakhs & the balance was used in his business.
The other income particulars Mr. A besides the above are as follows( A.Y. 2008-09):

| | |
|---|---|
| Business loss | Rs.2 lakhs |
| Income from other sources (bank interest) | Rs.1 lakhs |
| Investment made during the year: P.F. | Rs. 70,000 |
| ICICI Infrastructure Bond purchased | Rs. 30,000 |

Compute total income of Mr. A & his tax liability for the A.Y. 2008-09. **16**

**Q5)** Write short notes:-

1. Section 80GG
2. Self Assessment Tax under Section 140A
3. What is revocable transfer of Assets U/s 61? **4*2=8**

**Q7)** Mr. Executive is employed as a manager of XYZ Ltd. at Chennai. He has furnished the following particulars in respect of his income for the year ending 31 .3.2003.

i) Basic salary Rs. 1,20,000.

ii) DA Rs. 60,000 *(50%* of which forms part of salary)

iii) He has been provided a rent free furnished bungalow in the factory premises at Chennai. Fair rental value of such bungalow is Rs. 3,000 p.m. Furniture provided in the bungalow Rs. 2 lakhs (cost) whose written down value Rs. 180000 and rented furniture for which rent paid Rs. 10,000.

iv) The company employs a watchman and pays Rs. 300p. m. for looking after the bungalow.

v) He availed 15 days leave out of 30 days to which he was entitled. He encashed the unavailed leave (for 15 days) and received Rs. 6,000 which he claims as exempt.

vi) The company pays Rs. 1,000 p.a. as premium for an accident insurance policy for the benefit of Mr. Executive.

vii) The company has paid club fees of Rs. 1,000 p.a. The club bill amounting to Rs.2750 have also been reimbursed.

viii) The company has deducted tax on employment @150p.m from the salary of Mr. Executive.

Besides above, the company has given the following benefits to the employee: —

i) The company has advanced an interest free loan of Rs. 2 lakhs for purchase of Motor car on 1.5.2002. Mr. Executive has been repaying the loan in installments of Rs. 5.000 p.m. at the end of each month.

ii) Company provides free meals in the once during working hours for 200 days. The cost of meals to the company is Rs. 80 per meal.

iii) The company has given a gift cheque of Rs. 10.00() on the occasion of Mr. Executive's birth day on 15.9.2002.

iv) The company had purchased a Laptop for Rs.' 1.50,000 on I .10.1999. This Laptop sold w Executive for Rs. 10.000

v) The company also provides Mr. Executive to use Video Camera which was purchased for Rs. 1,00,000 on 1.10. 1999.

vi) The company provides the use of motor car (capacity 1.6 ltr.) for official as well as private purpose.

vii) Expenditure on maintenance of the car by the company is Rs. 30,000.
Compute the taxable income of Mr. Executive for the assessment year 2003-04. **20**

# PAPER-7
# APPLIED DIRECT TAXATION

## TEST PAPER – I/7/ADT/2008/T-3

Time Allowed: 3 Hours Full Marks: 100

**Q1)** (a) Fill up the blanks: **1*8=8**

(i) For self-occupied house property occupied on 1.07.2004, for which housing loan was availed, if the interest up to 31.3.2004 is Rs.90,000 and thereafter the interest payable is Rs 3,000 p.m, the deduction available u/s 24 in respect of interest for the year ended 31.03.2005 is Rs __________.

(ii) To claim the benefit under section 10A, SEZ undertaking having a turnover of Rs. 2 crores, should file the return of income on or before _________.

(iii) A person owns 4 heavy goods vehicles. His estimated annual income under section 44AE is Rs.___________(1,68,000/1,51,200/1,92,000/2,40,000)

(iv) Where an employer gives a second hand motor car to an employee, the perquisite value is actual cost less depreciation at __________% for every completed year under ___________ method of computing depreciation.

(v) Exemption under section 10B of the Income tax Act, 1961 is available till assessment year _________.

(vi) Where L, whose cash & bank balance on 14.01.2007 is Rs. 50,000 gifts Rs. 2,50,000 to M, without any actual delivery of the money Rs.__________ will be clubbed in the hands of L for wealth tax purposes.

(vii) Where Assessee does not himself carry on Scientific Research but makes contribution to Scientific Research Association the available deduction under section 35 is __________%.

(viii) Maximum Deduction under section 54EC from Capital gain is Rs.__________

(b) Answer in brief : **2*4=8**

(i) An assessee raised an invoice of Rs. 50,000 in A. Y. 2008-09 and had taken it into account as his income. Since it was not recoverable, he has filed suit in civil court. However, he wants to write off as bad debt in A Y 2008-09 and claim as deduction as bad debt. Can he do so?

(ii) Your client is a doctor. When is he required to compulsorily maintain books of account?

(iii) Explain the provisions under the Income Tax Act,1961 in respect of valuation of closing stock of raw materials when assessee has availed Cenvat in respect of his inputs.

(iv) Explain Provision of section 54B (Deduction for Transfer of Agricultural land).

(c) Choose the correct answer: **1*4=4**

(i) Surcharge of 2.5% is payable in the case of companies, by

(a) Domestic companies only;
(b) Companies other than domestic companies;
(c) All companies;
(d) None of the above

(ii) Government's contribution to the new pension scheme referred to in section 80CCD is
  (a) An exempt income;
  (b) Income chargeable to tax as "Salaries" in full;
  (c) 50% thereto is income chargeable to tax as "Salaries";
  (d) Income chargeable to tax as "Income from other sources "in full.

(iii) Long-term capital gains arising on compulsory acquisition of agricultural land held by a domestic company within specified urban limits is;
  (a) Not exempt under section 10(37);
  (b) Exempt under section 10(37) in full.
  (c) 50% of the receipt is exempt under section 10(37).
  (d) 25% of the receipt is exempt under section 10(37).

(iv) In case of companies deriving loss any assessment year, for filling of return of income within the due date laid down in section 139(1) is compulsory;
  (a) Only where the Department issues notice to the assesses-company;
  (b) For domestic companies only;
  (c) For foreign companies only;
  (d) For all companies.

**Q2)** (a) Under what circumstances the assessing Officer may refer the valuation of capital asset to the valuation Officer ? **5**

(b) Explain Agricultural Income and its Tax liability. **5**

(c) State whether tax audit under section 44AB is applicable in the following cases:
  (i) Gross turnover from manufacturing business Rs.20 lakhs and gross turnover from retail business of Rs.30 lakhs where the assessee opts to be assessed under section 44AF.
  (ii) Professional receipts Rs. 15 lakhs and gross sales in the business Rs.20 lakhs. **6**

**Q3)** M/s Alpha Beta Co. Ltd has the following assets and liabilities as on 31st March 2008. Compute the Net Wealth as on 31.3.2008 (stating whether each item is taxable or not).

| | |
|---|---|
| (i) Land in urban area (Construction not allowed as per Municipal bye laws) | 36,00,000 |
| (ii) Land in rural area | 38,00,000 |
| (iii) Land in urban area (bought 12 years ago, but Construction of factory yet to start) | 50,60,000 |
| (iv) Residential Quarters for workers | 34,80,000 |
| (v) Residential Quarters for officers—six units (2 of them are occupied by officers drawing monthly salary of Rs. 46700 each) | 48,00,000 |
| (vi) Guest House and land appurtenant thereto | 10,00,000 |
| (vii) Air craft | 2,80,00,000 |
| (viii) Motors cars for use of officers | 20,50,000 |
| (ix) Loan from for acquiring aircraft | 90,00,000 |
| (x) Residential house provided to a whole- time director (Salary Rs 7, 20,000p.a, the director owns 25% equity) | 27,00,000 |

**16**

**Q4) a.** OPTIMA Ltd is engaged in the business of plying goods carriages. On 1st April 2007 the company owns 10 trucks(6 out of which are 'heavy goods vehicle').On May 2,2007, one of the heavy goods vehicles is sold by OPTIMA Ltd to purchase a light goods vehicle on May 2,2007, which is put to use only from June 15, 2007.Find out the total income of OPTIMA Ltd .for the assessment year 2008-09 taking into consideration the following data gathered from its books:

| | Rs. | |
|---|---|---|
| Freight collected | 8,90,000 | |
| *Less:* Operational expenses | 6,40,000 | |
| Depreciation as per section 32 | 1,90,000 | |
| Other office expenses | 15,000 | |
| Net profit | 45,000 | |
| Other non-business income | 70,000 | **5** |

(b) Arvind commenced construction of a residential house intended exclusive for his residence, on 01.11.2006. He raised a loan of Rs 5 Lacs,@ 16% interest for the purpose of construction on 01.11.2006.Finding that there was an overrun in the cost of construction he raised a further of Rs. 8 Lacs at the same rate on 01.10.2007. What is the interest allowable u/s24 assuming that the construction was completed on 31.03.2008. **6**

(c) From the following figures, you are required to ascertain depreciation admissible & other liabilities if any for the Ay 2008-09:

| | Plant & Machinery | Building |
|---|---|---|
| WDV at the beginning | 2,50,000 | 10,00,000 |
| Additions during the year | 3,00,000 | NIL |
| Sales during the year | 6,00,000 | 2,00,000 |

**5**

**Q5)**

A) Mr. Abhay has following two house properties. Compute his Income from House Property for the A. Y. 2008-09:

i) House 1 situated at Pune self occupied during the previous year having Municipal Value as Rs 12 lacs. Its Fair rent is 10Lacs. Interest on loan Borrowed for the purchase of House property is Rs. 1.80 Lacs. Municipal Tax paid during the year amounts to Rs. 2,500/-

ii) House 2 situated at Mumbai is let out to CPM Pvt. ltd for monthly rent of Rs. 30,000/-. Since the Company goes into liquidation in February 2007, no rent has been received till date. Municipal Value of the House is Rs. 4.20 Lacs. Municipal Tax paid during the year amounts to Rs. 1,500/-. **8**

B) Mr. Pawan has transferred his house property in April 2007 for sale consideration of Rs. 35 lacs. Expenses for transfer of asset paid Rs. 25,000/-.

This house property is inherited to Mr. Pawan from his father during 1995-96.

His father had purchased the house in 1965 for Rs.1,00,000/-. The Municipal value as on 1.04.1981 was Rs. 2,90,000/- The cost of improvement incurred by his father in the year 1992-93 was Rs. 12,000 and by himself Rs. 120,000 in year 2000-01.

Compute the Capital Gain. **8**

**Q6)** Compute the Salary Income from the following information of Mr. Jaydeep.

Basic Salary Rs 20,000 per month, dearness allowance: Rs. 6,000 per month, employers contribution towards provident fund Rs. 3,000( He makes a matching Contribution) , interest credited at the rate of 15% on April 30 2007: 7500/-, pension after retirement: Rs.10,000 per month and payment of provident fund at the time of retirement: Rs. 760,000(out of which employers Contribution is Rs 330000, interest thereon Rs. 44,000; Jaydeep' s contribution: Rs. 3,40,000, and interest thereon Rs. 46000) Salary and pension become due on the last day of each month. He has deposited the entire provident fund payment with a company (rate of Interest 9%)

**8**

**Q7)** Write Short notes on the following (any two):

i. Slum Sale
ii. Section 43B
iii. Specified Investment by an Charitable Institution under section 11(5).

**4*2=8**

**PAPER-7**
**APPLIED DIRECT TAXATION**

**TEST PAPER – I/7/ADT/2008/T-4**

Time Allowed: 3 Hours Full Marks: 100

Answer Question No. 1 is compulsory and any two from the rest in this section.

**Q1)** (a) Choose the correct answer: **1* 8=8**

(i) The registration of a charitable trust can be cancelled under section 12AA of the Income-tax Act 1961 by;
- (a) Assessing officer;
- (b) Commissioner of Income-tax;
- (c) Chief Commissioner of Income-tax;
- (d) Central Board of Direct Taxes.

(ii) X ltd has failed to remit the tax deducted at source from annual rent of Rs.6,60,000 paid to Mr. A for its office building. Said rent is
- (a) Fully allowable as a business expenditure
- (b) Not allowable in view of section 40(a) (i);
- (c) Allowable to the extent of 50%
- (d) None of the above.

(iii) In respect of listed shares held for 10months sold on 12.8.2007, the rate of tax in respect of capital gains is;
- (a) 10%
- (b) 20%
- (c) 15%
- (d) Not determinable, as the capitals gains will form part of the total income whose other components are not known.

(iv) In case of an investor in shares, in respect of shares sold, securities transaction tax paid (at the time of purchase of the said shares earlier)
- (a) To be added to the cost of acquisition;
- (b) To be deducted as expenditure connected with transfer;
- (c) Not deductible at all while computing capital gains;
- (d) None of the above.

(v) Expenditure incurred in carrying out illegal business is;
- (a) Not allowable as deduction in any case;
- (b) Allowable as deduction, if gross total income is less than Rs.5 Lakhs;
- (c) Allowable as deduction, in all cases;
- (d) Allowable as deduction, if income from illegal business is offered.

(vi) Any income chargeable under the head “Salaries” is exempt from tax under section 10(6) (viii), if it is received by any non-resident individual as remuneration for services rendered in connection with his employment in foreign ship where his total stay does not exceed a period of _________days in that previous year;

(a) 90
(b) 182
(c) 60
(d) 120

(vii) Validity period of stay recovery granted by ITAT is;
(a) 180 days;
(b) One year;
(c) Till final order is passed by the Tribunal;
(d) Three years

(viii) In case of a rural hospital built after 31.3.2007 fulfilling the required conditions laid down in section 80IB (11), the profits and gains derived from running the hospital are;
(a) Deductible in full;
(b) Deductible to the extent of 50%;
(c) Deductible to the extent of 75%;
(d) Taxable in full,

(b) Please state regarding admissibility of the following expenditure in computing the business income:

(i) Interest for late payment or non-payment of advance tax;
(ii) Legal charges for obtaining loan from financial institutions;
(iii) Expenses incurred in developing software programme;
(iv) Additional depreciation on second hand machinery purchased.
(v) Penalty paid for non-submission of VAT audit report in time;
(vi) Annual listing fees paid to stock exchanges;
(vii) Insurance premia paid by a firm on life insurance policies of its partners;
(viii) Penalty of a compensatory nature paid for breach of a contract. **8**

(c ) Write short notes
1) Section 43B
2) Special economic zone under Section 10A **2*2=4**

**Q2)** (a) Discuss tax treatment of House Rent Allowance **2**
(b) An assessee had raised invoice of Rs. 20,000 in A.Y. 2002-03. He has not received the amount, but is very much hopeful of getting the amount. However, he has provided for that amount amount in 'provision for bad & doubtful debts', as three years are over. Can he claim deduction as a 'bad debts'? **2**
(c) Explain the terms 'Terminal Depreciation' & 'Balancing Charge' **4**
(d What are the instances when income of previous year is charged in previous itself **8**

**Q3)** Dr. Krishna furnishes you the following information :

**Income & Expenditure Account for the year ended 31/03/08**

| Expenditure | in Rs. | Income | in Rs. |
|---|---|---|---|
| To Medicine Consumed | 242,000 | By Fees Receipts | 8,47,500 |
| To Staff Salary | 1,65,000 | By Rent | 27,000 |

| | | | |
|---|---|---|---|
| To Hospital Consumables | 47,500 | By Dividend from Indian Companies | |
| 9,000 | | | |
| To Administrative Expenses | 60,000 | | |
| To Rent Paid | 1,23,000 | | |
| To Net Profit | 2,46,000 | | |
| | 8,83,500 | | 8,83,500 |

Additional Information:

(i) Rent paid includes rent for his residential accommodation of Rs. 30,000 (paid by cheque).

(ii) Hospital Equipment (eligible for depreciation @15%)

| | |
|---|---|
| 01.04.07 Opening WDV | Rs.5,00,000 |
| 07.12.07 Acquired (Cost) | Rs.2,00,000 |

(iii) Medicine consumed include medicines (cost) Rs. 10,000 used for Dr. Krishna's family

(iv) Rent received relates to a property situated at Mysore (Gross Annual Value). The municipal tax of Rs. 2,000 paid in December 07 has been included in the " Administrative Expenses".

(v) He received Rs. 5,000 p.m. as salary from Full Care Hospital. This has not been included in the "Fee Receipts" credited to Income & Expenditure A/C.

(vi) He sold a vacant site in July 06 for Rs 5,00,000. It was inherited by him from his father in January 2000. The site was acquired by his father in December 1992 for Rs. 1,50,000.

**Compute Dr. Krishna's taxable income for the year ended 31/03/2008. 16**

**Q4)** (a) From the following data furnished by R, determine the income of house property 31/03/2008 :

| | Rs. |
|---|---|
| Annual value as per municipal records | 1,60,000 |
| Rent received from tenant | 1,44,000 |
| Municipal Tax paid by tenant on behalf of R | 10,000 |
| Interest on Borrowing Cost | 10,000 |
| Repairs on property paid by tenant | 6,000 |
| Refundable Deposit collected from tenant as a security deposit which does not carry any interest | 3,00,000 |
| The difference between unbuilt area & specified area is | 10% |

**10**

(b) ABC is a partnership firm carrying on business, in which A,B&C are the partners sharing profits &loss equally-In respect of A.Y.2008-09, it furnishes the following particulars :

(1) Loss as per Profit &Loss Account after debiting remuneration to partners &sharing on their capital . Rs.2,50,000

(2) Remuneration to partners :A-90,000; B-60,000; C-30,000; in total 1,80,000

(3)Interest paid on capital :

| | Capital as on 01/04/2007 | Interest |
|---|---|---|
| A | Rs. 1,00,000 | Rs. 20,000 |

| | | |
|---|---|---|
| B | Rs. 1,00,000 | Rs. 20,000 |
| C | Rs. 1,00,000 | Rs. 20,000 |

You are required to workout the income of the firm & of the partners A, B & C assuming that the partners have no others income **6**

**Q5)** Mr. X came to India for the first time on 1st November, 2007. During his stay in India up to 30th October, 2008 he stayed at Bombay up to 10th May, 2008 and thereafter remained in Bangalore till his departure from India. Determine his residential status for the Assessment Year 2009 –10. **4**

**Q6)** X (36 Years) received the following emolument during the previous year 2008 – 09

| | |
|---|---|
| Basic Pay | Rs.52,000 |
| Commission | Rs.26,000 |
| Free car facility for X and his family member only for private use (expenditure of the employer including normal wear and tear Rs.21,000) | Rs. 21,000 |
| Entertainment allowance | Rs. 3,000 |

On October 1, 2008 the employer gives a housing loan of Rs. 170000 at 11per cent per annum(repayable in 15 years )

He contributes Rs. 6000 towards recognized provision fund his income from other sources is Rs. 100000.

Determine the taxable income and tax liability for the assessment year 2009 – 10 if :

(a) X is an employee of POR, a partnership firm

(b) X is an of Haryana Government since 1964.

**12**

**Q7)** X purchased the following capital assets

| | Year of purchase | Cost Rs. | Fair market value on April 1, 1981 Rs. |
|---|---|---|---|
| Gold | 1974-75 | 20,000 | 60,000 |
| Shares in Atul Ltd. (unlisted) | 1979-80 | 1,10,000 | 70,000 |

X dies on Augest 5, 1997 and as per his will these assets are transferred to his son B.B sells these assets on June 5, 2008 for a total consideration of Rs. 11,50,000 (gold: 740000, shares: Rs. 4,10,000). Find out the amount of capital gains chargeable to tax for the assessment year 2009-10.

**Q8)** X, a resident individual, submits the following information, relevant for the previous year ending March 31, 2009:

| **Particular** | **Rs.** |
|---|---|
| Income from salary (computed) | 30,000 |
| Income from house property<br>House I<br>House II<br>House III (self computed) | <br>6,000<br>(-)25,000<br>(-)5,000 |
| Profit and Gains of business or profession<br>Business I | <br>8,000 |

| | |
|---|---|
| Business II | (-)6,000 |
| Business III (speculative) | (-)32.000 |
| Business IV (speculative) | 18,000 |
| Capital gains | |
| Short – term capital loss | (-) 30,000 |
| Long – term capital gains on transfer of preference shares | 27,000 |
| Income from other sources | |
| Income from card games | 13,000 |
| Income from betting | 12,000 |
| Loss on maintenance of race horses | (-)23,000 |
| Income from owning and maintaining race camels | 90,000 |

Determine the net income for the assessment year 2009-10. **8**