Dear Friends,

I have attached All the question Papers of CA PE-II Till Date Except may 2006 I could get the data but u can take the questions of may 2006 from suggested answers file I have uploaded in Caclubindia.com (students folder)

I advise to solve the papers ones you competed the Syllabus !!!

Please give me your feedback

sreecharan.ca@gmail.com

Happy reading !!!

Thanks,

Sree Charan ☺

You............... Rock !!!

CA PE - II :: Accounting : November2002

Roll No…………………

Total No. of Questions— 6] [Total No. of Printed Pages—7

Time Allowed : 3 Hours Maximum Marks : 100

NSW

Answers to questions are to be given only in English except in the cases of candidates who have opted for Hindi medium. If a candidate who has not opted for Hindi medium, answers in Hindi, his answers in Hindi will not be valued.

Answer **all** Questions

Wherever appropriate suitable assumptions should be made by the candidate.

Working notes should form part of the answer.

Marks

1. The following is the Balance Sheet of Sri Agni Dev as on 31st March, 2001: 20

Liabilities	Rs.	Assets	Rs.
Capital account	2,52,500	Machinery	1,20,000
Sundry Creditors for purchases	45,000	Furniture	20,000
		Stock	33,000
		Debtors	1,00,000
		Cash in Hand	8,000
		Cash at Bank	16,500
	2,97,500		2,97,500

Riots occurred and fire broke out on the evening of 31st March, 2002, destroying the books of account and Furniture. The cashier was grievously hurt and the cash available in the cash box was stolen.

The trader gives you the following information:

(i) Sales are affected as 25% for cash and the balance on credit. His total sales for the year ended 31st March, 2002 were 20% higher than the previous year. All the sales and purchases of goods were evenly spread throughout the year (as also in the last year).

NSW Marks

(ii) Terms of credit 5

Debtors	2 Months
Creditors	1 Month

(iii) Stock level was maintained at Rs. 33,000 all throughout the year.

(iv) A steady Gross Profit rate of 25% on the turnover was maintained throughout. Creditors are paid by cheque only, except for cash purchase of Rs. 50,000

(v) His private records and the Bank Pass-Book disclosed the following transaction for the year.

(i) Miscellaneous Business expenses	Rs. 1,57,500 (including Rs. 5,000 paid by cheque and Rs. 7,500 was outstanding as on 31st March, 2002.
(ii) Addition to Machinery	Rs. 60,000 (paid by cheque)
(iii) Private drawings	Rs. 30,000 (paid by cash)
(iv) Travelling expenses	Rs. 18,000 (paid by cash)
(v) Introduction of Additional Capital by depositing in to the bank	Rs. 5,000 (paid by cash)

(vi) Depreciation on Machinery is to be provided @15% on the Closing Book value

(vii) The cash stolen is to be charged to the Profit and Loss Account

Prepare Trading, Profit and Loss Account for the year ended 31st March, 2002 and a Balance Sheet as on that date. Make appropriate assumptions wherever necessary. All workings should form part of your answer.

NSW Contind...

PD — Marks

2. From the following information as on 31st March, 2002, prepare the Revenue Accounts of Sagar Bhima co. Ltd. engaged in Marine Insurance Business: 16

Particulars	Direct Business (Rs.)	Re-insurance (Rs.)
I. Premium:		
Received	24,00,000	3,60,000
Receivable - 1st April	1,20,000	21,000
- 31st March	1,80,000	28,000
Premium paid	2,40,000	---
Payable - 1st April	---	20,000
- 31st March	---	42,000
II. Claims:		
Paid	16,50,000	1,25,000
Payable - 1st April	95,000	13,000
- 31st March	1,75,000	22,000
Received	--	1,00,000
Receivable - 1st April	---	9,000
- 31st March	---	12,000
III. Commission:		
On Insurance accepted	1,50,000	11,000
On Insurance ceded	---	14,000

Other expenses and income:

Salaries - Rs.2,60,000 ; Rent, Rates and Taxes - Rs.18,000; Printing and Stationery - Rs. 23,000; Indian Income Tax paid - Rs. 2,40,000; Interest, Dividend and Rent received (net) - Rs. 1,15,500; Income Tax deducted at source - Rs. 24,500; Legal Expenses (Inclusive of Rs.20,000 in connection with the settlement of claims) - Rs.60,000; Bad Debts - Rs. 5,000; Double Income Tax refund - Rs. 12,000; Profit on Sale of Motor car Rs. 5,000.

Balance of fund on 1st April was Rs. 26,50,000 including Additional Reserve of Rs. 3,25,000. Additional Reserve has to be maintained at 5% of the net premium of the year.

3. The financial position of two companies Hari Ltd. and Vayu Ltd. as on 31st March, 2002 was as under: 16

Assets	Hari Ltd. (Rs.)	Vayu Ltd.(Rs.)
Goodwill	50,000	25,000
Buildings	3,00,000	1,00,000
Machinery	5,00,000	1,50,000
Stock	2,50,000	1,75,000

Debtors	2,00,000	1,00,000
Cash at Bank	50,000	20,000
Preliminary Expenses	30,000	10,000
	13,80,000	5,80,000

Liabilities	Hari Ltd. (Rs.)	Vayu Ltd. (Rs.)
Share Capital:		
Equity Shares of Rs. 10 each	10,00,000	3,00,000
9% Preference Shares of Rs. 100 each	1,00,000	--
10% Preference Shares of Rs. 100 each	--	1,00,000
General Reserve	1,00,000	80,000
Retirement Gratuity fund	50,000	20,000
Sundry Creditors	1,30,000	80,000
	13,80,000	5,80,000

Hari Ltd. absorbs Vayu Ltd. on the following terms:

(a) 10% Preference Shareholders are to be paid at 10% premium by issue of 9% Preference shares of Hari Ltd.

(b) Goodwill of Vayu Ltd. is valued at Rs. 50,000, Buildings are valued at Rs. 1,50,000 and the Machinery at Rs. 1,60,000

(c) Stock to be taken over at 10% less value and Reserve on Bad and Doubtful Debts to be created @ 7.5%

(d) Equity Shareholders of Vayu Ltd. will be issued Equity Shares @ 5% premium

Prepare necessary Ledger Accounts to close the books of Vayu Ltd. and show the acquisition entries in the books of Hari Ltd. Also draft the Balance Sheet after absorption as at 31st March, 2002.

4. Avinash, Rohit and Madwesh were carrying on business in partnership sharing Profits and Losses in the ratio of 5 : 4 : 3 respectively. The Trial Balance of the firm as on 31st March, 2002 was the following:

Particulars	Dr. (Rs.)	Cr.(Rs.)
Plant and Machinery @ Cost	1,05,000	--
Stock	60,200	--
Sundry Debtors	85,000	--

Sundry Creditors	--	1,05,200
Capital A/cs:		
Avinash	--	70,000
Rohit	--	50,000
Madwesh	--	30,000
Drawings A/cs:		
Avinash	30,000	--
Rohit	25,000	--
Madwesh	20,000	--
Depreciation on Plant and Machinery	--	35,000
Trading Profit for the year	--	1,29,800
Cash at Bank	94,800	--
	4,20,000	4,20,000

NSW Contind...

Additional Information :

(a) Interest on Capital Accounts at 10% on the amount standing to he credit of partners' Capital Accounts at the beginning of the year was not provided before preparing the above Trial Balance.

(b) On 31st March, 2002 they formed a Private Ltd. Company Anagha (P) Ltd. to take over the partnership business.

(c) You are further informed as under:

(i) Plant and Machinery is to be transferred at Rs. 80,000

(ii) Equity Shares of Rs. 10 each of the company are to be issued to the partners at par in such numbers to ensure that by reason of their share holdings alone. They will have the same rights of sharing Profits and Losses as they had in the partnership. Balance if any in their Capital Accounts will be settled by giving 7 1/2% Preference Shares at par.

(iii) Before transferring the business, the partners withdrew by cash from partnership the following amounts over and above the drawings as shown in the Trial Balance:

(a) Avinash	Rs.20,000
(b) Rohit	Rs.10,600
(c) Madwesh	Rs.14,200

(iv) All Assets and Liabilities except Plant and Machinery and the Bank Balance are to be transferred at their value in the books of the partnership as at 31st March, 2002.

(v) You are required to prepare:

(a) Profit and Loss Adjustment Account for the year ending 31st March, 2002.

(b) Capital Accounts showing all the adjustments required to dissolve the partnership

(c) A statement showing the number of shares of each class to be issued by the company to each of the partners to settle their accounts.

(d) Prepare Balance Sheet of the company Anagha (P) Ltd. as on 31.03.2002 after take over of the business.

5. From the following details relating to the Accounts of Grow More Ltd. prepare Cash Flow statement 16

Liabilities	31.3.2002 (Rs.)	31.3.2001 (Rs.)
Share Capital	10,00,000	8,00,000
Reserve	2,00,000	1,50,000
Profit and Loss account	1,00,000	60,000
Debentures	2,00,000	—
Provisions for taxation	1,00,000	70,000
Proposed dividend	2,00,000	1,00,000
Sundry Creditors	7,00,000	8,20,000
	25,00,000	20,00,000
Assets		
Plant and Machinery	7,00,000	5,00,000
Land/Building	6,00,000	4,00,000
Investments	1,00,000	—
Sundry Debtors	5,00,000	7,00,000
Stock	4,00,000	2,00,000
Cash on hand/Bank	2,00,000	2,00,000
	25,00,000	20,00,000

(i) Depreciation @25% was charged on the opening value of Plant and Machinery.

(ii) During the year one old machine costing 50,000 (WDV 20,000) was sold for Rs. 35,000

(iii) Rs. 50,000 was paid towards Income tax during the year.

(iv) Building under construction was not subject to any depreciation

Prepare Cash flow Statement.

6. Attempt any **four** of the following questions: 4x4=16

(a) When Capitalisation of borrowing cost should cease as per Accounting Standard 16?

NSW Marks

(b) Define a "Business Segment' and a "Geographical Segment" as per Accounting Standard 17.

(c) Briefly describe, how do you calculate "Diluted earnings per share" as per Accounting Standard 20.

(d) Briefly describe the disclosure requirements for "Deferred Tax Assets" and "Deferred Tax Liabilities" as per Accounting Standard 22.

(e) Write short note on Sale and Lease Back Transactions as per accounting Standard 19.

(f) Explain percentage of completion method in respect of Construction Contracts as per Accounting Standard 7.

NSW

CA PE - II :: Accounting : May 2003

Roll No…………………

Total No. of Questions— 6] [Total No. of Printed Pages—7

Time Allowed : 3 Hours Maximum Marks : 100

GN

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Answer **all** Questions

Wherever appropriate suitable assumptions should be made by the candidate.

Working notes should form part of the answer.

Marks

1. From the following Balance Sheet and information, prepare Cash Flow Statement of Ryan Ltd. for the year ended 31st March, 2003: 20

Balance Sheet

	31st March, 2003 Rs.	31st March, 2002 Rs.
Liabilities		
Equity share Capital	6,00,000	5,00,000
10% Redeemable Preference Capital	--------	2,00,000
Capital Redemption Reserve	1,00,000	--------
Capital Reserve	1,00,000	--------
General Reserve	1,00,000	2,50,000
Profit and Loss Account	70,000	50,000
9% Debentures	2,00,000	--------
Sundry Creditors	95,000	80,000
Bills Payable	20,000	30,000
Liabilities for Expenses	30,000	20,000
Provision for Taxation	95,000	60,000
Proposed Dividend	90,000	60,000
	15,00,000	12,50,000

	31st March, 2003 Rs.	31st March, 2002 Rs.
Assets		
Land and Building	1,50,000	2,00,000
Plant and Machinery	7,65,000	5,00,000
Investments	50,000	80,000
Inventory	95,000	90,000
Bills Receivable	65,000	70,000
Sundry Debtors	1,75,000	1,30,000
Cash and Bank	10,000	90,000
Preliminary Expenses	10,000	25,000
Voluntary Separation Payments	1,25,000	65,000
	15,00,000	12,50,000

Additional information:

(i) A piece of land has been sold out for Rs. 1,50,000 (Cost-- Rs. 1,20,000) and the balance land was revalued. Capital Reserve consisted of Profit on sale and profit on revaluation.

(ii) On 1st April, 2002 a plant was sold for Rs. 90,000 (Original Cost-- Rs. 70,000 and W.D.V.--Rs. 50,000) and Debentures worth Rs. 1 lakh was issued at par as part consideration for Plant of Rs. 4.5 lakh acquired.

(iii) Part of the investments (Cost--Rs. 50,000) was sold for Rs. 70,000

(iv) Pre-acquisition dividend received Rs. 5,000 was adjusted against cost of Investment.

(v) Directors have proposed 15% dividend for the current year.

(vi) Voluntary separation cost of Rs.50,000 was adjusted General Reserve.

(vii) Income-tax liability for the current year was estimated at Rs. 1,35,000.

(viii) Depreciation @ 5% has been written off from Plant account but no depreciation has been charged on Land and Building.

Contind...

2. Ram, Rahim and Robert are partners of the firm 'RR Traders' for the past 5 years. The partners decided to dissolve the firm consequent to insolvency of partner Robert in October, 2002. The Balance Sheet of the firm as on 31.10.2002 is furnished below. They share profit and losses equally : 16

Liabilities	Rs.	Assets	Rs.
Capital Accounts :		Land and Building	5,00,000
Ram	4,50,000	Plant and Machinery	2,00,000
Rahim	4,50,000	Furnitue and Fittings	50,000
Robert	2,00,000	Stock in trade	3,00,000
General Reserve	2,10,000	Debtors	5,00,000
Creditors	2,90,000	Cash at Hand/Bank	50,000
	16,00,000		16,00,000

The Partners Ram and Rahim decided to form a new firm 'RR Enterprises' and takeover all the assets and liabilities of the firm at values given below:

Land and Building	Rs.3,50,000
Plant and Machinery	Rs.1,50,000
Furniture and Fittings	Rs. 20,000
Stock in trade	Rs.2,00,000

Debtors include Rs. 3,00,000 lakhs due from SK & Co. owned by Robert. (Nothing is recoverable from the said concern.)

Other debtors can be recovered fully.

Prepare :

(i) Realisation account, Partners capital account in the books of RR Traders; and

(ii) The Balance Sheet of RR Enterprise (immediately after commencement).

3. Ram commenced business on 1.7.1997 with a capital of Rs. 2,00,000. On 31st March, 2003 an adjudication order for insolvency was made against him. Following are the other details available relating to his business as on 31.3.2003 :

	Rs.
Sundry Creditors	1,50,000
Mortgage Loan (of building)	1,00,000
Godown Rent (2 months)	5,000
Wages due	8,000
Mrs.Ram loan (given out of her own source)	25,000
Cost of Building (estimated to realise Rs. 1,00,000)	1,60,000
Debtors (includes bad of Rs. 10,000)	90,000
Stock in trade (Realisation value 10,000)	15,000
Cash in Hand/Bank	10,000

He maintained books upto 31.3.2000 and profit upto 31.3.2000 was Rs. 1,40,000.He did not maintain books from 1.4.2000 onwards. He has been drawing Rs. 4,000 per month and goods worth Rs. 1,500 per month uniformly from April, 2000 onwards.

Prepare statement of affairs and deficiency account.

4. (a) Show adjustment Journal entry in the books of Head Office at the end of April,2003 for incorporation of inter-branch transacitons assuming that only Head Office maintains different branch accounts in its books. 8

A. Delhi Branch :

(1) Received goods from Mumbai-- Rs. 35,000 and Rs. 15,000 from Kolkata.

(2) Sent goods to Chennai-- Rs. 25,000, Kolkata-- Rs. 20,000.

(3) Bill Receivable received-- Rs. 20,000 from Chennai.

(4) Acceptances sent to-- Mumbai-- Rs.25,000, Kolkata-- Rs. 10,000.

B. Mumbai Branch (apart from the above):

(5) Received goods from Kolkata-- Rs. 15,000, Delhi-- Rs.20,000.

(6) Cash sent to Delhi-- Rs. 15,000,Kolkata-- Rs. 7,000.

C. Chennai Branch (apart from the above):

(7) Received goods from Kolkata-- Rs. 30,000

(8) Acceptances and Cash sent to Kolkata-- Rs. 20,000 and Rs. 10,000 respectively.

D. Kolkata Branch (apart from the above):

(9) Sent goods to Chennai-- Rs. 35,000.

(10) Paid cash to Chennai-- Rs. 15,000.

(11) Acceptances sent to Chennai-- Rs. 15,000.

All working should form part of the answer.

(b) A acquired on 1st January,2003 a machine under a Hire-Purchase agreement which provides for 5 half-yearly installments of Rs. 6,000 each, the first installment being due on 1st July, 2003. Assuming that the applicable rate of interest is 10% per annum, calculate the cash value of the machine. All working should form part of the answer. 8

5. Emergent Ltd. was incorporated on 1st April, 2002 to take over the running business of Mr.A. 16

The purchase consideration was satisfied by allotment of :

(i) 15,000 equity shares of Rs. 10 each issued at a premium of Rs. 2 per share.

(ii) 12,000 10% Redeemable Preference shares of Rs. 10 each at per, redeemable on 31.3.2001.

(iii) Rs. 70,000 paid in cash.

The company issued a Prospectus for issuing 50,000 equity shares of Rs. 10 each, at a premium of Rs. 2 per share and 20,000 10% Redeemable Preference shares of Rs. 10 each, at par. The entire amount in respect of the issue was received by 30th June, 2002 except final call of Rs. 3 per share on 2,500 shares issued to Mr.X, a director. Underwritting commission @ 2.5% on nominal value of equity shares and @ 3% on preference shares were paid to a merchant banker.

The preliminary expenses were estimated at Rs. 75,000 in the prospectus but the actual expenses incurred was as under :

		Rs.
Solicitor's fee	—	15,000
Printing of memorandum	—	20,000(Rs.10,000 remaining unpaid)
Stamping and registration	—	25,000
Advertisement expenses	—	30,000

The Company purchased a plot of land for Rs. 1,00,000. Further, it advanced Rs. 2,50,000 for construction of office building and Rs. 3,50,000 to a supplier, being 35% of contract price for supply of machinery. A part of the investments taken over from Mr.A was sold for Rs. 80,000 (Rs. 5,000 in excess of their book value).

Prepare a Receipts and Payments Account and other relevent financial information to be included in the Statutory Report pursuant to Section 165 of the Companies Act, 1956 in respect of Emergent Ltd. made up to 30th June, 2002.

6. Attempt any **four** of the following questions: 4x4=16

(a) X Co.Ltd. charged depreciation on its asset on SLM basis. For the year ended 31.3.2003 it changed to WDV basis. The impact of the change when computed from the date of the asset coming to use amounts to Rs. 20 lakhs being additional charge.

Decide how it must be disclosed in Profit and Loss Account. Also, discuss, when such changes in method of depreciation can be adopted by an enterprise as per AS-6.

(b) Decide when research and development cost of a project can be defered to future periods as per AS-8.

(c) You are an Accountant preparing accounts of A Ltd. as on 31.3.2003. After year end of the following events have taken place in April, 2003 :

(i) A fire broke out in the premises damaging,uninsured stock worth Rs. 10 lakhs (Salvage value Rs. 2 lakhs).

(ii) A suit against the company's advertisement was filed by a party claiming damage of Rs. 20 lakhs.

(iii) Dividend approved @ 20 on share capital of Rs. 100 lakhs.

Describe, how above will be dealt with in the account of the company for the year ended on 31.3.2003.

GN Marks

(d) How the Government Grants related to specific fixed assets should be presented in the Balance Sheet as per AS-12 ?

(e) Briefly describe the disclosure requirements for Amalgamation including additional disclosure, if any, for different methods of amalgamation as per AS-14.

(f) Mention the prescribed accounting treatment in respect of Gratuity benefits payable to Employees as per AS-15.

GN

Sreecharan.ca@gmail.com .... Happy Reading !!!

CA PE - II :: Accounting : November 2003

Roll No…………………

Total No. of Questions— 6] [Total No. of Printed Pages—8

Time Allowed : 3 Hours Maximum Marks : 100

CP

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Answer **all** Questions

Wherever appropriate suitable assumptions should be made by the candidate.

Working notes should form part of the answer.

Marks

1. (a) The following information relates to the business of Mr. Shiv Kumar, who requests you to prepare a Trading and Profit & Loss Account for the year ended 31st March, 2003 and a Balance Sheet as on that date : 20

	Balance as on 31st March, 2002 Rs.	Balance as on 31st March, 2003 Rs.
Building	3,20,000	3,60,000
Furniture	60,000	68,000
Motorcar	80,000	80,000
Stocks	—	40,000
Bills payable	28,000	16,000
Cash and Bank balances	1,80,000	1,04,000
Sundry Debtors	1,60,000	—
Bills receivable	32,000	28,000
Sundry Creditors	1,20,000	—

(b) Cash transactions during the year included the following besides certain other items :

	Rs.		Rs.
Sale of old papers and miscellaneous income	20,000	Cash purchases	48,000
Miscellaneous Trade expenses (including salaries etc.)	80,000	Payment to creditors	1,84,000
Collection from debtors	2,00,000	Cash Sales	80,000

(c) Other information : >

(i) Bills receivable drawn during the year amount to Rs. 20,000 and Bills payable accepted Rs. 16,000.

(ii) Some items of old furniture, whose written down value on 31st March, 2002 was Rs. 20,000 was sold on 30th September, 2002 for Rs. 8,000. Depreciation is to be provided on Building and Furniture @ 10% p.a. and on Motorcar @ 20% p.a. Depreciation on sale of furniture to be provided for 6 months and for additions to Building for whole year.

(iii) Of the Debtors, a sum of Rs. 8,000 should be written off as a Bad Debt and a reserve for doubtful debts is to be provided @ 2%

(iv) Mr. Shivkumar has been maintaining a steady gross profit rate of 30% on turnover.

(v) Outstanding salary on 31st March, 2002 was Rs. 8,000 and on 31st March, 2003 was Rs. 10,000 on 31st March, 2002. Profit & Loss Account had a credit balance of Rs. 40,000.

(vi) 20% of total Sales and total purchases are to be treated as for cash.

(vii) Additions in Furniture Account took place in the beginning of the year and there was no opening provision for doubtful debts.

 Contind...

2. Neptune, Jupiter, Venus and Pluto had been carrying on business in partnership sharing profits and losses in the ratio of 3 : 2 : 1 : 1. They decide to dissolve the partnership on the basis of the following Balance Sheet as on 30th April, 2003 :

Liabilities	Amount Rs.	Amount Rs.	Assets	Amount Rs.	Amount Rs.
Capital Account :			Premises		1,20,000
Neptune	1,00,000		Furniture		40,000
Jupiter	60,000	1,60,000	Stock		1,00,000
General Reserve		56,000	Cash		40,000
Capital Reserve		14,000	*Capital Overdrawn :*		8,000
Sundry Creditors		20,000	Venus	10,000	
Mortgage Loan		80,000	Pluto	12,000	
					22,000
		3,30,000			3,30,000

(i) The assets were realised as under :

	Rs.
Debtors	24,000
Stock	60,000
Furniture	16,000
Premises	90,000

(ii) Expenses of dissolution amounted to Rs. 4,000.

(iii) Further Creditors of Rs. 12,000 had to be met.

(iv) General Reserve unlike Capital Reserve was built up by appropriation of profits.

You are required to draw up the Realisation Account, Partner's Capital Accounts and the cash Account assuming that Venus became insolvent and nothing was realised from his private estate. Apply the principles laid down in Garner vs Murray.

3. (a) The following particulars are extracted from the (Trial Balance) Books of the M/s Commercial Bank Ltd. for the year ending 31st March, 2003 : 6

	Rs.
(i) Interest and Discounts	1,96,62,000
(ii) Rebate on Bills Discounted (balance on 1.4.2002)	65,040
(iii) Bills Discounted and purchased	67,45,400

It is ascertained that proportionate discount not yet earned on the Bills Discounted which will mature during 2003-04 amounted to Rs. 92,760.

Pass the necessary Journal entries with narration adjusting the above and show:

(a) Rebate on Bill Discounted Account; and

(b) Interest and Discount Account in the ledger of the Bank

(b) On 1.4.2002, Mr. Krishna Murty purchased 1,000 equity shares of Rs. 100 each in TELCO Ltd. @ Rs. 120 each from a Broker, who charged 2% brokerage. He incurred 50 paise per Rs. 100 as cost of shares transfer stamps. On 31.1.2003 Bonus was declared in the ratio of 1 : 2. Before and after the record date of bonus shares, the shares were quoted at Rs. 175 per share and Rs. 90 per share respectively. On 31.3.2003 Mr. Krishna Murty sold bonus shares to a Broker, who charged 2% brokerage. 10

Show the Investment Account in the books of Mr. Krishna Murty, who held the shares as Current assets and closing value of investments shall be made at Cost or Market value whichever is lower

4. The Balance Sheet of Y Limited as on 31 March, 2003 was as follows : 16

Liabilities	Amount Rs.	Assets	Amount Rs.
5,00,000 Equity Shares of Rs. 10 each fully paid	50,00,000	Goodwill	10,00,000
		Patent	5,00,000
9% 2,00,000 Preference shares of Rs.100 each fully paid	20,00,000	Land & Building	30,00,000
		Plant & Machinery	10,00,000
		Furniture & Fixtures	2,00,000
10% First debentures	6,00,000	Computers	3,00,000
10% Second debentures	10,00,000	Trade Investment	5,00,000
Debentures interest outstanding	1,60,000	Debtors	5,00,000
		Stock	10,00,000
Trade Creditors	5,00,000	Discount on issue of debentures	1,00,000
Director's loan	1,00,000		
Bank O/D	1,00,000	Profit & Loss Account (Loss)	15,00,000
Outstanding liabilities	40,000		
Provision for Tax	1,00,000		
	96,00,000		96,00,000

Note : Preference dividend is in arrears for last three years.

A holds 10% first debentures for Rs. 4,00,000 and 10% second debentures for Rs. 6,00,000. He is also creditors for Rs. 1,00,000. B holds 10% first debentures for Rs. 2,00,000 and 10% second debentures for Rs. 4,00,000 and is also creditors for Rs. 50,000.

The following scheme of reconstruction has been agreed upon and duly approved by the court.

(i) All the equity shares be converted into fully paid equity shares of Rs. 5 each

(ii) The preference shares be reduced to Rs. 50 each and the preference shareholders agree to forego their arrears of preferernce dividends in consideration of which 9% preference shares are to be converted into 10% preference shares.

(iii) Mr.'A' is to cancel Rs. 6,00,000 of his total debt including interest on debentures and to pay Rs. 1 lakh to the company and to receive new 12% debentures for the Balance amount.

(iv) Mr.'B' is to cancel Rs. 3,00,000 of his total debt including interest on debentures and to accept new 12% debentures for the balance amount.

(v) Trade creditors (other than A and B) agreed to forego 50% of their claim.

(vi) Directors to accept settlement of their loans as to 60% thereof by allotment of equity shares and balance being waived.

(vii) There were capital commitments totaling Rs. 3,00,000. These contracts are to be cancelled on payment of 5% of the contract price as a penalty.

(viii) The directors refund Rs. 1,10,000 of the fees previously received by them.

(ix) Reconstruction expenses paid Rs. 10,000.

(x) The taxation liability of the company is settled at Rs. 80,000 and the same is paid immediately.

(xi) The assets are revalued as under :

	Rs.
Land and Building	28,00,000
Plant and Machinery	4,00,000
stock	7,00,000
Debtors	3,00,000
Computers	1,80,000
Furniture and Fixtures	1,00,000
Trade Investment	4,00,000

Pass Journal entries for all the above mentioned transactions including amounts to be written off of Goodwill, Patents, Loss in Profit & Loss Account and Discount on issue of debentures. Prepare Bank Account and working of allocation of Interest on Debentures between A and B.

5. The Balance Sheet of New Light Ltd. for the years ended 31st March, 2001 and 2002 are as follows : 16

Liabilities	31 March 2003 Rs.	31 March 2004 Rs.	Assets	31 March 2003 Rs.	31 March 2004 Rs.
Equity share capital	12,00,000	16,00,000	Fixed assets	32,00,000	38,00,000
10% Preference share capital	4,00,000	2,80,000	*Less:* Depreciation	9,20,000	11,60,000
Capital Reserve	—	40,000		22,80,000	26,40,000
General Reserve	6,80,000	8,00,000	Investment	4,00,000	3,20,000
Profit & Loss A/c	2,40,000	3,00,000	Cash	10,000	10,000
9% Debentures	4,00,000	2,80,000	Other current assets	11,10,000	13,10,000
Current liabilities	4,80,000	5,20,000	Preliminary expenses	80,000	40,000
Proposed dividend	1,20,000	1,44,000			
Provision for Tax	3,60,000	3,40,000			
Unpaid dividend	—	16,000			
	38,80,000	43,20,000		38,80,000	43,20,000

Additional Information :

(i) The company sold one fixed asset for Rs. 1,00,000, the cost of which was Rs. 2,00,000 and the depreciation provided on it was Rs. 80,000.

(ii) The company also decided to write off another fixed asset costing Rs. 56,000 on which depreciation amounting to Rs. 40,000 has been provided.

(iii) Depreciation on fixed assets provided Rs. 3,60,000.

(iv) Company sold some investment at a profit of Rs. 40,000, which was credited to capital reserve.

(v) Debentures and preference share capital redeemed at 5% premium.

(vi) Company decided to value stock at cost, whereas previously the practice was to value stock at cost less 10%. The stock according to books on 31.3.2001 was Rs. 2,16,000. The stock on 31.3.2002 was correctly valued at Rs. 3,00,000.

Prepare Cash Flow Statement as per revised Accounting Standard-3 by indirect method.

 Marks

6. Answer any **four** of the following : 4x4=16

(a) How is software acquired for internal use accounted for under AS-26 ?

(b) What are the principles for recognition of deferred taxes under AS-22 ?

(c) Define related party transaction under AS-18.

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

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

(e) X Limited has recognized Rs.10 lakhs on accrual basis income from dividend on units of mutual funds of the face value of Rs. 50 lakhs held by it as at the end of the financial year 31st March, 2003. The dividends on mutual funds were declared at the rate of 20% on 15th June, 2003. The dividend was proposed on 10th April, 2003 by the declaring company. Whether the treatment is as per the relevant Accounting Standard ? You are asked to answer with reference to provisions of Accounting standard.

(f) Briefly explain "Treasury system" and the funcitons entrusted to Treasury in Government Accounting.

CA PE - II :: Accounting : May 2004

Sreecharan.ca@gmail.com .... Happy Reading !!!

Roll No…………………

Total No. of Questions— 6] [Total No. of Printed Pages—7

Time Allowed : 3 Hours Maximum Marks : 100

RS

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Answer **all** Questions

Wherever appropriate suitable assumptions should be made by the candidate.

Working notes should form part of the answer.

Marks

1. (a) Sameera Corporation sells Computers on Hire-purchase basis at cost plus 25%. Terms of sales are 5,000/- as Down payment and 10 monthly instalments of Rs. 2,500/- for each Computer. From the following particulars, prepare Hire-purchase Trading A/c for the year 2002-03 : 14

As on 1st April, 2002, last instalment on 20 Computers were Outstanding as these were not due upto the end of the Previous year. During 2002-03, the Firm sold 120 Computers. As on 31st March, 2003 the position of instalments outstandign were as under :

Instalments due but not collected	4 Instalments on 4 Computers and Last instalment on 9 Computers
Instalment not yet due	6 Instalments on 50 Computers, 4 Instalmens on 20and Last Instlament on 40 Computers.

Two Computers on which 8 Instalments were due and one Instalment not yet due on 31.03.2003, had to be repossessed. Repossessed stock is valued at 50% of cost. All other Instalments have been received.

RS P.T.O.

(b) Rajatapeeta Bank Ltd. had extended the following credit lines to a Small Scale Industry, which had not paid any Interest since March, 1997 : 6

	Term Loan	Export Credit
Balance Outstanding on 31.03.03	Rs. 35 lakhs	Rs. 30 lakhs
DICGC/ECGC over	40%	50%
Securities held	Rs. 15 lakhs	Rs. 10 lakhs
Realisable value of Securities	Rs. 10 lakhs	Rs. 08 lakhs

Compute necessary Provisions to be made for the year ended 31st March, 2003.

2. Riu, Inu and Sinu were runnign Partnership business sharing Profits and Losses in 2 : 2 : 1 ratio. Their Balance sheet as on 31st March, 2003 stood as follows : 16

Balance Sheet as on 31st March, 2003

(Figures in Rs.'000)

Liabilities	Amount Rs.	Amount Rs.	Assets		Amount Rs.
Fixed Capital :			Fixed Assets		400.00
Riu	300.00		Investments		50.00
Inu	200.00		Current Assets :		
Sinu	100.00	600.00			
Capital			Stock	100.00	
Account:	60.00		Debtors		500.00
Riu	40.00	100.00	275.00		
Sinu		100.00	Cash & Bank		
Unsecured Loans		150.00	125.00		
Current Liabilities					
		950.00			950.00

On 01.04.2003, they agreed to form a New company RIS (P) Ltd. with Inu and Sinu each taking up 200 shares of Rs. 10 each, which shall take over the firm as a going concern including Goodwill, but excluding Cash & Bank Balaces. The following are also agreed upon :

(a) Goodwill will be valued at 3 year's purchase of superprofits.

(b) The actual profit for the purpose of Goodwill valuation will be Rs. 2,00,000.

(c) The normal rate of return will be 18% per annum on Fixed Capital.

(d) All other Assets and Liabilities will be taken over at Book values.

(e) The Purchase Consideration will be payabel party in Shares of Rs. 10 each and party in cash. Payment in Cash being to meet the requirement to Discharge Riu, who has agreed to retire.

(f) Inu and Sinu are to acquire Interest in the new company at the raito 3 : 2.

(g) Realisation expenses amounted to Rs. 51,000.

Yor are required to prepare Realisation Account, Cash and Bank Account, RIS (P) Limited Account and Capital Account of Partners.

3. Mr. Shankar of Mumbai finding himself unable to meet his creditors, has to prepare a Statement of Affairs, for which the following particulars are available on the date of his adjudication as Insolvent as on 31.03.2003 : 16

Leashold property Rs. 2,00,000, estimated to realise, Rs. 1,90,000.

Plant & Machinery Rs. 80,000, estimated to realise Rs. 60,000.

Stock in Trade Rs. 40,000, estimated to realise Rs. 28,000

Bookdebts : Good Rs. 1,20,000, Doubtful Rs. 10,000, estimated to realise 50%, Bad Rs. 28,000, Bills in Hand Rs. 7,500.

Life Policy for Rs. 50,000, whose Surrender value is Rs. 10,000 held by the insurance company against a loan of Rs. 4,000.

Household Furniture Rs. 7,200, Household Debts Rs. 5,800.

Bills Discounted Rs. 12,000, Rs. 4,000 likely to be dishonoured.

Bank Overdraft secured by Personal Guarantee of Shankar's Brother, and Second Mortgage on Leasehold Rs. 1,00,000.

Unsecured Creditors Rs. 3,00,000. Loan from Naresh Rs. 5,000 secured by a Second charge on Life Policy. Ground Rent on Household for three months accrued Rs. 750.

He could not pay his office clerks (two persons) salaries for six months, Rs. 3,000 and also Rates & Taxes amounting to Rs. 3,000 due to Government.

Prepare Statement of Affairs of Mr. Shankar as on 31.03.2003.

4. ABC Ltd. gives you the following informations. You are required to prepare Cash Flow Statement by using indirect methods as per AS-3 for the year ended 31.03.2004 : 16

Balance Sheet as on

Liabilities	31 March 2003 Rs.	31 March 2004 Rs.	Assets	31 March 2003 Rs.	31 March 2004 Rs.
Capital	50,00,000	50,00,000	Plant &		
Retained			Machinery	27,30,000	40,70,000
Earnings	26,50,000	36,90,000	Less :		
Debentures	—	9,00,000	Depreciation	6,10,000	7,90,000
				21,20,000	32,80,000
			Current Assets		
			Debtors	23,90,000	28,30,000
			Less:Provision	1,50,000	1,90,000
Current Liabilities				22,40,000	26,40,000
Creditors	8,80,000	8,20,000	Cash	15,20,000	18,20,000
Bank Loan	1,50,000	3,00,000	Marketable securities	11,80,000	15,00,000
Liablility for expenses	3,30,000	2,70,000	Inventories	20,10,000	19,20,000
Dividend payable	1,50,000	3,00,000	Prepaid Expenses	90,000	1,20,000
	91,60,000	1,12,80,000		91,60,000	1,12,80,000

Additional Information :

(i) Net profit for the year ended 31st March, 2004, after charging depreciation Rs. 1,80,000 is Rs. 22,40,000.

(ii) Debtors of Rs. 2,30,000 were determined to be worthless and were written off against the provision for doubtful debts account during the year.

(iii) ABC Ltd. declared of Rs. 12,00,000 for the year 2003-2004.

5. Following are the Balance Sheet of companies as at 31.12.2003 : 16

Liabilities	D Ltd Rs.	V Ltd. Rs.	Assets	D Ltd. Rs.	V Ltd. Rs.
Equity share			Goodwill	6,00,000	—
capital	8,00,000	6,00,000	Fixed Assets	5,00,000	8,00,000
(Rs.100)	4,00,000	3,00,000	Investments	2,00,000	4,00,000
General Reserve			Current Assets	4,00,000	3,00,000
Investment	—	4,00,000			
allowance	5,00,000	2,00,000			
reserve					
Sundry Creditors					
	17,00,000	15,00,000		17,00,000	15,00,000

D Ltd. took over V Ltd. on the basis of the respective shares value, adjusting wherever necessary, the book values of assets and liabilities on the basis of the following information :

(i) Investment allowance reserve was in respect of addition made to fixed assets by V Ltd.in the year 1997-2002 on which income tax relief has been obtained. In terms of the Income Tax Act, 1961, the company has to carry forward till 2006 reserve of Rs. 2,00,000 for utilisation.

(ii) Investments of V Ltd. included 1000 shares in D Ltd. acquired at cost of Rs. 150 per share. The other investments of V Ltd. have a market value of Rs. 1,92,500.

(iii) The market value of investments of D Ltd. are to be taken at Rs. 1,00,000.

(iv) Goodwill of D Ltd. and V Ltd. are to be taken at Rs. 5,00,000 and Rs. 1,00,000 respectively.

(v) Fixed assets of D Ltd. and V Ltd. are valued at Rs. 6,00,000 and Rs. 8,50,000 respectively.

(vi) Current assets of D Ltd. included Rs. 80,000 of stock in trade received from V Ltd. at cost plus 25%.

The above scheme has been duly adopted. Pass necessary Journals Entries in the books of D Ltd. and prepare Balance Sheet of D Ltd., after taking over the business of V Ltd. Fractional share to be settled in cash, rest in shares of D Ltd. Calculation shall be made to the nearest multiple of a rupee.

6. Attempt any four of the following : 4x4=16

(a) X Limited received a grant of Rs. 2 crores from the Central Government for the purpose of a special Machinery during 1998-99. The cost of Machinery was Rs. 20 crores and had a useful life of 9 years. During 2002-03, the grant has become refundable due to non-fulfilment of certain conditions attached to it. Assuming the entire grant was deducted from the cost of Machinery in the year of acquisition. State with reasons, the accounting treatment to be followed in the year 2002-03.

(b) The company deals in three products, A, B and C, which are neither similar nor interchangeable.At the time of closing of its account for the year 2002-03. The Historical Cost and net realisable value of the items of closing stock are determined as follows :

Items	Historical Cost (Rs.in lakhs)	Net Realisable Value (Rs.in lakhs)
A	40	28
B	32	32
C	16	24

What will be the value of Closing Stock ?

(c) During the current year 2002-03, X Limited made the following expenditure relating to its plant building :

	Rs. in lakhs
Routine Repairs	4
Repairing	1
Partial replacement of roof tiles	0.5
Substantial improvements to the electrical wiring system which will increase efficiency	10

What amount should be capitalised ?

(d) A plant was depreciated under two different methods as under :

Year	SLM (Rs.in lakh)	W.D.V (Rs.in lakh)
1	7.80	21.38
2	7.80	15.80
3	7.80	11.68
4	7.80	8.64
	31.20	57.50
5	7.80	6.38

What should be the amount of resultant surplus/deficiency, if the company decides to switch over from W.D.V. method to SLM method for first four years ? Also state, how will you treat the same in Accounts.

(e) Write a short note on Firm underwriting and Partial underwriting along with firm underwriting.

(f) Briefly explain the methods of accounting for amalgamation as per Accounting Standard-14.

CA PE - II :: Accounting : November 2004

Roll No…………………

Total No. of Questions— 6] [Total No. of Printed Pages—7

Time Allowed : 3 Hours Maximum Marks : 100

JB

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Answer **all** Questions

Wherever appropriate suitable assumptions should be made by the candidate.

Working notes should form part of the answer.

Marks

1. From the following Balance Sheets of Sneha Ltd. as on 31.3.2003 and 31.3.2004 prepare a Statement of Sources and Applications of Fund and a schedule of changes in working capital for the year ending 31.3.2004 : 20

Balance Sheets

Liabilities	31.3.2003 Rs.	31.3.2004 Rs.	Assets	31.3.2003 Rs.	31.3.2004 Rs.
Equity share Capital	13,00,000	16,90,000	Goodwill	65,000	42,500
Profit & Loss A/c	4,90,000	8,77,500	Building	11,70,000	11,37,500
10% Debentures	16,25,000	13,00,000	Machinery	16,18,500	21,38,500
Creditors	9,00,000	10,00,000	Non-tradeInvestments	5,07,000	3,93,250
Bills Payable	42,500	1,70,000	Debtors	4,16,000	11,70,000
Provision for Tax	2,60,000	9,75,000	Stock	5,07,000	7,99,500
Dividend Payable	—	42,250	Cash	2,60,000	2,92,500
			Prepaid Exp's	42,250	52,000
			Debenture Discount	31,850	29,000
	46,17,600	60,54,750		46,17,600	60,54,750

(i) The following additional information is given:

	Building Rs.	Machinery Rs.
Accumulated Depreciation 31.3.2003	4,87,500	15,92,500
Accumulated Depreciation 31.3.2004	5,20,000	15,66,500
Depreciation for 2003-2004	32,500	1,36,500

(ii) Profit and Loss Account for 2003-2004 is as follows:

	Rs.
Balance as on 31.3.2003	4,90,100
Add: Profit for 2003-2004	4,71,900
	9,62,ooo
Less: Dividend	84,500
	8,77,500

(iii) During 2003-2004 machinery costing Rs.2,92,500 was sold for Rs.97,500.

(iv) Investments which were sold for Rs.1,17,000 had cost Rs.97,500.

(v) Provision for Taxation and Dividend are to be taken as Non-current liabilities.

Lucky does not maintain proper books of accounts. However he maintains a record of his bank transactions and also is able to give the following information from which you are requested to prepare his final accounts for the year 2003: 16

	1.1.2003 Rs.	31.12.2003 Rs.
Debtors	1,02,500	—
Creditors	—	46,000
stock	50,000	62,500
Bank Balance	—	50,000
Fixed Assets	7,500	9,000

Details of his bank transactions were as follows:

	Rs.
Received from Debtors	3,40,000
Additional Capital brought in	5,000
sale of Fixed Assets (book value Rs. 2,500)	1,750
Paid to Creditors	2,80,000
Expenses paid	49,250
Personal Drawings	25,000
Purchase of Fixed Assets	5,000

No cash transactions took place during the year. Goods are sold at cost plus 25%. Cost of goods sold was Rs. 2,60,000.

3. (a) The Life Insurance Fund of an Insurance Company was On 31.3.2004 Rs.60 lakhs before providing for dividend of Rs. 20,000 for the year 2002-2003. While ascertaining the above fund figure, the following items were omitted: 10

(i) Interest received on investments Rs. 63,000 after deduction of tax at source 10%.

(ii) Bonus utilised for reduction of premium Rs.14,000.

(iii) Death claim intimated, but not yet admitted Rs.36,000.

(iv) Death claim covered under re-insurance Rs.12,000.

(v) Consideration for annuities granted Rs.9,000.

Interim bonus for the valuation period paid was Rs.80,000

Net liabilities as per valuation was Rs. 50 lakh. It is now proposed to carry forward Rs. 2,70,000.

The company declared a reversionary bonus of Rs. 12 per share Rs. 1,000 and gave the policyholders an option to get the bonus in cash for Rs. 5 per Rs. 1,000. Total business of the company is Rs. 15 crores, 40% of the policyholders decided to get bonus in cash.

Prepare:

(i) Valuation Balance sheet as on 31.3.2004

(ii) Distribution Statement sharing the amount due to the policyholders.

Also give Journal Entries relating to reversionary bonus.

(b) Power Electric company decides to replace one of its old plant by an improved plant with larger capacity. The cost of the new plant is Rs. 16,00,000. 6

Materials and Labour earlier and now are in the ratio of 4:6.

Original cost of the old plant is Rs.3,00,000. Materials cost has gone up by 2½ times and Labour cost by 3 times since then. Old materials worth Rs. 10,000 were used in the construction of the new plant and Rs. 20,000 were realised from the sale of old materials.

Give the necessary Journal Entries for recording the above transactions.

4. (a) Liquidation of YZ Ltd. commenced on 2nd April,2004. certain creditors could not receive payments out of the realisation of assets and out of the contributions from A list contributions. The following are the details of certain transfers which took place in 2003-2004: 8

Shareholders	No of Shares transferred	Date of ceasing to be a member	Creditors remaining unpaid and outstanding on the date of such transfer
A	2,000	1st March,2003	Rs. 5,000
P	1,500	1st May,2003	Rs. 3,300
Q	1,000	1st October,2003	Rs. 4,300
R	500	1st November,2003	Rs. 4,600
S	300	1st February,2004	Rs. 6,000

All the shares were of Rs. 10 each, Rs.8 per share paid up. Show the amount to be realised from the various persons listed above ignoring expenses and remuneration to liquidator etc.

(b) The position of Valueless Ltd. on its liquidation is as under: 8

Issued and paid up Capital:

3,000 11% preference shares of Rs. 100 each fully paid.
3,000 Equity shares of Rs. 100 each fully paid.
1,000 Equity shares of Rs. 50 each Rs.30 per share paid.

Calls in Arrears are Rs. 10,000 and Calls received in Advance Rs. 5,000 Preference Dividends are in arrears for one year. Amount left with the liquidator after discharging all liabilities is Rs. 4,13,000. Articles of Association of the company provide for payment of preference dividend arrears in priority to return of equity capital. You are required to prepare the Liquidators final statement of account.

5. (a) FGH Ltd. has three departments I.J.K. The following information is provided for the year ended 31.3.2004: 10

	I Rs.	J Rs.	K Rs.
Opening Stock	5,000	8,000	19,000
Opening Reserve for unrealised profit	—	2,000	3,000
Materials consumed	16,000	20,000	—
Direct labour	9,000	10,000	—
Closing stock	5,000	20,000	5,000
Sales	—	—	80,000
Area occupied (sq.mtr.)	2,500	1,500	1,000
No of employees	30	20	10

Stocks of each department are costs to the department concerned. stocks of I are transferred to J at cost plus 20% and stocks of J are transferred to K at a Gross Profit of 20% on sales. Other common expenses are Salaries and Staff Welfare Rs.18,000, Rent Rs. 6,000.

Prepare Department Trading, Profit and Loss Account for the year ending 31.3.2004.

(b) Give Journal Entries in the books of Branch A to rectify or adjust the following: 6

(i) Head Office expenses Rs. 3,500 allocated to the Branch, but not recorded in the Branch Books.

(ii) Depreciation of branch assets, whose accounts are kept are kept by the Head Office not provided for Rs. 1,500.

(iii) Branch paid Rs. 2,000 as salary to a H.O. Inspector, but the amount paid has been debited by the Branch to Salaries account.

(iv) H.O. collected Rs.10,000 directly from a customer on behalf of the Branch, but no intimation to this effect has been received by the Branch.

(v) A remittance of Rs. 15,000 sent by the Branch has not yet been received by the Head Office.

(vi) Branch A incurred advertisement expenses of Rs. 3,000 on behalf of Branch B.

6. Attempt any **four** of the following: 4x4=16

(a) On 20.4.2003 JLC Ltd. obtained a loan from the Bank for Rs. 50 lakhs to be utilised under:

	Rs.
Construction of a shed	20 lakh
Purchase of Machinery	15 lakh
working capital	10 lakh
Advance for Purchase of Truck	5 lakh

In March, 2004 construction of shed was completed and machinery installed. Delivery of truck was not received. Total interest charged by the bank for the year ending 31.3.2004 was Rs. 9 lakh. show the treatment of interest under AS 16.

(b) A limited company created a provision for bad and doubtful debts at 2.5% on debtors in preparing the financial statements for the year 2003-2004.

Subsequently on a review of the credit period allowed and financial capacity of the customers, the company decided to increase the provision to 8% on Debtors till the date of decision. While applying the relevant accounting standard can this revision be considered as an extraordinary item or prior period item?

(c) Explain the treatment of cost arising from alteration in retirement benefit cost as per As 15.

(d) From the following information find out the amount of provisions to be shown in the Profit and Loss Account of a Commercial Bank :

Assets	Rs.(In Lakhs)
Standard	4,000
Sub-standard	2,000
Doubtful one year	900
Doubtful three years	400
Doubtful more than three years	300
Loss Assets	500

(e) What are the features of farm accounting in India?

(f) Write a short note on Reserve for Unexpired Risks in an Insurance Company.

CA PE - II :: Accounting : May 2005

Roll No…………………

Total No. of Questions— 6] [Total No. of Printed Pages—8

Time Allowed : 3 Hours Maximum Marks : 100

BF

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Answer **all** Questions

Wherever appropriate suitable assumptions should be made by the candidate.

Working notes should form part of the answer.

Marks

1. The following figures have been extracted from the Books of X Limited for the year ended on 31.3.2004. You are required to prepare a cash flow statement. 20

(i) Net profit before taking into account Income Tax and Income from law suits but after taking into Account the following items was Rs. 20 lakhs :

(a) Depreciation on Fixed Assets Rs. 5 lakhs.

(b) Discount on issue of Debentures written off Rs. 30,000.

(c) Interest on Debentures paid Rs. 3,50,000.

(d) Books value of investments Rs. 3 lakhs (Sale of Investments for Rs. 3,20,000).

(e) Interest received on investments Rs. 60,000.

(f) Compensation received Rs. 90,000 by the company in a suit field.

(ii) Income tax paid during the year Rs. 10,50,000.

(iii) 15,000, 10% preference shares of Rs. 100 each were redeemed on 31.3.2004 at a premium of 5%. Further the company issued 50,000 equity shares of Rs. 10 each at a premium of 20% on 2.4.2003. Dividend on preference shares were paid at the time of redemption.

(iv) Dividends paid for the year 2002-2003 Rs. 5 lakhs and Interim dividend paid Rs. 3 lakhs for the year 2003-04.

(v) Land was purchased on 2.4.2003 for Rs. 2,40,000 for which the company issued 20,000 equity shares of Rs. 10 each at a premium of 20% to the land owner as consideration.

(vi) Current assets and Current liabilities in the beginning and at the end of the years were as detailed below :

	As on 31.3.2003 Rs.	As on 31.3.2004 Rs.
Stock	12,00,000	13,18,000
Sundry Debtors	2,08,000	2,13,100
Cash in hand	1,96,300	35,300
Bills receivable	50,000	40,000
Bills payable	45,000	40,000
Sundry Creditors	1,66,000	1,71,300
Outstanding expenses	75,000	81,800

2. From the following information calculate the amount of Provisions and Contingencies and prepare Profit and Loss Account of Zed Bank Ltd. for the year ended 31.3.2004 : 16

	(Rs. in '000)
Investment and Discount	8,860
(Includes interest accrued on investments)	
Other Income	220
Interest expended	2,720
Operating expenses	2,830
Interest accrued on Investments	10

Additional Information :	(Rs. in '000)
(a) Rebate on bills discounted to be provided for	30
(b) Classification of Advances :	
(i) Standard assets	4,000
(ii) Sub-standard assets	2,240
(iii) Doubtful assets - (fully unsecured)	390
(iv) *Doubtful assets-covered fully by security*	
Less than 1 year	100
More than 1 year, but less than 3 years	600
(v) Loss assets	376

(c) Provide 35% of the profit towards provision for Taxation

(d) Transfer 20% of the profit to Statutory Reserve.

3. ABC Ltd. sells goods on Hire-purchase by adding 50% above cost from the following particulars, prepare Hire-purchase Trading account to reveal the profit for the year ended 31.3.2005 : 16

		Rs.
1.4.2004	Instalments due but not collected	10,000
1.4.2004	Stock at shop (at cost)	36,000
1.4.2004	Instalment not yet due	18,000
31.3.2005	Stock at shop	40,000
31.3.2005	Instalment due but not collected	18,000

Others details :

Total instalments became due	1,32,000
Goods purchased	1,20,000
Cash received from customers	1,21,000

Goods on which due instalments could not be collected were repossessed and valued at 30% below original cost. The vendor spent Rs. 500 on getting goods overhauled and then sold for Rs. 2,800.

4. Following is the Balance Sheet of Mr. Brown as at 31st March, 2005. He has filed a petition in the court for being declared as insolvent : 16

Liabilities	Rs.	Assets	Rs.
Capital	18,000	Goodwill	5,000
Bank Loan (secured by first		Machinery	20,000
charge on Building)	80,000	Building	1,15,000
Loan from Finance Co.,	30,000	Investment in shares	5,000
(Secured by second charge		Furniture	7,000
on Building)		Stock	9,000
Sundry Creditors	59,000	*Debtors :*	
sales tax payable	8,000	Good 14,000	
Loan from wife	5,000	Doubtful 8,000	
		Bad 2,000	24,000
		Cash and Bank	15,000
	2,00,000		2,00,000

Mr. Brown estimated that except the following, all tangible assets are realisable :

(i) A machinery Rs. 5,000 included in the Balance Sheet has no value.

(ii) Debtors (unrealisable) Rs. 7,600

(iii) Non-moving stock Rs. 3,000

(iv) Useless furniture Rs. 4,000

(v) Investment has no value.

Further Information :

(i) Building expected to realise Rs. 1,20,000

(ii) Loan was given by his wife from her personal sources.

(iii) A bill discounted for Rs. 10,000 is likely to be dishonoured.

(iv) One creditor forgoes his claim for Rs. 4,000

(v) Mr. Brown started his business on 1.4.2001. His household expenses upto 31.3.2005 is Rs. 48,000. His private Life Insurance Policy matured for Rs. 30,000 on 31.3.2005.
He made profit of Rs. 40,000 upto 31.3.2003.
He incurred loss of Rs. 50,000 from 1.4.2003 to 31.3.2005.
Also, he suffered speculation loss of Rs.10,000 in the year ended 31.3.2005.

Based on the above information, prepare Statement of Affairs of Mr. Brown as on 31.3.2005 and Deficiency Account.

5. Exe Limited was wound up on 31.3.2004 and its Balance Sheet as on that date was given below : 16

Balance Sheet of Exe Limited as on 31.3.2004

Liabilities	Rs	Assets		Rs.
Share Capital		Fixed assets		9,64,000
1,20,000 Equity		*Current assets*		
Shares of Rs.10 each	12,00,000	Stock	7,75,000	
Reserves and Surplus		Sundry Drs. 1,60,000		
Profit prior to Incorporation	42,000	*Less* P.D.D. — 8,000	1,52,000	
Contingency Reserve	2,70,000	Bills Receivable	30,000	
Profit and Loss A/c	2,52,000	Cash at bank	3,29,000	12,86,000
Current Liabilities				
Bills payable	40,000			
sundry creditors	2,26,000			
Provisions :				
Provision for Income tax	2,20,000			
	22,50,000			22,50,000

Mr. Brown estimated that except the following, all tangible assets are realisable :

Fixed assets Rs. 12,80,000, Stock Rs. 7,70,000 and Bills Receivable Rs. 30,000.

Purchase consideration was settled by Wye Limited as under :

Rs. 5,10,000 of the consideration was satisfied by the allotment of fully paid 10% Preference shares of Rs. 100 each. The balance was settled by issuing equity shares of Rs.10 each at Rs.8 per share paid up.

Sundry debtors realised Rs. 1,50,000. Bills payable was settled for Rs. 38,000.Income tax authorities fixed the taxation liability at Rs. 2,22,000.

Creditors were finally settled with the cash remaining after meeting liquidation expenses amounting to Rs. 8,000.

You are required to :

(i) Calculate the number of equity shares and preference shares to be allotted by Wye Limited indischarge of purchase consideration.

(ii) Prepare the Realisation account, Cash/Bank account, Equity Shareholders account and Wye Limited account in the books of Exe Limited.

(iii) Pass journal entries in the books of Wye Limited.

6. Answer any **four** of the following : 4x4=16

(a) A major fire has damaged assets in a factory of X Co. Ltd. on 8.4.2004, 8 days after the year end closure of account. The loss is estimated to be Rs. 16 crores (after estimating the recoverable amount of Rs. 24 crores from the Insurance Company)

If the company had no insurance cover, the loss due to fire would be Rs. 40 crores.

(b) A Company had deferred research and development cost of Rs. 150 lakhs. Sales expected in the subsequent years are as under :

Years	Sales (Rs. in lakhs)
I	400
II	300
III	200
IV	100

You are asked to suggest how should Research and Development cost is to be charged to Profit and Loss account.

If at the end of the III year, it is felt that no further benefit will accrue in the IV year, how the unamoritsed expenditure would be dealt with in the accounts of the Company?

(c) In April, 2004 a Limited Company issued 1,20,000 equity shares of Rs. 100 each. Rs.50 per share was called up on that date which was paid by all shareholders. The remaining Rs. 50 was called up on 1.9.2004. All shareholders paid the sum in September, 2004, except on shareholder having 24,000 shares. The net profit for the year ended 31.3.2005 is Rs. 2,64,000 after dividend on preference shares and dividend distribution tax of Rs. 64,000.

Compute basic EPS for the year ended 31.3.2005 as per Accounting Standard 20.

(d) (i) Mr.Raj a relative of key Management personnel received remuneration of Rs. 2,50,000 for his services in the company for the period from 1.4.2004 to 30.6.2004.On 1.7.2004 he left the service.

Should the relative be identified as at the closing date i.e. on 31.3.2005 for the purposes of AS-18 ?

(ii) X Ltd. sold goods to its associate Company for the 1st quarter ending 30.6.3004.After that, the related party relationship ceased to exist. However, goods were supplied as was supplied to any other ordinary customer. Decide whether transactions of the entire year has to be disclosed as related party transaction.

BF Marks

(e) What are the main principle of allocation between Capital and Revenue accounts on a Capital scheme?

(f) On 1.4.2001 ABC Ltd. received Government grant of Rs. 300 lakhs for acquisition of a machinery costing Rs. 1,500 lakhs. The grant was credited to the cost of the asset. The life of the machinery is 5 years. The machinery is depreciated at 20% on WDV basis. The Company had to refund the grant in May 2004 due to non-fulfilment of certain conditions.

How you would deal with the refund of grant in the books of ABC Ltd. ?

BF

Sreecharan.ca@gmail.com .... Happy Reading !!!

CA PE - II :: Accounting : November 2005

Roll No…………………

Total No. of Questions— 6] [Total No. of Printed Pages—7

Time Allowed : 3 Hours Maximum Marks : 100

DM

Answers to questions are to be given only in English except in the cases of candidates who have opted for Hindi medium. If a candidate who has not opted for Hindi medium, answers in Hindi, his answers in Hindi will not be valued.

Answer **all** Questions

Wherever appropriate suitable assumptions should be made by the candidate.

Working notes should form part of the answer.

Marks

1. Following is the Balance Sheet as at March 31, 2005 : 20

Liabilities	Max Ltd.	Mini Ltd.	Assets	Max Ltd.	Mini Ltd.
Share Capital :			Goodwill	20	—
Equity shares of Rs. 100 each	1,500	1,000	Other Fixed Assets	1,500	760
9% Pref. shares of Rs.100 each	500	400	Debtors	651	440
General Reserve	180	170	Stock	393	680
Profit & Loss Account	—	15	Cash at Bank	26	130
12% Debentures of Rs. 100 each	600	200	Own Debenture	192	
Sundry Creditors	415	225	(Nominal value 200)		
			Discount on issue of debentures	2	
			Profit & Loss Account	411	
	3,195	2,010		3,195	2,010

On 1-4-2005, Max Ltd. adopted the following scheme of reconstruction :

(i) Each equity share shall be sub-divided into 10 equity shares of Rs. 10 each fully paid up. 50% of the equity share capital would be surrendered to the Company.

(ii) Preference dividends are in arrear for 3 years. Preference shareholders agreed to waive 90% of the dividend claim and accept payment for the balance.

(iii) Own debentures of Rs. 80,000 were sold at Rs. 98 cum-interest and remaining own debentures were cancelled.

(iv) Debentureholders of Rs. 2,80,000 agreed to accept one machinery of book value of Rs. 3,00,000 in full settlement.

(v) Creditors, debtors and stocks ere valued at Rs. 3,50,000 Rs. 5,90,000 and Rs. 3,60,000 respectively. The goodwill discount an issue of debentures and Profit and Loss (Dr) are to be written off.

(vi) The company paid Rs. 15,000 as penalty to avoid capital commitments of Rs.3,00,000.

On 2-4-2005 a scheme of absorption was adopted. Max Ltd. would take over Mini Ltd. The purchase consideration was fixed as below :

(a) Equity shareholders of Mini Ltd. will be given 50 equity shares of Rs. 10 each fully paid up, in exchange for every 5 shares held in Mini Ltd.

(b) Issue of 9% preference shares of Rs. 100 each in the ratio of 4 preference shares of Max Ltd. for every 5 preference shares held in Mini Ltd.

(c) Issue of one 12% debenture of Rs. 100 each of Max Ltd. for every 12% debentures in Mini Ltd.

2. Ram, Rahim and Robert are partners, sharing Profits and Losses in the ratio of 5:3:2 16

It was decided that Robert would retire on 31-3-2005 and in his place Richard would be admitted as a partner with new profit sharing ratio between Ram, Rahim and Richard at 3:2:1

Balance Sheet of Ram, Rahim and Robert as at 31-3-2005 :

Liabilities	Rs.	Assets	Rs.
Capital Accounts :		Cash in hand	20,000
Ram	1,00,000	Cash at Bank	1,00,000
Rahim	1,50,000	Sundry Debtors	5,00,000
Robert	2,00,000	Stock in Trade	2,00,000
Gen. Reserve	20,00,000	Plant & Machinery	3,00,000
Sundry Creditors	8,00,000	Land & Building	5,30,000
Loan from Richard	2,00,000		
	16,50,000		16,50,000

Retirement of Robert and admission of Richard is on the following terms :

(a) Plant & Machinery to be depreciated by Rs. 30,000

(b) Land & Building to be valued at Rs. 6,00,000

(c) Stock to be valued at 95% of book value.

(d) Provision for doubtful debts @ 10% to be provided on debtors.

(e) General Reserve to be apportioned amongst Ram, Rahim and Robert.

(f) The firm's goodwill to be valued at 2 years purchase of the average profits of the last 3 years. The relevant figures are :

Year ended 31.3.2002 — Profit Rs. 50,000

Year ended 31.3.2003 — Profit Rs. 60,000

Year ended 31.3.2004 — Profit Rs. 55,000

(g) Out of the amount due to Robert Rs. 2,00,000 would be retained as loan by the firm and the balance will be settled immediately.

(h) Richard's capital should be equal to 50% of the combined capital of Ram and Rahim.

Prepare :

(i) Capital accounts of the partners; and

(ii) Balance Sheet of the reconstituted firm.

Marks

3. M/s. Shah & Co. commenced business on 1.4.2004 with Head Office at Mumbai and a Branch at Chennai. Purchases were made exclusively by the Head Office, where the goods were processed before sale. There was no loss or wastage in processing. 16

Only the processed goods received from Head Office were handled by the Branch. The goods were sent to branch at processed cost plus 10%.

All sales, whether by Head Office or by the Branch, were at uniform gross profit of 25% on their respective cost.

Following is the Trial Balance as on 31.3.2005.

	Head Office		*Branch*	
	Dr. Rs.	Cr. Rs.	Dr. Rs.	Cr. Rs.
Capital		3,10,000		
Drawings	55,000			
Purchases	19,69,500			
Cost of processing	50,500			
Sales		12,80,000		
Goods sent to Branch		9,24,000		
Administrative	1,39,000		15,000	8,20,000
expenses	50,000		6,200	
Selling expenses	3,09,600		1,13,600	
Debtors	3,89,800			
Branch Current A/c		6,01,400		
Creditors	1,52,000		77,500	
Bank Balance				10,800
Head Office Current			8,80,000	
account				2,61,500
Goods received from				
H.O.				
	31,15,400	31,15,400	10,92,300	10,92,300

Following further information is provided :

(i) Goods sent by Head Office to the Branch in March, 2005 of Rs. 44,000 were not received by the Branch till 2.4.2005.

(ii) A remittance of Rs. 84,300 sent by the Branch to Head Office was also similarly not received upto 31.3.2005.

Contind...

(iii) Stock taking at the Branch disclosed a shortage of Rs. 20,000 (at selling price to the branch).

(iv) Cost of unprocessed goods at Head Office on 31.3.2005 was Rs. 1,00,000. Prepare Trading and Profit and Loss account in columnar form and Balance Sheet of the Business as a whole as at 31.3.2005.

4. From the following furnished by Shri Ramji, prepare Trading and Profit and Loss account for the year ended 31.3.2005. Also draft his Balance Sheet as at 31.3.2005: 16

	1.4.2004 Rs.	31.3.2005 Rs.
Creditors	3,15,400	2,48,000
Expenses outstanding	12,000	6,600
Fixed assets (includes Machinery)	2,32,200	2,40,800
Stock in hand	1,60,800	2,22,400
Cash in hand	59,200	24,000
Cash at Bank	80,000	1,37,600
Sundry Debtors	3,30,600	?

Details of the year's transactions are as follows :

Cash and discount credited to debtors	
Returns from Debtors	12,80,000
Bad Debts	29,000
Sale (Both Cash and Credit)	8,400
Discount allowed by creditors	14,36,200
Returns to creditors	14,000
Capital introduced by Cheque	8,000
Collection from debtors (Deposited into Bank after	1,70,000
receiving cash)	12,50,000
Cash purchases	20,600
Expenses paid by cash	1,91,400
Drawings by Cheque	8,600
Machinery acquired by Cheque	63,600
Cash deposited into Bank	1,00,000
Cash withdrawn from Bank	1,84,800
Cash Sales	92,000
Payment to creditors by Cheque	12,05,400

Note : *Ramji has not sold any Fixed Asset during the year.*

5. Scorpio Ltd. came out with an issue of 45,00,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share. The promoters took 20% of the issue and the balance was offered to the public. The issue was equally underwritten by A & Co; B & Co. and C & Co. 16

Each underwriter took firm underwriting of 1,00,000 shares each. Subscriptions for 31,00,000 equity shares were received with marked forms for the underwriters as given below :

A & Co.		5,25,000 shares
B & Co.		8,40,000 shares
C & Co.		13,10,000 shares
	Total	28,75,000 shares

The underwriters are eligible for a commission of 5% on face value of shares. The entire amount towards shares subscription has to be paid alongwith application.

You are required to:

(a) Compute the underwriters liability (number of shares)

(b) Compute the amounts payable or due to underwriters : and

(c) Pass necessary Journal entries in the books of Scorpio Ltd. relating to underwriting.

6. Answer any **four** of the following : 4x4=16

(a) Under what circumstances can an enterprise change its amounting policy?

(b) ABC Ltd. could not recover Rs. 10 lakhs from a debtor. The company is aware that the debtor is in great financial difficulty. The accounts of the company were finalised for the year ended 31.3.2005 by making a provision @ 20% of the amount due from the said debtor.

The debtor became bankrupt in April, 2005 and nothing is recoverable from him.

Do you advise the company to provide for the entire loss of Rs. 10 lakhs in the books of account for the year ended 31st March, 2005?

(c) X Co. Ltd. signed an agreement with its employees union for revision of wages in June, 2004. The wage revision is with retrospective effect from 1.4.2000. The arrear wages upto 31.3.2004 amounts to Rs. 80 lakhs. Arrear wages for the period from 1.4.2004 to 30.6.2004 (being the date of agreement) amounts to Rs. 7 lakhs.

Decide whether a separate disclosure of arrear wages is required.

(d) An intangible asset appears in Balance Sheet of A Co. Ltd. at Rs. 16 lakhs as on 31.3.2004. The asset was acquired for Rs. 40 lakhs in April, 1991. The Company has been amortising the asset value on straight line basis. The policy is to amortise for 20 years.

Do you advise the Company to amortise the entire asset value in the books of the company as on 31.3.2004?

(e) Ram Co. (P) Ltd. furnishes you the following information for the year ended 31.3.2005 :

Depreciation for the year ended 31.3.2005 (under straight line method)	Rs. 100 lakhs
Depreciation for the year ended 31.3.2005 (under written down value method)	Rs. 200 lakhs
Depreciation for earlier years combined in written down value method and its excess to straight line method	Rs. 500 lakhs

The Company wants to change its method of claiming depreciation from straight line method to written down value method.

Decide, how the depreciation should be disclosed in the Financial Statement for the year ended 31.3.2005.

(f) How refund of revenue grant received from the Government is disclosed in the Financial Statements?

CA PE - II :: Accounting : November 2006

Roll No…………………

Total No. of Questions— 6] [Total No. of Printed Pages—5

Time Allowed : 3 Hours Maximum Marks : 100

BF

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Answer **all** Questions

Wherever appropriate suitable assumptions should be made by the candidate.

Working notes should form part of the answer.

Marks

1. The following is the Balance Sheet of A Ltd. as at 31st March, 2006: 20

Liabilities	Rs.	Assets	Rs.
8,000 equity shares	8,00,000	Building	3,40,000
of Rs.100 each	4,00,000	Machinery	6,40,000
10% debentures	1,60,000	Stock	2,20,000
Loan from A	3,20,000	Debtors	2,60,000
Creditors	80,000	Bank	1,36,000
General Reserve		Goodwill	1,30,000
		Misc.	34,000
	17,60,000	Expenses	17,60,000

B Ltd. agreed to absorb A Ltd. on the following terms and conditions:

(1) B Ltd. would take over all Assets, except bank balance at their book values less 10%. Goodwill is to be valued at 4 year's purchase of super profits, assuming that the normal rate of return be 8% on the combined amount of share capital and general reserve.

(2) B Ltd. is to take over creditors at book value.

(3) The purchase consideration is to be paid in cash to the extent of Rs.6,00,000 and the balance in fully paid equity shares of Rs.100 each at Rs.125 per share.

The average profit is Rs.1,24,400. The liquidation expenses amounted to Rs.16,000. B Ltd. sold prior to 31st March, 2006 goods costing Rs.1,20,000 to A Ltd. for Rs.1,60,000. Rs.1,00,000 worth of goods are still in stock of A Ltd. on 31st March, 2006. Creditors of A Ltd. include Rs.40,000 still due to B Ltd.

Show the necessary Ledger Accounts to close the books of A Ltd. and prepare the Balance Sheet of B Ltd. as at 1st April, 2006 after the takeover.

2. 'X' and 'Y' carrying on business in partnership sharing Profit and Losses equally, wished to dissolve the firm and sell the business to 'X' Limited Company on 31-3-2006, when the firm's position was as follows: 16

Liabilities	Rs.	Assets	Rs.
X's Capital	1,50,000	Land and	1,00,000
Y's Capital	1,00,000	Building	40,000
Sundry	60,000	Furniture	1,00,000
Creditors		Stock	66,000
		Debtors	4,000
	3,10,000	Cash	3,10,000

The arrangement with X Limited Company was as follows:

(i) Land and Building was purchased at 20% more than the book value.

(ii) Furniture and stock were purchased at book values less 15%.

(iii) The goodwill of the firm was valued at Rs.40,000.

(iv) The firm's debtors, cash and creditors were not to be taken over, but the company agreed to collect the book debts of the firm and discharge the creditors of the firm as an agent, for which services, the company was to be paid 5% on all collections from the firm's debtors and 3% on cash paid to firm's creditors.

(v) The purchase price was to be discharged by the company in fully paid equity shares of Rs.10 each at a premium of Rs.2 per share.

The company collected all the amounts from debtors. The creditors were paid off less by Rs.1,000 allowed by them as discount. The company paid the balance due to the vendors in cash.

Prepare the Realisation account, the Capital accounts of the partners and the Cash account in the books of partnership firm.

3. The following are the summarized Balance Sheets of 'X' Ltd. as on March 31, 16

2005 and 2006:

Liabilities	As on 31.3.2005 (Rs.)	As on 31.3.2006 (Rs.)
Equity share capital	10,00,000	12,50,000
Capital Reserve	—	10,000
General Reserve	2,50,000	3,00,000
Profit and Loss A/c	1,50,000	1,80,000
Long-term loan from the	5,00,000	4,00,000
Bank	5,00,000	4,00,000
Sundry Creditors	50,000	60,000
Provision for Taxation	1,00,000	1,25,000
Proposed Dividends	25,50,000	27,25,000

Assets	Year 2005 (Rs.)	Year 2006 (Rs.)
Land and Building	5,00,000	4,80,000
Machinery	7,50,000	9,20,000
Investment	1,00,000	50,000
Stock	3,00,000	2,80,000
Sundry Debtors	4,00,000	4,20,000
Cash in Hand	2,00,000	1,65,000
Cash at Bank	3,00,000	4,10,000
	25,50,000	27,25,000

Additional Information:

(i) Dividend of Rs.1,00,000 was paid during the year ended March 31, 2006.

(ii) Machinery during the year purchased for Rs.1,25,000.

(iii) Machinery of another company was purchased for a consideration of Rs.1,00,000 payable in equity shares.

(iv) Income-tax provided during the year Rs.55,000.

(v) Company sold some investment at a profit of Rs.10,000, which was credited to Capital reserve.

(vi) There was no sale of machinery during the year.

(vii) Depreciation written off on Land and Building Rs.20,000.

From the above particulars, prepare a cash flow statement for the year ended March, 2006 as per AS 3 (Indirect method).

4. (a) The life fund of Well-Life Assurance Co. was Rs.90,00,000 as on 31st December, 2005. The interim bonus paid during the valuation period was Rs.1,50,000. The periodical actuarial valuation determined the net liability at Rs.75,00,000. Surplus brought forward from the previous valuation was Rs.9,00,000. The directors of the company proposed to carry forward Rs.10,00,000 and to divide the balance between the shareholders and the 8

policy holders. You are required to show:

(i) The valuation Balance Sheet.

(ii) The Net Profit for the valuation period.

(iii) The distribution of the surplus.

(b) The following is an extract from the Trial Balance of Dream Bank Ltd. as at 31st March, 2006: 8

Rebate on bills discounted as on 1-4-2005	68,259 (Cr.)
Discount received	1,70,156 (Cr.)

Analysis of the bills discounted reveals as follows:

Amount (Rs.)	Due date
2,80,000	June 1, 2006
8,72,000	June 8, 2006
5,64,000	June 21, 2006
8,12,000	July 1, 2006
6,00,000	July 5, 2006

You are required to find out the amount of discount to be credited to Profit and Loss account for the year ending 31st March, 2006 and pass Journal Entries. The rate of discount may be taken at 10% per annum.

5. Mr. Ashok keeps his books in Single Entry system. From the following information, prepare Trading and Profit & Loss Account for the year ended 31st March, 2006 and the Balance Sheet as on that date: 16

Assets and Liabilities	31.3.2005 (Rs.)	31.3.2006 (Rs.)
Sundry Creditors	30,000	25,000
Outstanding expenses	1,000	500
Fixed Assets	23,000	22,000
Stock	16,000	22,500
Cash in Hand and at Bank	14,000	16,000
Sundry Debtors	?	36,000

Following further details are available for the Current year:

	Rs.		Rs.
Total receipts from	1,30,000	Cash purchases	2,000
debtors*á	3,000	Fixed Assets	
Returns inward		purchased and	1,000
	1,000	paid by cheque	6,500
Bad Debts	1,50,000	Drawings by	10,000
Total Sales	1,500	cheques	18,500
Discount received	1,000	Deposited into the	2,500
Return outwards	15,000	bank	1,20,000
Capital introduced (paid	1,25,000	Withdrawn from	20,000
into Bank)		bank	
Cheques received from		Cash in hand at the	
		end	

Debtors	Paid to creditors by cheques Expenses paid

6. Answer any four of the following: 4x4=16

(a) What are the costs that are to be included in Research and Development costs as per AS 8.

(b) The Company reviewed an actuarial valuation for the first time for its Pension Scheme, which revalued a surplus of Rs.12 lacs. It wants to spread the same over the next 2 years by reducing the annual contribution to Rs.4 lacs instead of Rs.10 lacs. The average remaining life of the employees, if estimated to be 6 years, you are required to advise the Company considering the accounting standards 5 and 15.

(c) X Ltd. entered into an agreement to sell its immovable property included in the Balance Sheet at Rs.10 lacs to another company for Rs.15 lacs. The agreement to sell was concluded on 28th February, 2006 and the sale deed was registered on 1st May, 2006. Comment with reference to AS 4.

(d) What are the conditions that are to be satisfied for 'Amalgamation in the nature of Merger'?

(e) Write short note on "Appropriation Act" with reference to Government Accounts.

(f) Define related party transaction under AS 18.

CA PE - II :: Accounting : May 2007

Roll No…………………

Total No. of Questions— 6] [Total No. of Printed Pages—4

Time Allowed : 3 Hours Maximum Marks : 100

XL

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Answer **all** Questions

Wherever appropriate suitable assumptions should be made by the candidate.

Working notes should form part of the answer.

Marks

1. A, B and C carried on business in partnership, sharing Profits and Losses in the ratio of 1 : 2 : 3. They decided to form a private limited company, AB (P) Ltd. and C is not interested to take over the shares in AB (P) Ltd. The authorised share capital of the company is Rs. 12,00,000 divided into 12,000 ordinary shares of Rs. 100 each. 20

   The company was incorporated and took over goodwill as valued and certain assets of the partnership firm on 31.3.2006. The Balance Sheet of the partnership firm on that date was a follows:

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Fixed Assets:	
A	1,00,000	Machinery	1,20,000
B	2,00,000	Land	1,74,000
C	3,00,000	Motorcycles	30,000
Current Accounts:		Furniture & Fittings	
A	39,420	Current Assets:	
B	60,580	Stock	2,35,000

A's Loan A/c	28,000		Debtors	43,000
(+) Interest accrued	2,000	30,000	Cash in hand	87,0000
Current Liability Creditors		70,000	C's overdrawn	1,00,000
		8,00,000		8,00,000

C, who retired was presented by the other partners (A and B) with one motorcycle valued in the books of the firm Rs. 9,000. The remaining motorcycles were sold in the open market for Rs. 13,000. C also received certain furniture for which he was charged Rs. 2,000. The debtors which were all considered good, were taken over by C for Rs. 40,000. A and B were charged in their profit sharing ratio for the book value of Motorcycle presented by them to C.

It was agreed that C who is not willing to take the shares in AB (P) Ltd. was discharged first by providing necessary cash. A and B should bring cash, if necessary.

AB (P) Ltd. took over the remaining furniture and fittings at a price of Rs. 13,000, the machinery for Rs. 1,25,000, the stock at an agreed value of Rs. 2,00,000 and the land at its book value. The value of the goodwill of the partnership firm was agreed at Rs. 88,000. The creditors of the firm were settled by the firm for Rs. 70,000. A's loan account together with interest accrued was transferred to his capital account.

The purchase consideration was discharged by the company by the issue of equal number of fully paid up equity shares at par to A and B.

Prepare Realisation A/c, Capital A/cs of the partners and Cash A/c. Also draw the Balance Sheet of AB (P) Ltd.

2. The following is the Balance Sheet of Weak Ltd. as on 31.3.2006: 16

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs. 100 each	1,00,00,000	Fixed assets	1,25,00,000
12% cumulative preference shares of Rs. 100 each	50,00,000 40,00,000 50,00,000 1,00,000	Investments (market value Rs. 9,50,000) Current assets	10,00,000 1,00,00,000 4,00,000 2,00,000

10% debentures of Rs. 100 each Sundry creditors Provision for taxation		P & L Ac Preliminary expenses	
	2,41,00,000		2,41,00,000

The following scheme of reorganisation is sanctioned:

(i) All the existing equity shares are reduced to Rs. 40 each.

(ii) All preference shares are reduced to Rs. 60 each.

(iii) The rate of interest on debentures is increased to 12%. The debentureholders surrender their existing debentures of Rs. 100 each and exchange the same for fresh debentures of Rs. 70 each for every debenture held by them.

(iv) One of the creditors of the company to whom the company owes Rs. 20,00,000 decides to forego 40% of his claim. He is allotted 30,000 equity shares of Rs. 40 each in full satisfaction of his claim.

(v) The taxation liability of the company is settled at Rs. 1,50,000.

(vi) Fixed assets are to be written down by 30%.

(vii) Current assets are to be revalued at Rs. 45,00,000.

(viii) Investments to be brought to their market value.

(ix) It is decided to write off the fictitious assets.

Pass Journal entries and show the Balance Sheet of the company after giving effect to the above.

3. Red and Co. of Mumbai started a branch at Bangalore on 1.4.2006 to which goods were sent at 20% above cost. The branch makes both cash sales and credit sales. Branch expenses are met from branch cash and balance money remitted to H.O. The branch does not maintain double entry books of account and necessary accounts relating to branch are maintained in H.O. Following further details are given for the year ending on 31.3.2007: 16

	Rs.
Cost of goods sent to branch	1,00,000
Goods received by branch till 31.3.2007 at	1,08,000
Invoice price	1,16,000
Credit sales for the year	41,600
Closing debtors on 31.3.2007	400
Bad debts written of during the year	86,000
Cash remitted to H.O	4,000
Closing cash on hand at branch on 31.3.2007	6,000
Cash remitted by H.O. to branch during the year	12,000
Closing stock in hand at branch at invoice price	24,000
Expenses incurred at branch	

Draw up the necessary Ledger Accounts like Branch Debtors Account, Branch Stock Account, Goods sent to Branch Account, Branch Cash Account, Branch Expenses Account and Branch Adjustment A/c for ascertaining gross profit and Branch profit and Loss A/c for ascertaining Branch profit.

4. (a) From the following information of details of advances of X Bank Limited calculate the amount of provisions to be make in profit and Loss account for the year ended 31.3.2007: 6

Assets classification	Rs. in lakhs.
Standard	6,000
Sub–standard	4,400
Doubtful:	
For one year	1,800
For two years	1,200
For three yours	800
For more than three years	600
Loss assets	1,600

(b) X Electricity Company Limited decides to replace one of its old plants with a modern one in April, 2006. The plant when installed in the year 2000, costed the company Rs. 26 lakhs, the components of materials and labour being in the ratio of 7 : 3. It is ascertained that the cost of labour and materials have rises by 30% and 25% respectively. The cost of new plant is Rs. 66 lakhs and in addition old materials worth Rs. 92,000 are reused. Old materials worth Rs. 1,68,000 are sold. Under double account system compute the following: 10

(i) The amount to be written off to Revenue A/c.

(ii) The amount to be capitalised.

(iii) Draw up the necessary Journal entries.

(iv) Draw up the Replacement Account.

5. (a) Mr. A is insolvent, He supplies to you the following information as on 31.2.2006: 16

	Rs.
Cash in hand	10,000
Creditors for goods	10,00,000
Taxes due to Government	35,000
Bank loan secured by lien on stock	1,50,000
Furniture (expected to realise Rs. 50,000)	75,000
Stock (expected to realise 50%)	6,00,000

Books debts (goods)	4,50,000
Books debts (doubtful) expected to realise	5,50,000
40%	1,40,000
Bills discounted (Rs. 40,000 bad)	2,00,000
Loan from Nathan secured by second charge on stock	1,00,000
Bills receivable (Rs. 40,000 bad)	

Mr. A started business four years ago with a capital of Rs. 4,50,000. He drew Rs. 75,000 each year for private purposes, but did not maintain proper books of accounts. Mrs. A gave up her jewellery valued Rs. 1,00,000 to the receiver.

Prepare Statement of Affairs of Mr. A as on 31.3.2006 and Deficiency Account as on that date.

6. Answer any four of the following: 4x4=16

(a) What are the disclosure requirements of A.S–7? (Revised)

(b) How would you treat the Government grant received relating to a depreciable asset under the following cases as per AS–1?

Case i :	Gross value of asset Rs. 2 crores and Grant received Rs. 20 lakhs only.
Case ii :	Gross value of asset Rs. 2 crores and Grant received Rs. 2 crores.

(c) Explain the concept of actuarial valuation.

(d) What are the information that are extracted from the well designed accounting system in Agricultural Farm?

(e) Write a short note on 'B' List contributories under Liquidation of a company.

(f) What are the information that are to be disclosed in the financial statements as per AS–10?

CA PE - II :: Auditing : November 2002

Roll No…………………

Total No. of Questions— 8] [Total No. of Printed Pages—2

Time Allowed : 3 Hours Maximum Marks : 100

ABC

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

Marks

1. State with reasons your views on the following:
   (a) The auditor fails to obtain sufficient information to form an overall opinion by the matters contained in the financial statements. 4
   (b) The Auditor does not agree with affirmation made in the financial statements. 4
   (c) Ram and Hanuman Associates, Chartered Accountants in practice have been appointed as Statutory auditor of Krishna Ltd. for the accounting year 2002-2003. Mr Hanuman holds 100 equity shares of Shiva Ltd., a subsidiary company of Krishna Ltd. 5
   (d) Mr. Rajendra, a fellow member of the Institute of Chartered Accountants of India, working as Manager of Shrivastav and Co., a Chartered Accountant firm, signed the audit report of Om Ltd. on behalf of Shrivastav & Co. 5
2. As a Company Auditor how would you react to the following situations?
   (a) A publishing company undertook repair and overhauling of its machinery at a cost of Rs. 2.50 lakhs to maintain them in good condition and capitalised the amount as it is more than 25% of the original cost of the machinery. 3
   (b) Inventories of a Car manufacturing company includes the value of items, required for the manufacture of a model which was removed from the production line five years back, at cost price. 3
   (c) Interest on loan borrowed to purchase a machinery which has been installed two years back is still debited to Machinery Account. 3

ABC Marks

(d) Sale value of scrap items adjusted against Miscellaneous Expenditure 3

(e) Insurance claim of Rs. 2 Lakhs received stands included under Miscellaneous Income 3

(f) Rs. 5 Lakhs paid by a pharma company to the legal advisor defending the patent of a product treated as capital expenditure. 3

3. Comment on the following:

(a) "For initial audit engagements, the auditor should obtain sufficient appropriate audit evidence as per SAP-22". 6

(b) "Auditor's professional responsibilities are governed by basic principles which should be complied with whenever an audit is carried out". 10

4. Explain the Internal controls in an EDP Environment. 16

5. How will you vouch and/or verify the following?

(a) Retirement Gratuity to Employees. 4

(b) Sale Proceeds of Junk Materials. 4

(c) Assets Abroad 4

(d) Patent Rights. 4

6. Comment on the following:

(a) "The audit firm should implement quality control policies and procedures". Explain. 8

(b) How will you conduct the audit of Incomplete Records? 8

7. Explain the audit procedure for conducting the audit of a Non-governmental Organisation (NGO)? 16

8. Write short notes on the following:

(a) Buy Back of Own Securities. 4

(b) Audit Risk. 4

(c) Disclosure of Accounting Policies 4

(d) Option on Share Capital 4

ABC

CA PE - II :: Auditing : May 2003

Roll No…………………

Total No. of Questions— 8] [Total No. of Printed Pages—2

Time Allowed : 3 Hours Maximum Marks : 100

AG

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

		Marks
1.	As an auditor comment on the following situations/statements:	
	(a) The sale and purchases of investments of A Ltd., was controlled through a committee. Shri B sold some of the investments without discussing the same with the other members of the committee as they were out of station and Shri B believed that its price would fall and the company would suffer a loss if it is not sold. A Ltd. earned a profit of Rs. 1 lakh from such sale.	6
	(b) The company due to liquidity crises sold leased back the same vehicles from leasing companies. In the notes to accounts, the company stated `Vehicles taken on lease repayable in 46 instalments of Rs. 26,650 each'.	6
	(c) No depreciation provided on a machinery costing Rs.50 lakhs imported three years back, since it is yet to be put into use.	3
	(d) A portion of Share Premium utilised to declare 40% dividend	3
2.	Give your comments on the following:	
	(a) M/s Verma and Sharma, Chartered Accountants were appointed as the first auditors of Good Luck Ltd. by virtue of their name being included as auditors in the Articles of Association	3
	(b) The auditors were requested by the management to accept the draft minutes of Board, since the minutes book has been misplaced.	3

AG | Marks

(c) The Board of Directors removed to first auditors before the expiry of the term and appointed another auditor in his place. 3

(d) The auditors are being insisted by the management to hand over the letters of confirmation of balances received by the auditor from debtors and creditors. 3

(e) No cast accounting records are maintained though the company is required to maintain the same. 3

(f) A Government company appointed the auditors and fixed the remuneration in its general meeting. 3

3. (a) "The auditors should consider he effect of subsequent events on the financial statement and on auditors report" according to SAP 19 — Comment. 12

(b) Briefly explain the inherent limitations of audit. 4

4. List the aspects to be considered in vouching/verification of the following

(a) Research and Development expenditure 4

(b) Discounted bills received dishonoured. 4

(c) Borrowings from banks. 4

(d) Plant and Machinery 4

5. (a) What are the methods of obtaining audit evidence? 8

(b) How would you proceed to check the misappropriation of cash in a trading concern? 8

6. (a) Explain in detail the duties of Comptroler and Auditor General of India. 8

(b) Define the purpose of a `Letter of Engagement'. 8

7. (a) Mention any eight special points which you as an auditor would look into while auditing the books of a partnership firm. 8

(b) What are the types of internal control in a computer-based system? 8

8. Write short notes on the following:

(a) Disclaimer of Opinion. 4

(b) Cut-off arrangement. 4

(c) Sweat Equity Shares. 4

(d) Disclosure of Accounting Policies. 4

CA PE - II :: Auditing : November 2003

Roll No…………………

Total No. of Questions— 8] [Total No. of Printed Pages—3

Time Allowed : 3 Hours Maximum Marks : 100

TN

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

Marks

1. As an auditor comment on the following situations/statements:
   - (a) The first auditors of Health and Wealth Ltd., a Government company, was appointed by the Board of Directors. 3
   - (b) In case the existing auditors reappointed at the Annual General Meeting refused to accept the appointment, whether the Board of Directors could fill up the vacancy? 3
   - (c) The auditor of Trilok Ltd. did not report on the matters specified in sub-section(1A) of Section 227 of the Companies Act, 1956, as he was satisfied that no comment is required. 3
   - (d) At the AGM of a company, in which a Nationalised Bank held 25% of the subscribed capital, Krishna & Co., Chartered Accountants, were appointed as auditor by passing an ordinary resolution. 3
   - (e) The members of C. Ltd. preferred a complaint against the auditor stating that he has failed to send the auditors report to them. 3
   - (f) One of the directors of Hitech Ltd. is attracted by the disqualification under Section 274(1)(g). 3

TN Marks

2. Comment on the following:
   (a) ABC Ltd. has not deposited provident fund contributions of Rs. 20 lakhs to the authorities, but accounted in the books. 3
   (b) Asian Overseas Oil Ltd.'s oil wells were damaged in Iraqi war in November, 2002. Claim preferred with the Insurance Companies for total loss. Pending he settlement by the Insurance Companies neither any provision nor any disclosure has been made on 2002-03 accounts. 3
   (c) Sundry debtors of a company as on 31-3-03 include Rs. 10 lakhs from M/s Unreliable Traders, who have been declared as insolvent on 4-4-2003. 3
   (d) Directors of Speedway Ltd. declared a final dividend of 30% for 2002-03 in their meeting held on 11-8-2003. 3
   (e) During the year under audit, A Ltd. credited to the Profit & Loss Account, the entire profit of Rs. 5 lakhs on the sale of land not required for its use. You are informed that the directors would like to propose dividend out of the above profit. 3
   (f) Inspite of the internal control weakness commented upon by the audit manager, no further tests need to be carried out, as the purchase and sales figure as a percentage of gross profit was same as in the previous year. The audit manager's comments were in regard to control over purchases and sales. 3
3. (a) Can the Statutory Auditor rely upon the work of an internal Auditor? 8
   (b) What do you understand by Audit through the Computer? 8
4. How will you vouch/verify the following
   (a) Remuneration to directors. 4
   (b) Consignment sales. 4
   (c) Patent rights. 4
   (d) Royalties received. 4
5. (a) What are the aims of internal control so far as Financial and Accounting aspects are concerned? 12
   (b) What is the meaning of "options on unissued share capital" of a company? 4

TN

		Marks
6.	(a) What are the Basic Principles governing an Audit as laid down in SAP-1?	10
	(b) What are Audit working papers and why should they be carefully preserved by the Auditor?	6
7.	(a) What is the ideal approach while carrying out audit of Incomplete Records?	8
	(b) An audit of expenditure is one of the major components of Government Audit. In the context of "Government Expenditure Audit" write in brief, what do you understand by:	8

(i) Audit against Rules and Orders

(ii) Audit of Sanctions

(iii) Audit against Provision of Funds

(iv) Propriety Audit

(v) Performance Audit

8. Write short notes on the following:

(a)	Outstanding Assets	4
(b)	Fundamental Accounting Assumptions	4
(c)	Extent of Reliance on Analytical procedures.	4
(d)	Purpose of providing depreciation	4

TN

CA PE - II :: Auditing : May 2004

Roll No…………………

Total No. of Questions— 8] [Total No. of Printed Pages—3

Time Allowed : 3 Hours Maximum Marks : 100

AG

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

Marks

1. As an auditor comment on the following situations/statements:

   (a) The method of depreciation on Plant and Machinery is to be changed from SLM basis to WDV basis from the current year. 4

   (b) The Finance Manager of Belt Ltd. is of the opinion that before declaration of dividends it would not be necessary to set off the carried forward amount of debit balance in the Profit and Loss Account against current revenue profit but the same could be set-off against existing revaluation reserve. Do you agree? 5

   (c) Ganga-Kaveri Project Ltd. was incorporated on 1.7.2002. During the year ended 31.3.2003 there was no manufacturing or trading activity except raising of share capital, purchase of land, acquisition of plant and machinery and construction of factory sheds. Therefore the Chief Accountant of the company contends that for the relevant year there was no need to prepare a statement of profit or loss or any other statement except a Balance Sheet as at 31.3.2003. 5

AG Marks

(d) The company has sent semi-finished goods to third parties for further processing which is lying with them at the end of the year. 4

2. Give your comments on the following:

(a) PQR & Co. a firm of Chartered Accountants has three partners, P, Q, and R; P is also in whole time employment elsewhere. The firm is already holding audit of 40 companies including audit of one foreign company. The firm is offered the audit of Z Ltd. and its 20 branches. 5

(b) It is not essential to verify the sale proceeds of scrap which did not have a significant value if the company had a good accounting and costing systems. 4

(c) Nene and Sane Associates, Chartered Accountants in practice have been appointed as statutory Auditor of Do Good Ltd. for the accounting year 2003-04. Mr. Nene holds 200 equity shares of DDA Ltd. a subsidiary company of Do Good Ltd. 5

(d) White star Ltd. was incorporated on 1.8.2003 and Mr. T who is related to the Chairman of the company appointed as auditor by the Board of Directors in their meeting on 4.9.2003. 4

3. (a) In performing an audit of financial statements, the auditor should have or obtain knowledge of the business. Explain in the light of SAP-20 8

(b) What is an Audit Trail? Briefly state the special audit techniques using the computer as an audit tool. 8

4. (a) Explain the important requirements which should be kept in mind to establish or evaluate a system of internal control for application process at Service Bureau. 10

(b) Mention any Twelve title of statements of Standard Auditing Practices (SAPs) and the date from which it comes into force. 6

AG | Marks

5.	Draft an illustrative Audit Report u/s 227 of the Companies act, 1956, with a few qualifications. Annexure u/s 227(4A) is not required.	16
6.	How will you vouch and/or verify the following?	
	(a) Contingent Liabilities	4
	(b) Excise Duty	4
	(c) Recovery of Bad-debts written off	4
	(d) Endowment Policies	4
7.	(a) Mention the important items to be examined by the auditor in the receipt of Income of Non-Governmental Organisations (NGO's)	10
	(b) "Installation of Computer Operating System have created both benefits and problems for auditors". Explain the Statement	6
8.	Write short notes on the following:	
	(a) Intangible Assets	4
	(b) Audit Risk	4
	(c) Substantive procedures	4
	(d) Floating charge	4

AG

CA PE - II :: Auditing : November 2004

Roll No…………………

Total No. of Questions— 8] [Total No. of Printed Pages—3

Time Allowed : 3 Hours Maximum Marks : 100

AS

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

Marks

1. As an auditor comment on the following situations/statements:

   (a) You are the Auditor of a Manufacturing Company, whose year ends on 31st March. An event occurred after the year ended, but before you complete the audit. The audit report issued by you is dated 20th July. The Sales Ledger balance at 31st March was Rs. 95,000. By 20th July Rs. 65,000 only had been received against this amount as full and final payment. 4

   (b) AAS Ltd. is procuring the packing materials from M/s XY and Co., a partnership firm consisting of Mr. X and Mr. Y. Mr. Y is the Managing Director of AAS Ltd. The total value of purchases made from XY and Co. by AAS Ltd. during the year 2003-04 had been Rs. 38 lakhs. 4

   (c) X Ltd. is good in profits, but suffers temporarily in liquidity. It proposes to declare dividend of 10% in annual general meeting, but the Board proposes to defer payment of dividend by two months from the date of annual general meeting by getting a resolution passed in AGM. 4

   (d) A Computerised Machinery was purchased by two companies jointly. The price was shared equally. It was also agreed that they would use the machinery equally and show in their Balance Sheets, 50% of the value of the machinery and charge 50% of the depreciation in their respective books of accounts. 4

2. Give your comments on the following:

(a) The auditor of a limited company has given a clean report on the financial statement on the basis of Xerox copies of the books of accounts, Vouchers and other records which were taken away by the Income-tax Department in search under section 132 of the I.T. Act, 1961. 5

(b) E and S were appointed as Joint Auditors of X and Y Ltd. What will be their professional responsibility in a case where the company has cleverly concealed certain transactions that escaped the notice of both the Auditors. 5

(c) Aakansha is a member of the Institute of Chartered Accountants of England and Wales. Is she qualified to be appointed as auditor of Indian companies? 2

(d) Preksha, a member of the ICAI, does not hold a Certificate of practice. Is her appointment as an auditor valid? 4

(e) 'B' owes Rs. 1001 to 'C' Ltd., of which he is an auditor. Is his appointment valid? Will it make any difference, if the advance is taken for meeting-out travelling expenses? 4

3. (a) What are the auditors' responsibilities for detection of frauds and Errors? 8

(b) Explain the various types of companies under the Companies (Auditor's Report) Order, 2003. (CARO). 8

4. How will you vouch/verify the following

(a) Describe the salient features of Financial Administration of Local Bodies. 8

(b) What are accounting estimates according to Auditing and Assurance Standards —18 (AAS-18)? Give examples. 8

5. How Will you vouch and /or verify the following?

(a) Personal expenses of directors met by the company. 4

(b) Preliminary expenses 4

(c) Patents. 4

(b) Advances given to suppliers. 4

6. What are the special steps involved in conducting the audit of an Educational Institution? 16

AS	Marks

7. (a) While conducting the audit of the accounts of manufacturing company, you discover that the rate of Gorss profit on Sales has sharply risen in comparison to the previous year. 12

   State the steps you would take to satisfy yourself.

   (b) State briefly the qualities of Auditors. 4

8. Write short notes on the following:

   (a) Analytical review 4

   (b) Audit enquiry under Section 227(1A) 4

   (c) Disclosure requirements of bank balances of a limited company. 4

   (d) Audit trail in a computerised accounting environment. 4

AS

CA PE - II :: Auditing : May 2005

Roll No…………………

Total No. of Questions— 8] [Total No. of Printed Pages—3

Time Allowed : 3 Hours Maximum Marks : 100

PD

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

Marks

1. As an auditor comment on the following situations/statements:

(a) Z Ltd. had the following items under the head "Reserves and Surplus" in the Balance Sheet as on 31st March, 2004: 4

	Amount Rs.in lacs
Securities Premium Account	80
Capital Reserve	60
General Reserve	90

The Company had an accumulated loss of Rs. 40 lacs on the same date, which it has disclosed under the head "Profit and Loss Account" on the assets side of the Balance Sheet. 5

(b) A Ltd. has its Registered Office at New Delhi. During the current accounting year, it has shifted its Corporate Head Office to Indore though it has retained the Registered Office at New Delhi. The Managing Director of the Company wants to shift its books of account to Indore from New Delhi, as he feels that there is no legal bar in doing so. 4

PD Marks

(c) The Board of Directors of a Company have filed a complaint with the Institute of Chartered Accountants of India against their statutory auditors for their failing to attend the Annual General Meeting of the Shareholders in which audited accounts were considered. 5

(d) The auditor of a Company wanted to see the minutes book of Directors meetings. The Chairman of the company refused for the same on the ground that matters of confidential nature were contained therein. 5

2. Give your comments on the following:

(i) The Central Government has appointed Mr. Sushil, a retired Finance Director of a reputed company, a non-practising member of ICAI, as a special auditor of MM Ltd., on the ground that the company was not being managed on sound business principles. Mr. Ajay, MD of MM Ltd. feels, that the appointment of Mr. Sushil is not valid as he does not hold a certificate of practice. 5

(ii) CC Ltd., a Pharmaceutical Company, while valuing its finished stock at the year end wants to include interest on Bank Overdraft as an element of cost, for the reason that overdraft has been taken specifically for the purpose of financing current assets like inventory and for meeting day to day working expenses. 5

(b) What categories of Companies are specifically exempted from the application of Companies (auditor's Report) order, 2003? 8

3. (a) With reference to Government Audit, what do you understand by "Audit of Commercial Accounts"? 8

(b) What do you understand by:

(i) Auditing around the computer 4

(ii) Auditing through the computer 4

		Marks
4. (a)	Explain the term "Auditor's Lien".	8
(b)	Discuss the concept of "True and Fair".	8
5.	How will you vouch/verify the following	
(a)	Advertisement expenses	4
(b)	Goodwill	4
(c)	Capital work-in-progress	4
(d)	Wages paid to seasonal labourer.	4
6. (a)	What special steps will you take into consideration in audit of the accounts of a hotel.	10
(b)	Medical Council of India organised a three-day International Conference of Doctors in Delhi. You are asked to audit the accounts of the conference. Draft the audit programme for audit of receipt of participation fees from delegates to the conference. Mention any six points, peculiar to the situation, which you will like to include in your audit programme.	6
7. (a)	Explain with reference to the relevant Auditing and Assurance standards:	10
	(i) Inherent Risk	5
	(ii) Appropriateness of going concern assumption	5
(b)	State the matters to be considered for acquiring knowledge of the business of the client by the auditor.	6
8.	Write short notes on the following:	
(a)	Surprise check	4
(b)	Independence of Internal Auditor	4
(c)	Cost Audit	4
(d)	Capital Redemption Reserve.	4

CA PE - II :: Auditing : November 2005

Roll No…………………

Total No. of Questions— 8] [Total No. of Printed Pages—3

Time Allowed : 3 Hours Maximum Marks : 100

LG

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

Marks

1. As an auditor comment on the following situations/statements:

(a) M/s Bonafide Ltd. has taken a Group Gratuity Policy from an Insurance Company. During accounting year 2004-05 it received a communication from the said Insurance company informing that premium amount for the accounting year 2003-04 was less charged by Rs.75 lacs on account of arithmetical error on the part of Insurance Company. M/s Bonafide Ltd. paid the said sum of Rs. 75 lacs during the accounting year 2004-05 by debiting the same to Prior Period Expenses. 5

(b) As on 31.3.2005, there was a claim for damage from one of the customers against the company engaged in selling of accounting software fro an alleged failure to provide satisfactory after-sales services in relation to the software purchased from it. Before finalisation of the accounts for the year ended 31.3.2005 (the accounts were finalised on 14th June, 2005), the company won the case and had no liability whatsoever in this regard. The company has made a provision for this contingent liability in its accounts for the year ended 31.3.2005, which, it says, will be reversed in the next year. 4

(c) Mr. A was appointed auditor of AAS Ltd. by Board to fill the casual vacancy that arose due to death of the auditor originally appointed in AGM. Subsequently, Mr. A also resigned on health grounds during the tenure of appointment. The Board filled this vacancy by appointing you through duly passed Board resolution. 4

LG Marks

(d) SK Ltd. has fully computerised its accounting operations. The stock records are maintained up to date with timely entries passed for all receipts and issues. The company has hired a professional security agency, which monitors and implements a close vigilance over the operations of the company. As such, the company had dispensed with the practice of taking stock of their inventories at the year end as in their opinion the exercise is redundant, time consuming and intrusion to normal functioning of the operations. 4

2. (a) Give your comments on the following:

(i) The auditors of ABC Ltd. issued a qualified opinion about the truth and fairness of the accounts of the company for the year ended 31.3.2005. They typed out the maters of qualifications in a bold font so as to invite the attention of the readers to them. The Board objected to it and required them to be typed out in the same normal font as other paras of the report appear. 5

(ii) Auditors of M/s Fortune India (P) Ltd. were changed for the accounting year 2004-05. The closing stock of the company as on 31.3.2004 amounting to Rs. 100 lacs continued as it is and became closing stock as on 31.3.2005. The auditors of the company propose to exclude from their audit programme the audit of closing stock of Rs. 100 lacs on the understanding that it pertains to the preceding year which was audited by another auditor. 5

(b) What categories of Companies are specifically exempted from the application of Companies (auditor's Report) order, 2003? 8

(i) Profit and Loss Statement

Travelling Expenditure Rs. 50,000 2

(ii) Balance sheet

Debtors Rs. 2,000 2

(c) Briefly explain the following:

(i) Control Risk 2

(ii) Management Representation. 2

LG Marks

3. (a) Under what circumstances change in accounting policies is permissible? 8

   (b) What are the inherent limitations of audit?

4. How will you verify/vouch the following.

   (a) Sales Commission Expenditure 4

   (b) Stock lying with Third Party 4

   (c) Purchase of Motor car. 4

   (d) Sales Return 4

5. (a) What are the powers of C & AG in relation to the accounts of Government Companies audited by the statutory auditors? 8

   (b) Is there any change in audit approach in the audit of computerised accounts as compared to audit of manual accounts? 8

6. (a) An NGO operating in Delhi had collected large scale donations for Tsunami victims. The donations so collected were sent to different NGOs operating in Tamil Nadu for relief operations. This NGO operating in Delhi has appointed you to audit its accounts for the year in which it collected and remitted donations for Tsunami victims. Draft audit programme for audit of receipts of donations and remittance of the collected amount to different NGOs. Mention six points each, peculiar to the situation, which you will like to incorporate in your audit programme for audit of said receipts and remittances of donations. 12

   (b) What special steps will you take into consideration in auditing the receipts from entry fees of an amusement park? Mention any four points specific to the issue. 4

7. (a) State the matters to be specified in Auditor's Report in terms of provisions of Section 227(3) of the Companies Act, 1956. 8

   (b) What are the reporting requirements in Companies (Auditor's Report) Order, 2003 in respect of money raised by public issues? 8

8. Write short notes on the following:

   (a) General Purpose of Financial Statements 4

   (b) Permanent Audit File 4

   (c) Going Concern Concept 4

   (d) Vouching 4

CA PE - II :: Auditing : November 2006

Roll No…………………

Total No. of Questions— 8] [Total No. of Printed Pages—2

Time Allowed : 3 Hours Maximum Marks : 100

PD

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

Marks

1. As an Auditor, comment on the following situations/statements:

(a) SMT Enterprises entered into a contract for sale of its goods worth Rs. 24 lacs with ST Ltd. The goods were inspected, approved and finalised by the inspection team of ST Ltd. ST Ltd. made the whole payment of Rs. 24 lacs. However, it requested SMT Enterprises to dispatch the goods in six equal monthly instalments from October, 2005 to March, 2006. In the month of January,2006, due to natural calamity, ST Ltd. informed SMT Enterprises to stop dispatches of the remaining three instalments until further notice. At the time of finalising its accounts for the financial year 2005-06, SMT Enterprises booked sales amounting to Rs. 12 lacs and showed remaining Rs. 12 lacs as Advance Against Sales. 5

(b) X Ltd. had a major break down in its plant in the month of February, 2006. In the month of March, 2006 it entered into an agreement with an engineering firm for the purpose of repairing its plant for a consideration of Rs. 180 lacs. The engineering firm started the repairing work in the month of April, 2006 and completed it in the same month. X Ltd. made the provision for said expenditure on repairs in its books of account for the financial year 2005-06 on the plea that the event of break down leading to repair expenditure had taken place in the financial year 2005-06, binding contract for repairs was entered into during the financial year 2005-06 and repair work was also completed before the financial statements were approved by the Board of Directors of the company. 5

(c) The management tells you that WIP is not valued since it is difficult to know the same in view of multiple processes involved and in any case opening and closing WIP would be more or less the same. 4

(d) JKT Ltd. having Rs. 40 lacs paid up capital, Rs. 9.50 lacs reserves and turnover of last three consecutive financial years, immediately preceding the financial year under audit, being Rs. 4.90 crores, Rs. 4.50 crores and Rs. 6 crores, but does not have any internal audit system. In view of the 4 management, internal audit system is not mandatory.

2. (a) Managing Director of PQR Ltd. himself wants to appoint Shri Ganpati, a practicing Chartered Accountant, as first auditor of the company. Comment on the proposed action of the Managing Director. 4

(b) PBS & Associates, a firm of Chartered Accountants, has three partners P, B and S. The firm is already having audit of 60 companies, which includes 2 branch audits of a company. The firm is offered 3 company audits, out of which one is a private company, other is a foreign company and the third one is a public company. Decide and advise whether PBS & Associates will exceed the ceiling prescribed under Section 224(1B) by accepting the above audit assignments? 4

(c) RT Ltd. Received Rs. 50 lacs as grant from the State Government towards the part cost of a specific machinery. The company credited the above sum of Rs. 50 lacs as income in its Profit and Loss Account for the year. What are your views on the accounting treatment of the above receipt of Rs. 50 lacs? 4

(d) Audit of expenditure is one of the major components of Government Audit. In this context, write in brief what do you understand by: 6

(i) Audit against Rules and Orders

(ii) Audit of Sanctions

(iii) Propriety Audit

PD

		Marks
3.	(a) What are the basic principles governing an audit as laid down in AAS 1 ? Explain in brief.	10
	(b) What is meant by external confirmation? Mention four situations where external confirmation may be useful for auditors.	6
4.	How will you vouch and/or verify the following ?	
	(a) Goods sent on Consignment	4
	(b) Expenditure on Foreign Travelling.	4
	(c) Re-issue of Forfeited Shares	4
	(d) Premium paid for insurance of a Motor car.	4
5.	(a) What special steps are involved in audit of a Cinema Hall?	10
	(b) What do you understand by Internal checks?	6
6.	(a) Explain the scope paragraph of auditors Report.	8
	(b) How the work of an expert should be evaluated before accepting the same as an Audit evidence?	8
7.	(a) While conducting the audit of accounts of a manufacturing company, you discover that the rate of Gross Profit on Sales has sharply decreased in comparison to the previous year. State the steps you would take to satisfy yourself.	12
	(b) Why Central Government permission is required, when the auditors are to be removed before expiry of their term, but the same is not needed when the auditors are changed after expiry of their term?	4
8.	Write short notes on the following :	
	(a) Audit Programme	4
	(b) Current Investments	4
	(c) First in First out (FIFO) method	4
	(d) Accounting Estimates.	4

PD

CA PE - II :: Auditing : May 2007

Roll No…………………

Total No. of Questions— 8] [Total No. of Printed Pages—2

Time Allowed : 3 Hours Maximum Marks : 100

FB

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Answer Questions Nos. **1** and **2** and **four** from the rest.

Marks

1. As an Auditor, comment on the following:

   (a) You are a Principal Auditor of Sri Company Limited which has three branches the accounts of which are subject to audit by qualified branch auditors. One of the branch auditors qualified his report for non–provision of doubtful debts which he considered to be material for the company as a whole. Subsequent to their reporting, but before you could sign the audit report on the accounts of the company as a whole, the management informed you that the debt under the subject&ndah;matter of qualification in Branch Auditor's report had been fully recovered. 5

   (b) A Ltd. is a holding company of B Ltd. B Ltd. is going to start a new project estimated to cost Rs. 20 crores. For this A Ltd. made an investment of Rs. 10 crores in the shares of B Ltd. by borrowing the same from financial institution @ 10% p.a. As on 31st March, 2005 the project was not completed. The directors of A Ltd. want to capitalise the interest upto 31st March. 2005 on borrowings amounting to Rs. 1 crore and add it to the cost of investments. 5

   (c) A contractor entered into a contract for building roads for Rs. 2 crores. After completing 60% of the contract he came to know that the cost of completing the contract would be Rs. 2.40 crores. The accountant transferred Rs. 0.24 crores i.e., 60% of total loss of Rs. 0.40 crores to Profit and Loss account in the current year. 5

   (d) Finished goods costing worth Rs. 10 lacs were damaged due to floods in July 2004. These goods were included in the closing stock as on March 31, 2005 at an estimated realisable value of Rs. 4 lacs. These goods, ultimately, could be sold for Rs. 3 lacs only in the accounting year 2005–06. The difference of Rs. 1 lac was debited to prior expenditure in the accounting year 2005–06. 5

2. (a) Give your comments on the following: 4+4

   (i) M/s A & Co., Chartered Accountants, were appointed first auditors of

KLM Ltd. by its Board of Directors. The shareholders of the company removed M/s A & Co. before the expiry of their term, by an ordinary resolution in an Extraordinary General Meeting and appointed another auditors in their place. M/s A & Co. have objected that without prior approval of Central Government their removal is illegal.

(ii) The Articles of Association of ABC Ltd. do not authorise the company to buy back its own shares. However, a special resolution has been passed in general meeting of the company authorising the buy–back. The Directors of the company are of the opinion that even without authority in the Articles of Association the buy–back is possible due to special resolution passed in the general meeting authorising the buy–back.

(b) W Ltd. approached SB & Co. a leading firm of Chartered Accountants having two partners S & B to conduct the audit for the year ended on 31st March 2006. Mr. B is holding 500 equity shares @ Rs. 50 each in W Ltd. Can SB & Co. accept audit of W Ltd.? 4

(c) In a medium size trading organisation the accountant was given additional responsibility of making recoveries from the debtors. On one occasion, when an insurance claim of Rs. 25,000 was received, he credited the same to the account of a debtor and misappropriated the cash which he had recovered from the said debtor. Pinpoint weaknesses in the internal control system which led to this situation. 4

FB | Marks

3. (a) Explain audit risk by reference to its components. 8

   (b) In case of government companies, Comptroller and Auditor General of India has a right to issue directions to auditor and do supplementary audit. Explain. 8

4. How will you vouch/verify the following ? 4x4

   (a) Loss of stock by theft.

   (b) Stock lying with subcontractor for fabrication.

   (c) Sale of empties

   (d) Expenditure for advertisement in newspaper..

5. (a) Give four examples of accounting estimates. 4

   (b) State any four important elements of input control in processing of data in a computerised accounting system. 4

   (c) What are the disadvantages of the use of an audit programme? 4

   (d) Mention any four financial indications which may indicate the risk that continuance as a going concern may be questionable. 4

6. Define a Comprehensive Audit Programme for auditing the receipt of fees from the students of a school run by a Charitable Trust. 16

7. (a) (i) What is a qualified audit report? 3+5

   (ii) Under what circumstances a qualified audit report is issued?

   (b) On what companies the companies (Auditor's Report) Order, 2003 is applicable and what companies are not covered by it? 8

8. Write short notes on the following : 4x4

   (a) Fundamental Accounting Assumptions.

   (b) Provisions versus Specific Reserves.

   (c) Sufficient Appropriate Audit Evidence

   (d) Auditor's Independence.

CA PE - II :: Business and Corporate Laws : November 2002

Roll No…………………

Total No. of Questions— 10 Total No. of Printed Pages—4

Time Allowed : 3 Hours Maximum Marks : 100

KNR

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Questions **1** and **7** are compulsory.

Candidates are required to attempt **three** questions out of questions **2, 3, 4, 5** and **6** and **two** questions out of questions **8, 9** and **10**

Marks

1. Answer any six of the following: 6x4=24

(a) What is meant by `Undue Influence'? `A' applies to a banker of a loan at a time where there is strigency in the money market. The banker declines to make the loan except at an unusually high rate of interest. A accepts the loan on these terms. Whether the contract is induced by undue influence? Decide.

(b) Explain the meaning of `Holder' and `Holder in due course' of a negotiable instrument.

The drawer, `D' is induced by `A' to draw a cheque in favour of P, who is an existing person. `A' instead of sending the cheque to `P', forges his name and pays the cheque into his own bank. Whether `D' can recover the amount of the cheque from `A's banker. Decide.

(c) What are the implied warranties in a Contract of Sale under the Sale of Goods act, 1930?

(d) What acts do not fall within the implied authority of a partner under the Indian Partnership Act, 1932?

(e) Explain the meaning of `Allocable Surplus' and `Available Surplus' stated in the Payment of Bonus Act, 1965.

(f) State the conditions which are essential for the registration of `Multi-State Cooperative Society under the Multi-State Cooperative Societies Act, 1984.

(g) State the kinds of establishments which are not covered under the Employee's Provident Funds and Miscellaneous Provisions Act, 1952.

(h) State the ways in which a society may invest its own funds under the Cooperative Societies Act, 1912. Whether such funds may be divided among the members of the Society?

2. (a) `A' stands surety for `B' for any amount which `C' may lend to B from time to time during the next three months subject to a maximum of Rs.50,000. One month later A revokes the guarantee, when C had lent ot B Rs.5,000. Referring to the provisions of the Indian Contract Act, 1872 decide whether `A' is discharged from all the liabilities to `C' for any subsequent loan. What would be your answer in case `B' makes a default in paying back to `C' the money already borrowed i.e. Rs.5,000? 6

(b) Explain the provisions of law relating to unpaid seller's `right of lien' and distinguish it from the "right of stoppage the goods in transit". 6

3. (a) State the grounds upon which a contract may be discharged under the provisions of Indian Contract Act, 1872. 6

(b) Whether a minor may be admitted in the business of a partnership firm? Explain the rights of a minor in the partnership firm. 6

4. (a) When a bill of exchange may be dishonoured by `non-acceptance' and `non-payment' under the provisions of Negotiable Instruments Act, 1881? 6

(b) X, a temporary employee drawing a salary of Rs.3,000 per month, in an establishment to which the Payment of Bonus Act, 1965 applies was prevented by the employers from working in the establishment for two months during the financial year 2001-2002, pending certain inquiry. Since there were no adverse findings `X' was re-instated in service, later, when the bonus was to be paid to other employees, the employers refuse to pay bonus to `X' even though he has worked for the remaining ten months in the year. referring to the provisions of the Payments of Bonus Act, 1965 examine the validity of employer's refusal to pay bonus to `X'. 6

5. (a) In What way is the "Employee's Deposit-linked Insurance Scheme" regulated under the provisions of the Employee's Provident Funds and Miscellaneous Provisions Act, 1952? Explain. 6

(b) Explain the manner in which `Net Profits' of a Multi-State Cooperative Society can be appropriated. Examine also the validity of the following acts of the society during a particular year: 6

(i) The society declares dividend 11% on its paid-up Share Capital.

(ii) The society decides to donate a sum of Rs.10lakhs out of its `Net profits'.

6. (a) A Cooperative Society with unlimited liability wants to expel its member, who prejudices the society by his misconduct. For this purpose the society wants to amend its bye-laws. State the grounds which should be included in the bye-laws of the society so as to expel such member from the membership of the society. 6

(b) Referring to the provisions of the Negotiable Instruments Act, 1881, examine the validity of the following Promissory Notes: 6

(i) I owe you a sum of Rs. 1,000.`A' tells `B'

(ii) `X' promises to pay `Y' a sum of Rs. 10,000, six months after `Y's Marriage with `Z'.

7. Answer any **four** of the following : 5x4=20

(a) Explain clearly the meaning of a `Private' and `Public' Company after companies (Amendment) Act, 2000.

(b) Describe the ways to become a member of a company

A company issued 20 partly paid equity shares and registered them in the name of the minor describing him as minor. The father of the minor signed the application on the minor's behalf. After some time company went into liquidation. The company filed a suit against father of the minor to recover the remaining amount on the shares. Whether the company will succeed? Advice.

(c) Whether a company can issue shares at premium?

State the purposes for which the Securities Premium account can be used under the provisions of the Companies Act, 1956.

(d) In what way does the Companies Act, 1956 regulate the holding of an Annual general Meeting by a public limited company? Explain.

(e) Explain the limitations relating to alternation of Articles of Association of a company.

8. (a) Explain clearly the meaning of Lifting the Corporate Veil, as applicable in case of companies incorporated under the Companies Act, 1956. Under what circumstances the veil of a company can be lifted by the court? 5

(b) Who is an `Expert'? When an expert is not liable for the mis-statement in the prospectus of a public company? 5

9. (a) ABC Company Limited at a general meeting of members of the company 5

pass an ordinary resolution to buy-back 30% of its Equity Share Capital. The Articles of the Company empower the company for buy-back of shares. The company further decide that the payment for buy-back be made out of the proceed of the company's earlier issue of equity shares. Explaining the provisions of the Companies Act 1956, and stating the sources through which the buy-back of companies own shares be executed. Examine.

(i) Whether company's proposal is in order?

(ii) Would your answer be still the same in case the company instead of 30% decide to buy-back only 20% of its Equity Share Capital?

(b) State the types of debentures which may be issued by a public company. 5

10. (a) Define the term `Small Depositors'. State the legal provisions relating to acceptance, repayment and further deposits of such small depositors under the Companies Amendment Act, 2000. 5

(b) `A' commits forgery and thereby obtains a certificate of transfer of shares from a company and transfers the shares to `B' for value acting in good faith. Company refuses to transfer the shares to `B. Whether the company can refuse? Decide the liability of `A' and of the company towards `B'. 5

KNR

CA PE - II :: Business and Corporate Laws : May 2003

Roll No…………………

Total No. of Questions— 10 | Total No. of Printed Pages—4

Time Allowed : 3 Hours | Maximum Marks : 100

SG

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Marks

1. Answer any six of the following: 6x4=24

(a) What is the status of a "finder of goods" under the Indian Contract Act, 1872? What are his rights?

(b) Which are the essential elements of a valid acceptance of a Bill of Exchange? An acceptor accepts a "Bill of Exchange" but write on it "Accepted but payment will be made when goods delivered to me is sold". Decide the validity.

(c) What are the consequences of "destruction of goods" under the Sale of Goods Act, 1930, where the goods have been destroyed after the agreement to sell but before the sale is affected.

(d) Is it possible for the partners in a firm having majority to expel a partner under the provisions of the Indian Partnership Act, 1932? Does the firm get dissolved if the expulsion of a partner is not valid?

(e) Explain the meaning of "salary" and "wages" under the Payment of Bonus Act, 1965.

(f) A Multi-State Cooperative Society is desirous of amending its bye-laws. Advise the society as to what procedure is required to be followed for the said purpose under the Multi-State Cooperative Societies Act, 2002?

(g) How is the Central Board of Trustees Constituted under the provisions of the Employees Provident Fund and Miscellaneous Provisions Act, 1952? Explain its composition.

(h) What are the conditions of registration of a society under the provisions of the Cooperative Societies Act, 1912?

2. (a) Explain the general rules of relating to "Acceptance" under the Indian Contract Act, 1872. 6

   (b) What do you understand by "Caveat-Emptor" under the Sale of Goods Act, 1930? What are the exceptions to this rule? 6

3. (a) What tests can be applied in determining whether a person is an agent of another? State any five circumstances whereunder an agent is personally liable to a third party for the acts during the course of agency 6

   (b) What is the procedure of registration of a partnership firm under the Indian Partnership Act, 1932? What are the consequences of non-registration? 6

4. (a) A issues a cheque for Rs. 25,000/- in favour of B. A has sufficient amount in his account with the Bank. The cheque was not presented within reasonable time to the Bank for payment and the Bank, in the meantime, became bankrupt. Decide under the provisions of the Negotiable Instruments Act, 1881, whether B can recover the money from A? 6

   (b) In an accounting year, a company to which the payment of Bonus Act, 1965 applies, suffered heavy losses. The Board of Directors of the said company decided not to give bonus to the employees. The employees of the company move to the Court for relief. Decide in the light of the provisions of the said Act whether the employees will get relief? 6

5. (a) Describe the provisions relating to contribution by the employees and the employer under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. 6

   (b) State the law relating to appointment and powers of the Central Registrar under the Multi-State Cooperative Societies Act, 2002. 6

Marks

6. (a) Sohan is a member of a cooperative society registered with the unlimited liability under the Cooperative Societies Act, 1912. Holding shares of the society for ten months, Sohan transfers his shares to Mohan. Decide whether transfer of shares in favour of Mohan is valid? 6

   (b) What do you mean by an acceptance of a negotiable instrument? Examine validity of the following in the light of the provisions of the Negotiable Instrument Act, 1881: 6

      (i) An oral acceptance

      (ii) An acceptance by mere signature without writing the word "accepted".

7. Answer any **four** of the following : 5x4=20

   (a) Briefly explain the doctrine of "Constructive Notice" under the Companies Act, 1956. Are there any exceptions to the said doctrine?

   (b) Explain the concept of "Shelf Prospectus" in the light of Companies (Amendment) Act, 2000. What is the law relating to issuing and filing of such prospectus?

   (c) Explain clearly the concept of "Perpetual Succession" and "Common Seal" in relation to a company incorporated under the Companies Act, 1956.

   (d) What are the conditions and procedure whereunder shares may be forfeited under the Companies Act, 1956?

   (e) What do you understand by "share-warrant"? How is a share-warrant different from "share certificate"?

8. (a) After receiving 80% of the minimum subscription as stated in the prospectus, a company allotted 100 equity shares in favour of `X'. The company deposited the said amount in the bank but withdrew 50% of the amount, before finalisation of the allotment, for the purchase of certain assets. X refuses to accept the allotment of shares on the ground that the allotment is voilative of the provisions of the Companies Act, 1956. Comment. 5

   (b) The Directors of a company registered and incorporated in the name "Mars Textile India Ltd." desire to change the name of the company entitled "National Textiles and Industries Ltd." Advise as to what procedure is required to be followed under the Companies Act, 1956? 5

SG | Marks

9. (a) The Board of Directors of a company decide to pay 5% of issue price as underwriting commission to the underwriters. On the other hand the Articles of Association of the company permit only 3% commission. The Board of Directors further decide to pay the commission out of the proceeds of the share capital. Are the decisions taken by the Board of Directors valid under the Companies Act, 1956? 5

(b) Explain the provisions of the Companies Act, 1956 relating to establishment of an "Investors Education and Protection Fund". 5

10. (a) Advise the Board of Directors of a public limited company in relation to following matters, under the provisions of the Companies Act, 1956: 5

(i) Sources out of which the company can declare dividend.

(ii) Transfer of profits to reserves before declaring dividend for a particular financial year.

(b) A who holds one share certificate of 1000 Equity shares in a company, wants to transfer 300 shares in favour of B. Explain the procedure to be followed for executing the partial transfer under the provisions of the Companies Act, 1956. 5

CA PE - II :: Business and Corporate Laws : May 2003

Roll No…………………

Total No. of Questions— 10 | Total No. of Printed Pages—4

Time Allowed : 3 Hours | Maximum Marks : 100

SG

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Marks

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(b) Which are the essential elements of a valid acceptance of a Bill of Exchange? An acceptor accepts a "Bill of Exchange" but write on it "Accepted but payment will be made when goods delivered to me is sold". Decide the validity.

(c) What are the consequences of "destruction of goods" under the Sale of Goods Act, 1930, where the goods have been destroyed after the agreement to sell but before the sale is affected.

(d) Is it possible for the partners in a firm having majority to expel a partner under the provisions of the Indian Partnership Act, 1932? Does the firm get dissolved if the expulsion of a partner is not valid?

(e) Explain the meaning of "salary" and "wages" under the Payment of Bonus Act, 1965.

(f) A Multi-State Cooperative Society is desirous of amending its bye-laws. Advise the society as to what procedure is required to be followed for the said purpose under the Multi-State Cooperative Societies Act, 2002?

Marks

(g) How is the Central Board of Trustees Constituted under the provisions of the Employees Provident Fund and Miscellaneous Provisions Act, 1952? Explain its composition.

(h) What are the conditions of registration of a society under the provisions of the Cooperative Societies Act, 1912?

2. (a) Explain the general rules of relating to "Acceptance" under the Indian Contract Act, 1872. 6

(b) What do you understand by "Caveat-Emptor" under the Sale of Goods Act, 1930? What are the exceptions to this rule? 6

3. (a) What tests can be applied in determining whether a person is an agent of another? State any five circumstances whereunder an agent is personally liable to a third party for the acts during the course of agency 6

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4. (a) A issues a cheque for Rs. 25,000/- in favour of B. A has sufficient amount in his account with the Bank. The cheque was not presented within reasonable time to the Bank for payment and the Bank, in the meantime, became bankrupt. Decide under the provisions of the Negotiable Instruments Act, 1881, whether B can recover the money from A? 6

(b) In an accounting year, a company to which the payment of Bonus Act, 1965 applies, suffered heavy losses. The Board of Directors of the said company decided not to give bonus to the employees. The employees of the company move to the Court for relief. Decide in the light of the provisions of the said Act whether the employees will get relief? 6

5. (a) Describe the provisions relating to contribution by the employees and the employer under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. 6

(b) State the law relating to appointment and powers of the Central Registrar under the Multi-State Cooperative Societies Act, 2002. 6

SG — Marks

6. (a) Sohan is a member of a cooperative society registered with the unlimited liability under the Cooperative Societies Act, 1912. Holding shares of the society for ten months, Sohan transfers his shares to Mohan. Decide whether transfer of shares in favour of Mohan is valid? — 6

(b) What do you mean by an acceptance of a negotiable instrument? Examine validity of the following in the light of the provisions of the Negotiable Instrument Act, 1881: — 6

(i) An oral acceptance

(ii) An acceptance by mere signature without writing the word "accepted".

7. Answer any **four** of the following : — 5x4=20

(a) Briefly explain the doctrine of "Constructive Notice" under the Companies Act, 1956. Are there any exceptions to the said doctrine?

(b) Explain the concept of "Shelf Prospectus" in the light of Companies (Amendment) Act, 2000. What is the law relating to issuing and filing of such prospectus?

(c) Explain clearly the concept of "Perpetual Succession" and "Common Seal" in relation to a company incorporated under the Companies Act, 1956.

(d) What are the conditions and procedure whereunder shares may be forfeited under the Companies Act, 1956?

(e) What do you understand by "share-warrant"? How is a share-warrant different from "share certificate"?

8. (a) After receiving 80% of the minimum subscription as stated in the prospectus, a company allotted 100 equity shares in favour of `X'. The company deposited the said amount in the bank but withdrew 50% of the amount, before finalisation of the allotment, for the purchase of certain assets. X refuses to accept the allotment of shares on the ground that the allotment is voilative of the provisions of the Companies Act, 1956. Comment. — 5

(b) The Directors of a company registered and incorporated in the name "Mars Textile India Ltd." desire to change the name of the company entitled "National Textiles and Industries Ltd." Advise as to what procedure is required to be followed under the Companies Act, 1956? — 5

SG

Marks

9. (a) The Board of Directors of a company decide to pay 5% of issue price as underwriting commission to the underwriters. On the other hand the Articles of Association of the company permit only 3% commission. The Board of Directors further decide to pay the commission out of the proceeds of the share capital. Are the decisions taken by the Board of Directors valid under the Companies Act, 1956? 5

(b) Explain the provisions of the Companies Act, 1956 relating to establishment of an "Investors Education and Protection Fund". 5

10. (a) Advise the Board of Directors of a public limited company in relation to following matters, under the provisions of the Companies Act, 1956: 5

(i) Sources out of which the company can declare dividend.

(ii) Transfer of profits to reserves before declaring dividend for a particular financial year.

(b) A who holds one share certificate of 1000 Equity shares in a company, wants to transfer 300 shares in favour of B. Explain the procedure to be followed for executing the partial transfer under the provisions of the Companies Act, 1956. 5

SG

CA PE - II :: Business and Corporate Laws : November 2003

Roll No…………………

Total No. of Questions— 10] [Total No. of Printed Pages—4

Time Allowed : 3 Hours Maximum Marks : 100

HE

Answers to questions are to be given only in English except in the cases of candidates who have opted for Hindi medium. If a candidate who has not opted for Hindi medium, answers in Hindi, his answers in Hindi will not be valued.

Questions **1** and **7** are compulsory.

Candidates are required to attempt **three** questions out of questions **2, 3, 4, 5** and **6** and **two** questions out of questions **8, 9** and **10**

Marks

1. Answer any six of the following: 6x4=24

(a) Explain the concept of `misrepresentation' in matters of contract.

Sohan induced Suraj to buy his motorcycle saying that it was in a very good condition. After taking the motorcycle, Suraj complained that there were many defects in the motorcycle. Sohan proposed to get it repaired and promised to pay 40% cost of repairs. After a few days, the motorcycle did not work at all. Now Suraj wants to rescind the contract. Decide giving reasons.

(b) What are the differences between "negotiability" and "assignability"?

(c) In what ways does a "Sale" differ from "Hire-purchase"?

(d) State the modes by which a partner may transfer his interest in the firm in favour of another person, under the Indian Partnership Act, 1932. What re the rights of such a transferee?

(e) The employer is a banking company. Point out so as to what items are required to be added to the "Net Profit" by the employer for calculating the "Gross Profit" in accordance with the First Schedule of the Payment of Bonus Act, 1965.

Marks

(f) State the purpose for which Net Profits of a Multi-State Cooperative Society may be utilised under the provisions of the Multi-State Cooperative Societies Act, 1984.

(g) What are the power of an "Inspector" under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952?

(h) Explain the provisions regarding regulation of contribution made by the societies registered under the Cooperative Societies Act, 1912.

2. (a) Sunil delivered his car to Mahesh for repairs. Mahesh completed the work, but did not return the car to Sunil within reasonable time, though Sunil repeatedly reminded Mahesh for the return of car. In the meantime a big fire occurred in the neighbourhood and the car was destroyed. Decide whether Mahesh can be held liable under the provisions of the Indian Contract Act, 1872. 6

(b) What are the implied conditions in a contract of `sale of sample' under the Sale of Goods Act, 1930? State also the implied warranties operative under the said Act. 6

3. (a) What do you understand by "Agency by Ratification"? What is the effect of ratification? Point out any four elements of a valid ratification. 6

(b) What do you understand by "Implied Authority" of a partner? Is such authority subject to any condition? Which of the acts of a partner come within the implied authority under the Indian Partnership Act, 1932? 6

4. (a) What do you understand by "Crossing of cheques"? What is the object of crossing? State the implications of the following crossings: 6

(i) Restrictive crossing

(ii) Not-negotiable crossing

(b) Describe the procedure provided under the Payment of Bonus Act, 1965 for computing the number of days for determining the amount of minimum bonus payable to an employee. How is proportionate reduction in bonus made? 6

5. (a) An employee leaves the establishment in which he was employed and gets re-employment in another establishment. He desires that his Provident Fund Account be transferred to the establishment wherein he has been employed. Explain the procedure laid down in the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 in this relation. 6

Marks

(b) Describe the procedure of registration of a Multi-State Cooperative Society laid down in the Multi-State Cooperative Societies Act, 1984. Which are the documents required to be filed at the time of registration of such a society? 6

6. (a) Mohan, a member of a cooperative society, registered with unlimited liability, desires to withdraw from the membership of the society. Advise in the light of the provisions of the Cooperative Societies Act, 1912, whether Mohan can do so. What will be the consequences of such withdrawal from the society? 6

(b) State the grounds on the basis of which a cheque may be dishonoured by a banker, in spite of the fact that there is sufficient amount in the account of the drawer. 6

7. Answer any **four** of the following : 5x4=20

(a) State the conditions of restrictions with which a private company is incorporated under the Companies Act, 1956.

(b) Briefly explain the doctrine of "ultravires" under the Companies act, 1956. What are the consequences of ultravires acts of the company?

(c) The Articles of Association of Mars Company Ltd. provide that documents may be served upon the ocmpany only through Fax. Ramesh despatches a document to the company by post, under certificate of posting. The company does not accept it on the ground that it is in violation of the Articles of Association. As a result Ramesh suffers loss. Examine with reference to the provisions of the Companies Act, 1956:

(i) Whether refusal of document by the company is valid?

(ii) Whether Ramesh can claim damages on this basis?

(d) State the conditions which are required to be fulfilled before declaration of "interim Dividend" under the Companies Act, 1956.

(e) Explain the provisions of the Companies act, 1956 relating to the procedure to be followed for transacting business of the general meeting of members of a company through postal ballot.

8. (a) A company was incorporated on 6th October, 2003. The certificate of incorporation of the company was issued by the Registrar on 15th October, 2003. The company on 10th October, 2003 entered into a contract which created its contractual liability. The company denies from the said liability on 5

the ground that company is not bound by the contract entered into prior to issuing of certificate of incorporation. Decide, under the provisions of the Companies Act, 1956, whether the company can be exempted from the said contractual liability.

(b) Dinesh, a director in a company, gave in writing to the company that notice for any General Meeting and the Board of Directors' Meeting be sent to him at his address in India only by Registered Mail and for which he paid sufficient money. The company sent two notices to him, of such meetings, by ordinary mail, under certificate of posting. Dinesh did not receive the said notices and could not attend the meetings wherein some important decisions were taken. Dinesh challenges the legality of the meetings and the proceedings thereof on the ground of improper notice. Decide in the light of the provisions of the Companies Act, 1956: 5

(i) Whether the condition of Dinesh is valid?

(ii) Would you answer be still the same in case Dinesh remained outside India for two months (when such notices were given and meetings held).

9. (a) Explain the provisions of the Companies Act, 1956 relating to holding of Annual General Meeting of the company with regard to the following: 5

(i) Period within which the first and the subsequent Annual General Meetings must be held.

(ii) Business which may be transacted at an Annual General Meeting.

(b) Explain the meaning of the term "Sweat Equity". What are the provisions of the Companies Act, 1956 relating to issue of `Sweat Equity'? 5

10. (a) What are the provisions of the Companies Act, 1956 relating to the appointment of "Debenture Trustee" by a company? Whether the following can be appointed as `Debenture Trustees': 5

(i) A shareholder who has no beneficial interest

(ii) A creditor whom the company owes Rs. 499 only.

(iii) A person who has given a guarantee for repayment of amount of debentures issued by the company.

(b) Examine the provisions of the Companies Act, 1956 regarding `nomination' in case of transmission of shares. 5

CA PE - II :: Business and Corporate Laws : May 2004

Roll No…………………

Total No. of Questions— 10] [Total No. of Printed Pages—4

Time Allowed : 3 Hours Maximum Marks : 100

HL

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Questions **1** and **7** are compulsory.

Candidates are required to attempt **three** questions out of questions **2, 3, 4, 5** and **6** and **two** questions out of questions **8, 9** and **10**

Marks

1. Answer any **six** of the following:

   (a) Shambhu Dayal started "self service" system in his shop. Smt. Prakash entered the shop, took a basket and after taking articles of her choice into the basket reached the cashier for payments. The cashier refuses to accept the price. Can Shambhu Dayal be compelled to sell the said articles to Smt. Prakash? Decide 4

   (b) For the purpose of making uniform for the employees, Bansi Bhaiya bought dark blue coloured cloth from Vivek, but did not disclose to the seller the purpose of said purchase. When uniforms were prepared and used by the employees, the cloth was found unfit. However, there was evidence that the cloth was fit for caps, boots and carriage lining. Advise Bansi Bhaiya whether he is entitled to have any remedy under the Sale of Goods Act, 1930? 4

   (c) "Mere sharing in the profits of a business is not a conclusive proof of existence of partnership". —Comment. 4

   (d) Describe, in brief, the main amendments incorporated by the Negotiable Instruments (Amendment and Miscellaneous Provisions) Act, 2002 in Sections 138, 141 and 142 of the Principal Act i.e. the Negotiable Instruments Act, 1881. 4

Marks

(e) Decide whether the following persons are entitled to get bonus under the Payment of Bonus Act, 1965 — 4

(i) An apprentice

(ii) A retrenched employee

(iii) A dismissed employee

(ii) A piece-rated worker

(f) Is the amount standing to the credit of a member of the Provident Fund attachable in the execution of decree or order of the Court? Examine the law, on this point, laid down in the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. — 4

(g) Is the power to cancel registration of a society available to the Registrar under the provisions of the Cooperative Societies Act, 1912? If yes, explain the circumstances whereunder he said power can be exercised by the Registrar. — 4

(h) Can a cooperative society be converted into a Multi-State Cooperative Society? If yes, state the procedure of the said conversion under the provisions of the Multi-State Cooperative Societies Act, 2002. — 4

2. (a) Akhilesh entered into an agreement with Shekhar to deliver him (Shekhar) 5,000 bags to be manufactured in his factory. The bags could not be manufactured because of strike by the workers and Akhilesh failed to supply he said bags to Shekhar. Decide whether Akhilesh can be exempted from liability under the provisions of the Indian Contract Act, 1872. — 6

(b) What do you understand by the term "unpaid seller" under the Sale of Goods act, 1930? When can an unpaid seller exercise the right of stoppage of goods in transit? — 6

3. (a) Point out the differences between conditions and warranties under the Sale of Goods Act, 1930. — 6

(b) Ram, Shyam and Gopal are partners in a firm. Ram retires. Shyam and Gopal continue to carry on firm's business in the same "firm name". Do you agree that in this situation change in the relationship between partners is involved, but his is not extinguishment of the existence of the firm itself? Give reasons. — 6

 Marks

4. (a) What is a "Promissory Note" and what are its elements? 6

S writes "I promise to pay `B' a sum of Rs. 500, seven days after my marriage with `C'". Is this a promissory note?

(b) What is the minimum and maximum amount of bonus payable to an employee under the Payment of Bonus Act, 1965? 6

5. (a) Explain the concept of "Basic Wages" under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. 6

(b) Describe the privileges available to a Multi-State Cooperative Society under the Multi-State Cooperative Societies Act, 2002. 6

6. (a) Discuss the restrictions on the powers of a society registered under the Cooperative Societies Act, 1912 to make loans and to contribute to charitable purposes. 6

(b) Describe the circumstances whereunder notice of dishonour is excused under the Negotiable Instruments Act, 1881. 6

7. Answer any **four** of the following

(a) What do you understand by Pre-incorporation Contracts? Distinguish between Pre-incorporation contracts and Provisional contracts. 5

(b) What is the procedure laid down in the provisions of the Companies Act, 1956 for converting a private company into a public company? 5

(c) Can a company issue shares at discount? What is the law, in this relation, laid down in the Companies Act, 1956? 5

(d) The Articles of Association of a Limited Company provided that `X' shall be the Law Officer of the company and he shall be removed except on the ground of proved misconduct. Decide, whether company's action is valid? 5

(e) "Diminution of capital does not constitute reduction of capital within the provisions of the Companies Act, 1956", —Comment. 5

HL Marks

8. (a) A company issued a prospectus. All the statements contained therein were literally true. It also stated that the company had paid dividends for a number of years, but did not disclose the fact that the dividends were not paid out of trading profits, but out of capital profits. An allottee of shares wants to avoid the contract on the ground that the prospectus was false in material particulars. Decide. 5

(b) Which of the institutions are regarded as "Public Financial Institutions" under the Companies act, 1956? 5

9. (a) What is the concept of "charge" under the provisions of the Companies act, 1956? Point out the circumstances whereunder a floating charge becomes a fixed charge. 5

(b) Explain the provisions of the Companies Act, 1956 relating to registration of a non-profit organisation as a company. What procedure is required ot be adopted for the said purpose? 5

10. (a) What are the purposes for which "objects" can be altered by a company under the Companies Act, 1956? Briefly explain the procedure to be applied to such matters. 5

(b) Explain the concept of "Deemed Prospectus" under the Companies Act, 1956. Point out the circumstances whereunder issuing of prospectus is not mandatory. 5

HL

CA PE - II :: Business and Corporate Laws : November 2004

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Roll No…………………

Total No. of Questions— 10] [Total No. of Printed Pages—5

Time Allowed : 3 Hours Maximum Marks : 100

KG

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Questions **1** and **7** are compulsory.

Candidates are required to attempt **three** questions out of questions **2, 3, 4, 5** and **6** and **two** questions out of questions **8, 9** and **10**

Marks

1. Answer any **six** of the following:

(a) Mr. Seth an industrialist has been fighting a long drawn litigation with Mr. Raman another industrialist. To support his legal campaign Mr. Seth enlists the services of Mr. X a legal expert stating that an amount of Rs.5 lakhs would be paid, if Mr. X does not take up the brief of Mr. Raman. Mr. X agrees, but at the end of the litigation Mr. Seth refuses to pay. Decide whether Mr. X can recover the amount promised by Mr. Seth under the provisions of the Indian Contract Act, 1872. 4

(b) With a view to boost the sales Hanuman Automobiles sells a motor-car to Mr. A on trial basis for a period of three days with a condition that if Mr. A is not satisfied with the performance of the car, he can return back the car. However, the car was destroyed in a fire accident at the place of Mr. A before the expiry of three days. Decide whether Mr. A is liable for the loss suffered. 4

(c) Define the term `Cheque' as given in the Negotiable Instruments Act, 1881 and amended by the Negotiable Instruments (Amendment and Miscellaneous Provisions) Act, 2002 4

(d) Explain the provisions of the Indian Partnership Act, 1932 relating to he creation of Partnership by holding out. Upto what extent such partner will be liable to the Partnership firm. 4

Marks

(e) Examine the powers of Government to grant exemption to an establishment from payment of bonus under the Payment of Bonus Act, 1965. 4

(f) Manorama Group of Industries sold its textile unit to Giant Group of Industries. Manorama Group contributed 25% of total contribution in Pension Scheme, which was due before sale under he provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952. The transferee company (Giant Group of Industries) refused to hear the remaining 75% contribution in the Pension Scheme. Decide, in the light of the Employees Provident Fund and Miscellaneous Provisions act, 1952, who will be liable to pay for the remaining contribution in case of transfer of establishment and upto what extent? 4

(g) State the restrictions imposed on a registered society under the Cooperative Societies Act, 1912 regarding investment or deposit of its surplus funds. 4

(h) State the provisions of law relating to functions of a Federal Cooperative Society under the Multi-state Cooperative Societies Act, 2002. 4

2. (a) What is meant by Anticipatory Breach of Contract? 6

Mr. Dubious Textile enters into a contract with Retail garments Show Room for supply of 1,000 pieces of Cotton shirts at Rs. 300 per shirt to be supplied on or before 31st December, 2004. However on 1st November, 2004 Dubious Textiles informs the Retail Garments Show Room that he is not willing to supply the goods as the price of Cotton shirts in the meantime has gone upto Rs.350 per shirt. Examine the rights of the Retail Garments Show Room in this regard.

(b) State briefly the essential element of a contract of sale under the Sale of Goods Act, 1930. Examine whether there should be an agreement between the parties in order to constitute a sale under the said Act. 6

3. (a) Describe the provisions of Indian Partnership Act, 1932 regarding the admission of minor in the partnership firm. State the rights and liabilities of such minor before or after he attains majority. 6

(b) Distinguish between Contract of Indemnity and Contract of Guarantee. 6

4. (a) State the privileges of a "Holder in due course" under the Negotiable Instruments Act, 1881. 6

A induced B by fraud to draw a cheque payable to C or order. A obtained the cheque, forged C's indorsement and collected proceeds to the cheque through his bankers. B the drawer wants to recover the amount from C's Bankers. Decide in the light of the provisions of Negotiable Instruments Act, 1881 —

(i) Whether B the drawer, can recover the amount of the cheque from C's Bankers?

(ii) Whether C is the Fictitious Payee?

(iii) Would your answer be still the same in case C is a fictitious person?

(b) On 1st January, 2002, Aryan Textiles Ltd. agreed with the employees for payment of an annual bonus linked with production or productivity instead of bonus based on profits subject to the limit of 30% of their salary/wages during the relevant accounting year. It was also agreed by the employees that they will not claim minimum bonus stated under Section 10 of the Payment of Bonus Act, 1965. As per the agreement the employees of Aryan Textiles Ltd. claimed annual bonus linked with production or productivity in the relevant accounting year. On refusal of the company the employees of the company moved to the court for relief. 6

Decide in reference to the provisions of the payment of Bonus Act, 1965 whether the employees will get the relief? Inspite of the aforesaid agreement whether the employees are still entitled to receive minimum bonus. 6

5\. (a) Point out the classes of those establishments upon which the provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952 does not apply. 6

(b) M/s Supreme Society Ltd., a Multi-state Cooperative Society, is contemplating to transfer some of its assets and liabilities to another Multi-State Cooperative Society. Advise the management of the society about the steps to be taken in this regard. 6

6\. (a) A group of people having common interest wish to form and registered a society under the Cooperative Societies Act, 1912. Describe briefly 6

(i) the eligibility conditions to be fulfilled by the group for registration, and

(ii) the power of Registrar to decide the eligibility conditions

(b) A draws a bill on B. B accepts the bill without any consideration. The bill is transferred to C without consideration. C transferred it to D for value. Decide — 6

(i) Whether D can sue the prior parties of the bill, and

(ii) Whether the prior parties other than D have any right of action intense?

Give your answer in reference to the Provisions of Negotiable Instruments Act, 1881.

7. Answer any **four** of the following

(a) Some of the creditors of M/s Get Rich Quick Ltd. have complained that the company was formed by the promoters only to defraud the creditors and circumvent the compliance of legal provisions of the Companies Act, 1956. In this context they seek your advice as to the meaning of corporate veil and when the promoters can be made personally liable for the debts of the company. 5

(b) M/s ABC Ltd. a company registered in the State of West Bengal desires to shift its registered office to the State of Maharashtra. Explain briefly the steps to be taken to achieve the purpose. 5

Would it make a difference, if the Registered Office is transferred from the Jurisdiction of one Registrar of Companies to the jurisdiction of another Registrar of Companies within the same State? 5

(c) M/s Honest Cycles Ltd. has received an application for transfer of 1,000 equity shares of Rs. 10 each fully paid up in favour of Mr. Balak. On scrutiny of the application form it was found that the applicant is minor. Advise the company regarding the contractual liability of a minor and whether shares can be allotted to the Balak by way of transfer. 5

(d) Explain briefly the distinction between shares and debentures and state whether a company can issue debentures with voting rights. 5

(e) What is meant by "Abridged prospectus". Under what circumstances a company issuing abridged prospectus need not accompany the prescribed details along with the application form for issue of shares? 5

8. (a) M/s Low esteem Infotech Ltd. was incorporated on 1.4.2003. No General Meeting of the company has been held so far. Explain the provisions of the Companies Act, 1956 regarding the time limit for holding the first annual general meeting of the Company and the power of the Registrar to grant extension of time for the First Annual General Meeting. 5

Marks

(b) Whether a Company can buy-back its own shares? Explain in brief the provisions of Companies Act, 1956 relating to the sources of funds and conditions for buy-back its own shares by the company. 5

9. (a) Annual General Meeting of a Public Company was scheduled to be held on 15.12.2003. Mr. A, a shareholder, issued two Proxies in respect of the shares held by him in favour of Mr. `X' and Mr. `Y'. The proxy in favour of Y was lodged on 12.12.2003 and the one in favour of Mr. X was lodged on 15.12.2003. The company rejected the proxy in favour of Mr. Y as the proxy in favour of Mr. Y was of dated 12.12.2003 and thus in favour of Mr. X was of dated 13.12.2003. Is the rejection by the company in order? 5

(b) The Board of Directors of M/s Reckless Investments Ltd. have allotted shares to the investors of the company without issuing a prospectus or filing a statement in lieu of prospectus with the Registrar of Companies, Mumbai. Explain the remedies available to the investors in this regard. 5

10. (a) What is meant by Guarantee Company? state the similarities and dissimilarities between a guarantee Company and a Company having Share Capital. 5

(b) The Board of Directors of M/s Optimistic Company Ltd. propose to pay interim dividend of Rs. 2 per equity share of Rs. 10 each. Advise the board regarding: 5

(i) the time limit for payment of interim dividend to the shareholders, and

(ii) steps to be taken in case any dividend amount remains unpaid in the books of the company.

CA PE - II :: Business and Corporate Laws : May 2005

Roll No…………………

Total No. of Questions— 10] [Total No. of Printed Pages—4

Time Allowed : 3 Hours Maximum Marks : 100

XP

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Questions **1** and **7** are compulsory.

Candidates are required to attempt **three** questions out of questions **2, 3, 4, 5** and **6** and **two** questions out of questions **8, 9** and **10**

Marks

1. Answer any **six** of the following:

(a) Father promised to pay his son a sum of Rs. one lakh if the son passed C.A. examination in the first attempt. The son passed the examination in the first attempt, but father failed to pay the amount as promised. Son files a suit for recovery of the amount. State along with reasons whether son can recover the amount under the Indian Contract Act, 1872. 4

(b) A hires a carriage of B an agrees to pay Rs. 500 as hire charges. The carriage is unsafe, though B is unaware of it. A is injured and claims compensation for injuries suffered by him. B refuses to pay. Discuss the liability of B. 4

(c) Define an "Establishment in public sector". What are the circumstances when the Payment of Bonus act, 1965 becomes applicable to such an establishment? 4

(d) Describe the procedure of registration of firm under the Indian Partnership Act. What is the rule of evidence with regard to entries in the register of firms? 4

(e) A cheque payable to bearer is crossed generally and marked "not negotiable". The cheque is lost or stolen and comes into possession of B who takes it in good faith and gives value for it. B deposits the cheque into his 4 own bank and his banker presents it and obtains payment for his customer from the bank upon which it is drawn. The true owner of the cheque claims refund of the amount of the cheque from B. 4

Discuss the liability of the banker collecting the cheque and the banker paying the cheque and B to the true owner of the cheque refering to the provisions of the Negotiable Instruments Act, 1881. 4

(f) State the emoluments paid to employees which do not come within the purview of "basic wages" under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. 4

(g) State the provisions relating to the conduct of audit applicable to a society registered under the Cooperative Societies Act, 1912. 4

(h) State the restrictions on borrowings on a multi-state cooperative society under the Multi-state Cooperative Societies Act. 4

2. (a) M Ltd. contracts with Shanti Traders to make and deliver certain machinery to them by 30.6.2004 for Rs. 11.50 lakhs. Due to labour strike, M Ltd. could not manufacture and deliver the machinery to Shanti Traders. Later, Shanti Traders procured the machinery from another manufacturer for Rs. 12.75 lakhs. Shanti Traders was also prevented from performing a contract which it had made with Zenith Traders at the time of their contract with M Ltd. and were compelled to pay compensation for breach of contract. Advise Shanti Traders the amount of compensation which it can claim from M Ltd., referring to the legal provisions of the Indian Contract Act. 6

(b) When can an unpaid seller of goods exercise his right of lien over the goods under the Sale of Goods Act. Can he exercise his right of lien even if the property in goods has passed to the buyer? When such a right is terminated? Can he exercise his right even after he has obtained a decree for the price of goods from the court? 6

3. (a) State the circumstances when an agent is personally liable for the contracts entered into by him on behalf of his principal. 6

(b) Ram & Co. a firm consists of three partners A, B and c having one-third share each in the firm. According to A and B, the activities of C are not in the interest of the partnership and thus want to expel C from the firm. Advise A and B whether they can do so quoting the relevant provisions of the Indian Partnership Act. 6

Marks

4. (a) "..... there is no implied warranty or condition as to quality or fitness for any particular purpose of goods supplied under a contract of sale...." Discuss the significance and state exceptions, if any. 6

   (b) State the powers of the Central Government to authorise certain employers to maintain provident fund accounts under the Employees Provident Funds and Miscellaneous Provisions act, 1952/ 6

5. (a) `A' draws a cheque for Rs. 50,000. When the cheque ought to be presented to the drawee bank, the drawer has sufficient funds to make payment of the cheque. The bank fails before the cheque is presented. The payee demands payment from the drawer. What is the liability of the drawer? 6

   (b) Explain the rules of set on and se off of allocable surplus under the Payment of Bonus Act. 6

6. (a) State the cases in which a banker is justified or bound to dishonour cheques. 6

   (b) PQR Cooperative Society Ltd., a Multi-state Cooperative Society desires to change its bye-laws in respect of the following matters: 6

      (i) To increase the number of members of the board from existing 18 to 24.

      (ii) To increase the tenure of the directors from the present limit of 4 years to 6 years.

      (iii) To reduce the frequency of the board meetings from existing figure of 6 to 4 meetings in a year.

   After completion of the required formalities, the society has made an application to the central registrar for registration of the amendments. Examine the powers of the registrar to register the amendments in the light of the provisions of the Multi-state Cooperative Societies Act.

7. Answer any **four** of the following

   (a) The management of Ambitious Properties Ltd. has decided to take up the business of food processing activity becasue of the downward trend in real estate business. There is no provision in the object clauses of the Memorandum of Association to enable the company to carry on such business. State with reasons whether its object clause can be amended. State briefly the procedure to be adopted for change in the object clause. 5

   (b) Several small depositors of Over trading Company Ltd. have made complaints about non-refund of the deposits after due date. Explain briefly (1) the meaning of small depositor and (2) the duty of the company after the default has taken place in the matter of repayment of the deposits. 5

Marks

(c) Explain briefly the meaning of sweat equity shares and the steps that a company has to take for issue of such shares. 5

(d) A company is required to pay dividend to its shareholders within 30 days of its declaration. State the circumstances when a company will not be deemed to have committed any offence even if it does not pay within 30 days. 5

(e) The Articles of Association of a private limited company contain provisions restricting the right to transfer shares and limiting the number of members to fifty. What restrictions are generally incorporated in the articles in restricting the right to transfer shares? 5

8. (a) State briefly the provisions relating to minimum subscription and consequence of non-receipt of minimum subscription as per the Companies Act, 1956 and the provisions as per SEBI guidelines. 5

(b) Write a note on the powers of the Central Government in regard to conversion of debentures and loans into shares of the company under the following heads: 5

(i) When terms of issue of such debenture or terms of loan do not include term providing for an option of conversion;

(ii) Matters considered in determining the terms and conditions of such conversion;

(iii) Remedy available to the company if conversion or terms of conversion is not acceptable to it.

9. (a) State the procedure for passing a resolution by Postal Ballot. 5

(b) State what is meant by "Quorum" and when does quorum be considered immaterial under the provisions of the Companies Act, 1956. 5

10. (a) State the provisions of the Companies Act regarding calling and holding an extraordinary general meeting with respect to : 5

(i) Number of members entitled to requisition a meeting.

(ii) Power of the tribunal to order meeting to be called under Section 186.

(b) The minutes of the meeting must contain fair and correct summary of the proceedings thereat. Can the Chairman direct exclusion of any matter from the minutes? Some of the shareholders insist on inclusion of certain matters which are regarded as defamatory of a Director of the company. The Chairman declines to do so. State how the matter can be resolved. 5

CA PE - II :: Business and Corporate Laws : November 2005

Roll No…………………

Total No. of Questions— 10] [Total No. of Printed Pages—4

Time Allowed : 3 Hours Maximum Marks : 100

HT

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Questions **1** and **7** are compulsory.

Candidates are required to attempt **three** questions out of questions **2, 3, 4, 5** and **6** and **two** questions out of questions **8, 9** and **10**

Marks

1. Answer any **six** of the following:

(a) Mr. Ahuja of Delhi engaged Mr. Singh as his agent to buy a house in West Extension area. Mr. Singh bought a house for Rs. 20 lakhs in the name of a nominee and then purchased it himself for Rs. 24 lakhs. He then sold the same house to Mr. Ahuja for Rs. 26 lakhs. Mr. Ahuja later comes to know the mischief of Mr. Singh and tries to recover the excess amount paid to Mr. Singh. Is he entitled to recover any amount from Mr. Singh? If so, how much? Explain. 4

(b) Miss X, a film actress agreed to work exclusively for a period of two years, for a film production company. However, during the said period she enters into a contract to work for another film producer. Discuss the rights of the aggrieved film production company under the Indian Contract Act, 1872. 4

(c) Explain the meaning of "Accounting Year" under the Payment of Bonus Act, 1965. 4

(d) State the acts which are considered beyond the implied authority of a partner under the provisions of the Indian Partnership Act, 1932. 4

(e) A, a major, and B, a minor, executed a Promissory Note in favour of C. Examine with reference to the provisions of the Negotiable Instruments Act, 1881 the validity of the Promissory Note and state whether it is binding on A and B. 4

Marks

(f) State the establishments to which the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, applies. 4

(g) Explain the conditions of registration of a society under the Cooperative Societies Act, 1912. 4

(h) What are the disqualifications for member of a multi-state cooperative society under the Multi-state Cooperative Societies act, 2002? 4

2. (a) "An agreement made without consideration is void". With reference to provisions of the Indian Contract Act, 1872, examine the validity of the statement and explain the cases in which the statement does not apply. 6

(b) J, the owner of a Fiat car wants to sell his car. For this purpose he hands over the car to P, a mercantile agent for sale at a price not less than Rs. 50,000. The agent sells the car for Rs. 40,000 to A, who buys the car in good faith and without notice of any fraud. P misappropriated the money also. J sues A to recover he car. Decide giving reasons whether J would succeed. 6

3. (a) Examine the validity of a contract when the acceptance from the offeree is obtained under `Coercion' or under `Undue influence'. Point out the distinction between `Coercion' and `Undue influence'. 6

(b) When does dissolution of a partnership firm take place under the provisions of the Indian Partnership Act, 1932? Explain. 6

4. (a) "Nemo dat Quod Non Habet"— "None can give or transfer goods what he does not himself own". 6

Explain the rule and state the cases in which the rule does not apply under the provisions of the Sale of Goods Act, 1930. 6

(b) Explain the manner in which the "Executive Committee" under the provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 is constituted. State its composition. 6

5. (a) In what way does the Negotiable Instruments Act, 1881 regulate the determination of the `Date of Maturity' of a Bill of Exchange. Ascertain the `Date of maturity' of a bill payable 120 after the date. The Bill of exchange was drawn on 1st June, 2005 6

Marks

(b) Explain the provisions of the payment of Bonus Act, 1965 relating to the following: 6

(i) Adjustment of Customary Bonus against bonus payable under the Act.

(ii) What is the time limit within which payment of bonus due to an employee under the Act, be paid?

6. (a) Examine when shall a holder of a negotiable instrument be considered as a holder in due course under the provisions of the Negotiable Instruments Act, 1881. 6

(b) Discuss the provisions relating to disposal of net profits of a society registered under the Multi-state Cooperative Societies Act, 2002. 6

7. Answer any **four** of the following

(a) Distinguish between `share warrant' and `share certificate'. State whether a private company can issue share warrants. 5

(b) When is a company required to issue a `shelf prospectus' under the provisions of the Companies (Amendment) Act, 2000? Explain the provisions of the Act relating to the issue of `shelf prospectus' and filing it with the Registrar of Companies. 5

(c) Dev Limited issued a notice for holding of its Annual General Meeting on 7th November, 2005. The notice was posted to the members on 16.10.2005. Some members of the company allege that the company had not complied with the provisions of the Companies Act, 1956 with regard to the period of notice and as such the meeting was not validly called. Referring to the provisions of the Act, decide: 5

(i) Whether the meeting has been validly called?

(ii) If there is a short fall in the number of days by which the notice falls short of the statutory requirement, state and explain by how many days does the notice fall short of the statutory requirement?

(iii) Can the short fall, if any, be condoned?

(d) XYZ Limited realised on 3rd November, 2005 that particulars of a charge created on 11th September, 2005 in favour of a bank were not filed with the Registrar of Companies for registration. What procedure should the company follow to get the charge registered with the Registrar of Companies? Would the procedure be different if the charge was created on 11th August, 2005 instead of 11th September, 2005? Explain with reference to the relevant provisions of the Companies act, 1956. 5

HT Marks

(e) "Every shareholder of a company is also known as a member, while every member may not be known as a shareholder". Examine the validity of the statement and point out the distinction between a `member' and a `shareholder'. 5

8. (a) M/s India Computers Ltd. was registered as a Public Company on 1st July, 2005 in the State of Maharashtra. Another company by name M/s All India Computers Ltd. was registered in Delhi on 15th July, 2005. The promoters of India Computers Ltd. have failed to persuade the management of All India Computers Ltd. to change the company's name, as it closely resembles with the name of the first registered company. 5

Advise the Management of India Computers Ltd. about the remedies available to them under the provisions of the Companies Act, 1956. 5

(b) State the procedure for inspection of Minutes Book of General Meetings of a company, by he members. 5

9. (a) "Moonstar Ltd." is a authorised by its articles to accept the whole or any part of the amount of remaining unpaid calls from any member although no part of that amount has been called up. `A', a shareholder of the Moonstar Ltd., deposits in advance the remaining amount due on his shares without any calls made by "Moonstar Ltd.". 5

Referring to the provisions of the Companies act, 1956, state the rights and liabilities of Mr. A, which will arise on the payment of calls made in advance. 5

(b) C, a member of LS & Co. Ltd., holding some shares in his own name on which Final call money has not been paid, is denied by the company voting right at a general meeting on the ground that the articles of association do not permit a member to vote if he has not paid the calls on the shares held by him. 5

With reference to the provisions of the Companies Act, 1956, examine the validity of company's denial to C of his voting right. 5

10. (a) In what way does the Companies Act, 1956 regulate the payment of `underwriting commission'? Explaining the provisions of the Act, state the conditions to be complied with before payment of such commission can be made to underwriters of the company. 5

(b) At a General meeting of a company, a matter was to be passed by a special resolution. Out of 40 members present, 20 voted in favour of the resolution, 5 voted against it and 5 votes were found invalid. The remaining 10 members abstained from voting. The Chairman of the meeting declared the resolution as passed. 5

CA PE - II :: Business and Corporate Laws : November 2006

Roll No…………………

Total No. of Questions— 10] [Total No. of Printed Pages—4

Time Allowed : 3 Hours Maximum Marks : 100

XP

Answers to questions are to be given only in English except in the cases of candidates who have opted for Hindi medium. If a candidate who has not opted for Hindi medium, answers in Hindi, his answers in Hindi will not be valued.

Questions **1** and **7** are compulsory.

Candidates are required to attempt **three** questions out of questions **2, 3, 4, 5** and **6** and **two** questions out of questions **8, 9** and **10**

Marks

1. Answer any four of the following:

(a) X, a minor was studying in M.Com. in a college. On 1st July, 2005 he took a loan of Rs. 10,000 from B for payment of his college fees and to purchase books and agreed to repay by 31st December, 2005. X possesses assets worth Rs. 2 lakhs. On due date X fails to pay back the loan to B. B now wants to recover the loan from X out of his (X's) assets. Referring to the provisions of Indian Contract Act, 1872 decide whether B would succeed. 5

(b) A contracts to sell B, by showing sample, certain quantity of rape-seed oil described as 'foreign refined rape-seed-oil'. The oil when delivered matches with the sample, but is not foreign refined rape-seed oil. Referring to the provisions of Sale of Goods Act, 1930 advise the remedy, if any, available to B. 5

(c) Referring the provisions of the Payment of Bonus Act, 1965, state whether the following persons are entitled to bonus under the Act: 5

(i) An apprentice;

(ii) An employee dismissed on the ground of misconduct;

(iii) A temporary workman;

(iv) A piece-rated worker.

(d) A, B and C are partners in a firm. A introduces D to X as a partner in business. D, infact, was not a partner in the firm's business. D did not deny this statement. X advanced a loan of Rs. 20 lakhs to the firm. On firm's failure to repay the loan X wants to hold D responsible for the repayment of the above loan. Referring to the provisions of the Indian Partnership Act, 1932 decide whether X would succeed in recovering the loan from D. 5

(e) J. a shareholder of a Company purchased for his personal use certain goods 5 from a Mall (Departmental Store) on credit. He sent a cheque drawn on the Company's account to the Mall (Departmental Store) towards the full payment of the bills. The cheque was dishonoured by the Company's Bank. J, the shareholder of the company was neither a Director nor a person in-charge of the company. Examining the provisions of the Negotiable Instruments Act, 1881 state whether J has committed an offence under Section 138 of the Act and decide whether he (J) can be held liable for the payment, for the goods purchased from the Mall (Departmental Store).

(f) Explain the provisions of the Employees Provident Fund and Miscellaneous Provisions Act, 1952 relating to the liability of an employer in case of transfer of the establishment to another person. 5

Marks

2. (a) "The relationship of principal and agent (i.e. Agency) may be constituted by subsequent ratification by the principal." Examine the validity of the statement and state the requisites of a valid ratification in the light of the provisions of the Indian Contract Act, 1872 5

(b) A society; registered under the Multi-state Cooperative Societies Act, 2002 intends to issue non-convertible debentures to the general public. Referring to the provisions of the Multi-state Cooperative Societies Act, 2002 state whether a society registered under the Act is empowered to do so. 5

3. (a) Explaining the provisions of the Indian Contract Act, 1872, answer the following: 5

(i) A contracts with B for a fixed price to construct a house for B within a stipulated time. B would supply the necessary material to be used in the construction. C guarantees A's performance of the contract. B does not supply the material as per the agreement. Is C discharged from his liability ?

(ii) C, the holder of an over due bill of exchange drawn by A as surety for B, and accepted by B, contracts with X to give time to B. Is A discharged from his liability ?

(b) "Sharing of profits is only a prima facie, not a conclusive evidence of the existence of partnership." Examine the validity of the statement in the light of the provisions of the Indian Partnership Act, 1932 and state as to how would you determine whether a group of persons does or does not constitute partnership. 5

4. (a) Distinguish between a 'Condition' and a 'Warranty' in a contract of sale. When shall a 'breach of condition' be treated as 'breach of warranty' under the provisions of the Sale of Goods Act, 1930 ? Explain. 5

(b) Explain the provisions of the Employees Provident fund and Miscellaneous 5

Provisions Act, 1952 relating to the following and state:

(i) Whether the balance to the credit of Provident Fund Account of an employee is attachable by the decree of a Court ?

(ii) Whether the payment of contribution to provident fund of an employee, to be made by his employer, who has become insolvent, a preferential payment ?

5. (a) B obtains A's acceptance to a bill of exchange by fraud. B endorses it to C who is a holder in due course. C endorses the bill to D who knows of the fraud. Referring to the provisions of the Negotiable Instruments Act, 1882, decide whether D can recover the money from A in the given case. 5

(b) Explain the powers of the Board of Directors of a multi-state Cooperative Society, as conferred upon the Board under Multi-state Cooperative Societies Act, 2002. 5

6. (a) Explain the provisions of the Payment of Bonus Act, 1965 relating to 'Minimum' and 'Maximum' amount of bonus payment to an employee, for an accounting year. 5

(b) In what ways does the Cooperative Societies Act, 1912 restricts the powers of a society registered under the Act, to make loans to its members and to borrow money the reform? can such borrowings be made by a Society from non-members also ? 5

7. Answer any **four** of the following

(a) The principal business of XYZ Company Ltd. was the acquisition of vacant plots of land and to erect the houses. In the course of transacting the business, the Chairman of the Company acquired the knowledge of arranging finance for the development of land. The XYZ Company introduced a financier to another company ABC Ltd. and received an agreed fee of Rs. 2 lakhs for arranging the finance. The Memorandum of Association of the company aurhorises the company to carry on any other trade or business which can in the opinion of the board of directors, be advantageously carried on by the company in connection with the company's general business. Referring to the provisions of the Companies Act, 1956 examine the validity of the contract carried out by XYZ Company Ltd. with ABC Ltd. 5

(b) Explain the Provisions of Companies Act, 1956 relating to the establishment of Investor Education and Protection Fund. 5

(c) XY Ltd. has its registered office at Mumbai in the State of Maharashtra. For better administrative conveniences the company wants to shift its registered office from Mumbai to Pune (State of Maharashtra). What formalities the 5 company has to comply with under the provisions of the Companies Act, 1956 for shifting its registered office as stated above ? Explain.

(d) With a view to issue shares to the general public a prospectus containing some false information was issued by a company. Mr. X received copy of the prospectus from the company, but did not apply for allotment of any shares. The allotment of shares to the general public was completed by the company within the stipulated period. A few months later, Mr. X bought 2000 shares through the stock exchange at a higher price which later on fell sharply. X sold these shares at a heavy loss. Mr. X claims damages from the company for the loss suffered on the ground the prospectus issued by the company contained a false statement. Referring to the provisions of the Companies Act, 1956 examine whether X's claim for damages is justified. 5

(e) Explain the provisions of the Companies Act, 1956 relating to 'Resolutions requiring Special Notice'. State the resolutions that require 'Special Notice' under the Act. 5

8. (a) Distinguish between 'Reduction of Share Capital' and Diminution of Share Capital'. 5

(b) X had applied for the allotment of 1,000 shares in a company. No allotment of shares was made to him by the company. Later on, without any further application from X, the company transferred 1,000 partly-paid shares to him and placed his name in the Register of Members. X, knowing that his name was placed in the Register of Members, took no steps to get his name removed from the Register of members. The company later on made final call. X refuses to pay for this call. Referring to the provisions of the Companies Act, 1956, examine whether his (X's) refusal to pay for the call is tenable and whether he can escape himself from the liability as a member of the company. 5

9. (a) DJA Company Ltd. has only 50 preference shareholders. A meeting of the preference shareholders was called by the company for amending the terms of these shares. Mr. A, was the only preference shareholder who attended the meeting. He, however, held proxies from all other shareholders. He took the Chair, conducted the meeting and passed a resolution for amending the terms of the issue of these shares. Referring to the provisions of the Companies Act, 1956, examine the validity of the meeting and the resolution passed thereat. 5

(b) Who are entitled to get notice for the general meeting called by a Public Limited Company registered under the Companies Act, 1956 ? Does the non-receipt of a notice of the meeting by any one entitled to such notice invalidate the meeting and the resolution passed thereat ? What would be 5 your answer in case the omission to give notice to a member is only accidental omission ?

10. (a) When is an expert not liable for untrue statements in the prospectus issued by a company ? 5

(b) Referring to the provisions of the Companies Act, 1956 state the mattes relating to 'Ordinary Business' which may be transacted at the Annual General Meeting of a Company. What kinds of resolutions need to be passed to transact the 'ordinary Business' and the 'Special Business' at the Annual General Meeting of the Company ? Explain. 5

XP

CA PE - II :: Business and Corporate Laws : May 2007

Roll No…………………

Total No. of Questions— 10] [Total No. of Printed Pages—4

Time Allowed : 3 Hours Maximum Marks : 100

LG

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Questions **1** and **7** are compulsory.

Candidates are required to attempt **three** questions out of questions **2, 3, 4, 5** and **6** and **two** questions out of questions **8, 9** and **10**

Marks

1. Answer any four of the following:

(a) Y holds agricultural land in Gujarat on a lease granted by X, the owner. The land revenue payable by X to the Government being in arrear, his land is advertised for sale by the Government. Under the Revenue law, the consequence of such sale will termination of Y's lease. Y in order to prevent the sale and consequent termination of his own lease, pays the Government, the sum due from X. Referring to the provisions of the Indian Contract Act, 1972 decide whether X is liable to make good to Y, the amount so paid? 5

(b) A, an agent of a buyer, had obtained goods from the Railway organization and loaded the goods on his truck. In the meantime, the Railway organization and loaded the goods on his truck. In the meantime, the Railway organization received a notice from B, a seller, for stopping goods in transit as the buyer had become insolvent. Referring to the provisions of the Sale of Goods Act, 1930 decide whether the Railway organization can stop the goods in transit, as instructed by the seller? 5

(c) A and B entered into an agreement to carry on a business of manufacturing and selling toys. Each one of them contributed Rs. 25 lacs as their capital with a condition that A and B will share the profits equally, but the loss, if any is to be borne by A along. Referring to the provisions of the Indian Partnership Act, 1922 decide whether three exists a partnership between A and B. 5

(d) A owes a certain in sum of money to B. A does not know the exact amount and hence he makes out a blank cheque in favour of B, signs and delivers it to B with a request to fill up the amount due payable by him. B fills up fraudulently the amount larger than the amount due payable by A and 5 endorses the cheque to C in full payment of dues of B. Cheque of A is dishonoured. Referring to the provisions of the Negotiable Instruments Act, 1881, discuss the rights of B and C.

(e) Examine whether the Payment of Bonus Act, 1965 be applicable to the following cases: 5

(i) J, who is working in a social welfare organisation.

(ii) D, an employee employed by an establishment engaged in an industry carried on by a department of the Central Government.

(f) While an employee may increase his contribution to Provident Fund, is an employer also liable to proportionately increase his contribution to the above under the Employees Provident Funds and Miscellaneous Provisions Act, 1952? Explain. 5

2. (a) Examine whether the following constitute a contract of 'Bailment' under the provisions of the Indian Contract Act, 1972: 5

(i) V parks his car at a parking lot, locks it, and keeps the keys with himself.

(ii) Seizure of goods by customs authorities

(b) State the circumstances under which the Registrar of Societies may cancel the registration of a society registered under the Cooperative Societies Act 1912. What is the effect of such cancellation? Explain. 5

3. (a) A contracted with B to supply him (B) 500 tons of iron–steel @ Rs. 4,800 per ton, and at the same time told 'C' that he did so for the purpose of performing his contract entered into with B. C failed to perform his contract in due course. Consequently, A could not procure any iron–steel and B rescinded the contract. What would be the amount of damages which A could claim from C in the circumstances? Explain with reference to the provisions of the Indian Contract, 1972. 5

(b) A, B and C are partners in a firm called ABC Firm. A with the intention of deceiving D, a supplier of office stationery, buys certain stationery on behalf of the ABC Firm. The stationery is of use in the ordinary course of the firm's business. A does not give the stationery to the firm, instead brings it to his own use. The supplier D, who is unaware of the private use of stationery by A, claims the price from the firm. The firm refuses to pay for the price, on the ground that the stationery was never received by it (firm). Referring to the provisions of the Indian Partnership Act, 1932 decide: 5

(i) Whether the Firm's contention shall be tenable?

(ii) What would be your answer if a part of the stationery so purchased by A was delivered to the firm by him, and the rest of the stationery was used by him for private use, about which neither the firm nor the supplier D was aware?

4. (a) Mr. S agreed to purchase 100 bales of cotton from T, out of his large stock and sent his men to take delivery of the goods. They could pack only 60 bales. Later on, there was an accidental fire and the entire stock was destroyed including 60 bales that were already packed. Referring to the provisions of the Sale of Goods Act, 1930 explain as to who will bear the loss and to what extent? 5

(b) Explain the meaning of the term 'Basic Wages' under the Employees Provident Funds and Miscellaneous Provisions Act, 1952. 5

5. (a) Referring to the provisions of the Negotiable Instruments Act, 1981, examine the validity of the following: 5

(i) A Bill of Exchange originally drawn by M for a sum of Rs. 10,000, but accepted by R only for Rs. 7,000.

(ii) A cheque marked 'Not Negotiable' is not transferable.

(b) Explain the provisions of the Multi–State Cooperative Societies Act, 2002 relating to the appointment and removal of auditors of a society registered under the Act. 5

6. (a) During the accounting year 2005–06, XYZ Limited to which the Payment of Bonus Act, 1965 applies, suffered heavy losses. The Board of Directors of the company decided not to pay any bonus to its employees. The employees moved the court for relief. Referring to the provisions of the Act, decide whether the employees of the company would be given by relief by the court? 5

(b) State the grounds on which a member of a society registered under the Multi State Cooperative Societies. Act, 2002 may be expelled from the membership of the Society. 5

7. Answer any **four** of the following

(a) The object clause of the Memorandum of Association of LSR Private Limited Lucknow, authorised to do trading in fruits and vegetables. The company, however, entered into a Partnership with Mr. J and traded in steel and incurred liabilities to Mr. J. The Company, subsequently, refused to admit the liability to J on the ground that the deal was 'Ultra Vires' the company. Examine the validity of the company's refusal to admit the liability to J. Give reasons in support of your answer. 5

(b) VRS Company Limited is holding 45% of total Equity shares in SV Company Limited. The Board of Directors of SV Company Limited (incorporated on January 1, 2004) decided to raise the share capital by issuing further Equity shares. The board of Directors resolved not to offer any shares to VRS Company Limited on the ground that it was already holding a high percentage of the total number of shares already issued, in SV Company Limited. The Articles of Association of SV Company Limited provide that the new shares be offered to the existing shareholders of the company. On March 1, 2007 new shares were offered to all the shareholders except VRS Company Limited. Referring to the provisions of the Companies Act, 1956 examine the validity of the decision of the Board of Directors of SV Company Limited of not offering any further shares to VRS Company Limited. 5

(c) X, a registered shareholder of Y Limited left his share certificates with his broker. A forged the transfer deed in favour of Z, accompanied by these share certificates lodged the transfer deed along with the share certificates with the company for registration. The Company Secretary, who had certain doubts, wrote to X informing him of the proposed transfer and in the absence of a reply from him (X) within the stipulated time, registered the transfer of shares in the name of Z. Subsequently, Z sold the shares to J and J's name was placed in the register of shareholders. Later on, X discovered that forgery has taken place. 5

Referring to the provisions of the Companies Act, 1956, state the remedy available to X and Z in the given case. Explain.

(d) The paid–up Share Capital of AVS Private Limited is Rs. 1 crore, consisting of 8 lacs Equity Shares of Rs. 10 each, fully paid–up and 2 lacs Cumulative Preference Shares of Rs. 10 each, fully paid–up. XYZ Private Limited and BCL Private Limited are holding 3 lacs Equity Shares and 1,50,000 Equity Shares respectively in AVS Private Limited. 5

XYZ Private Limited and BCL Private Limited are the subsidiaries of TSR Private Limited.

With reference to the provisions of the Companies Act, 1956, Examine whether AVS Private Limited is a subsidiary of TSR Private Limited? Would your answer be different if TSR Private Limited has 8 out of total 10 directors on the Board of Directors of AVS Private Limited?

(e) State the purposes for which the object clause of the Memorandum of Association of a public limited company, registered under the Companies Act, 1956, can be altered. 5

Marks

8. (a) Explain the provisions of the Companies Act, 1956 relating to the 'Service of Documents' on a company and the members of the company. When is service of document deemed to be effective in case the document is sent by post Explain. 5

(b) State any six charges which are required to be registered under the provisions of the Companies Act, 1956. What is the effect of non–registration of a charge required to be registered under the Act? Explain. 5

9. (a) Though six out of seven signatures to the Memorandum of Association of a company were forged, the company was registered and the Certificate of Incorporation issued. Can the registration of the company be challenged subsequently on the ground of forged signatures? 5

(b) Who are the persons entitled to receive notice of a general meeting of a company, registered under the Companies Act, 1956? Shall the non–receipt of notice of the general meeting by any member invalidate the proceedings of the meeting? Explain. 5

10. (a) ABC Limited served a notice of a general meeting upon its members. The notice stated that a resolution to increase the Share Capital of the company would be considered at the meeting. A member complains to the company that the amount of the proposed increase was not specified in the notice. In the light of the provisions of the Companies Act, 1956, examine the validity of the notice. 5

(b) XYZ Limited held its Annual General Meeting on September 15, 2006. The meeting was presided over by Mr. V, the Chairman of the company's Board of Directors. On September 17, 2006, Mr. V, the Chairman without signing the minutes of the meeting, left India to look after his father who fell sick in London. Referring to the provisions of the Companies Act, 1956, state the manner in which the minutes of the above meeting are to be signed in the absence of Mr. V and by whom? 5

CA PE - II :: Cost Accounting and Financial Management : November 2002

Roll No…………………

Total No. of Questions— 9] [Total No. of Printed Pages—7

Time Allowed : 3 Hours Maximum Marks : 100

BRF

Answers to questions are to be given only in English except in the cases of candidates who have opted for Hindi medium. If a candidate who has not opted for Hindi medium, answers in Hindi, his answers in Hindi will not be valued.

Question Nos.**1** and **6** are compulsory.

Attempt **three** questions out of the remaining question numbers **2, 3, 4** and **5** and attempt **two** questions from the remaining question numbers **7, 8 and 9.**

Working notes should form part of the answer.

Marks

1. (a) Enumerate the main objectives of introduction of a Cost Accounting System in a manufacturing organisation — 3

   (b) Define Cost Audit and state its purposes — 3

   (c) A company manufactures 5000 units of a product per month. The cost of placing an order is Rs. 100. The purchase price of the raw material is Rs. 10 per kg. The re-order period is 4 to 8 weeks. The consumption of raw materials varies from 100 kg to 450 kg per week, the average consumption being 275 kg. The carrying cost of inventory is 20% per annum. — 6

   You are required to calculate: — 3

   (i) Re-order quantity
   (ii) Re-order level
   (iii) Maximum level
   (iv) Minimum level
   (v) Average stock level

(d) A construction company undertook a contract at an estimated price of Rs. 108 lacs, which includes a budgeted profit of Rs. 18 lacs. The relevant data for the year ended 31.3.2002 are as under: 6

	(Rs.000's)
Materials issued to site	5,000
Direct wages paid	3,800
plant hired	700
Site office costs	270
Materials returned from site	100
Direct expenses	500
Work certified	10,000
Progress payments received	7,200

A special plant was purchased specifically for this contract at Rs. 8,00,000 and after use on this contract till the end of 31.2.2002, it was valued at Rs. 5,00,000. The cost of materials at site at the end of the year was estimated at Rs. 18,00,000. Direct wages accrued as on 31.3.2002 was Rs. 1,10,000

Required:

Prepare the Contract Account for the year ended 31st March, 2002 and compute the profit to be taken to the Profit and Loss Account.

2. (a) Distinguish between Cost reduction and Cost Control. 3

(b) Explain briefly the procedure for valuation of Work-in-process 2

(c) A product passes through two processes. The output of Process I becomes the input of Process II and the output of Process II is transferred to warehouse. The quantity of raw materials introduced into Process I is 20,000 kg at Rs. 10 per kg. The cost and output data for the month under review are as under: 9

	Process I	Process II
Direct materials	Rs. 60,000	Rs. 40,000
Direct labour	Rs. 40,000	Rs. 30,000
Production overheads	Rs. 39,000	Rs. 40,250
Normal loss	8%	5%
Output	18,000	17,400
Loss realisation Rs./unit	2.00	3.00

The company's policy is to fix the Selling price of the end product in such a way as to yield a profit of 20% on Selling price 16

Required:

(i) Prepare the Process Accounts

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

3. (a) State the essential pre-requisites for installation of uniform costing system in an industry. 5

(b) A company is undecided as to what kind of wage scheme should be introduced. The following particulars have been compiled in respect of three system, which are under consideration of the management: 9

	Workers		
	A	B	C
Actual hours worked in a week	38	40	34
Hourly rate of wages	Rs. 6	Rs. 5	Rs. 7.20
Production in Units:			
Product P	21	--	60
Product Q	36	--	135
Product R	46	25	--

Standard time allowed per unit of each product is :

	P	Q	R
Minutes	12	18	30

For the purpose of piece rate, each minute is valued at Rs. 0.10

You are required to calculate the wages of each worker under :

(i) Guaranteed hourly rates basis

(ii) Piece work earnings basis, but guaranteed at 75% of basic pay (guaranteed hourly rate) if his earnings are less than 50% of basic pay.

(iii) Premium bonus basis where the worker receives bonus based on Rowan Scheme.

4. (a) Explain, what do you mean by Chargeable Expenses and state its treatment in Cost Accounts 3

(b) What do you understand by the term Cost Centre? 2

 Marks

A company manufacturing two products furnishes the following data for a year: 9

Product	Annual Output (Units)	Total Machine hours	Total number of purchase orders	Total number of set-ups
A	5,000	20,000	160	20
B	60,000	1,20,000	384	44

The annual overheads are as under:

Volume related activity Costs	Rs.5,50,000
Set up related Costs	Rs.8,20,000
Purchase related Costs	Rs.6,18,000

You are required to calculate the cost per unit of each Product A and B based on:

(a) Traditional method of charging overheads

(b) Activity based costing method.

5. (a) Why it is necessary to reconcile the Profits between Cost Accounts and Financial Accounts? 5

(b) In the current quarter, a company has undertaken two jobs. The data relating to these jobs are as under: 9

	Job 1102	Job 1108
Selling Price	Rs. 1,07,325	Rs. 1,57,920
Profit as percentage on cost	8%	12%
Direct Materials	Rs. 37,500	Rs. 54,000
Direct Wages	Rs.30,000	Rs.42,000

It is the policy of the company charge Factory overheads as percentage on direct wages and Selling and Administration overheads as percentage on Factory Cost.

The company has received a new order for manufacturing of a similar job. The estimate of direct materials and direct wages relating to the new order are Rs.64,000 and Rs. 50,000 respectively. A profit of 20% on sales is required.

Contind...

You are required to compute:

(i) The rates of Factory overheads and Selling and Administration overheads to be charged;

(ii) The Selling price of the new order.

6. (a) Explain two basic functions of Financial Management 4

(b) The data relating to two Companies are given below:

	Company A	Company B
Equity Capital	Rs. 6,00,000	Rs. 3,50,000
12% Debentures	Rs. 4,00,000	Rs. 6,50,000
Output (units) per annum	60,000	15,000
Selling price/unit	Rs.30	Rs.250
Fixed Costs per annum	Rs. 7,00,000	Rs. 14,00,000
Variable Cost per unit	Rs. 10	Rs. 75

4

You are required to calculate the Operating leverage, Financial leverage and Combined leverage of two Companies.

(c) A Company has prepared the following projections for a year. 4

Sales	21,000 units
Selling Price per unit	Rs.40
Variable Costs per unit	Rs.25
Total Costs per unit	Rs.35
Credit period allowed	One month

The Company proposes to increase the credit period allowed to its customers from one month to two months. It is envisaged that the change in the policy as above will increase the sales by 8%. The company desires a return of 25% on its investment.

You are required to examine and advise whether the proposed Credit Policy should be implemented or not.

(d) A company proposes to install a machine involving a Capital Cost of Rs. 3,60,000. The life of the machine is 5 years and its salvage value at the end of the life is nil. The machine will produce the net operating income after depreciation of Rs. 68,000 per annum. The Company's tax rate is 45% 4

The Net Present Value factors for 5 years as under:

Discounting Rate :	14	15	16	17	18
Cumulative factor :	3.43	3.35	3.27	3.20	3.13

You are required to calculate the internal rate of return of the proposal.

7. (a) Enumerate the activities which are covered by Treasury Management. 3

(b) Write a note on Venture Capital Financing. 3

(c) From the following information, prepare a summarised Balance Sheet as at 31st March, 2002: 6

Working Capital	Rs. 2,40,000
Bank overdraft	Rs.40,000
Fixed Assets to Proprietory ratio	0.75
Reserves and Surplus	Rs. 1,60,000
Current ratio	2.5
Liquid ratio	1.5

8. (a) State three assumptions of Modigliani and Miller approach to Cost of Capital. 3

(b) Distinguish between Cash Flow and Fund Flow statement. 3

(c) A company has to make a choice between two projects namely A and B. The initial capital outlay of two Projects are Rs. 1,35,000 and Rs. 2,40,000 respectively for A and B. There will be no scrap value at the end of the life of both the projects. The opportunity Cost of Capital of the company is 16%. The annual incomes are as under: 3

Year	Project A Rs.	Project B Rs.	Discounting factor @16%
1	--	60,000	0.862
2	30,000	84,000	0.743
3	1,32,000	96,000	0.641
4	84,000	1,02,000	0.552
5	84,000	90,000	0.476

You are required to calculate for each project:

(i) Discounted payback period
(ii) Profitability index
(iii) Net present value

9. (a) A company earns a profit of Rs. 3,00,000 per annum after meeting its Interest liability of Rs. 1,20,000 on 12% debentures. The tax rate is 50%. The number of Equity Shares of Rs. 10 each are 80,000 and the retained earnings amount to Rs. 12,00,000. The company proposes to take up an expansion scheme for which a sum of Rs. 4,00,000 is required. It is anticipated that after expansion, the company will be able to achieve the same return on investment as at present. The funds required for expansion can be raised either through debt at the rate of 12% or by issuing Equity Shares at par.

Required:

(i) Compute the Earnings Per Share (EPS), if:
—the additional funds were raised as debt
— the additional funds were raised by issue of equity shares
(ii) Advise the company as to which source of finance is preferable.

(b) The following information has been extracted from the records of a Company: 6

Product cost sheet	Rs./unit
Raw materials	45
Direct labour	20
Overheads	40
Total	$\boxed{105}$
Profit	15
Selling price	$\boxed{120}$

— Raw materials are in stock on an average of two months.
— The materials are in process on an average for 4 weeks. The degree of completion is 50%
— Finished goods stock on an average is for one month.
— Time log in payment of wages and overheads is 1 ½ weeks

CA PE - II :: Cost Accounting and Financial Management : May 2003

Roll No…………………

Total No. of Questions— 9] [Total No. of Printed Pages—10

Time Allowed : 3 Hours Maximum Marks : 100

WR

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Working notes should form part of the answer.

Marks

1. (a) Discuss the essential requisites for the installation of uniform costing system. 3

(b) Distinguish between cost control and cost reduction. 3

(c) Family Store wants information about the profitability of individual product lines: Soft drinks, Fresh produce and Packaged food. Family store provides the following data for the year 2002-03 for each product line : 3+7+2 =12

	Soft drinks	Fresh produce	Packaged food
Revenues	Rs. 7,93,500	Rs. 21,00,600	Rs. 12,09,900
Cost of goods sold	Rs. 6,00,000	Rs. 15,00,000	Rs. 9,00,000
Cost of bottles returned	Rs. 10,000	Rs. 0	Rs.0
Number of purchase orders placed	360	840	360
Number of deliveries received	300	2,190	660
Hours of shelf-stocking time	540	5,400	2,700
Items sold	1,26,000	11,04,000	3,06,000

P.T.O.

Family Store also provides the following information for the year 2002-03 :

Activity	Description of Activity	Total Cost	Cost-allocation Base
Bottles returns	Returning of empty bottles to store	Rs. 12,000	Direct tracing to soft-drink line
Ordering	Placing of orders for purchases	Rs. 1,56,000	1,560 purchase orders
Delivery	Physical delivery and receipt of goods	Rs. 2,52,000	3,150 deliveries
Shelf stocking	Stocking of goods on store shelves and on-going restocking	Rs. 1,72,800	8,640 hours of shelf-stocking time
Customer Support	Assistance provided to customers including check-out	Rs. 3,07,200	15,36,000 items sold

Required:

(i) Family Store currently allocates support cost (all costs other than cost of goods sold) to product lines on the basis of cost of goods sold of each product line. Calculate the operating income and operating income as a % of revenues for each product line.

(ii) If Family Store allocates support costs (all costs other than cost of goods sold) to product lines using an activity-based costing system, calculate the operating income and operating income as a % of revenues for each product line.

(iii) Comment on your answers in requirements (i) and (ii).

2. (a) ABC Ltd. operates a simple chemical process to convert a single material into three separate items, referred to here as X, Y and Z. All three end products are separated simultaneously at a single split-off point. Distinguish between Cost reduction and Cost Control. 4+4+2 =10

Product X and Y are ready for sale immediately upon splitoff without further processing or any other additional costs. Product Z, however, is processed further before being sold. There is no available market price for Z at the split-off point. 2

The selling prices quoted here are expected to remain the same in the coming year. During 2002-03, the selling prices of the items and the total amounts sold were :

X—186 tons sold for Rs. 1,500 per ton
Y—527 tons sold for Rs. 1,125 per ton
Z—736 tons sold for Rs. 750 per ton

The total joints manufacturing costs for the year were Rs. 6,25,000. An additional Rs. 3,10,000 was spent to finish product Z.

There were no opening inventories of X, Y or Z. At the end of the year, the following inventories of complete units were on hand :

X 180 tons
Y 60 tons
Z 25 tons

There was no opening or closing work-in-progress.
Required

(i) Compute the cost of inventories of X, Y and Z for Balance Sheet purposes and cost of goods sold for income statement purpose as of March 31, 2003, using :
(a) Net realizable value (NRV) method of joint cost allocation.
(b) Constant gross-margin percentage NRV method of joint-cost allocation.

(ii) Compare the gross-margin percentages for X, Y and Z using two methods given in requirement (i).

(b) Write short notes on any **two** of the following: 2+2=4
(i) Conversion cost
(ii) Sunk cost
(iii) Opportunity cost.

3. (a) PQR Ltd. has its own power plant, which has two users, Cutting Department and Welding Department. When the plans were prepared for the power plant, top management decided that its practical capacity should be 1,50,000 machine- 2+2+2+2=8

hours. Annual budgeted practical capacity fixed costs are Rs. 9,00,000 and budgeted variable costs are Rs. 4 per machine-hour. The following data are available :

	Cutting Department	Welding Department	Total
Actual Usage in 2002-03 (machine hours)	60,000	40,000	1,00,000
Practical capacity for each department (machine hours)	90,000	60,000	1,50,000

Required:

(i) Allocate the power plant's cost to the cutting and the welding department using a single rate method in which the budgeted rate is calculated using practical capacity and costs are allocated based on actual usage.

(ii) Allocate the power plant's cost to the cutting and welding departments, using the dual-rate method in which fixed costs are allocated based on practical capacity and variable costs are allocated based on actual usage.

(iii) Allocate the power plant's cost to the cutting and welding departments using the dual-rate method in which the fixed-cost rate is calculated using practical capacity, but fixed costs are allocated to the cutting and welding department based on actual usage. Variable costs are allocated based on actual usage.

(iv) Comment on your results in requirements (i), (ii) and (iii).

(b) Discuss the accounting treatment of the following in cost-accounts : 3+3=6

(i) Spoilage and defectives

(ii) Idle time and Over-time wages

4. (a) RST Ltd. manufactures plastic moulded chairs. There models of moulded chairs, all variation of the same design are Standard. Deluxe and Executive. The company uses an operation-costing system. 6+3=9

RST Ltd. has extrusion, form, trim and finish operations. Plastic sheets are produced by the extrusion operation. During the forming operation, the plastic sheets are moulded into chair seats and the legs are added. The standard model is sold after this operation. During the trim operation, the arms are added to the Deluxe and Executive models and the chair edges are smoothed. Only the executive model enters the finish operation, in which padding is added. All of the units produced receive the same steps within each operation. In April, 2003 units of production and direct material cost incurred are as follows :

	Units Produced	Extrusion Materials (Rs.)	Form Materials (Rs.)	Trim Materials (Rs.)	Finish Materials (Rs.)
Standard Model	10,500	1,26,000	42,000	0	0
Deluxe Model	5,250	63,000	21,000	15,750	0
Executive Model	3,500	42,000	14,000	10,500	21,000
	19,250	2,31,000	77,000	26,250	21,000

The total conversion costs for the month of April, 2003 are :

	Extrusion Operation	Form Operation	Trim Operation	Finish Operation
Total Concession Costs	Rs. 6,06,375	Rs. 2,97,000	Rs. 1,55,250	Rs. 94,500

Required:

(i) For each product produced by RST Ltd. during April, 2003, determine the unit cost and the total cost.

(ii) Now consider the following information for May. All unit costs in May are identical to the April unit costs calculated as above in(i). At the end of May, 1,500 units of the Deluxe model remain in work-in-progress. These units are 100% complete as to materials and 65% complete in the trim operation. Determine the cost of the Deluxe model work-in-process inventory at the end of May.

(b) What do you understand by labour turnover? How is it measured? 1+4=5

WR — Marks

5. (a) Distinguish between any **three** of the following: 2+2+2
6
   (i) Efficiency audit and proprietary audit
   (ii) Re-order level and Re-order quantity.
   (iii) Bin card and Stores ledger.
   (iv) Controllable cost and Uncontrollable costs.

   (b) A manufacturing company disclosed a net loss of Rs. 3,47,000 as per their cost accounts for the year ended March 31, 2003. The financial accounts however disclosed a net loss of Rs. 5,10,000 for the same period. The following information was revealed as a result of scrutiny of the figures of both the sets of accounts: 8

		Rs.
(i)	Factory Overheads under absorbed	40,000
(ii)	Administration Overheads over-absorbed	60,000
(iii)	Depreciation charged in Financial Accounts	3,25,000
(iv)	Depreciation charged in Cost Accounts	2,75,000
(v)	Interest on investments not included in Cost Accounts	96,000
(vi)	Income-tax provided	54,000
(vii)	Interest on loan funds in Financial Accounts	2,45,000
(viii)	Transfer fees (credit in financial books)	24,000
(ix)	Stores adjustment (credit in financial books)	14,000
(x)	Dividend received	32,000

Prepare a Memorandum Reconciliation Account.

6. (a) The cash flows of projects C and D are reproduced below : 4+4=8

Cash Flow

Project	C_0	C_1	C_2	C_3	NPC at 10%	IRR
C	— Rs. 10,000	+2,000	+4,000	+12,000	+Rs. 4,139	26.5%
D	— Rs. 10,000	+10,000	+3,000	+3,000	+Rs. 3,823	37.6%

   (i) Why there is a conflict of rankings?
   (ii) Why should you recommend project C inspite of lower internal rate of return?

Time	1 Period	2	3
$PVIF_{0.10.}t$	0.909	0.8264	0.7513
$PVIF_{0.14.}t$	0.8772	0.7695	0.6750
$PVIF_{0.15.}t$	0.8696	0.7561	0.6575
$PVIF_{0.30.}t$	0.7692	0.5917	0.4552
$PVIF_{0.40.}t$	0.7143	0.5102	0.3644

(b) Calculate the level of earnings before interest and tax (EBIT) at which the EPS indifference point between the following financing alternatives will occur. 3

(i) Equity share capital of Rs. 6,00,000 and 12% debentures of Rs. 4,00,000

Or

Equity share capital of Rs. 4,00,000. 14% preference share capital of Rs. 2,00,000 and 12% debentures of Rs. 4,00,000.

Assume the corporate tax rate is 35% and par value of equity share is Rs. 10 in each case.

(c) Discuss the impact of financial leverage on shareholders wealth by using return-on-assets (ROA) and return-on-equity (ROE) analytic frame work. 3

(d) Explain the importance of trade credit and accruals as source of working capital. What is the cost of these sources? 2

7. (a) XYZ Ltd. Company's Comparative Balance Sheet for 2002 and the Company's Income Statement for the year follow : 9

XYZ Lrs.
Comparative Balance Sheet
December 31, 2002 and 2001
(Rs. in crores)

		2002		2001
Sources of funds:				
Shareholder's funds	140		140	
Share Capital	110	250	92	232
Retained earnings				
Loan funds		135		40
Bonds payable		385		272

		2002			2001	
Application of funds:						
Fixed Assets						
Plant and Equipment	430			309		
Less accumulated depreciation	(218)		212	(194)		115
Investments			60			75
Current Assets						
Inventory	205			160		
Accounts receivable	180			170		
Pre-paid expenses	17			20		
Cash	26	428		10	460	
Less current liabilities and provisions						
Accounts payable	230			310		
Accrued liabilities	70			60		
Differed income-tax provision	15	315	113	8	378	82
			385			272

XYZ Ltd.
Income Statement
For the year ended December 31, 2002
(Rs. in crores)

Sales	Rs. 1,000
Less cost of goods sold	530
Gross margin	470
Less operating expenses	352
Net operating income	118
Non-operating items :	
Loss on sale of equipment	(4)
Income before taxes	114
Less income-taxes	48
Net income	66

Additional information :

(i) Dividends of Rs. 48 crores were paid in 2002.

(ii) The loss on sale of equipment of Rs. 4 crore reflects a transaction in which equipment with an original cost of Rs. 12 crore and accumulated depreciation of Rs. 5 crore were sold for Rs. 3 crore in cash.

Required

(i) Using the indirect method, determine the net cash provided by operating activities for 2002 and construct a statement of cash flows.

(b) In what ways is the "Firm value" maximisation objective superior to "Profit maximisation" objective? Explain. 3

8. (a) Discuss the need for social cost benefit analysis. 3

(b) Discuss the relationship between the financial leverage and firm's required rate of return to equity shareholders as per Modigliani and Miller Proposition II. 3

(c) An engineering company is considering its working capital investment for the year 2003-04. The estimated fixed assets and current liabilities for the next year are Rs. 6.63 crore and Rs. 5,967 crore respectively. The sales and earnings before interest and taxes (EBIT) depend on investment in its current assets— particularly inventory and receivables. The company is examining the following alternative working capital policies : 1+1+1+3=6

Working Capital Policy	Investment in Current Assets (Rs. Crore)	Estimated Sales (Rs. Crore)	EBIT (Rs. Crore)
Conservative	11.475	31.365	3.1365
Moderate	9.945	29.325	2.9325
Aggressive	6.63	25.50	2.55

You are required to calculate the following for each policy :

(i) Rate of return on total assets.

(ii) Net working capital position.

(iii) Current assets to fixed assets ratio.

(iv) Discuss the risk-return trade off of each working capital policy.

WR

Marks

9. (a) JKL Ltd. has the following book value capital structure as on March 31, 2003. 3+3+2 =8

Equity share capital (2,00,000 shares)	Rs. 40,00,000
11.5% preference shares	10,00,000
10% debentures	30,00,000
	80,00,000

The equity share of the company sells for Rs. 20. It is expected that the company will pay next year a dividend of Rs. 2 per equity share, which is expected to grow at 5% p.a. forever. Assume a 35% corporate tax rate.
Required

(i) Compute weighted average cost of capital (WACC) of the company based on the existing capital structure.

(ii) Compute the new WACC, if the company raises an additional Rs. 20 lakhs debt by issuing 12% debentures. This would result in increasing the expected equity dividend to Rs. 2.40 and leave the growth rate unchanged, but the price of equity share will fall to Rs. 16 per share.

(iii) Comment on the use of weights in the computation of weighted average cost of capital.

(b) Distinguish between the following : 2+2=4

(i) Global Depository Receipts and American Depository Receipts.

(ii) Debt Securitisation and Bridge Finance.

WR

CA PE - II :: Cost Accounting and Financial Management : November 2003

Roll No…………………

Total No. of Questions— 9] [Total No. of Printed Pages—10

Time Allowed : 3 Hours Maximum Marks : 100

DZ

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Working notes should form part of the answer.

Marks

1. (a) Discuss two types of Costs which are associated with labour turnover. 3

(b) Discuss the purpose of Cost Audit, and circumstances under which a Cost Audit is desirable. 3

(c) Alpha Limited has decided to analyse the profitability of its five new customers. It buys bottled water at Rs. 90 per case and sells to retail customers at a list price of Rs. 108 per case. The data pertaining to five customers are :

	Customers				
	A	B	C	D	E
Cases sold	4,680	19,688	1,36,800	71,550	8,775
List Selling Price	Rs. 108	Rs. 108	Rs.108	Rs. 108	Rs. 108
Actual Selling Price	Rs. 108	Rs.	Rs. 99	Rs. 104.40	Rs. 97.20
Number of Purchase	15	106.20	30	25	
orders		25			
Number of customer	2		6	2	3
visits	10	3	60	40	20
Number of		30			
Deliveries	20		5	10	30
Kilometres traveled		6			
Per delivery					
Number of					
expedited					
deliveries	0	0	0	0	1

Its five activities and their cost drivers are :

Activity	Cost Driver Rate
Order taking	Rs. 750 per purchase order
Customer visits	Rs. 600 per customer visit
Deliveries	Rs. 5.75 per delivery Km traveled
Product handling	Rs. 3.75 per case sold
Expedited deliveries	Rs. 2,250 per expedited delivery

Required : 7+3+2 =12

(i) Compute the customer-level operating income of each of five retail customers now being examined (A, B, C, D and E). Comment on the results.

(ii) What insights are gained by reporting both the list selling price and the actual selling price for each customer?

(iii) What factors Alpha Limited should consider in deciding whether to drop one or more of five customers?

2. (a) Write short notes on any **three** of the following : 6

(i) Re-order quantity
(ii) Re-order level
(iii) Maximum stock level
(iv) Minimum stock level.

(b) A fire occurred in the factory premises on October 31, 2003. The accounting records have been destroyed. Certain accounting records were kept in another building. They reveal the following for the period September 1, 2003 to October 31, 2003 : 3+3+2=8

(i) Direct materials purchased	Rs. 2,50,000
(ii) Work in process inventory, 1.9.2003	Rs. 40,000
(iii) Direct materials inventory, 1.9.2003	Rs. 20,000

(iv) Finished goods inventory,	Rs. 37,750
(v) 1.9.2003	40% of conversion
(vi) Indirect manufacturing costs	cost
(vii) Sales revenues	Rs. 7,50,000
(viii) Direct manufacturing labour	Rs. 2,22,250
(ix) Prime costs	3,97,750
(x) Gross margin percentage based	30%
on revenues	Rs. 5,55,775
Cost of Goods available for sale	

The loss is fully covered by insurance. The insurance company wants to know the historical cost of the inventories as basis for negotiating a settlement, although the settlement is actually to e based on replacement cost, not historical cost.

Required :

(i) Finished goods inventory, 31.10.2003

(ii) Work-in-process inventory, 31.10.2003

(iii) Direct materials inventory, 31.10.2003

3. (a) e-books is an online book retailer. The Company has four departments. The two sales departments ae Corporate Sales and Consumer Sales. The two support-departments are Administrative (Human resources, Accounting), and Information systems. Each of the sales departments conducts merchandising and marketing operations independently.

The following data are available for October, 2003 :

Departments	Revenues	Number of Employees	Processing Time used (in minutes)
Corporate Sales	Rs. 16,67,750	42	2,400
Consumer Sales	Rs. 8,33,875	28	2,000
Administrative	—	14	400
Information systems	—	21	1,400

Cost incurred in each of four departments for October, 2003 are as follows :

Corporate sales	Rs.	12,97,751
Consumers sales	Rs.	6,36,818
Administrative	Rs.	94,510
Information systems	Rs.	3,04,720

The company uses number of employees as a basis to allocate Administrative costs and processing time as a basis to allocate Information systems costs.

Required : 2+2+1+5 =10

(i) Allocate the support department costs to the sales departments using the direct method.

(ii) Rank the support departments based on percentage of their services rendered to other support departments. Use this ranking to allocate support costs based on the step-down allocation method.

(iii) How could you have ranked the support departments differently?

(iv) Allocate the support department costs to two sales departments using the reciprocal allocation method.

(b) Dsicuss the accounting treatment of spoilage and defectives in Cost Accounting. 4

4. (a) Discuss the process of estimating profit/loss on incomplete contracts. 4

(b) BPR Limited keeps books on integrated accounting system. The following balances appear in the books as on April 1, 2002 :

	Dr. (Rs.)	Cr. (Rs.)
Stores Control A/c	40,950	—
Work-in-progress A/c	38,675	—
Finished Goods A/c	52,325	—
Bank A/c	—	22,750
Creditors A/c	—	18,200

	Dr. (Rs.)	Cr. (Rs.)
Fixed Assets A/c	1,47,875	—
Debtors A/c	27,300	—
Share Capital A/c	—	1,82,000
Provision for Depreciation A/c	—	11,375
Provision for Doubtful Debts A/c	—	3,725
Factory Overheads Outstanding A/c	—	6,250
Pre-paid Administration overheads A/c	9,975	—
Profit and Loss A/c	—	72,800
	3,17,100	3,17,100

The transactions for the year ended March 31, 2003 were as given below :

	Rs.	Rs.
Direct Wages	1,97,925	—
Indirect Wages	11,375	2,09,300
Purchase of materials (on credit)		2,27,500
Materials issued to production		2,50,250
Materials issued for repairs		4,550
Goods finished during the year (at cost)		4,89,125
Credit Sales		6,82,500
Cost of Goods sold		5,00,500
Production overheads absorbed		1,09,200
Production overheads paid during the year		91,000
Administration overheads paid during the year		7,775
Selling overheads incurred		27,300
Payment to Creditors		31,850
Payment received from Debtors		2,29,775
Depreciation of Machinery		6,59,750
Administration overheads outstanding at the end of year		14,789
Provision for doubtful debts at the end of the year		2,225

 Marks

Required : 10

Write up accounts in the integrated ledger of BPR Limited and prepare a Trial Balance.

5. (a) From the following information for the month of October 2003, prepare Process III Cost accounts : 10

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

Degree of completion :

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

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

(b) Discuss the different stages in the Activity-based Costing. 4

 Contind...

6. The Financial statements of Excel AMP Graphics Limited are as under the sheet :

Balance Sheet
As at 31 December, 2001

		2001	2000
		(Rs. in crores)	
Sources of Funds :			
shareholders' Funds			
Share Capital	1,121		931
Reserves & Surplus	8,950	10,071	7,999
			8,930
Loan Funds			
Secured Loans	—		259
Finance lease obligations	74		—
Unsecured loans	171	245	115
			374
		10,316	9,304
Applications of Funds :			
Fixed Assets			
Gross Block	6,667		5,747
Less : Depreciation	3,150		2,561
Net Block	3,517		3,186
Capital Work-in-progress	27	3,544	28
			3,214
Investments		288	222
Current Assets, Loans & Advances :			
Inventories	2,709		2,540
Sundry debtors	9,468		9,428
Cash & Bank Balances	3,206		662
Loans & Advances	2,043		1,712
	17,426		14,342

	2001	2000
	(Rs. in crores)	
Less : current liabilities & Provisions		
Current liabilities	10,109	7,902
Provisions	513	572
	$\boxed{10,622}$	$\boxed{8,474}$
Net Current Assets	6,804	5,868
Net Deferred Tax Liability	(320)	—
	$\boxed{10,316}$	$\boxed{9,304}$

Profit and Loss Account
For the year ended 31 December, 2001

			2001	2000
			(Rs. in crores)	
Income :				
Sales & Services			23,436	17,849
Other Income			320	306
			23,756	18,155
Expenditure :				
Cost of Materials		15,179		10,996
Personnel		2,543		2,293
Expenses		3,546		2,815
Other Expenses	419			383
Depreciation				
Less : Transfer	7	412		6
from				377
revaluation		164		88
reserve			21,844	16,569
			1,192	1,586
Interest				
				371
Profit Before Tax			450	—
Provision for Tax			(6)	
Current Tax				
Deferred Tax				
Profit after Tax			$\boxed{1,468}$	$\boxed{1,215}$

 Marks

Required : 8+4+4 =16

(a) Compute and analyse the return on capital employed (ROCE) in a Du-Pont control chart framework

(b) Compute and analyse the average inventory holding period and average collection period.

(c) Compute and analyse the return on equity (ROE) by bringing out clearly the impact of financial leverage.

7. Beta Company Limited is considering replacement of its existing machine by anew machine, which is expected to cost Rs. 2,64,000. The new machine will have a life of years and will yield annual cash revenues of Rs. 5,68,750 and incur annual cash expenses of Rs. 2,95,750. The estimated salvage value of the new machine is Rs. 18,200. The existing machine has a book value of Rs. 91,000 and can be sold for Rs. 45,500 today.

   The existing machine has a remaining useful life of five years. The cash revenues will be Rs. 4,55,000 and associated cash expenses will be 3,18,500. the existing machine will have a salvage value of Rs. 4,550, at the end of five years.

   The Beta Company is in 35% tax-bracket, and write off depreciation at 25% on written-down value method.

   The Beta Company has a target debt to value ratio of 15%. The Company in the past has raised debt at 11% and it can raise fresh debt at 10.5%.

   Beta Company plans to follow dividend discount model to estimate the cost of equity capital. The Company plans to pay a dividend of Rs. 2 per share in the next year. The current market price of Company's equity share is Rs. 20 per equity share. The dividend per equity share of the Company is expected to grow at 8% p.a.

   Required : 5+3+2 +1+1=12

   (i) Compute the incremental cash flows of the replacement decision.

   (ii) Compute the weighted average cost of Capital of the Company.

Marks

(iii) Find out the net present value of the replacement decision.

(iv) Estimate the discounted payback period of the replacement decision.

(v) Should the Company replace the existing machine? Advise.

8. (a) A firm has a current sales of Rs. 2,56,48,750. The firm has unutilized capacity. In order to boost its sales, it is considering the relaxation in its credit policy. The proposed terms of credit will be 60 days credit against the present policy of 45 days. As a result, the bad debts will increase from 1.5% to 2% of sales. The firm's sales are expected to increase by 10%. The variable operating costs are 72% of the sales. The firm's Corporate tax rate is 35%, and it requires an after-tax return of 15% on its investment. Should the firm change its credit period? 6

(b) Discuss the 'Profit maximisation' and 'Wealth maximisation' objective of a firm. 6

9. (a) Write short notes on any **two** of the following : 6

(i) Factoring

(ii) Commercial paper

(iii) Recent changes in Maximum permissible Bank Finance (MPBF).

(b) Discuss the major consideration in Capital structure planning. 6

CA PE - II :: Cost Accounting and Financial Management : May 2004

Roll No…………………

Total No. of Questions— 9] [Total No. of Printed Pages—12

Time Allowed : 3 Hours Maximum Marks : 100

CN

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Question Nos.**1** and **6** are compulsory.

Attempt three questions out of the remaining Question numbers **2, 3, 4** and **5** and attempt two questions from the remaining Question numbers **7, 8 and 9.**

Working notes should form part of the answer.

Marks

1. (a) RST Limited specializes in the distribution of pharmaceutical products. It buys from the pharmaceutical companies and resells to each of the three different markets :

(i) General Supermarket Chains

(ii) Drugstore Chains

(iii) Chemist Shops

The following data for the month of April, 2004 in respect of RST Limited has been reported :

	General Supermarket Chains	Drugstore Chains	Chemist Shops
Average revenue per delivery	Rs. 84,975	Rs. 28,875	Rs. 5,445
Average cost of goods	Rs. 82,500	Rs. 27,500	Rs. 4,950
sold per delivery	330	825	2,750

In the past, RST Limited has used gross margin percentage to evaluate the relative profitability of its distribution channels.

The company plans to use activity-based costing for analysing the probability of its distribution channels.

The Activity analysis of RST Limited is as under :

Activity Area	Cost Driver
Customer purchase order processing	Purchase orders by customers
Line-item ordering	Line-items per purchase order
Store delivery	Store deliveries
Cartons dispatched to stores	Cartons dispatched to a store per delivery
Shelf-stocking at customer store	Hours of shelf-stocking

The April, 2004 operating costs (other than cost of goods sold) of RST Limited are Rs. 8,27,970. These operating costs are assigned to five activity areas. The cost in each area and the quantity of the cost allocation basis used in that area for April, 2004 are as follows :

Activity Area	Total costs in April, 2004	Total Units of Cost Allocation Base used in April, 2004
Customer purchase Order processing	Rs. 2,20,000	5,500 orders
Line-item ordering	Rs. 1,75,560	58,520 line items
Store delivery	Rs. 1,95,250	3,905 store deliveries
Cartons dispatched to stores	Rs. 2,09,000	2,09,000 cartons
Shelf Stocking at Customer Store	Rs.28,160	1,760 hours

Contind...

Marks

Other data for April, 2004 include the following : 3+3+4+2=12

	General Supermarket Chains	Drugstore Chains	Chemist Shops
Total number of orders	385	990	4,125
Average number of line items per order	14	12	10
Total number of store deliveries	330	825	2,750
Average number of cartons shipped per store delivery	300	80	16
Average number of hours of shelf-stocking per store delivery	3	0.6	0.1

Required :

(i) Compute for April, 2004 gross-margin percentage for each of its three distribution channels and compute RST Limited's operating income.

(ii) Compute the April, 2004 rate per unit of the cost-allocation base for each of the five activity areas.

(iii) Compute the operating income of each distribution channel in April, 2004 using the activity-based costing information. Comment on the results. What new insights are available with the activity-based cost information?

(iv) Describe four challenges one would face in assigning the total April, 2004 operating costs of Rs. 8,27,970 to five activity areas.

(b) Discuss the essentials of a good Cost Accounting system. 2

(c) Discuss the treatment of under-absorbed and over-absorbed factory overheads in cost accounting 4

2. (a) MST Limited has collected the following data for its two activities. It calculates activity cost rates based on cost driver capacity.

Activity	Cost Driver	Capacity	Cost
Power	Kilowatt hours	50,000 Kilowatt hours	Rs. 2,00,000
Quality Inspections	Number of Inspections	10,000 Inspections	Rs. 3,00,000

Marks

The company makes three products, M,S and T. For the year ended March 31, 2004, the following consumption of cost drivers was reported : 2+2+2 =6

Product	Kilowatt Hours	Quality Inspections
M	10,000	3,500
S	20,000	2,500
T	15,000	3,000

Required :

(i) Compute the costs allocated to each product from each activity

(ii) Calculate the cost of unused capacity for each activity.

(iii) Discuss the factors the management considers in choosing a capacity level to compute the budgeted fixed overhead cost rate.

(b) ZED Limited is working by employing 50 skilled workers. It is considered the introduction of incentive scheme-either Halsey scheme (with 50% bonus) or Rowan scheme-of wage payment for increasing the labour productivity to cope up the increasing demand for the product by 405. It is believed that proposed incentive scheme could bring about an average 20% increase over the present earnings of the workers; it could act as sufficient incentive for them to produce more.

Because of assurance, the increase in productivity has been observed as revealed by the figures for the month of April, 2004. 4+2+2 =8

Hourly rate of wages (guaranteed)	Rs. 30
Average time for producing one unit by one worker at the previous performance (This may be taken as time allowed)	1.975 hours
Number of working days in the month	24
Number of working hours per day of each worker	8
Actual production during the month	6,120 units

Required :

(i) Calculate the effective rate of earnings under the Halsey scheme and the Rowan scheme

(ii) Calculate the savings to the ZED Limited in terms of direct labour cost per piece

(iii) Advise ZED Limited about the selection of the scheme to fulfill his assurance.

3. (a) JKL Limited produces two products-J and K-together with a by-product L from a single main process (process I). Product J is sold at the point of separation for Rs. 55 per kg, whereas product K is sold for Rs. 77 per kg after further processing into product K2. By-product L is sold without further processing for Rs. 19.25 per kg.

Process I is closely monitored by a team of chemists, who planned the output per 1,000 kg of input materials to be as follows :

Product J	500kg
Product K	350 kg
Product L	100 kg
Toxic waste	50 kg

The toxic waste is disposed at a cost of Rs. 16.50 per kg, and arises at the end of processing.

Process II which is used for further processing of product K into product K2 has the following cost structure :

Fixed costs	Rs. 2,64,000 per week
Variable cost	Rs. 16.50 per kg processed

The following actual data relate to the first week of the month:

Product I	
Opening Work-in-progress	Nil
Material input	40,000 kg costing Rs. 6,60,000
Direct Labour	Rs. 4,40,000
Variable Overheads	Rs. 1,76,000
Fixed Overheads	Rs. 2,64,000
Outputs :	
Product J	19,200 kg
Product K	14,400 kg
Product L	4,000 kg
Toxic waste	2,400 kg
Closing Work-in-progress	Nil

Marks

Product II 3+3+2 +2=10

Opening Work-in-progress	Nil
Input of product K	14,400 kg
Output of product K2	13,200 kg
Closing Work-in-progress(50% converted and conversion costs were incurred in accordance with the planned cost structure)	1,200 kg

Required :

(i) Prepare Process I account for the first week of the month using the final sales value method of attribute the pre-separation costs to join products.

(ii) Prepare the toxic waste account and Process II account for the first week of the month

(iii) Comment on the method used by the JKL Limited to attributed the pre-separation costs to joint products.

(iv) Advise the management of JKL Limited whether or not, on purely financial grounds, it should continue to process product K into product K2 :

(a) If product K could be sold at the point of separation for Rs. 47.30 per kg; and

(b) If the 60% of the weekly fixed costs of Process II were avoided by but processing product K further.

(b) Discuss the requisite of inter-firm comparison system. 4

4. (a) EPS is a Public School having 25 buses each plying in different directions for the transport of its school students. In view of large number of students availing of the bus service, the buses work two shifts daily both in the morning and in the afternoon. The buses are garaged in the school. The workload of the students has been so arranged that in the morning, the first trip picks up senior students and the second trip plying an hour later picks up junior students. Similarly, in the afternoon, the first trip takes the junior students and an hour later the second trip takes the senior students home.

The distance travelled by each bus, one way is 16 kms. The school works 24 days in a month and remains closed for vacation in May and June. the bus fee, hwoever, is payable by the students for all the 12 months in a year.

The details of expenses for the year 2003-2004 are as under :

Driver's salary-payable for all the 12 months	Rs. 5,000 per month per driver
Cleaner's salary payable for all the 12 months (one cleaner has been employed for every five buses)	Rs. 3,000 per month per cleaner
Licence Fees, Taxes etc.	Rs. 2,300 per bus per annum
Insurance Premium	RS. 15,600 per bus per annum
Repairs and Maintenance	Rs. 16,400 per bus per annum
Purchase price of the bus	Rs. 16,50,000 each
Life of the bus	16 years
Scrap value	Rs. 1,50,000
Diesel Cost	Rs. 18.50 per litre

Each bus gives an average of 10 kms per litre of diesel. The seating capacity of each bus is 60 students. The seating capacity is fully occupied during the whole year.

The school follows differential bus fees based on distance travelled as under : 7+3 =10

Students picked up and dropped within the range of distance from the School	Bus Fee	Percentage of Students availing this facility
4 kms	25% of Full	15%
8 kms	50% of Full	30%
16 kms	Full	55%

Ignore interest. Since the bus fees has to be based on average cost, you are required to :

(i) Prepare a statement showing the expenses of operating a single bus and the fleet of 25 buses for a year.

(ii) Work out average cost per student per month in respect of :

(a) Students coming from a distance of upto 4 kms from the School;

(b) Students coming from a distance of upto 8 kms from the School; and

(c) Students coming from a distance of upto 16 kms from the School;

(b) Distinguish between Cost control and Cost reduction 4

CN Marks

5. (a) IPL Limited uses a small casting in one of its finished products. The castings are purchased from a foundry. IPL Limited purchases 54,000 castings per year at a cost of Rs. 800 per casting. 2+1+1 +2+3

The castings are used evenly throughout the year in the production process on a 360-day-per-year basis. The company estimates that it costs Rs. 9,000 to place a single purchase order and about Rs. 300 to carry one casting in inventory for a year. The high carrying costs result from the need to keep the castings in carefully controlled temperature and humidity conditions, and from the high cost of insurance. =9

Delivery from the foundry generally taken 6 days, but it can take as much as 10 days. The days of delivery time and percentage of their occurrence are shown in the following tabulation :

Delivery time (days) :	6	7	8	9	10
Percentage of occurrence :	75	10	5	5	5

Required :

(i) Compute the economic order quantity (EQO).

(ii) Assume the company is willing to assume a 15% risk of being out of stock. What would be the safety stock? The re-order point?

(iii) Assume the company is willing to assume a 5% risk of being out of stock. What would be safety stock? The re-order point?

(iv) Assume 5% stock-out risk. What would be the total cost of ordering and carrying inventory for one year?

(v) Refer to the original data. Assume that using process re-engineering the company reduces its cost of placing a purchase order to only Rs. 600. In addition, company estimates that when the waste and inefficiency caused by inventories are considered, the true cost of carrying a unit in stock is Rs. 720 per year.

(a) Compute the new EOQ.

(b) How frequently would the company be placing an order, as compared to the old purchasing policy?

(b) Why is it necessary to reconcile the profits between the Cost Accounts and Financial Accounts? 5

6. (a) The following annual figures relate to MNP Limited : 6

Sales (at three months credit)	Rs. 90,00,000
Materials consumed (suppliers extend one and half month's credit	Rs. 22,50,000
Wages paid (one month in arrear)	Rs. 18,00,000
Manufacturing expenses outstanding at the end of the year (cash expenses are paid one month in arrear)	Rs. 2,00,000
Total Administrative expenses for the year (cash expenses are paid one month in arrear)	Rs. 6,00,000
Sales promotion expenses for the year (paid quarterly in advance)	Rs. 12,00,000

The company sells its products on gross-profit of 25% assuming depreciation as a part of cost of production. It keeps two month's stock of finished goods and one month's stock of raw materials as inventory. It keeps cash balance of Rs. 2,50,000.

Assume a 5% safety margin, work out the working capital requirements of the company on cash basis. Ignore work-in-progress.

(b) The cash flows mutually exclusive projects are as under : 5

	t_0	t_1	t_2	t_3	t_4	t_5	t_6
Project 'P'(Rs.)	(40,000)	13,000	8,000	14,000	12,000	11,000	15,000
Project 'J'(Rs.)	(20,000)	7,000	13,000	12,000	—	—	—

Required :

(i) Estimate the net present value (NPV) of the project 'P' and 'J' using 15% as the hurdle rate. 2+2+1+2 =7

(ii) Estimate the internal rate of return (IRR) of the Project 'P' and 'J'.

(iii) Why there is a conflict in the project choice by using NPV and IRR criterion?

CN Marks

(iv) Which criteria you will use in such a situation? Estimate the value at that criterion. Make a project choice.

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

Rate of discount	t_0	t_1	t_2	t_3	t_4	t_5	t_6
0.15	1.00	0.8696	0.7561	0.6575	0.5718	0.4972	0.4323
0.18	1.00	0.8475	0.7182	0.6086	0.5158	0.4371	0.3704
0.20	1.00	0.8333	0.6944	0.5787	0.4823	0.4019	0.3349
0.24	1.00	0.8065	0.6504	0.5245	0.4230	0.3411	0.2751
0.26	1.00	0.7937	0.6299	0.4999	0.3968	0.3149	0.2499

(c) Discuss the relationship between the cost of equity and financial leverage in accordance with MM Proposition II. 3

7. (a) ABC Limited has the following book value capital structure :

Equity Share Capital (150 million shares, Rs. 10 par)	Rs. 1,500 million
Reserves and Surplus	Rs. 2,250 million
10.5% preference Share Capital (1 million shares, Rs. 100 par)	Rs. 100 million
9.5% Debentures (1.5 million debentures, Rs. 1000 par)	Rs. 1,500 million
8.5% Term Loans from Financial Institutions	Rs. 500 million

The debentures of ABC Limited are redeemable after three years and are quoting at Rs. 981.05 per debenture. The applicable income tax rate for the company is 35%.

The current market price per equity share is Rs. 60. The prevailing default-risk free interest rate on 10-year GOI Treasury Bonds is 5.5%. The average market risk premium is 8%. The beta of the company is 1.1875.

The preferred stock of the company is redeemable after 5 years is currently selling at Rs. 98.15 per preference share.

Required : 6+3=9

(i) Calculate weighted average cost of capital of the company using market

(ii) Define the marginal cost of capital schedule for the firm if it raises Rs. 750 million for a new project. The firm plans to have a target debt to value ratio of 20%. The beta of new project is 1.4375. The debt capital will be raised through term loans. It will carry interest rate of 9.5% for the first 100 million and 10% for the next Rs. 50 million.

(b) Discuss the functions of a Chief Financial Officer. 3

8. (a) PQR Limited has decided to go in for a new model of Mercedes Car. The cost of the vehicle is Rs. 40 lakhs. The company has two alternatives : 8

(i) taking the car on finance lease; or

(ii) borrowing and purchasing the car.

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

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

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

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

Rate of discount	t_1	t_2	t_3	t_4	t_5
0.138462	0.8784	0.7715	0.6777	0.5953	0.5229
0.09	0.9174	0.8417	0.7722	0.7084	0.6499

(b) Discuss the Return on assets (ROA) and Return on Equity (ROE) by bringing out clearly the impact of financial leverage. 4

CN | Marks

9. Write short notes on any four of the following : 3x4=12
   (a) American Depository Receipts vs. Global Depository Receipts.
   (b) Deep Discount Bonds vs. Zero Coupon Bonds
   (c) Factoring vs. Debt Securitization.
   (d) William J Baumal vs. Miller-Orr Cash Management Model
   (e) Cash Flow Analysis vs. Fund Flow Analysis.

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CA PE - II :: Cost Accounting and Financial Management : November 2004

Roll No…………………

Total No. of Questions— 9] [Total No. of Printed Pages—9

Time Allowed : 3 Hours Maximum Marks : 100

XR

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Working notes should form part of the answer.

Marks

1. (a) Discuss the limitations of Uniform costing. 2

(b) Discuss the three methods of Calculating labour turnover. 3

(c) Pokemon Chocolates manufactures and distributes chocolate products. It purchases Cocoa beans and processes them into two intermediate products : 8+2+3=13

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

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

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

Production and sales data for October, 2004 are :

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

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

The October, 2004 separable costs of processing chocolate-powder liquor into chocolate powder are Rs. 3,02,812.50. The October, 2004 separable costs of processing milk-chocolate liquor base into milk-chocolate are RS. 6,23,437.50.

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

Required :

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

(a) Sales value at split off point

(b) Physical measure (gallons)

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

(d) constant gross-margin percentage NRV.

(ii) What is the gross-margin percentage of the chocolate powder and milk-chocolate liquor bases under each of the methods in requirement (i)?

(iii) Could Pokemon have increased its operating income by a change in its decision to fully process both of its intermediate products? Show your computations.

2. (a) Discuss cost classification based on variability and controllability. 4

(b) Discuss ABC analysis as a system of Inventory control. 4

(c) RST Limited has received an offer of quantity discount on its order of materials as under : 4+2=6

Price per tonne	Tonnes number
Rs. 9,600	Less than 50
Rs. 9,360	50 and less than 100
Rs. 9,120	100 and less than 200
Rs. 8,880	200 and less than 300
Rs. 8,640	300 and above

The annual requirement for the material is 500 tonnes. The ordering cost per order is Rs. 12,500 and the stock holding cost is estimated at 25% of the material cost per annum.

Required :

(i) Compute the most economical purchase level.

(ii) Compute EOQ if there are no quantity discounts and the price per tonne is Rs. 10,500.

3. (a) Discuss the treatment of overtime premium in Cost accounting 3

(b) Discuss the Gantt task and bonus system as a system of wage payment and incentives 3

(c) Popeye Company is a metal and wood cutting manufacturer, selling products to the home construction market. Consider the following data for the month of October, 2004 : 6+2=8

	Rs.
Sandpaper	5,000
Material-handling costs	1,75,000
Lubricants and Coolants	12,500
Miscellaneous indirect manufacturing labour	1,00,000
Direct manufacturing labour	7,50,000
Direct materials, October 1, 2004	1,00,000
Direct materials, October 31, 2004	1,25,000
Finished goods, October 1, 2004	2,50,000
Finished goods, October 31, 2004	3,75,000
Work-in-process, October 1, 2004	25,000
Work-in-process, October 31, 2004	35,000
Plant-leasing costs	1,35,000
Depreciation-plant equipment	90,000
Property taxes on plant equipment	10,000
Fire Insurance on plant equipment	7,500
Direct materials purchased	11,50,000
Sales revenues	34,00,000
Marketing promotions	1,50,000
Marketing salaries	2,50,000
Distribution costs	1,75,000
Customer-service costs	2,50,000

Required :

(i) Prepare an income statement with a separate supporting schedule of cost of goods manufactured.

(ii) For all manufacturing items, indicate by V or F whether each is basically a variable cost or a fixed cost (where the cost object is a product unit).

Marks

4. (a) MNP suits is a ready-to-wear suit manufacturer. It has four customer : two wholesale-channel customers and two retail-channel customers. 6+2+2=10

MNP suits has developed the following activity-based costing system :

Activity	Cost driver	Rate in 2004
Order processing	Number of purchase orders	Rs. 1,225 per order
Sales visits	Number of customer visits	Rs. 7,150 per visit
Delivery-regular	Number of regular deliveries	Rs. 1,500 per delivery
Delivery-rushed	Number of rushed deliveries	Rs. 4,250 per delivery

List selling price per suit is Rs. 1,000 and average cost per suit is Rs. 550. The CEO of MNP suits wants to evaluate the profitability of each of the four customers in 2003 to explore opportunities for increasing profitability of his company in 2004. The following data are available for 2003 :

Item	Wholesale Customers		Retail Customers	
	W	H	R	T
Total number of orders	44	62	212	250
Total number of sales	8	12	22	20
visits	41	48	166	190
Regular deliveries	3	14	46	60
Rush deliveries	400	200	30	25
Average number of suits	Rs. 700	Rs. 800	Rs.	Rs. 900
per order			850	
Average selling price per				
suit				

Required :

(i) Calculate the custmer-level operating income in 2003.

(ii) What do you recommend to CEO of MNP suits to do to increase the Company's operating income in 2004?

(iii) Assume MNP suits distribution channel costs are Rs.l 17,50,000 for its wholesale customers and Rs. 10,50,000 for the retail customers. Also, assume that its Corporate sustaining costs are Rs. 12,50,000. Prepare Income statement of MNP suits for 2003.

Marks

(b) Discuss the step method and reciprocal service method of secondary distribution of overheads. 4

5. (a) Distinguish between any **three** of the following : 2+2+2=6

(i) Cost control and cost reduction

(ii) Bin card and stores ledger

(iii) Job costing and batch costing

(iv) Cost audit and statutory audit.

(b) Brock Construction Ltd. Commenced a contract on November 1, 2003. The total contract was for Rs. 39,37,500. It was decided to estimate the total profit on the contract and to take to the credit of P/L A/C that proportion of estimated profit on cash basis, which work completed bore to the total contract. Actual expenditure for the period November 1, 2003 to October 31, 2004 and estimated expenditure for November 1, 2004 to March 31, 2005 are given below : 8

		November 1, 2003 to October 31, 2004 (Actuals) Rs.	November 1, 2004 to March 31, 2005 (Estimated) Rs.
Materials issued		6,75,000	12,37,500
Labour:	Paid	4,50,000	5,62,500
	Prepaid	25,000	—
	Outstanding	—	2,500
Plant purchased		3,75,000	—
Expenses:	Paid	2,00,000	3,50,000
	Outstanding	50,000	25,000
Plant returns to store (historical cost)		75,000 (On March 31, 2004)	3,00,000 (On March 31, 2005)
Work certified		20,00,000	Full
Work uncertified		75,000	
Cash received		17,50,000	
Material at site		75,000	37,500

The plant is subject to annual depreciation @33% on written down value method. The contract is likely to be completed on March 31, 2005.

Required :

(i) Prepare the contract A/c. Determine the profit on the contract for the year November, 2003 to October, 2004 on prudent basis, which has to be credited to P/L A/C.

6. PQR Ltd. is evaluating a proposal to acquire new equipment would cost Rs. 3.5 million and was expected to generate cash inflows of Rs. 4,70,000 a year for nine years. After that point, the equipment would be obsolete and have no significant salvage value. The company's weighted average cost of capital is 16%. 5+3+5 +3=16

The management of the PQR Ltd. seemed to be convinced with the merits of the investment but was not sure about the best way to finance it. PQR Ltd. could raise the money by issuing a secured eight-year note at an interest rate of 12%. However, PQR Ltd. had huge tax-loss carry forwards from a disastrous foray into foreign exchange options. As a result, the company was unlikely to be in a position of tax-paying for many years. The CEO of PQR Ltd. thought it better to lease the equipment than to buy it. The proposals for lease have been obtained from MGM Leasing Ltd. and Zeta Leasing Ltd. The terms of the lease are as under :

	MGM Leasing Ltd.	Zeta Leasing Ltd.
Lease period offered	9 years	7 years
Number of lease rental		
payments with initial lease		
payment due on entering the	10	8
lease contract	Rs. 5,44,300	Rs. 6,19,140
Annual lease rental		
Lease terms equivalent to	11.5% p.a.	11.41% p.a.
borrowing cost (Claim of	Entire Rs. 3.5 million	Entire Rs. 3.5 million
lessor)	cost of equipment	cost of equipment
Leasing Proposal coverage	35%	35%
Tax rate		

Both the Leasing companies were in a tax-paying and write off their investment in new equipment using following rate :

Year	1	2	3	4	5	6
Depreciation rate	20%	32%	19.20%	11.52%	11.52%	5.76%

Required :

(i) Calculate the NPV to PQR Ltd. of the two lease proposals.

(ii) Does the new equipment have a positive NPV with (i) ordinary financing (ii)lease financing?

(iii) Calculate te NPVs of the leases from the lessors view points. Is there a chance that they could offer more attractive terms?

(iv) Evaluate the terms presented by each of the lessors.

7. (a) You are analysing the beta for ABC Computers Ltd. and have divided the Company into four broad business groups, with market values and betas for each group. 2+4=6

Business group	Market value of equity	Unleveraged beta
Main frames	Rs. 100 billion	1.10
Personal Computers	Rs. 100 billion	1.50
Software	Rs. 50 billion	2.00
Printers	Rs. 150 billion	1.00

ABC Computers Ltd. had Rs. 50 billion in debt outstanding.

Required :

(i) Estimate the beta for ABC Computers Ltd. as a Company. Is this beta going to be equal to the beta estimated by regressing past returns on ABC Computers stock against a market index. Why or Why not?

(ii) If the treasury bond rate is 7.5%, estimate the cost of equity for ABC Computers Ltd. Estimate the cost of equity for each division. Which cost of equity would you use to value the printer division ? The average market risk premium is 8.5%.

Marks

(b) Explain the 'Ageing Schedule' in the context of monitoring of receivables. 3

(c) Discuss any three ratios computed for investment analysis. 3

8. (a) The following summarizes the percentage changes in operating income, percentage changes in revenues, and betas for four pharmaceutical firms. 3+3=6

Firm	Change in revenue	Change in operating income	Beta
PQR Ltd.	27%	25%	1.00
RST Ltd.	25%	32%	1.15
TUV Ltd.	23%	36%	1.30
WXY Ltd.	21%	40%	1.40

Required :

(i) Calculate the degree of operating leverage for each of these firms Comment also.

(ii) Use the operating leverage to explain why these firms have different beta.

(b) What is debt Securitisation? Explain the basic debt securitisation process. 6

9. (a) Consider a firm that has existing assets in which it has capital invested of Rs. 100 crores. The after-tax operating income on assets-in-place is Rs. 15 crores. The return on capital employed of 15% is expected to be sustained in perpetuity, and company has a cost of capital of 10%. Estimate the present value of economic value added (EVA) of the firm from its assets in place. 4

(b) A firm is considering offering 30-day credit to its customers. The firm like to charge them an annualized rate of 24%. The firm wants to structure the credit in terms of a cash discount for immediate payment. How much would the discount rate have to be? 4

(c) Discuss the risk-considerations in financing of current assets. 4

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Roll No....................

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Time Allowed : 3 Hours Maximum Marks : 100

RJ

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Working notes should form part of the answer.

Marks

1. (a) Discuss the essential requisites for the installation of uniform costing system. 3

(b) Discuss the treatment of spoilage and defectives in cost accounting. 3

(c) A B C D Co. Ltd. produces and sells four products A, B, C and D. These products are similar and usually produced in production runs of 10 units and sold in a batch of 5 units. The production details of these products are as follows : 4+4+4 =12

Products	A	B	C	D
Production (units)	100	110	120	150
Cost per unit:				
Direct material (Rs.)	30	40	35	45
Direct labour (Rs.)	25	30	30	40
Machine hour rate (per unit)	5	4	3	4

The production overheads during the period are as follows :

	Rs.
Factory works expenses	22,500
Stores receiving costs	8,100
Machine set up costs	12,200
Cost relating to quality control	4,600
Material handling and dispatch	9,600
	57,000

The cost drivers for these overheads are detailed below :

Cost	Cost drivers
Factory works expenses	Machine hours
Stores receiving costs	Requisitions raised
Machine set up costs	No. of production runs
Cost relating to quality control	No. of production runs
Material handling and dispatch	No. of orders executed

The number of requisitions raised on the stores was 25 for each product and number of orders executed was 96, each order was in a batch of 05 units.

Required:

(i) Total cost of each product assuming the absorption of overhead on machine hour basis;

(ii) Total cost of each product assuming the absorption of overhead by using activity base costing; and

(iii) Show the differences between (i) and (ii) and comments.

2. (a) Distinguish between : 3+2=5

(i) Explicit and Implicit cost

(ii) Job costing and Contract costing

(b) An engine manufacturing company has two production departments : (i) Snow mobile engine and (ii) Boat engine and two service departments: (i) Maintenance and (ii) Factory office. Budgeted cost data and relevant cost drivers are as follows: 2+3=5

Departments costs	Rs.
Snow mobile engine	6,00,000
Boat engine	17,00,000
Factory office	3,00,000
Maintenance	2,40,000

Cost drivers :

Factory office department :	No. of employees
Snow mobile engine department	1,080
Boat engine department	270
Maintenance department	150
	$\boxed{1,500}$

Maintenance department :	No. of work orders
Snow mobile engine department	570
Boat engine department	190
Maintenance department	40
	$\boxed{800}$

Required

(i) Compute the cost driver allocation percentage and then use these percentage to allocate the service department costs by using direct method.

(ii) Compute the cost driver allocation percentage and then use these percentage to allocate the service department costs by using non-reciprocal method/step method.

RJ | Marks

(c) SK Enterprise manufactures a special product "ZE". The following particulars were collected for the year 2004 : 2+1+1 =4

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

Required:

(i) Re-order quantity

(ii) Re-order level

(iii) what should be the inventory level (ideally) immediately before the material order is received?

3. (a) Discuss the area of activity in respect of which cost accounting records are to be maintained. 4

(b) In order to develop tourism. ABCL airline has been given permit to operate three flights in a week between X and Y cities (both side). The airline operates a single aircraft of 160 seats capacity. The normal occupancy is estimated at 60% through out the year of 52 weeks. The one way fare is Rs. 7, 200. 3+2=5

The cost of operation of flights are :

Fuel cost (variable)	Rs. 96,000 per flight
Food served on board on non-chargeable basis	Rs. 125 per passenger
Commission	5% of fare applicable for all booking
Fixed cost :	
Aircraft lease	Rs. 3,50,000 per flight
Landing charges	Rs. 72,000 per flight

Required:

(i) Calculate the net operating income per flight.

(ii) The airline expects that its occupancy will increase to 108 passengers per flight if the fare is reduced to Rs. 6,720. Advise whether this proposal should be implemented or not.

Marks

(c) A manufacturing unit has purchased and installed a new machine of Rs. 12,70,000 to its fleet of 7 existing machines. The new machine has an estimated life of 12 years and is expected to realise Rs. 70,000 as scrap at the end of its working life. Other relevant data are as follows : 2+3=5

(i) Budgeted working hours are 2,592 based on 8 hours per day for 324 days. This includes 300 hours for plant maintenance and 92 hours for setting up of plant.

(ii) Estimated cost of maintenance of the machine is Rs. 25,000 (p.a.)

(iii) The machine require a special chemical solution, which is replaced at the end of each week (6 days in a week) at a cost of Rs. 400 each time.

(iv) Four operators control operation of 8 machines and the average wages per person amounts to Rs. 420 per week plus 15% fringe benefits.

(v) Electricity used by the machine during the production is 16 units per hour at a cost of Rs. 3 per unit. No current is taken during maintenance and setting up.

(vi) Departmental and general works overhead allocated to the operation during last year was Rs. 50,000. During the current year it is estimated to increase 10% of this amount.

Calculate machine hour rate, if (a) setting up time is unproductive; (b) setting up time is productive.

4. (a) Discuss the treatment of research and development expenditures in cost accounting. 3

(b) Explain the area of cost reduction at product design stage. 3

(c) The following figures have been extracted from the cost records of a manufacturing unit : 2+2+1+1+2=8

	Rs.
Stores : Opening balance	32,000
Purchases of material	1,58,000
Transfer from work-in-progress	80,000
Issues to work-in-progress	1,60,000
Issues to repair and maintenance	20,000
Deficiencies found in stock taking	6,000
Work-in-progress : Opening balance	60,000
Direct wages applied	65,000
Overheads applied	2,40,000
Closing balance of W.I.P.	45,000

Finish Products : Entire output is sold at a profit of 10% on actual cost from work-in-progress. Wages incurred Rs. 70,000, overhead incurred Rs. 2,50,000.

Items not included in cost records : Income from investment Rs. 10,000, Loss on sale of capital assets Rs. 20,000.

Draw up Store Control account, Work-in-progress Control account, Costing Profit and Loss account, Profit and Loss account and Reconciliation statement.

5. (a) Explain: 2+3=5
 (i) Single and multiple overhead rate
 (ii) Sunk cost.

 (b) A company produces two joint product X and Y, from the same basic materials. The processing is completed in three departments. 2+3+2 +2=9

Materials are mixed in department I. At the end of this process X and Y get separated. After separation X is completed in the department II and Y is finished in department III. During a period 2,00,000 kgs of raw material were processed in department I, at a total cost of Rs. 8,75,000, and the resultant 60% becomes X and 30% becomes Y and 10% normally lost in processing.

In department II 1/6 of the quantity received from department I is lost in processing. X is further processed in department II at a cost of Rs. 1,80,000.

In department III further new material added to the material received from department I and weight mixture is doubled, there is no quantity loss in the department and further processing cost (with material cost) is Rs. 1,50,000. The details of sales during the year :

	Product X	Product Y
Quantity sold (kgs)	90,000	1,15,000
Sales price per kg (Rs.)	10	4

There were no opening stocks. If these products sold at split-off-point, the selling price of X and Y would be Rs. 8 and Rs. 4 per kg respectively.

Contind...

Required :

(i) Prepare a statement showing the apportionment of joint cost to X and Y in proportion of sales value at split off point.

(ii) Prepare a statement showing the cost per kg of each product indicating joint cost, processing cost and total cost separately.

(iii) Prepare a statement showing the productwise profit for the year.

(iv) On the basis of profits before and after further processing of product X and Y, give your comment that products should be further processed or not.

6. (a) XYZ Co. Ltd. is a pipe manufacturing company. Its production cycle indicates that materials, are introduced in the beginning of the production cycle; wages and overhead accrue evenly through out the period of the cycle. Wages are paid in the next month following the month of accrual. Work in process includes full units of raw materials used in the beginning of the production process and 50% of wages and overheads are supposed to be conversion costs. Details of production process and the components of working capital are as follows : 5+5 =10

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

Required to calculate :

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

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

(b) D Ltd. is foreseeing a growth rate of 12% per annum in the next two years. The growth rate is likely to be 10% for the third and fourth year. After that the growth rate is expected to stabilise at 8% per annum. If the last dividend was Rs. 1.50 per share and the investor's required rate of return is 16%, determine the current value of equity share of the company. 6

The P.V. factors at 16%

Year	1	2	3	4
P.V. factor	.862	.743	.641	.552

7. (a) "Decision tree analysis is helpful in managerial decisions." Explain with an example. 5

(b) The R & G Company has following capital structure at 31st March, 2004, which is considered to be optimum : 2+1+2 +2=7

	Rs.
13% debenture	3,60,000
11% preference share capital	1,20,000
Equity share capital (2,00,000 shares)	19,20,000

The company's share has a current market price of Rs. 27.75 per share. The expected dividend per share in next year isa 50 percent of the 2004 EPS. The EPS of last 10 years is as follows. The past trends are expected to continue :

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
EPS (Rs.)	1.00	1.120	1.254	1.404	1.574	1.762	1.974	2.211	2.476	2.773

The company can issue 14 percent new debenture. The company's debenture is currently selling at Rs. 98. The new preference issue can be sold at a net price of Rs. 9.80, paying a dividend of Rs. 1.20 per share. The company's marginal tax rate is 50%.

(i) Calculate the after tax cost (a) of a new debts and new preference share capital, (b) of ordinary equity, assuming new equity comes from retained earnings.

(ii) Calculate the marginal cost of capital.

(iii) How much can be spent for capital investment before new ordinary share must be sold? Assuming that retained earning available for next year's investment are 50% of 2004 earnings.

Marks

(iv) What will be marginal cost of capital (cost of fund raised in excess of the amount calculated in part (iii) if the company can sell new ordinary shares to net Rs. 20 per share? The cost of debt and of preference capital is constant.

8. (a) Explain the relevance of time value of money in financial decisions. 2

(b) Discuss the eligibility criteria for issue of commercial paper. 3

(c) The following is the income statement of XYZ Company for the year 2004 : 7

			(Rs.)
Sales			1,62,700
Add. : Equity in ABC Company's earning			6,000
			$\boxed{1,68,700}$
Expenses :		Rs.	
Cost of goods sold		89,300	
Salaries		34,400	
Depreciation		7,450	
Insurance		500	
Research and development		1,250	
Patent amortisation		900	
Interest		10,650	
Bad debts		2,050	
Income tax :			
Current			
Deferred	6,600	8,150	
Total expenses	1,550		1,54,650
Net income			$\boxed{14,050}$

Additional informations are :

(i) 70% of gross revenue from sales were on credit.

(ii) Merchandise purchases amounting to Rs. 92,000 were on credit.

(iii) Salaries payable totalled Rs. 1,600 at the end of year.

(iv) Amortisation of premium on bonds payable was Rs. 1,350.

(v) No dividends were received from the other company.

(vi) XYZ Company declared cash dividend of Rs. 4,000.

(vii) Changes in Current Assets and Current Liabilities were as follows :

	Increase (Decrease) Rs.
Cash	500
Marketable securities	1,600
Accounts receivable	(7,150)
Allowance for bad debt	(1,900)
Inventory	2,700
Prepared insurance	700
Accounts payable (for	5,650
merchandise)	(2,050)
Salaries payable	(3,000)
Dividends payable	

9. (a) Write notes on : 2+3=5

(i) Venture capital financing

(ii) Seed capital assistance.

(b) With the help of the following information complete the Balance Sheet of MNOP Ltd. : 7

Equity share capital	Rs. 1,00,000
The relevant ratios of the company are as	
follows :	.40
Current debt to total debt	.60
Total debt to owner's equity	.60
Fixed assets to owner's equity	2 Times
Total assets turnover	8 Times
Inventory turnover	

CA PE - II :: Cost Accounting and Financial Management : November 2005

Roll No…………………

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Working notes should form part of the answer.

Marks

1. (a) ABC Limited manufactures two radio models, the Nova which has been produced for five years and sells for Rs. 900, and the Royal, a new model introduced in early 2004, which sells for Rs. 1,140. Based on the following Income statement for the year 2004-05, a decision has been made to concentrate ABC Limited's marketing resources on the Royal model and to begin to phase out the Nova mode. 4+4+2 =10

ABC Limited
Income statement
for the year ending March 31, 2005

	Royal Model Rs.	Nova Model Rs.	Total Rs.
Sales	45,60,000	1,98,00,000	2,43,60,000
Cost of Goods sold	31,92,000	1,25,40,000	1,57,32,000
Gross margin	13,68,000	72,60,000	86,28,000
Selling &	9,78,000	58,30,000	68,08,000
Administrative	3,90,000	14,30,000	18,20,000
Expenses	4,000	22,000	
Net Income	97.50	65	
Unit Produced and sold			
Net Income per unit sold			

The standard unit costs for the Royal and Nova models are as follows :

	Royal Model Rs.	Nova Model Rs.
Direct materials	584	208
Direct Labour		
Royal (3.5 hrs x Rs. 12)	42	
Nova (1.5 hrs x Rs. 12)		18
Machine usage		
Royal (4 hrs x Rs. 18)	72	
Nova (8 hrs x Rs. 18)		144
Manufacturing overheads (applied on the basis of machine hours at a pre-determined rate of Rs. 25 per hour)	100	200
Standard Cost	798	570

ABC Ltd's Controller is advocating the use of activity-based costing and activity-based cost management and has gathered the following information about the company's manufacturing overheads cost for the year ending March 31, 2005.

Activity center (Cost driver)	Traceable costs Rs.	Number of Events Royal	Nova	Total
Soldering (Number of solder joints)	9,42,000	3,85,000	11,85,000	15,70,000
Shipments (Number of shipments)	8,60,000	3,800	16,200	20,000
Quality control (Number of inspections)	12,40,000	21,300	56,200	77,500
Purchase orders (Number of orders)	9,50,400	1,09,980	80,100	1,90,080
Machine power (Machine hours)	57,600	16,000	1,76,000	1,92,000
Machine setups (Number of setups)	7,50,000	14,000	16,000	30,000
Total Traceable costs	48,00,000			

Required :

(i) Prepare a Statement showing allocation of manufacturing overheads using the principles of activity-based costing.

(ii) Prepare a Statement showing product cost and profitability using activity-based costing

(iii) Should ABC Ltd. continue to emphasize the Royal model and phase out the Nova model? Discuss.

(b) Discuss the essentials of a good Cost Accounting system. 4

(c) Discuss ABC analysis as a technique of inventory control. 4

2. From the following Information for the month ending October, 2005, prepare Process Cost accounts for Process III. Use First-in-first-out (FIFO) method to value equivalent production. 14

Direct materials added in process III (Opening WIP)	2,000 units at Rs. 25,750
Transfer from Process II	53,000 units at Rs. 4,11,500
Transferred to Process IV	48,000 units
Closing stock of Process III	5,000 units
Units scrapped	2,000 units
Direct material added in Process III	Rs. 1,97,600
Direct wages	Rs. 97,600
Production Overheads	Rs. 48,800

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

The normal loss in the process was 5% of production and scrap was sold at Rs. 3 per unit.

Marks

3. (a) Discuss the circumstances under which a Cost Audit is ordered and the purpose of Cost Audit. 4

(b) The following is the Trading and Profit & Loss Account of Omega Limited : 3+3+4=10

Dr.		Cr.	
Particulars	RS.	Particulars	Rs.
To Materials consumed	23,01,000	By Sales (30,000	48,75,000
To Direct wages	12,05,750	units)	1,30,000
To Production Overheads	6,92,250	By Finished goods	
To Administration Overheads	3,10,375	stock(1,000 units)	
To Selling and Distribution	3,68,875	By Work-in-	
Overheads	22,750	progress :	97,500
To Preliminary Expenses	45,500	Materials	3,90,000
written off	3,250	55,250	65,000
To Goodwill written off	13,000	Wages	
To Fines	16,250	26,000	
To Interest on Mortgage	1,95,000	Production	
To Loss on Sale of machine	3,83,500	Overheads 16,250	
To Taxation		By Dividends received	
To Net Profit for the year		By Interest on bank	
		deposits	
	55,57,500		55,57,500

Omega Limited manufactures a standard unit.

The Cost Accounting records of Omega Ltd. show the following :

(i) Production overheads have been charged to work-in-progress at 20% on Prime cost.

(ii) Administration Overheads have been recovered at Rs. 9.75 per finished Unit

(iii) Selling & distribution Overheads have been recovered at Rs. 13 per Unit sold.

(iv) The Under-or Over-absorption of Overheads has not been transferred to costing P/L A/c.

Required :

(i) Prepare a proforma Costing Profit & Loss account, indicating net profit.

(ii) Prepare Control accounts for production overheads, administration Overheads and selling & distribution Overheads.

(iii) Prepare a statement reconciling the profit disclosed by cost records with that shown in Financial accounts.

4\. (a) A Re-roller produced 400 metric tons of M.S. bars spending Rs. 36,00,000 towards materials and Rs. 6,20,000 towards rolling charges. Ten percent of the output was found to be defective, which had to be sold at 10% less than the price for good production. If the sales realization should give the firm an Overall profit of 12.5% on cost, find the selling price metric ton of both the categories of bars. The scrap arising during the rolling process fetched a realization of Rs. 60,000. 6

(b) The existing Incentive system of Alpha Limited is as under : 2x4=8

Normal working week	5days of 8 hours each plus 3 late shifts of 3 hours each
Rate of Payment	Day work : Rs. 160 per hour Late shift : Rs. 225 per hour
Average output per operator for 49-hours week i.e. including 3 late shifts.	120 articles

In order to Increase output and eliminate Overtime, it was decided to switch on to a system of payment by results. The following Information is obtained :

Time-rate (as usual)	:	Rs. 160 per hour
Basic time allowed for 15 articles	:	5 hours
Piece-work rate	:	Add 20% to basic piece-rate
Premium Bonus	:	Add 50% to time.

Required :

(i) Prepare a Statement showing hours worked, weekly earnings, number of articles produced and labour cost per article for one operator under the following systems :

(a) Existing time-rate

(b) Straight piece-work

(c) Rowan system

(d) Halsey premium system

Assume that 135 articles are produced in a 40-hour week under straight piece work, Rowan Premium system, and Halsey premium system above and worker earns half the time saved under Halsey premium system.

5. (a) From the details furnished below you are required to Compute a comprehensive machine-hour rate : 14

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

The workers are paid a fixed Dearness allowance of Rs. 1,5755 per month. Production bonus payable to workers in terms of an award is equal to 33.33% of basic wages and dearness allowance. Add 10% of the basic wage and dearness allowance against leave wages and holidays with pay to arrive at a comprehensive labour-wage for debit to production.

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

Balance Sheet as on March, 31

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

Additional Information :

(i) During the year 2004-05, fixed assets with a net book value of Rs. 1,250 (accumulated depreciation, Rs. 33,750) was sold for Rs. 9,000.

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

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

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

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

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

Required :

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

7. Using the following data, complete the Balance Sheet given below : 12

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

Balance Sheet

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

Marks

8. MNP Limited is thinking of replacing its existing machine by a machine by a new machine which would cost Rs. 60 lakhs. The company's current production is 80,000 units, and is expected to Increase to 1,00,000 units, if the new machine is bought. The selling price of the product would remain unchanged at Rs. 200 per unit. The following is the cost of producing one unit of product using both the existing and new machine : 8+3+1=12

	Existing Machine (80,000 units)	New Machine (1,00,000 units)	Unit cost (Rs.) Difference
Materials	75.0	63.75	(11.25)
Wages & salaries	51.25	37.50	(13.75)
Supervision	20.0	25.0	5.0
Repairs and	11.25	7.50	(3.75)
Maintenance	15.50	14.25	(1.25)
Power and Fuel	0.25	5.0	4.75
Depreciation	10.0	12.50	2.50
Allocated Corporate Overheads			
	183.25	165.50	17.75

The existing machine has an accounting book value of Rs. 1,00,000, and it has been fully depreciated for tax purpose. It is estimated that machine will be useful for 5 years. The supplier of the new machine has offered to accept the old machine for Rs. 2,50,000. However, the market price of old machine today is Rs. 1,50,000 and it is expected to be Rs. 35,000 after 5 year. The new machine has a life of 5 years and a salvage value of Rs. 2,50,000 at the end of its economic life. Assume corporate Income-tax rate at 40% and depreciation is charged on straight line basis for Income-tax purposes. Further assume that book profit is treated as ordinary income for tax purpose. The opportunity cost of capital of the company is 15%.

Required :

(i) Estimate net present value of the replacement decision.

(ii) Estimate the internal rate of return of the replacement decision.

Marks

(iii) Should Company go ahead with the replacement decision? Suggest

Year	1	2	3	4	5
$PVIF_{0.16.t}$	0.8696	0.7561	0.6575	0.5718	0.4972
$PVIF_{0.20.t}$	0.8333	0.6944	0.5787	0.4823	0.4019
$PVIF_{0.25.t}$	0.80	0.64	0.512	0.4096	0.3277
$PVIF_{0.30.t}$	0.7692	0.5917	0.4552	0.3501	0.2693
$PVIF_{0.35.t}$	0.7407	0.5487	0.4064	0.3011	0.2230

9. (a) A company needs Rs. 31,25,000 for the construction of new plant. The following three plans are feasible : 6+1+3 =10

(I) The Company may issue 3,12,500 equity shares at Rs. 10 per share.

(II) The company may issue 1,56,250 ordinary equity shares at Rs. 10 per share and 15,625 debentures of Rs. 100 denomination bearing a 8% rate of interest.

(III) The company may issue 1,56,250 equity shares at Rs. 10 per share and 15,625 preference shares at Rs. 100 per share bearing a 8% rate of dividend.

(i) If the Company's earnings before interest and taxes are Rs. 62,500, Rs. 1,25,000, Rs. 2,50,000, Rs. 3,75,000 and Rs. 6,25,000, what are the earnings per share under each of three financial plans? Assume a Corporate Income-tax rate of 40%.

(ii) Which alternative would you recommend and why?

(iii) Determine the EBIT-EPS indifference points by formulae between Financing Plan I and Plan II and Plan I and Plan III.

(b) Discuss Miller-Orr Cash Management model. 2

CA PE - II :: Cost Accounting and Financial Management : November 2006

1. (a) ABC Ltd. Manufactures two types of machinery equipments Y and Z and applies/absorbs overheads on the basis of direct-labour hours. The budgeted overheads and directlabour hours for the month of December, 2006 are Rs. 12,42,500 and 20,000 hours respectively. The information about Company's products is as follows: 10+4+4

	Equipment Y	Equipment Z
Budgeted Production volume	2,500 units	3,125 units
Direct material cost	Rs. 300 per unit	Rs. 450 per unit
Direct labour cost Y : 3 hours @ Rs. 150 per hour X : 4 hours @ Rs. 150 per hour	Rs. 450	Rs. 600

ABC Ltd.'s overheads of Rs. 12,42,500 can be identified with three major activities:
Order Processing (Rs. 2,10,000), machine processing (Rs. 8,75,000), and product inspection (Rs. 1,57,500). These activities are driven by number of orders processed, machine hours worked, and inspection hours, respectively. The data relevant to these activities is as follows:

	Orders processed	Machine hours worked	Inspection hours
Y	350	23,000	4,000
Z	250	27,000	11,000
Total	600	50,000	15,000

Required

(i) Assuming use of direct-labour hours to absorb/apply overheads to production, compute the unit manufacturing cost of the equipments Y and Z, if the budgeted manufacturing volume is attained.

(ii) Assuming use of activity-based costing, compute the unit manufacturing costs of the equipments Y and Z, if the budgeted manufacturing volume is achieved.

(iii) ABC Ltd.'s selling prices are based heavily on cost. By using direct-labour hours as an application base, calculate the amount of cost distortion (under-costed or overcosted) for each equipment.

(iv) Discuss, how an activity-based costing might benefit ABC Ltd.

(b) Discuss the use of perpetual inventory records and continuous stock verification, and its advantages.

(c) Discuss the various reports provided by Cost Accounting Department.

Marks

2. A Chemical Company carries on production operation in two processes. The material first pass through Process I, where Product 'A' is produced. 6+4+4

Following data are given for the month just ended:

Material input quantity	2,00,000 kgs.
Opening work-in-progress quantity	
(Material 100% and conversion 50% complete)	40,000 kgs.
Work completed quantity	1,60,000 kgs.
Closing work-in-progress quantity	
(Material 100% and conversion two-third complete)	30,000 kgs.
Material input cost	Rs. 75,000
Processing cost	Rs. 1,02,000
Opening work-in-progress cost	
Material cost	Rs. 20,000
Processing cost	Rs. 12,000

Normal process loss in quantity may be assumed to be 20% of material input. It has no realisable value.

Any quantity of Product 'A' can be sold for Rs. 1.60 per kg.

Alternatively, it can be transferred to Process II for further processing and then sold as Product 'AX' for Rs. 2 per kg. Further materials are added in Process II, which yield two kgs. of product 'AX' for every kg. of Product 'A' of Process I.

Of the 1,60,000 kgs. per month of work completed in Process I, 40,000 kgs are sold as Product 'A' and 1,20,000 kgs. are passed through Process II for sale as Product 'AX'. Process II has facilities to handle upto 1,60,000 kgs. of Product 'A' per month, if required.

The monthly costs incurred in Process II (other than the cost of Product 'A') are:

	1,20,000 kgs. of Product	1,60,000 kgs. of Product

	'A' input Rs.	'A' input Rs.
Materials Cost	1,32,000	1,76,000
Processing Costs	1,20,000	1,40,000

Required:

(i) Determine, using the weighted average cost method, the cost per kg. of Product 'A' in Process I and value of both work completed and closing work-in-progress for the month just ended.

(ii) Is it worthwhile processing 1,20,000 kgs. of Product 'A' further?

(iii) Calculate the minimum acceptable selling price per kg., if a potential buyer could be found for additional output of Product 'AX' that could be produced with the remaining Product 'A' quantity.

3. (a) A Manufacturing Company has an installed capacity of 1,50,000 units per annum. Its cost structure is given below: 10+4

	Rs.
(i) Variable cost per unit	
Materials	10
Labour (subject to a minimum of Rs. 1,00,000 per month)	10
Overheads	4
(ii) Fixed overheads per annum	1,92,300
(iii) Semi-variable overheads per annum at 75% capacity (It will will increase by Rs. 4,000 per annum for increase of every 5% of the capacity utilisation or any part thereof)	60,000

The capacity utilisation for the next year is budgeted at 75% for first three months, 80% for the next six months and 90% for the remaining three months.

Required:

If the company is planning to have a profit of 20% on the selling price, calculate the selling price per unit for the next year.

(b) Discuss briefly the principles to be followed while taking credit for profits on incomplete contracts.

4. (a) Distinguish between any two of the following: 4+10

(i) Cost control and Cost reduction.

(ii) Controllable costs and Uncontrollable costs.

(iii) Absolute ton-kms and Commercial ton-kms.

(b) PQR Ltd., manufactures a special product, which requires 'ZED'. The following particulars were collected for the year 2005-06:

(i) Monthly demand of Zed	:	7,500 units
(ii) Cost of placing an order	:	Rs. 500
(iii) Re-order period	:	5 to 8 weeks
(iv) Cost per unit	:	Rs. 60
(v) Carrying cost % p.a.	:	10%
(vi) Normal usage	:	500 units per week
(vii) Minimum usage	:	250 units per week
(viii) Maximum usage	:	750 units per week

Required:

(i) Re-order quantity.
(ii) Re-order level.
(iii) Minimum stock level.
(iv) Maximum stock level.
(v) Average stock level.

5. (a) RST Ltd. has two production departments: Machining and Finishing. There are three service departments: Human Resource (HR), Maintenance and Design. The budgeted costs in these service departments are as follows: 7+3+4

	HR Rs.	Maintenance Rs.	Design Rs.
Variable	1,00,000	1,60,000	1,00,000
Fixed	4,00,000	3,00,000	6,00,000
	5,00,000	4,60,000	7,00,000

The usage of these Service Departments' output during the year just completed is as follows:

Provision of Service Output (in hours of service)

	Providers of Service		
Users of Service	HR	Maintenance	Design
HR	—	—	—
Maintenance	500	—	—
Design	500	500	—
Machining	4,000	3,500	4,500
Finishing Total	5,000	4,000	1,500
	10,000	8,000	6,000

Required:

(i) Use the direct method to re-apportion RST Ltd.'s service department cost to its production departments.

(ii) Determine the proper sequence to use in re-apportioning the firm's service department cost by step-down method.

(iii) Use the step-down method to reapportion the firm's service department cost.

(b) What are the essential pre-requisites of integrated accounting system? Discuss.

(c) What are the advantages of inter-firm comparison system? Discuss.

6. (a) A proforma cost sheet of a Company provides the following particulars: 12+4

	Amount per unit (Rs.)
Raw materials cost	100
Direct labour cost	37.50
Overheads cost	75
Total cost	212.50
Profit	37.50
Selling Price	250

The Company keeps raw material in stock, on an average for one month; work-inprogress, on an average for one week; and finished goods in stock, on an average for two weeks.

The credit allowed by suppliers is three weeks and company allows four weeks credit to its debtors. The lag in payment of wages is one week and lag in payment of overhead expenses is two weeks.

The Company sells one-fifth of the output against cash and maintains cash-in-hand and at bank put together at Rs.37,500.

Required:

Prepare a statement showing estimate of Working Capital needed to finance an activity level of 1,30,000 units of production. Assume that production is carried on evenly throughout the year, and wages and overheads accrue similarly. Work-in-progress stock is 80% complete in all respects.

(b) Discuss the conflicts in Profit versus Wealth maximization principle of the Firm.

7. (a) A Company had the following Balance Sheet as on March 31, 2006: 8+4

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

Current Liabilities	8	
	$\boxed{40}$	$\boxed{40}$

The additional information given is as under:

Fixed Costs per annum (excluding interest)	Rs. 8 crores
Variable operating costs ratio	65%
Total Assets turnover ratio	2.5
Income-tax rate	40%
	$\boxed{40}$

Required:
Calculate the following and comment:

(i) Earnings per share
(ii) Operating Leverage
(iii) Financial Leverage
(iv) Combined Leverage.

(b) Discuss the need for social cost benefit analysis.

Marks

8. (a) Discuss the financial ratios for evaluating company performance on operating efficiency and liquidity position aspects. 4+8

(b) Company UVW has to make a choice between two identical machines, in terms of Capacity, 'A' and 'B'. They have been designed differently, but do exactly the same job.

Machine 'A' costs Rs. 7,50,000 and will last for three years. It costs Rs. 2,00,000 per year to run.

Machine 'B' is an economy model costing only Rs. 5,00,000, but will last for only two years. It costs Rs. 3,00,000 per year to run.

The cash flows of Machine 'A' and 'B' are real cash flows. The costs are forecasted in rupees of constant purchasing power. Ignore taxes. The opportunity cost of capital is 9%.

Required:

Which machine the company UVW should buy?

The present value (PV) factors at 9% are:

Year	t_1	t_2	t_3
$PVIF_{0.09.t}$	0.9174	0.8417	0.7722

9. (a) Discuss the dividend-price approach, and earnings price approach to estimate cost of equity capital. 2+10

(b) From the information contained in Income Statement and Balance Sheet of 'A' Ltd., prepare Cash Flow Statement:

Income Statement for the year ended March 31, 2006

		Rs.
Net Sales	(A)	2,52,00,000
Less:		
Cash Cost of Sales		1,98,00,000
Depreciation		6,00,000
Salaries and Wages		24,00,000
Operating Expenses		8,00,000
Provision for Taxation		8,80,000
	(B)	2,44,80,000
Net Operating Profit (A – B)		7,20,000
Non-recurring Income – Profits on sale of equipment		1,20,000
		8,40,000
Retained earnings and profits brought forward		15,18,000
		23,58,000
Dividends declared and paid during the year		7,20,000
Profit and Loss Account balance as on March 31, 2006		16,38,000

Balance Sheet as on

Assets	March 31, 2005 (Rs.)	March 31, 2006 (Rs.)
Fixed Assets:		
Land	4,80,000	9,60,000
Buildings and Equipment	36,00,000	57,60,000
Current Assets:		
Cash	6,00,000	7,20,000
Debtors	16,80,000	18,60,000
Stock	26,40,000	9,60,000
Advances	78,000	90,000
	90,78,000	1,03,50,000

Balance Sheet as on

Liabilities	March 31, 2005 (Rs.)	March 31, 2006 (Rs.)
Share Capital	36,00,000	44,40,000
Surplus in Profit and Loss Account	15,18,000	16,38,000
Sundry Creditors	24,00,000	23,40,000
Outstanding Expenses	2,40,000	4,80,000
Income-tax payable	1,20,000	1,32,000
Accumulated Depreciation on Buildings and Equipment	12,00,000	13,20,000
	90,78,000	1,03,50,000

The original cost of equipment sold during the year 2005-06 was Rs. 7,20,000.

RJ

CA PE - II :: Cost Accounting and Financial Management : May 2007

1. (a) Following details are related to the work done in Process 'A' of XYZ Company during the month of March, 2007: 2+3+2+3

Opening work in progress (2,000 units)	Rs.
Materials	80,000
Labour	15,000
Overheads	45,000
Materials introduced in Process 'A' (38,000 units)	14,80,000
Direct labour	3,59,000
Overheads	10,77,000

Units scrapped : 3,000 units
Degree of completion:

Materials	100%
Labour and overheads	80%

Closing work–in–progress : 2,000 units
Degree of completion

Materials	100%
Labour and overheads	80%

Units finished and transferred to Process 'B' : 35,000
Normal Loss:

5% of total input including opening work–in–progress
Scrapped units fetch Rs. 20 per piece.

You are required to prepare:

(i) Statement of equivalent production;
(ii) Statement of cost;
(iii) Statement of distribution cost; and
(iv) Process 'A' Account, Normal and Abnormal Loss Accounts.

(b) Explain briefly each of the following categories in Activity based Costing by giving at least two examples:

(i) Unit level activities
(ii) Batch level activities
(iii) Product level activities
(iv) Facility level activities

AT Marks

2. (a) What is 'Integrated Accounting System'? State its advantages. 4

(b) A Club runs a library for its members. As part of club policy, an annual subsidy of upto Rs. 5 per member including cost of books may be given from the general funds of the club. The management of the club has provided the following figures for its library department: 10

Number of Club members	5,000
Number of Library members	1,000
Library fee per member per month	Rs. 100
Fine for late return of books	Re. 1 per book per
Average No. of books returned late per month	day
Average No. of days each book is returned	500
late	5 days
Number of available old books	50,000 books
Cost of new books	Rs. 300 per book
Number of books purchased per year	1,200 books
Cost of maintenance per old book per year	Rs. 10

Staff details	No.	Per Employee Salary per month (Rs.)
Librarian	01	10,000
Assistant Librarian	03	7,000
Clerk	01	4,000

You are required to calculate:

(i) The cost of maintaining the library per year excluding the cost of new books;

(ii) The cost incurred per member per month on the library excluding cost of new books; and

(iii) The net, income from the library per year.

If the club follows a policy that all new books must be purchased out of library revenue (a) What is the maximum number of books that can be purchased per year and (b) How many excess books are being purchased by the library per year?

Also, comment on the subsidy policy of the club.

3. (a) Raw materials 'AXE' costing Rs. 150 per kg and 'BXE' costing Rs. 90 per kg are mixed in equal proportions for making product 'A'. The loss of material in processing works out to 25% of the product. The production expenses are allocated at 40% of direct material cost. The end product is priced with a margin of 20% over the total cost. 8

Material 'BXE' is not easily available and substitute raw material 'CXE' had been found for 'BXE' costing Rs. 75 per kg. It is required to keep the proportion of the substitute material in the maxture as low as possible and at the same time maintain the selling price of the end product at existing level and ensure the same quantum of profit as at present.

You are required to compute the ratio of the mix of the raw materials 'AXE' and 'CXE'.

(b) Answer any three of the following: 2x3=6

(i) Explicit and Implicit Costs

(ii) Period Costs and Discretionary Costs

(iii) Efficiency Audit and Proprletary Audit

(iv) Bin Cards and Stock Control Cards.

4. (a) A company runs a holiday home, For this purpose, it has hired a building at a rent of Rs. 10,000 per month alongwith 5% of total talking. It has three types of suites for its customers, viz., single room, double rooms and triple rooms. 10

Following information is given:

Type of suite	Number	Occupancy percentage
Single room	100	100%
Double rooms	50	80%
Triple rooms	30	60%

The rent of double rooms suite is to be fixed at 2.6 times of the single room suite and that of triple rooms suite as twice of the double rooms suite.

The other expenses for the year 2006 are as follows:

	Rs.
Staff salaries	14,25,000
Room attendante' wages	4,50,000
Lighting, heating and power	2,15,000
Repairs and renevation	1,23,500
Laundy charges	80,500
Interior decoration	74,000

Sandries 1,58,000

Provide profit @ 20% on total taking and assume 360 days in a year.

You are required to calculate the rent to be charged for each type of suite.

(b) 'Under the Rowan Premium Bonus system, a less efficient worker can obtain same bonus as a highly efficient worker.' Discuss with suitable examples. 4

5. (a) ABC Ltd. has furnished the following information from the financial books for the year ended 31st March, 2007: 5+5

Profit & Loss Account

	Rs.		Rs.
To Opening stock		By Sales (10,250	28,70,000
(500 units at Rs. 140	70,000	units)	
each)	10,40,000	By Closing stock	50,000
Materials consumed	6,00,000	(250 units at Rs.	
Wages	12,10,000	200 each)	
Gross profit c/d			
	29,20,000		29,20,000
To Factory overheads	3,79,000	By Gross profit b/d	12,10,000
Administration	4,24,000	Interest	1,000
overheads	2,20,000	Rent received	40,000
Selling expenses	16,000		
Bad debts	20,000		
Preliminary expenses	1,92,000		
Net Profit			
	12,51,000		12,51,000

The cost sheet shows the cost of materials at Rs. 104 per unit and the labour cost at Rs. 80 per unit. The factory overheads are absorbed at 60% of labour cost and administration overheads at 20% of factory cost. Selling expenses are charged at Rs. 24 per unit. The opening stock of finished goods is valued at Rs. 180 per unit.

You are required to prepare:

(i) A statement showing profit as per Cost accounts for the year ended 31st March, 2007; and

(ii) A statement showing the reconciliation of profit as disclosed in Cost accounts with the profit shown in Financial accounts.

(b) Explain any two of the following: 2x2=4

(i) National profit in Contract costing.

(ii) Retention money in Contract costing.

(iii) Economic Batch Quantity in Batch Costing.

6. (a) The following accounting information and financial ratios of PQR Ltd. relate to the year ended 31st December, 2006: 12

2006

I	Accounting Information	
	Gross Profit	15% of sales
	Net profit	8% of sales
	Raw materials consumed	20% of works cost
	Direct wages	10% of works cost
	Stock of raw materials	3 months' usage
	Stock of finished goods	6% of works cost
	Debt collection period	60 days
	All sales are on credit	
II	Financial Rations:	
	Fixed assets to sales	1 : 3
	Fixed assets to Current assets	13 : 11
	Current ratio	2 : 1
	Long–term loans to current liabilities	2 : 1
	Capital to Reserves and Surplus	1 : 4

If value of fixed assets as on 31st December, 2005 amounted to Rs. 26 lakhs, prepare a summarised Profit and Loss account of the company for the year ended 31st December, 2006 and also the Balance Sheet as on 31st December, 2006.

(b) What is Debt securitisation? State the basic debt securitisation process. 4

7. (a) 8

JKL Ltd. is considering the revision of its credit policy with a view to increasing its sales and profit. Currently all its sales are on credit and the customers are given one month's time to settle the dues. It has a contribution of 40% on sales and it can raise additional funds at a cost of 20% per annum. The marketing manager of the company has given the following options along with estimates for considerations:

Particulars	Current Position	I Option	II Option	III Option
Sales in (Rs. lakhs)	200	210	220	250
Credit period (in months)	1	1½	2	3
Bad debts (1% of sales)	2	2½	3	5
Cost of Credit administration (Rs. lakhs)	1,20	1,30	1,50	3,00

You are required to advise the company for the best option.

(b) What do you mean by factoring? Describe the benefits of factoring. 4

8. (a) You are required to determine the weighted average cost of capital of a firm using (i) book–value weights and (ii) market value weights. The following information is available for your perusal: 9

Present book value of the firm's capital structure is:

	Rs.
Debentures of Rs. 100 each	8,00,000
Preference shares of Rs. 100 each	2,00,000
Equity shares of Rs. 10 each	10,00,000
	20,00,000

All these securities are traded in the capital markets. Recent prices are: Debentures @ Rs. 110, Preference shares @ Rs. 120 and Equity shares @ Rs. 22.

Anticipated external financing opportunities are as follows:

(i) Rs. 100 per debenture redeemable at par : 20 years maturity 8% coupon rate, 4% floatation costs, sale price Rs. 100.

(ii) Rs. 100 preference share redeemable at par : 15 years maturity, 10% dividend rate, 5% floatation costs, sale price Rs. 100.

(iii) Equity shares : Rs. 2 per share floatation costs, sale price Rs. 22.

In addition, the dividend expected on the equity share at the end of the year is Rs. 2 per share; the anticipated growth rate in dividends is 5% and the firm has the practice of paying all its earnings in the form of dividend. The corporate tax rate is 50%.

(b) Explain briefly the propositions made in Modigliani and Miller approach on cost of capital. 3

9. (a) A company is considering the proposal of taking up a new project which requires an investment of Rs. 400 lakh on machinery and other assets. The project is expected to yield the following earnings (before depreciation and taxes) over the next five years: 8

Year	Earnings (in Rs. lakh)
1	160
2	160
3	180
4	180
5	150

The cost of raising the additional capital is 12% and assets have to be depreciated at 20% on 'Written Down Value' basis. The scrap value at the end of the five years's period may be taken as zero. Income–tax applicable to the company is 50%.

You are required to calculate the net present value of the project and advise the management to the appropriate decision. Also calcuate the Internal Rate of Return of the Project.

Note: Present value of Re. 1 at different rates of interest are as follows:

Year	10%	12%	14%	16%
1	0.91	0.89	0.88	0.86
2	0.83	0.80	0.77	0.74
3	0.75	0.71	0.67	0.64
4	0.68	0.64	0.59	0.55
5	0.62	0.57	0.52	0.48

(b) State the differences between Global Depository Receipts and Americal Depository Receipts. 4

AT

CA PE - II :: Information Technology : November 2002

Roll No…………………

Total No. of Questions—7] [Total No. of Printed Pages—4

Time Allowed — 3 Hours Maximum Marks — 100

UPS

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Question No.**1** is compulsory

Answer any **four** from the rest

Marks

1. (a) Convert the following from one number system to another number system along with the working notes: 1x5=5

   (i) $(334.625)_{10} = (\quad)_2$

   (ii) $(1101101.0101)_2 = (\quad)_{10}$

   (iii) $(7523)_8 = (\quad)_{16}$

   (iii) $(15AE)_{16} = (\quad)_{10}$

   (iv) $(238.5)_{10} = (\quad)_8$

   (b) Describe briefly, the following terms with reference to Information Technology: 1x5=5

   (i) The data bus

   (ii) Intelligent terminal

   (iii) Overlay

   (iii) Packet switching /td>

   (iv) FTP

UPS | Marks

(c) Give one or two reasons for each of the following: 1x5=5

(i) The presence of parity bit in the Coding system.

(ii) Integrated circuits are used for primary memory and not for secondary storage.

(iii) Use of Multiplexer in data communication

(iv) Disk formatting

(iv) Preference of relational database model with comparison to hierarchical database model.

(d) Write True or False for each of the following: 1x5=5

(i) In CD ROM drive, the read/write head touches the surface of the disk.

(ii) formatting of numbers in Excel 2000 in similar to formatting in WORD 2000

(iii) In MS-WORD, if the font size is 10 points and the line spacing is set to 1.5, then line spacing will be approximately 15 points.

(iv) DOS based software cannot be executed on WINDOWS 95/98

(iv) A graph created in Excel can be copied and linked to a power point presentation slide.

2. Distinguish between the following: 4x5=20

(i) Dynamic RAM and Static RAM

(ii) Local area network and Wide area network

(iii) Voice synthesizer system and Voice recognition system

(iv) Audit around computer and Audit through the computer

(v) The Internet and the Intranet

3. (a) Explain Database Management Systems (DBMS).Why does it being preferred with comparison to Traditional File Processing Systems. 6

(b) A moving arm disk-storage device has the following specifications: 4

No. of tracks per recording surface = 200

Track storage capacity = 62,500 bits

Disk rotation speed = 2,400 rev./minute

Estimate the average latency and the data transfer rate of this device.

(c) An insurance company follow the following rules: 10

(i) If a person's health is goods and age in between 20 and 40 years and lives in a city and sex is male, then the premium is Rs. 20 per thousand and he will be insured for maximum amount of Rs. 10.0 lakhs

(ii) If a person satisfies all the above conditions, except that sex is female, then the premium is Rs. 15 per thousand and maximum insured sum will be Rs. 15.0 lakhs

(iii) If a person's health is poor and age is between 20 and 40 years, but lives in a village. For a male sex, premium is Rs. 50 per thousand and maximum insured sum is Rs. 1.0 lakh only.

(iv) In all other cases, the person is not to be insured.

Draw a flow chart to find the eligibility of a person to be insured, premium rate and maximum amount of Insurance.

4. (a) Discuss the role of Internet in the development of e-commerce. Describe the benefits of e-commerce. 10

(b) A wholesaler has three commodities to sell and has three types of customers. The discount is given as per following rules: 10

(i) For Govt. orders, 15% discount is given irrespective of the value of the order

(ii) For orders of more than Rs. 20,000, an agent gets a discount of 20% and the retailer 15% respectively.

(iii) For orders of value between Rs.10,000 and Rs. 20,000, agent gets discount 15% and the retailer gets 10%

(iv) For order of value less than Rs. 10,000 the agent and retailer get discount 10% and 5% respectively.

The above rules do not apply to furniture items. However, in case of furniture items, a flat rate of 10% discount is admissible to all type of customers.

Prepare a limited entry decision table.

MIG | Marks

5. (a) Briefly describe the procedure of document imaging. Write the advantages of Image Processing System. 5

(b) Briefly explain the concept of Mail merge. 5

(c) Define the following financial functions used in MS-Excel 1x5=5

(i) DB
(ii) FV
(iii) NPV
(iv) PMT
(v) IRR

(d) Define the following terms related to MS-WORD 1x5=5

(i) Fonts
(ii) Drop Cap
(iii) Header
(iv) Section
(v) Text Wrapping

6. (a) What is a Computer network? Describe the various networking architectures 5

(b) What tools are available to protect the information in network against intrusion or misuse? Discuss. 5

(c) Describe the procedure to perform Computer Assisted Auditing using generalised audit package. 5

(d) Describe the various facilities to be provided by the user friendly accounting software package. 5

7. Write short notes on the following: 5x4=20

(i) Program Library Management System
(ii) Expert Systems
(iii) Storage Area Network (SAN)
(iv) Computer Crimes and Penalty in IT Act, 2000

UPS

CA PE - II :: Information Technology : May 2003

Roll No…………………

Total No. of Questions—7] [Total No. of Printed Pages—4

Time Allowed — 3 Hours Maximum Marks — 100

RL

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Question No.**1** is compulsory

Answer any **four** questions from the rest

Marks

1. (a) Convert the following from one number system to another number system along with the working notes: 1x5=5

   (i) $(295.5625)_{10} = (\quad)_2$

   (ii) $(1011.1011)_2 = (\quad)_{10}$

   (iii) $(592F)_{16} = (\quad)_{10}$

   (iv) $(436.625)_{10} = (\quad)_8$

   (v) $(6437)_8 = (\quad)_{16}$

   (b) Describe briefly, the following terms with reference to Information Technology: 1x5=5

   (i) BIOS

   (ii) File Allocation Table

   (iii) Routers

   (iv) Public key

   (v) Uniform Resource Locators.

Marks

(c) Give one or two reasons for each of the following: 1x5=5

(i) Use of spooling software.

(ii) Cache memory in processor

(iii) Boot strap loader is an essential system software.

(iv) Birth of the Information Technology Act, 2000

(v) Need of modern in data communication.

(d) Write True or False for each of the following: 1x5=5

(i) The WINDOWS 95/98 is based on 16 bit architecture.

(ii) In MS-EXCEL if a cell pointer points to a cell that contains data, then that data will also be displayed in the formula bar.

(iii) The decision support system is useful for structured problems.

(iv) Two dissimilar devices in a network can communicate with each other using bridges.

(v) Multiprocessing refers to the use of two or more central processing units to perform coordinated work simultaneously.

2. Distinguish between the following: 4x5=20

(i) Virtual memory and main memory.

(ii) Distributed system and computer network.

(iii) Multiprogramming and Multitasking systems.

(iv) Synchronous and Asynchronous data transmission.

(v) DDL and DML.

3. (a) Describe various factors which determine the best file organisation. 5

(b) Define Graphical User Interface (GUI). Why is it mostly used these days? Explain. 5

 Marks

(c) An electricity distribution company has three categories of consumers namely- 10

(i) Domestic
(ii) Commercial
(iii) Industry

The charges of electricity per unit consumed by these consumers are Rs. 3, Rs. 4 and Rs. 5 respectively. The computer database of the company has following information:

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

The company processes bills according to the following criterion.

If the consumer is domestic and pays his bill within 10 days of the bill date, 5% discount is given. If he pays the bill within 15 days, no discount is given. If he makes the payment after 15 days of the bill date, 10% surcharge is levied. For the non-domestic consumers (commercial or industry), corresponding percentages be 10%, 0% and 15% respectively.

Draw a flowchart to calculate the bill amount, discount, surcharge and net amount of the bill for each type of consumer and print it.

4. (a) What is Electronic Data Interchange (EDI) Describe various advantages of the EDI. 5

(b) Explain in brief, the concept of voice messaging. 5

(c) Explain the term Network structure, Describe various types of network structures and discuss their suitability. 10

5. (a) Explain briefly the various language tools available in MS-WORD 5

(b) Discuss the importance of "data volume" and "usage analysis" in the design of database. 5

(c) Explain the concept of MACRO in MS-EXCEL and list the procedure to create it. 5

RL Marks

(d) Define the following terms related to office productivity tools: 5

(i) NPER

(ii) ABS

(iii) STDEV

(iv) Tri-Pane view

(v) Bullets.

6. (a) Explain the main objectives of IT Act, 2000. 5

(b) Explain the term World Wide Web. What do you understand by Internet Surfing? Explain? 5

(c) Describe the various factors which determines the use of Computer Assisted Audit Techniques (CAAT) 5

(d) Describe the salient features of EX.NGN according package. 5

7. Write short notes on the following: 5x4=20

(i) Microsoft Windows.

(ii) Data dictionary

(iii) Extranet

(iv) Cyber Regulation Appellate Tribunal, as per IT Act, 2000.

RL

CA PE - II :: Information Technology : November 2003

Roll No…………………

Total No. of Questions—7] [Total No. of Printed Pages—4

Time Allowed — 3 Hours Maximum Marks — 100

JK

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Question No.**1** is compulsory

Answer any **four** questions from the rest

Marks

1. (a) Convert the following from one number system to another number system along with the working notes: 1x5=5

   (i) $(101101.011)_2 = (\quad)_{10}$

   (ii) $(99.8125)_2 = (\quad)_2$

   (iii) $(B2C)_{16} = (\quad)_{10}$

   (iv) $(2E7)_{16} = (\quad)_8$

   (v) $(2508)_{10} = (\quad)_8$

   (b) Describe briefly, the following terms with reference to Information Technology: 1x5=5

   (i) Asynchronous Transmission

   (ii) Secure System

   (iii) Stored Program Concept

   (iv) Bandwidth

   (v) Web Browser.

 Marks

(c) Give one or two reasons for each of the following: 1x5=5

(i) Use of Firewall in the system.

(ii) Need for Boot record.

(iii) Need for Macro in spreadsheet.

(iv) Use of RS-232C port.

(v) Importance of Firmware.

(d) Write True or False for each of the following: 1x5=5

(i) Thermal printer is an impact printer.

(ii) Time required to position the movable read/write head over the desired track is termed as seek time.

(iii) In worksheet the cell 65231 to 256th column will be referred as IV 65231.

(iv) In word processing package, Header and Footer can be selected from the VIEW menu.

(v) In MS-POWER POINT, changes can be made on the individual slide without making changes in the slide master.

2. Distinguish between the following: 4x5=20

(a) Data Bus and Address Bus. RAM

(b) Transaction File and Master File.

(c) Work Station and Micro-computer.

(d) Centralized Processing and Distributed Processing.

(e) PROM and EPROM.

3. (a) Define an Operating System and discuss its various functions. 5

(b) Describe the main functions performed by the Database Administrator. 5

 Marks

(c) A bank accepts fixed deposit for a year or more and the policy on interest rate is as follows: 10

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

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

(iii) If the deposit is Rs. 50,000 or more and is for one year or more the interest rate is 8% compounded annually.

(iv) On all deposits for five years or more interest rate is 10% compounded annually.

(v) On all other deposits not covered by the above conditions, the interest rate is 3%.

(vi) If the customer is holder of any type of account for last five years, an additional 1% interest is allowed.

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

4. (a) Explain various features offered by e-mail software. 5

(b) Describe the various factors which have contributed to the growth of Local Area Network (LAN). 5

(c) Discuss the several integrity controls that DBMS package supports. 10

5. (a) Communication software is an essential requirement of Data Communication system. Explain the various functions of this Data Communication Software. 5

(b) Describe any five formatting features available in MS-WORD. 5

Marks

(c) Define the following terms related to office productivity tools: 5

(i) PV
(ii) LEN
(iii) SQRT
(iv) Goal seek
(v) Thesaurus

(d) Define the following functions with respect to spreadsheet package: 5

(i) COUNT (range)
(ii) STD (range)
(iii) MOD (x/y)
(iv) INT (x)
(v) ROUND (x, n)

6. (a) Explain Electronic Data Interchange (EDI) and its advantages. 5

(b) Explain the concept of communication protocols. 5

(c) What is General Audit Package (GAP)? Describe the various facilities to be provided by the GAP? 5

(d) Describe the scope of Information Technology Act, 2000 5

7. Write short notes on the following: 5x4=20

(i) Bar Code Reader.
(ii) Digital Signature.
(iii) Voice Messaging.
(iv) White Box Approach for Audit.

CA PE - II :: Information Technology : May 2004

Roll No…………………

Total No. of Questions—7] [Total No. of Printed Pages—4

Time Allowed — 3 Hours Maximum Marks — 100

TL

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Question No.**1** is compulsory

Answer any **four** from the rest

Marks

1. (a) Convert the following from one number system to another number system along with the working notes: 1x5=5

   (i) $(246.125)_{10} = (\quad)_2$

   (ii) $(101101.1011)_2 = (\quad)_{10}$

   (iii) $(426.5)_{10} = (\quad)_8$

   (iv) $(A2B4)_{16} = (\quad)_{10}$

   (v) $(7654)_8 = (\quad)_{16}$

   (b) Describe briefly, the following terms with reference to Information Technology: 1x5=5

   (i) Accumulator

   (ii) Data Independence

   (iii) ASCII Code

   (iv) Client

   (v) PPP

TL | Marks

(c) Give one or two reasons for each of the following: 1x5=5

(i) Use of USB connector
(ii) Use of Video RAM
(iii) Need of FAT
(iv) Use of File pointer
(v) Need of hub in a network.

(d) Write True or False for each of the following: 1x5=5

(i) One MB represents 1000KB.
(ii) Every formula written in MS-EXCEL has to begin with a dollar ($) sign.
(iii) Cache memory acts as temporary memory and boosts processing power significantly.
(iv) A modern provides the connection between server and work station.
(v) A spooling software is used to compensate the speed difference between the computer and its peripheral devices.

2. Distinguish between the following: 4x5=20

(i) Control unit and Arithmetic/logic unit.
(ii) Impact printer and Non-impact printer.
(iii) Compiler and interpreter.
(iv) System software and Application software.
(v) Horizontal partitioning and vertical partitioning (with reference to database).

3. (a) Describe the various factors which determine the storage capacity of a magnetic disk. 5

(b) Explain the various components of a decision support system. 5

(c) A company ABC Ltd. is engaged in selling consumer goods to different categories of customers. In order to increase its sales, different types of discounts are offered to customers. The policy of discount is as given below: 10

(i) On cooking range, a discount of 12 percent is allowed to dealers and 9 percent to retailers irrespective of the value of the order.

(ii) A discount of 12 percent is allowed on washing machine irrespective of the category of customer and the value of the order.

(iii) On decorative products, dealers are allowed a discount of 20 percent provided that the value of the order is Rs. 10,000 and above. Retailers are allowed a discount of 10 percent irrespective of the value of the order.

Draw a flow chart to calculate the discount for the above policy.

4. (a) Discuss the various data transmission techniques used in computer network. 5

(b) What are the important decisions which influence the physical design of a database? Explain. 5

(c) What is an expert system? Explain the various elements of an expert system. Also write its advantages. 10

5. (a) Explain briefly, the various tools offered by MS-WORD for efficient writing. 5

(b) Discuss the important features of MS-POWER POINT. 5

(c) Describe the various types of charts which can be created through MS-EXCEL. 5

(d) Define the following functions used in MS-EXCEL: 1x5=5

(i) DMAX

(ii) RATE

(iii) ABS

(iv) PPMT

(v) VAR.

TL

			Marks
6.	(a)	What do you understand by Local Area Network? Describe its basic components.	5
	(b)	Explain the duties of certifying authority in respect of digital signature.	5
	(c)	What major steps are required to be undertaken by the auditor prior to implementation of a CAAT? Explain.	5
	(d)	What do you mean by object oriented programming? Explain its advantages.	5

7. Write short notes on the following: 5x4=20

(i) Tele Conferencing

(ii) Windows NT

(iii) Web Casting

(iv) Neural Network.

TL

CA PE - II :: Information Technology : November 2004

Roll No…………………

Total No. of Questions—7] [Total No. of Printed Pages—4

Time Allowed — 3 Hours Maximum Marks — 100

PS

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Question No.**1** is compulsory

Answer any **four** from the rest

Marks

1. (a) Convert the following from one number system to another number system along with the working notes: 1x5=5

(i) $(765.625)_{10} = (\quad)_2$

(ii) $(11011010.1101)_2 = (\quad)_{10}$

(iii) $(9876)_{10} = (\quad)_8$

(iv) $(7654)_8 = (\quad)_{16}$

(v) $(AD5)_{16} = (\quad)_{10}$

(b) Describe briefly, the following terms with reference to Information Technology: 1x5=5

(i) Access time

(ii) Buffer

(iii) Multiplexor

(iv) HTML

(v) CMOS

PS | Marks

(c) Give one or two reasons for each of the following: 1x5=5

(i) Use of Cache memory
(ii) Use of Parallel port
(iii) Use of gateway in Computer network
(iv) Use of Auto Text feature in MS WORD
(v) Need of Diagnostic Routine in System Software.

(d) Write True or False for each of the following: 1x5=5

(i) The clock speed is the speed at which the processor executes instruction.
(ii) A dumb terminal has an inbuilt processing capability.
(iii) ASCII code provides representation of a maximum 256 individual characters.
(iv) A non-impact printer forms character by chemical or electronic means.
(v) Multitasking refers to the use of two or more CPU to perform coordinated work simultaneously.

2. Distinguish between the following: 4x5=20

(i) Semi-conductor memory and Bubble memory.
(ii) Online system and Real time system.
(iii) Client-server architecture and Peer to Peer architecture.
(iv) Ring network and Star network.
(v) Intranet and Extranet.

3. (a) Explain the different steps involved in Image processing. 5

(b) What do you mean by Structured Querry Language (SQL)? Explain its utility in database management. 5

 Marks

(c) A bicycle shop in a city hires bicycles by the day at different rates for different models as given below: 10

Model No.	Hire rate per day
Model No.1	Rs. 10
Model No.2	Rs. 9
Model No.3	Rs. 8
Model No.4	Rs. 7

In order to attract customers, the shopkeeper gives a discount of 15 percent to all those customers, who hire a bicycle for more than one week period. Further to attract women customer he gives additional discount of 10 percent irrespective of hire period. For every bicycle hired a security deposit of Rs. 25 must be paid.

Draw a flow chart to print out the details of each customer such as name of customer, bicycle model number, number of days a bicycle is hired for, hire charges, discount and total charges including deposits.

4. (a) Briefly explain various types of communication services used to transmit data in a network. 5

(b) Explain the different types of payment systems in E-commerce. 5

(c) Discuss the various components of database environment. 10

5. (a) Explain the concept of mail merge used in MS WORD. 5

(b) Briefly describe about the different views of slide offered by Power Point to create a better presentation. 5

(c) What do you mean by Direct Data Entry (DDE) system? Give a brief description of Optical Character Reader. 5

(d) Define the following functions used in MS-EXCEL: 1x5=5

(i) SUM

(ii) COUNT

(iii) PMT

(iv) FV

(v) INT

PS Marks

6. (a) What do you mean by generalized audit package? Write down the typical steps in using audit package. 5

(b) Explain the various matters on which central government can make rules under Section 87 of Information Technology Act. 5

(c) Describe the salient feature of EX.NGN accounting package. 5

(d) Explain the chief uses of internet 5

7. Write short notes on the following: 5x4=20

(i) Program Library Management system

(ii) Computer Output Microfilm (COM)

(iii) Graphical User Interface (GUI)

(iv) Distributed Database.

PS

CA PE - II :: Information Technology : May 2005

Roll No…………………

Total No. of Questions—7] [Total No. of Printed Pages—4

Time Allowed — 3 Hours Maximum Marks — 100

MP

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Question No.**1** is compulsory

Answer any **four** from the rest

Marks

1. (a) Convert the following from one number system to another system along with the working notes: 1x5=5

(i) $(1267.3125)_{10} = (\quad)_2$

(ii) $(10110.101)_2 = (\quad)_{10}$

(iii) $(1234)_8 = (\quad)_{16}$

(iv) $(B2C)_{16} = (\quad)_2$

(v) $(10110111.1)_2 = (\quad)_8$

(b) Describe briefly, the following terms with reference to Information Technology: 1x5=5

(i) Asymmetric crypto system

(ii) Subroutine

(iii) Parity bit

(iv) Object oriented Database

(v) FTP.

(c) Give one or two reasons for each of the following: 1x5=5

(i) Use of Serial Interface.

(ii) Use of Spooling Software.

(iii) Use of Fire wall in the system.

(iv) Need of Repeaters in the network.

(v) Need of Reference files.

(d) Write True or False for each of the following: 1x5=5

(i) Flash memory chips are one form of static RAM chip.

(ii) A sequential access file can reside only on a magnetic tape.

(iii) A Personnel Computer based on the Intel 80386 chipset has 32 bit processor.

(iv) The speed of Dot matrix printer is measured in terms of CPS.

(v) Outline view of MS-POWER POINt permits frequent switching between text and object on a slide.

2. Distinguish between the following: 4x5=20

(i) Synchronous and Asynchronous data transmission.

(ii) RAM and ROM

(iii) Multiprogramming and Multiprocessing

(iv) Third generation and Fourth generation languages.

(v) Fixed length field and Variable length field (with reference to database).

3. (a) Describe briefly, why a file processing system reduces effectiveness of the end user applications? 5

(b) Describe the salient features of Hierarchical database. 5

(c) A bank has 500 employees. The salary paid to each employee is sum of his basic pay. Dearness Allowance and House rent allowance. For the purpose of computing house rent allowance bank has classified his employees into three classes A, B and C. The house rent allowance for each class is computed at the rate of 30 percent, 20 percent and 10 percent of the basic pay respectively. The dearness allowance is computed at a flat rate of 60 percent of the basic pay. 10

Draw a flow chart to determine the percentage of employee falling in the each of the following salary slab: 10

(i) Above Rs. 30,000

(ii) Rs. 15,001 to Rs. 30,000

(iii) Rs. 8,001 to Rs. 15,000

(iv) Less than or equal to Rs. 8,000.

4. (a) Explain the working principle of Electronic Data Interchange (EDI). 5

(b) Describe the various services provided by Data centre. 5

(c) Discuss the various components of a Local Area Network (LAN) 10

5. (a) With reference to word processing, differentiate between the following: 3+2=5

(i) Text Editor and Word Processor

(ii) Type face and Font.

(b) What do you mean by Artificial Intelligence? Describe any two types of artificial intelligence used in Information Technology. 5

(c) Describe any five categories with their purposes under which various functions available in MS-EXCEL are classified. 5

(d) Define the following functions used in MS-EXCEL: 5

(i) IRR

(ii) LEN

(iii) DMIN

(iv) POWER

(v) MOD (X/Y).

MP | Marks

6. (a) Which areas of DBMS should be addressed while maintaining a database? 5

   (b) Describe the Integrated Test Facility (ITF) method used in conducting audit 5

   (c) Describe about the various actions which warrants penalty under the Section 43 of the IT Act, 2000. 5

   (d) Briefly explain the various tools available to protect informations against instructions. 5

7. Write short notes on the following: 5x4=20

   (i) Firmware

   (ii) Data dictionary

   (iii) Storage area network

   (iv) Microsoft windows.

MP

CA PE - II :: Information Technology : November 2005

Roll No…………………

Total No. of Questions—7] [Total No. of Printed Pages—4

Time Allowed — 3 Hours Maximum Marks — 100

CS

Answers to questions are to be given only in English except in the cases of candidates who have opted for Hindi medium. If a candidate who has not opted for Hindi medium, answers in Hindi, his answers in Hindi will not be valued.

Question No.**1** is compulsory

Answer any **four** from the rest

Marks

1. (a) Convert the following from one number system to another system along with the working notes: 1x5=5

(i) $(11011101)_2 = (\quad)_{10}$

(ii) $(423.25)_{10} = (\quad)_2$

(iii) $(6437)_8 = (\quad)_{16}$

(iv) $(CDEF)_{16} = (\quad)_2$

(v) $(11011.11101)_2 = (\quad)_{16}$

(b) Describe briefly, the following terms with reference to Information Technology: 1x5=5

(i) Digitization

(ii) Compilor

(iii) PCI slots

(iv) Debug

(v) Cursor.

CS | Marks

(c) Give one or two reasons for each of the following: 1x5=5

(i) Use of Modern
(ii) Use of Graph Plotter
(iii) Use of Subroutine
(iv) Use of Operating System
(v) Need of Protocol Converters.

(d) Write True or False for each of the following: 1x5=5

(i) Digital computer process data input in a continuous form.
(ii) Each side of DVD can hold upto 4.7 GB data.
(iii) Speed of Non-Impact Printers is measured in LPM.
(iv) Microcomputer are based on RISC architecture.
(v) E.X.NGN offers 72 basic reports in accounting.

2. Distinguish between the following: 4x5=20

(i) DDL and DML
(ii) Dumb Terminal and Intelligent Terminal
(iii) LAN and WAN
(iv) Computer Aided Design (CAD)/Computer Aided Manufacturing (CAM)
(v) Sequential File Organization and Random File Organization.

3. (a) Define an Expert System. Explain its benefits. 5

(b) What are the constituents of Data Centre? 5

(c) A water distribution company has two categories of consumers (Domestic and Commercial). 10

The charges of water per unit consumed by these consumers are Rs. 5.00 and Rs. 8.00 respectively. The computer database of the company has the following information:

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

The company processes bills according to the following criterion.

If the consumer is domestic and pays his bill within 10 days of the bill date, 7% discount is given. If he pays the bill within 15 days, no discount is given. If he makes the payment after 15 days of the bill date, 10% surcharge is levied. For commercial consumers, corresponding percentages be 15%, 0% and 15% respectively.

4. (a) Explain the various functions of communications software. 5

(b) Explain any five communication interface devices. 5

(c) Discuss the several integrity control that DBMS has to support. 10

5. (a) Explain "Decision table". Explain in brief four parts of decision table. 5

(b) Describe any five formatting features available in MD-WORD. 5

(c) Define the following functions with respect to MS-EXCEL: 1x5=5

(i) STDEV

(ii) TRANC

(iii) SQRT

(iv) LN

(v) PV.

(d) Explain any five features offered by e-mail software. 5

CS | Marks

6.	(a)	Explain white box approach for Auditing.	5
	(b)	Explain in brief the advantages of Optical Character Reader.	5
	(c)	Explain the various matters on which power of controller can make rules under Section 89 of Information Technology Act.	5
	(d)	What are the different OLE automation support provided by E.X.NGN software?	5
7.		Write short notes on the following:	5x4=20
	(i)	Parallel Processing	
	(ii)	IT Act, 2000	
	(iii)	Extranet	
	(iv)	Video Conferencing.	

CS

CA PE - II :: Information Technology : November 2006

Roll No…………………

Total No. of Questions—7] [Total No. of Printed Pages—4

Time Allowed — 3 Hours Maximum Marks — 100

MP

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Question No.**1** is compulsory

Answer any **four** from the rest

Marks

1. (a) Convert the following from one number system to another system along with the working notes: 1x5=5

(i) $(1357)_{10} = (\quad)_2$

(ii) $(1463)_{10} = (\quad)_8$

(iii) $(101101110)_2 = (\quad)_{16}$

(iv) $(573)_8 = (\quad)_{16}$

(v) $(1100100110)_2 = (\quad)_8$

(b) Describe briefly, the following terms with reference to Information Technology: 1x5=5

(i) Interpreter

(ii) stored Program Concept

(iii) Toggle

(iv) Object Program

(v) Router

 Marks

(c) Give one or two uses for each of the following: 1x5=5

(i) Use of MACROS

(ii) Use of BIOS

(iii) Use of Parallel Ports

(iv) Use of Web Browser

(v) Use of Repeaters.

(d) Write True or False for each of the following: 1x5=5

(i) Compiler is one of the hardware devices in a computer.

(ii) The Address BUS is a set of wires that connects the CPU and RAM and carries the memory address.

(iii) The F2 key is used to edit the formula cell in a spreadsheet.

(iv) A spooling software is used to compensate the speed difference between the computer and its peripheral devices.

(v) DML describes the data type and name of each field.

2. Distinguish between the following. Answer any four 4x5=20

(i) Cache memory and ROM

(ii) On line system and Batch processing

(iii) Ring Network and Star Network

(iv) Analog computer and Digital computer

(v) Network-attached storage and Direct-attached storage.

3. (a) Describe various factors which determine the best file organization for an application. 5

(b) Describe the various types of data communication modes. 5

Marks

(c) An electric supply company charges the following rates for its domestic consumers: 10

No. of units consumed	Charges/unit (Rs.)
For the first 200 units	1.60
For the next 300 units	2.10
Over 500 units	3.90

Surcharge @ 20% of the bill is to be added to the charges.
Draw a Flow chart for the above, which will read the consumer number and the number of units consumed and print out the total charges with the consumer number and the units consumed.

4. (a) What are the important decisions which influence the physical design of a Database? Explain. 5

(b) Describe briefly the various features of Data centres. 5

(c) Explain the benefits offered by electronic commerce application and implementation. 10

5. (a) Explain the concept of mail merge used in MS-WORD. 5

(b) Explain the various types of decision tables. 5

(c) Explain briefly the various tools offered by MS-WORD for efficient writing. 5

(d) Define the following functions used in MS-EXCEL: 5

(i) DMAX (ii) VAR (iii) SUM (iv) INT (v) FV

MP | Marks

6. (a) Explain the duties of Certifying Authorities under Section 30 of Information Technology Act. 5
   (b) Write down the typical steps in using audit package. 5
   (c) Describe the salient features of EX.NGN accounting package. 5
   (d) What do you mean by object-oriented programming? Explain its advantages. 5
7. Write short notes on the following. Answer any four 5x4=20
   (i) WORM Disks
   (ii) Bar Code Reader
   (iii) Web Casting
   (iv) World Wide Web
   (v) Digital Signature

MP

CA PE - II :: Information Technology : May 2007

Roll No…………………

Total No. of Questions—7] [Total No. of Printed Pages—2

Time Allowed — 3 Hours Maximum Marks — 100

PD

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Question No.**1** is compulsory

Answer any **four** from the rest

Marks

1. (a) Convert the following from one number system to another system along with the working notes: 1x5=5

   (i) $(3cB\ 98)_{18} = (\quad)_2$

   (ii) $(----------)_{16} = (\quad)_8$

   (iii) $(111.12)_8 = (\quad)_2$

   (iv) $(10101010.101)_2 = (\quad)_{10}$

   (v) $(123.15)_{10} = (\quad)_{16}$

   (b) Describe briefly, the following terms with reference to Information Technology: 1x5=5

   (i) FTP

   (ii) DBMS

   (iii) Duplex Printing

   (iv) Gateways

   (v) Asymmetric Crypto System.

   (c) Give one or two reasons for each of the following: 1x5=5

   (i) Use of Firewall in the system.

   (ii) Need of Macro in spread sheet

   (iii) Use of USB Port

   (iv) Use of Router

   (v) Use of Multiplexer.

   (d) Write True or False for each of the following statements: 1x5=5

   (i) Network database structure can be used to answer ad hoe queries.

   (ii) Computer Output Microfilm (COM) is Inspire as well as Output device.

(iii) One GB represents 10,48,567 bytes.

(iv) Laser printers speed is measured in PPM.

(v) Screen resolution is measured in terms of Picture elements.

2. Distinguish between the following: 1x5=5

(i) Master file and Transaction file.

(ii) Logical record and Physical record

(iii) Audio conferencing and video conferencing

(iv) Sequential file organisation and Direct file organisation.

(v) Client–server model and Peer to Peer model.

3. (a) Explain in brief, the floppy disk as an auxiliary device. 5

(b) What is database structure? Explain relational database structure. 5

(c) A company offers discounts to customers on the following basis: 10

Quantity ordered	Normal discount
Less than 101	5%
From 101 to 500	10%
From 501 to 1,000	15%
More than 1,000	20%

The normal discount as given above is admissible only if the Customer's account balance is below Rs. 1,000 and the order value is Rs. 10,000 or more. If the admit does not satisfy both of these conditions, the discount is reduced by 2% and if only one condition is violated, the discount is reduced by 1%.

Draw a Flow chart to print customer name, discount offered and net amount payable for 25 customers.

4. (a) Explain the various views of a slide in MS—Power Point. 5

(b) Define an operating system and explain various functions performed by it. 5

(c) What are the mtegrity controls that DBMS package may offer? Explain in brief. 10

5. (a) Describe the benefits of SAN. 5

(b) Explain the various views of a slide in MS–Power Point. 5

(c) Explain the various tools available to protect the information from intrusion and misuse. 5

(d) Define the following functions used in MS–EXCEL: 5

(i) NPV (ii) LOG (iii) LEN (iv) ROUND (v) COUNT

6. (a) What is Image processing? Explain the steps required for image processing. 5

(b) Discuss the objectives of information Technology Act, 2000. 5

(c) Explain the following techniques of audit used by internal auditors: 5

(i) System activity file interrogation.

(ii) Program comparison.

(d) Explain general management concerns in E–commerce. 5

7. Write short notes on the following. Answer any four: 5x4=20

(i) Voice messaging

(ii) Wireless networks

(iii) File management system

(iv) Diagnostic routines

(v) White box approach for audit.

PD

PE II MAY 2008 QUESTION PAPERS

ACCOUNTANCY

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi medium. If a candidate who has not opted for Hindi medium, answers in Hindi, his answers in Hindi, his answers in Hindi will not be valued.

Answer **all** questions

Wherever appropriate suitable assumptions should be made by the candidate.
Working notes should form part of the answer.

Marks

1. Following incomplete information of X Ltd. are given below : 20

Trading and Profit & Loss Account for the year ended 31st March, 2008

	Rs. '000		Rs. ' 000
To Opening stock	700	By Sales	?
To Purchases	?	By closing stock	?
To Direct express	175		
To Gross profit c/d	?		
	…………		………..
Establishment expenses	740	By Gross profit b/d	?
To Interest on loan	60	By Commission	100
To Provision for taxation	?		
To Net profit c/d	?		
	………….		………….

To Proposed dividends	?	By Balance B/F	140
To Transfer to general reserve	?	By Net profit b/d	?
To Balance transferred to Balance Sheet	?		
	…….		………

Balance Sheet as at 31st March 2008

Liabilities	Amount (Rs. '000)	Assets	Amount (Rs. '000)
Paid-up capital	1,000	Fixed Assets :	-
General Reserve :		Plant & Machinery	1,400
Balance at the beginning of	?	Other Fixed Assets	?
the year		Current Assets:	
Proposed addition	?	Stock	

Profit and Loss account	?	Sundry debtors	?
10% Loan account		Cash at bank	
Current liabilities	?		125
	....		....

Other in formations:

i. Current ratio is 2 : 1

ii. Closing stock is 25% of sales.

iii. Proposed dividends to paid-up Capital ratio is 2 : 3.

iv. Gross profit ratio is 60% of turnover.

v. Loan is half of current liabilities.

vi. Transfer to general reserves to proposed dividends ratio is 1 : 1

vii. Profit carried forward is 10% of proposed dividends.

viii. Provision for taxation is equal to the amount of net profit of the year.

ix. Balance to credit of general reserve at the beginning of the year is twice the amount transferred to that account from the current year's profits.

All working notes should be part of your answer. You are required to complete :

i. Trading and Profit and Loss account for the year ended 31st March, 2008 and

ii. The Balance Sheet as on that date.

Marks

2. The Balance Sheet of A Limited and B Limited as at 31st March, 2008 are as 16 follows. 16

Liabilities	A. L.t.d.	B Lt.d.	Assets	A L.t.d.	B Ltd.
Equity shares			Sundry assets	30,00, 000	14,00,00
of Rs. 10 each	20,00,000	12,00,000	40,000 Equity		
General Reserve	4,00,000	2,20,000	Shares in		
Creditors	6,00,000	3,80,000	A.Ltd.		4,00,000
	30,00,000	18,00,000		30,00,000	18,00,000

A Ltd, absorbed B Ltd. on the basis or intrinsic value of the shares. The purchase consideration is to be discharged in fully paid-up Equity Shares. A sum of Rs.1,00,000 is owed by A Ltd. to B Ltd, also included in the stock of A Ltd. is Rs.1,20,000 goods supplied by B Ltd, at cost plus 20%.

Give Journal entries in the books of both the companies, if entries are made at intrinsic value. Also prepare Balance Sheet of A Ltd. after absorption.

3. S and T were carrying on business as equal partners. Their Balance Sheet as on 31st March, 2007 stood as follows : 16

Liabilities	Rs.	Rs.	Assets	Rs.

Capital Accounts:			Stock	2,70,000
S	6,40,000		Debtors	3,65,000
T	6,60,000	13,00,000	Furniture	75,000
Creditors		3,27,500	Joint life policy	47,500
Bank overdraft		1,50,000	Plant	1,72,500
Bills payable		62,500	Building	9,10,000
		18,40,000		18,40,000

The operations of the business was carried on till 30th September, 2007. S Sand T both withdrew in equal amounts half the amount of profits made during the current period of 6 month after 10% p.a. had been written off on Building and Plant and 5% p.a written off on furniture. During the current period of 6 months, creditors were reduced by Rs. 50,000, Bills payables by Rs. 11,500 and Bank Overdraft by Rs. 75,000. The Joint life policy was surrendered for Rs. 47,500 on 30th September, 2007. Stock was valued at Rs. 3,17,000 and debtors at Rs. 3,25,000 on 30th September, 2007. The other items remained the same as they were on 31st March, 2007.

On 30th September, 2007 the firm sold its business to ST Ltd. The goodwill was estimated at Rs. 5,40,000 and the remaining assets were valued on the basis of the Balance sheet as on 30th September, 2007. The ST Ltd. paid the purchase consideration in equity shares of Rs.10 each. You are required to prepare a Realisation account and Capital accounts of the partners.

4. The Washington branch of XYZ Limited, Mumbai sent the following trial balance as on 31st December, 2007 : 16

	$	$
Head Office A/c	-	22,800
Sales	-	84,000
Debtors and Creditors	4,800	3,400
Machinery	24,000	-
Cash at Bank	1,200	-
Stock, 1 January, 2007	11,200	-
Goods from H.O	64,000	-
Expenses	5,000	-
	1,10,200	1,10,200

In the banks of head office, the Branch a/c stood as follows:

Washington Branch A/c			
	Rs.		Rs.
To Balance b/d	8,10,000	By Cash	28,76,000
To goods sent to branch	29,26,000	By Balance c/d	8,60,000
	37,36,000		37,36,000

Goods are sent to the branch at cost plus 10% and the branch sell goods at Invoice price plus 25%. Machinery were acquired on 31st January, 2002, When $ 1.00 = Rs. 40

Rate of Exchange were:

1st January, 2007	$ 1.00	= Rs. 46
31st December, 2007	$ 1.00	= Rs. 48
Average	$ 1.00	= Rs. 47

Machinery is depreciated @ 10% and the Branch Manager is entitled to a commission of 5 % on the profit of the branch.

You are required to:

(i) Prepare the branch Trading & Profit & Loss A/c in dollars.

(ii) Convert the Trial Balance of branch into India currency and prepare Branch Trading & Profit and Loss A/c and the Branch A/c in the books of head office.

5. **(a)** The following are the figures extracted from the books of New Generation Bank Limited as on 31.3.2008 : 10

	Rs.
Interest and Discount received Interest paid on deposits Issued and Subscribed capital Salaries and allowances Directors fee and allowances Rent and Taxes paid Postage and telegrams Statutory reserve fund Commission, exchange and brokerage Rent received Profit on sale of investments Depreciation on Bank's properties Statutory expenses Preliminary expenses Auditor's fees	37,05,738 20,37,452 10,00,000 2,00,000 30,000 90,000 60,286 8,00,000 1,90,000 65,000 2,00,000 30,000 40,000 25,000 5,000

The following further information is given :

(i) 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.

(ii) There were also other debts for which a provision of Rs. 1,150,000 was found necessary by the auditors.

(iii) Rebate on Bills discounted on 31.3.2007 was Rs.12,000 and on 31.3.2008 was Rs.16,000.

(iv) Provide Rs.6,50,000 for Income-tax.

(v) The Directors desire to declare 10% dividend.

Prepare the Profit and Loss account of New Generation Bank Limited for the year ended 31.3.2008 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 31.3.2007.

(b) Prepare the fire Insurance Revenue A/c as per IRDA regulations for the year ended 31st March, 2008 from the following details: 6

	Rs.
Claims paid	4,90,000
Legal expenses regarding claims	10,000
Premiums received	13,00,000
Re-insurance premium paid	1,00,000
Commission	3,00,000
Expenses of Management	2,00,000
Provision against unexpired risk on 1ST April, 2007	5,50,000
Claims unpaid on 1ST April, 2007	50,000
Claims unpaid on 31ST March, 2008	80,000

6. Answer any **four** of the following : 4x4 = 16

(i) **(a)** X Ltd. purchased debentures of Rs. 10 lacs of Y Ltd., which are traded in Stock exchange. How will you show this item as per AS-3 while preparing cash flow statement for the year ended on 31ST March, 2008?

(b) Mr.Raj a relative of key management personnel received remuneration of Rs.2,50,000 for this services in the company for the period from 1.4.2007 to 30.6.2007. On 1.7.2007 he left the service.

Should the relative be identified as at the closing date i.e., on 31.3.2008 for the purpose of AS-18?

(ii) A manufacturing company purchased shares of another company from Stock exchange on 1st May, 2007 at a cost of Rs.5,00,000. It also purchased Gold of Rs.2,00,000 and Silver of Rs. 1,50,000 on 1st April, 2005. How will you treat these investments as per the applicable As in the books of the company for the year ended on 31st March, 2008, if the value of these investments are as follows?

	Rs.
Shares	2,00,000
Gold	4,00,000
Silver	2,50,000

(iii) **(a)** Wye Ltd, received Rs. 50 lacs from the Central Govt. as subsidy for setting-up an industry in backward area. How will you treat it in accounts?

(b) How Govt. great relating to Specific Fixed Assets is treated in the books as per As-12?

(iv) A Ltd. had 6,00,000 equity shares on April 1, 2007. The company earned a profit of Rs. 15,00,000 during the year 2007-08. The average fair value per share during 2007-08 was Rs. 25. The company has given share option to its employees of 1,00,000 equity shares at option price of Rs.15. Calculate basic EPS and diluted EPS.

(v) Give names of books required to be maintained in agriculature farm accounting .

(vi) **(a)** How the Government expenditure in India is classified?

(b) In a production process, normal waste is 5% of input. 5,000 MT of input were put in process resulting in a wastage of 300 MT. Cost per MT of input is Rs. 1,000. The entire quantity of waste is no stock at the year end. State with reference to Accounting standard, how will you value the inventories in this case?

AUDITING

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi medium. If candidate who has not opted for Hindi medium, answers in Hindi, his answers in Hindi will not be valued.

Answer questions 1 and 2 and four from the rest.

1. As on Auditor, comment on the following :

(a) Sri Limited is a manufacturing company engaged in manufacture of cement. It had three plants already commissioned in its site at Chennai. The company expanded its plant capacity by contracting with a supplier for the purchase and installation of one additional plant. The project was commenced on 1.7.2007 and the new plant commercial operations on1.1.2008. The new plant was capitalized and shown as fixed asset as on 31.3.2008 at cost which included, besides other things, the following : 5

(a) Contract price of plant and equipment and installation costs

(b) Interest due for the period till 31.3.2008 for the terms loan taken from scheduled bank for financing the project which is repayable over five years commencing 1.7.2008.

(c) Salaries, welfare expenses of the plant engineers of the company for the period from 1.7.2007 to 31.12.2007 who supervised the contract work.

(b) The Investments of ABC Limited includes 5,000 equity shares of Rs. 100 each in Amudhan Bank Limited. Amudhan Bank Ltd. declared 20% dividend for the year ended 31.3.2007 at its General Meeting held on 30.6.2007. ABC Limited finalised its accounts for the year ended 31.3.2007 on 30.8.2007 and it includes Rs.1,00,000 being the amount of dividend received by it from Amudhan Bank Ltd. in its other income subsequent to its Balance Sheet date before approval by the Board of Directors. 5

(c) The management of Ankita Limited suggested for quick completion of the statutory audit that it would give its representation about the receivables in terms of their recoverability. The management also acknowledged to the auditors that the management would give their representation after scrutinizing all accounts diligently and they own responsibility for any errors in these respects. It wanted auditors to complete the audit checking all other important areas except receivables. The auditor certified the account clearly indicating in his report the fact of reliance he placed on representation on the management. 4

(d) As Limited purchased on 1.4.2007 a machinery from a foreign country at a price of $ 1,50,000 upon terms of credit that the price should be settled within six months from the data of purchase. The company capitalised the Asset and created Liability for the capital goods converting the foreign currency liability to Indian Rupees at a rate of exchange prevailing as on 1.4.2007. When the company settled the liability on 18.7.2007, it had to incur an additional amount of Rs. 6,75,000 due to change in foreign exchange rate on date of settlement. It added this additional amount of exchange variation in the capital cost of the asset and charged depreciation upon the enhanced amount of asset value from 18.7.2007. 4

2. Comment of the following :

(a) AAS Company Limited with its registered office at Chennai has two branch offices located at Mumbai and Kolkota. The accounting transactions of the branches are recorded and the accounting records are maintained in the branches themselves. Only quarterly summarized Trial balance, Profit and Loss account and Balance Sheet are sent to Chennai office by the branch Accountants. One of the assistants of your audit team raises an issue that the company is required to maintain its books and records at the registered office; the company, keeping its accounting records at the branches, hence is as default of not maintaining proper books at registered office as per the Company law provisions. 5

(b) During the year 2007-08, it was decided for the first time that the accounts of the branch office of AAS Company Limited be audited by qualified Chartered Accountants other than the company auditor. Accordingly, the Board had appointed branch auditors for the ensuing year. One of he shareholders complained to the Central Government that the appointments was not valid as the Board of Directors do not have power to appoint auditors, be they Company Auditor or Branch Auditors? 4

(c) The Chief Accountant of AAS Company Limited says that the company, being in loss, would not provide depreciation for the Fixed Assets during this year, it would provide for the arrears of depreciation when it has profits in the future years; there is nothing wrong in this treatment, as according to the Companies Act, 1956, the company is bound to provide for depreciation only when it intends to declare divided; in the present case, the company does not declare dividend. 4

(d) Other liabilities in Balance Sheet of AAS Limited include Rs. 7.8 lakhs being the amount of excise duty payable since 1.5.2007 remaining unpaid till 31.3.08. However, the same been paid by the paid the company on 15.4.2008 upon getting clarification from its advocates that the liability is actually payable by it. 4

3. (a) (i) What is Audit Engagement letter? 2

(ii) Discuss the situations where it is necessary to issue audit engagement letter each year for repetitive audits. 6

(b) In a system based audit, test checking approach provides a good base for the auditor to form his opinion on the Financial statement. Give your comments. 8

4. How will you vouch/verify the following: 4x4 = 16

(a) Liability towards gratuity

(b) Expenditure incurred for promotion of a product

(c) Balance with excise authority

(d) Receipt of special backward area subsidy from Government.

5. **(a)** State, how the reliability of audit evidence gets affected by the types of Audit evidences. 8

(b) Explain the compliance procedure and also substantial procedures as Audit methods of collecting evidences for forming an audit opinion. 8

6. **(a)** Enunciate the General principles of varification of Assets. 8

(b) State the matters which the statutory Auditor should look into before framing opinion on accounts on finalisation of audit of accounts? Discuss over all audit approach. 8

7. **(a)** The Vidhawat College, an institution management by Dayal Trust, has received a grant of Rs. 1.35 crore from Government nodal agencies for funding a project auditing this fund in the accounts of the college. 12

(b) What are the main points involved in 'Performance Audit' under Government Accounting system? 4

8. Write short notes on the following : (any **Four**) 4 x 4 = 16

(a) Disclaimer of opinion by an audior.

(b) Audit Report versus Audit Certificate.

(c) Statutory Auditor versus Internal Auditor.

(d) Fundamental Accounting assumptions.

(e) Audit versus Investigation.

(f) Audit of Incomplete records.

LAW

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi medium. If candidate who has not opted for Hindi medium, answers in Hindi, his answers in Hindi will not be valued.

Question Nos. 1 and 7 are compulsory.

Candidates are required to attempt four questions out of Questions Nos. 2,3,4,5 and 6 and two questions out of Question Nos. 8, 9 and 10.

1. Answer any **four** of he following :

(a) Point out with reason whether the following agreements are valid or void : 5

(i) Kamala promises Ramesh to lend Rs.50,000 in lieu of consideration that Ramesh gets Kamala's marriage dissolved and himself marries with her.

(ii) Sohan agrees with Mohan to sell his back horse. Unknown to both the parties, the horse was dead at the time of agreement.

(iii) Ram sells the goodwill of his shop to Shyam for Rs.4,00,000 and promises not to carry on such business forever and anywhere in India.

(iv) In an agreement between Prakash and Girish, there is a condition, that they will not institute legal proceeding against each other without consent.

(v) Ramamurthy, who is a citizen of India, enters into an agreement with an alien friend.

(b) A, B and C were joint owners of truck and possession of the said truck was with B. X purchased the truck from B without knowing that A and C were also owners of the truck. Decide in the light of provisions of the Sale of Goods Act, 1930, whether the sale between B and X is valid or not? 5

(c) What are the provisions regarding set on and set off of the allocable surplus under the payment of bonus Act, 1965? 5

(d) What do you mean by "implied authority" of the partners in a firm? point out the extent of partner's implied authority in case of emergency, referring to the provisions of the Indian partnership Act, 1932. 5

(e) Bharat executed a promissory note in favour of Bhushan for Rs.5 crores. The said amount was payable three days after sight. Bhushan, on maturity, presented the promissory note on 1st January, 2008 to Bharat. Bharat made the payment on 4th January, 2008. Bhushan wants to recover interest for one day from Bharat. Advise Bharat, in the light of provisions of the Negotiable Instruments Act, 1881, whether he is liable to pay the interest for one day? 5

(f) Explain the provisions of the Employees provident Fund and Miscellaneous Provisions Act, 1952 regarding the following : 5

(i) rate of interest on amount due from the employer under the Act.

(ii) maximum limit of interest rare

(iii) the period for which the employer is liable to pay the said interest.

2. **(a)** Ravi sent a consignment of goods worth Rs. 60,000 by railway and got railway receipt. He obtained and advance of Rs.30,000 from the bank ad endrosed and delivered the railway 5 receipt in favour of the bank by way of security. The railway failed to deliver the goods at the destination. The bank filed a suit against the railway for Rs. 60,000. Decide in the light of provisions of the Indian Contract Act, 1872, whether the bank would succeed in the said suit?

(b) State the privileges of a Coorperative Society registered under the Coorperative Society Act, 1912 relating to the exemption from Income-tax, Stamp duty and Registration fee. 5

3. **(a)** R is the wife of P, She purchased some sarees on Credit from Q. Q demanded the amount from P. P refused. Q filed as suit against P for the said amount. Decide in the light of provisions of the Indian Contract Act, 1872, whether Q would succeed? 5

(b) A, B and C are partners in a firm. As per terms of the partnership deed, A is entitled to 20 percent of the partnership property and profits. A retires from the firm and dies after 15 days. B and C contine business of the firm without settling accounts. What are the rights of A's legal representatives against the firm under the Indian partnership Act, 1932? 5

4. **(a)** Mr. Amit was shopping in a self-service Super market. He picked up a bottle of cold drink from a shelf. While he was examining the bottle, it exploded in his hand and injured him. He files a suit for damages against the owner of the market on the ground of breach of condition. Decide, under the Sale of Goods Act, 1930, whether Mr. Amit would succeed in his claim? 5

(b) State the eligibility and disqualification of the members of a Multi-State Cooperative Society under the provisions of the Multi-State Cooperative Society Act, 1984 (As amended by the Act of 2002). 5

5. **(a)** X draws a cheque in favour of Y. After having issued the cheque he informs Y not to present the cheque for payment. He also informs the bank to stop payment. Decide, under provisions of the Negotiable Instruments Act, 1881, whether the said act of X constitute an offence against him? 5

(b) Vimal is an employee in a Company. The following payments were made to him during the previous year : 5

(i) Piece rate wages

(ii) Productivity bonus

(iii) Additional dearness allowance

(iv) Value of Puja gift.

Examine as to which of the above payments from part of "Basic Wages" of Vimal under the Employees Provident fund and Miscellaneous Provisions Act, 1952.

6. **(a)** X is an employee in a Company. The amount of bonus payable to him during the year 2007-08 is Rs.14,000. The company deducted a sum of Rs. 4,000 against the "Puja Bonus" already paid to him during the said year and paid the remaining amount. X files a suit against the company for recovery of the deducted amount. Decide, under the Payment of Bomus Act, 1965, whether X would be given any relief by the Court? 5

(b) State the ways in which a Society, registered under the Cooperative Societies Act, 1992 may invest its own funds. Whether the amount of such fund can be given to members of the Society by way of profit? 5

7. Answer any **four** of the following :

(a) ABC Pvt. Ltd. Company is a Private Company having five members only. All the members of the company were going by car to Mumbai in relation to some business. An accident took place and all of them died. Answer with reasons, under the Companies Act, 1956, whether existence of the company has also come to the end? 5

(b) Before incorporation of the company, the promoters of the company entered into an agreement with Mr. Jainson to buy an immovable property on behalf of the company. After incorporation, the company refused to buy the said property. Advise Mr. Jainson whether he has any remedy under the provisions of the Companies Act, 1956. 5

(c) Explain the doctrine of "Utra-vires". What are legal effects ultra-vires transactions under the Companies Act, 1956? 5

(d) Under the Articles of Association of Sunshine Ltd. Company directors had power to borrow up to Rs. 10,000 without the consent of the general meeting, The Directors themselves lent Rs.35,000 to the company with such consent and took debentures of the Company, Decide under the provisions of the Companies Act, 1956, whether the company is liable ? If so, what is the extent of liability of the company in this case? 5

(e) Explain the provisions and main contents of "Returns of Allotment" under the Companies Act, 1956. 5

8. **(a)** Explain the concept of "Sweat Equity Shares". Point out, under the provisions of the Companies Act, 1956, the conditions of issuing of such shares and their position in the Share-capital of the Company. 5

(b) Peek Ltd. Co. issued and published its prospectus to invite the investors to purchase its shares. The said prospectus contained false statement. Mr. X purchased some partly paid shares of the company in good faith on the Stock Exchange. Subsequently, the company was wound up and the name of Mr. X was in the list of contributors. Decide : 5

(i) Whether Mr. X is liable to pay the unpaid amount?

(ii) Can Mr. X sue the directors of the company to recover damages?

9. **(a)** The Articles Association of PQR Ltd. provided document upon the company may be served only through E-mail. Arvind sent a document to the company by registered post. The company did not accept the document on the ground that sending document to the company by post was in violation of the Articles. As a result Arvind suffered loss. Decide the validity of argument of the company and claim of Arvind for damages in the light of provisions of the Companies Act, 1956. 5

(b) The directors of Mars India Ltd. desire-to alter capital clause of Memorandum of Association of their company Advise them, under the provisions of the Companies Act, 1956 about the ways in which the said clause may be altered and procedure to be followed for the said alteration. 5

10. **(a)** The Chairman of the meeting of a company received a proxy 54 hours before the time fixed for the start of the meeting. He refused to accept the Proxy on the ground that the Articles of the company provided that a Proxy must be filed 60 hours before the start of the meeting. Decide, under the provisions of the Companies Act, 1956, whether the Proxy holder can compel the Chairman to admit the Proxy? 5

(b) Ramesh, who is a resident of new Delhi, sent a transfer for registration of transfer of shares to the company at the address of its Registered Officer in Mumbai, He did not receive the share certificates even after the expiry of four months from the date of despatch of transfer deed. He lodged a criminal complaint in the Court at New Delhi. Decide, under the provisions of the Companies Act, 1956, whether the Court at New Delhi is competent to take action in the said matter? 5

COSTING AND FINANCIAL MANAGEMENT

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi medium. If a candidate who has not opted for Hindi medium, answers in Hindi, his answers in Hindi will not be valued.

Question Nos. **1** and **6** are compulsory

Attempt **three** questions out of remaining question Nos.**2, 3,4** and **5** attempt **Two** questions from the remaining Question Nos. **7,8** and **9.**

Working notes should form part of the answer

Marks 3+5+2=10

1. **(a)** XYZ Ltd. Produces and sells sophisticated glass items –'A' and 'B'. In connection 3+5+2 with both the products the following information's are revealed from the cost records for the month February, 2008:

Product	**A**	**B**
Output (in units)	60,000	15,000
Sales (Rs.)	37,80,000	20,55,000
Cost Structure:		
Direct material (Rs. per unit)	18.75	45.00
Direct Wages (Rs. per unit)	10.00	13.00
Direct labour hours	30,000 hrs	9,750 hrs.
No.of quantity produced per batch:	240	50
Set up time per batch	2 hrs	5 hrs.
The Indirect costs for the month are as under:		

	Rs.
Cleaning and maintenance wages	2,70,000
Designing Costs	4,50,000
Setup costs	3,00,000
Manufacturing operation's costs	6,37,000
Shipment costs	81,000
Distribution costs	3,91,500
Factory administration costs	2,55,000

At present the company adopts the policy to absorb indirect costs applying direct labour hour basis and enjoying a good position in the market with regard to Product B, but facing a stiff price competition with regarding to Product A. The cost Accountant of the company, after making a rigorous analysis of the data, decided to shift from the absorption technique based on direct labour hours to activity costs drives basis and also to treat cleaning and maintenance wages as direct cost.

The cost accountant identified Rs. 1.20,000 for product A and the balance of cleaning and maintenance wages for product B.

The data relevant to activities and products are as follows:

Activity	**cost**	**Product A**	**Product B**
Designing:	Square feet	30 sq. ft.	70 sq.ft.
Manufacturing operation's :	Moulding machine hours	9,000 hrs.	3,750 hrs
Shipment :	Number of Shipments	100	100
Distribution:	Cubic feet	45,000 cu.ft.	22,500 cu.ft.
Setup of moulding machine:	Setup hours		
Factory administration:	Direct labour hours		

Your are required:

(i) To compute the total manufacturing cost and profits of both the products by applying direct labour basis of absorption, assuming cleaning and maintenance cost as indirect.

(ii) To compute the total manufacturing cost and profits of both the products by applying activity based costing, assuming cleaning and maintenance cost as indirect.

(iii) To compare the results obtained from (i) and (ii) and give your opinion on the decision of cost accountant.

(b) State 'Essentials of good cost accounting system'. 3

(c) Explain the limitations of Uniform costing. 3

(d) Calculate the total wages earned by a workman for a working day of 8 hours under Halsey and Rowan plans 2

- Standard production per hour 20 units
- Actual production of the day 200 units
- Wages rate per hour Rs. 30

2 (a) A Factory incurred the following expenditure during the year 2007" 8

		Rs.
Direct material consumed		12,00,000
Manufacturing Wages		7,00,000
Manufacturing overhead:		
Fixed	3,60,000	
Variable	2, 50,000	6,10,000
		25, 10,000

In the year 2008 following changes are expected in production:

(i) Production will increase due to recruitment of 60% more workers in the factory.

(ii) Overall efficiency will decline by 10% on account of recruitment of new workers.

(iii) There will be an increase of 20% in fixed overhead and 60% in variable overhead.

(iv) The cost of direct material will be decreased by 6%

(v) The company desire to earn a profit of 10% on selling price.

Ascertain the cost of production and selling price.

(b) Explain the term cost audit and discuss the purpose served by it.

(c) Explain implicit costs and explicit costs.

3 (a) PQR a manufacturer – a small scale enterprise produce a single product and have adopted a policy to recover the production overheads of the factory by adopting a single blanket rate based on machine hours. The budgeted production overheads of the factory are Rs. 10,08,000 and budgeted machine hours are 96,000.

For a period of first six months of the financial year 2007-08, following information were extracted from the books:

Actual production overheads	Rs. 6,79,000
Amount included in the production overhead:	
Paid as per curt's order	Rs. 45,000
Expenses of previous year booked in current year	Rs. 10,000
Paid to workers for strike period under an award	Rs. 42,000
Obsolete stores written off	Rs. 18,000

Production and sales data of the concern for the first six months are as under:

Production:

Finished goods	22,000 units
Works-in-progress	
(50% complete in every respect	16,000 units

Sale:

Finished goods	18,000 units

The actual machine hours worked during the period were 48,000 hrs. It is revealed from the analysis of information that 1/4 of the under-absorption was due to defective production policies and the balance was attributable to increase in costs.

Your are required:

(i) To determine the amount of under absorption of production overheads for the period.

(ii) To show the accounting treatment of under-absorption of production overheads, and

(iii) To apportion the unabsorbed overheads over the items.

(b) Discuss the A.B.C analysis of material control. 4

4. (a) The following figures have been extracted from the cost records of a manufacturing company. 10

Stores	Rs.
Opening Balance	63,000
Purchases	3,36,000
Transfer from Work-in-progress	1,68,000
Issues to Work-in-progress	3,36,000
Issues to Repairs and Maintenance	42,000
Deficiencies found in Stock taking	12,600
Work-in-progress:	

Opening Balance	1,26,000
Direct Wages applied	1,26,000
Overhead Applied	5,04,000
Closing Balance	84,000

Finished products:

Entire output is sold at a profit of 10% on actual cost from work-in-progress.

Others: Wages incurred Rs. 1,47,000: Overhead incurred Rs. 5,25,000.

Income from investment Rs. 21,000; loss on sale of Fixed Assets Rs. 42,000.

Draw the stores control account, work-in-progress control account, costing profit and loss account, profit and loss account and reconciliation statement.

(b) Explain "Controllable and Uncontrollable Costs'. 4

5. (a) Modern Construction Ltd. Obtained a contract No. B-37, for Rs. 40 lakhs. The following balances and information relate to the contract for the year ended 31st March, 2008: 5+1+2=8

	1-4-2007 Rs.	**31-3-2008 Rs.**
• Work-in-progress:		
Work certified	9,40,000	30,00,000
Work uncertified	11,200	32,000
• Material at site	8,000	20,000
• Accrued wages	5,000	3,000

Additional information relating to the year 2007-08 are:

	Rs.
• Materials issued from store	4,00,000
• Materials directly purchased	1,50,000
• Wages paid	6,00,000
• Architect's fees	51,000
• Plant hire charges	50,000
• Indirect expenses	10,000
• Share of general overheads for B-37	18,000
• Materials returned to supplier	15,000
• Fines and penalties paid	12,000

The conractee pays 80% of work certified in cash. You are required to prepare:

(i) Contract Account showing clearly the amount of profits transferred to profit and Loss Account.

(ii) Contractee's Account

(iii) Balance sheet.

(b) Explain any two of the following: 3+3=6

(i) Efficiency audit and Propriety audit.

(ii) Differential cost and Opportunity cost

(iii) Cost centre and Cost unit.

6. (a) A new project is under consideration in Zip Ltd., which requires a capital investment of

Rs.4.50 crore. Interest on term loan is 12% and Corporate Tax rate is 50%. If the Debt Equity ratio insisted by the financing agencies is 2:1, calculate the point of indifference for the project.

4

(b) X Ltd. has the following balances as on 1st April 2007. 8

	Rs.
Fixed Assets	11,40,000
Less :Depreciation	3,99,000
	7,41,000
Stock and Debtors	4,75,00
Bank Balance	66,500
Creditors	1,14,000
Bills payable	76,000
Capital (Shares of Rs. 100 each)	5,70,000

The Company made the following estimates for financial year 2007-08:

(i) The company will pay a free of tax dividend of 10% the rate of tax being 25%

(ii) The company will acquire fixed assets costing Rs. 1,90,000 after selling one machine for Rs. 38,000 Costing Rs. 95,000 and on which depreciation provided amounted to Rs. 66,500.

(iii) Stocks and Debtors, creditors and Bills payables at the end of financial year are expected to be Rs. 5,60,000, Rs. 1,48,200 and Rs. 98,800 respectively.

(iv) The profit would be Rs. 1,04,500 after depreciation of Rs. 1,14,000.

Prepare the projected cash flow statement and ascertain the bank balance of X Ltd., at the end of financial year 2007-08.

(c) Explain Baumal's Model of Cash Management. 4

7 (a) A firm can make investment in either of the following two projects. The firm anticipates its cost of capital to be 10% and the net (after tax) cash flows of the projects for five years are as follows: 8

(Figure in Rs. '000)

Year	**0**	**1**	**2**	**3**	**4**	**5**
Project-A	(500)	85	200	240	220	70
Project-B	(500)	480	100	70	30	20

The discount factors are under:

Year	**0**	**1**	**2**	**3**	**4**	**5**
PVF (10%)	1	0.91	0.83	0.75	0.68	0.62
PVF (20%)	1	0.83	0.69	0.58	0.48	0.41

Required:

(i) Calculate the NPV and IRR of each project.

(ii) State with reasons which project you would recommend.

(iii) Explain the inconsistency in ranking of two projects.

(b) Write short notes on: 2+2=4

(i) Finance function

(ii) Factoring.

8. (a) MNO Ltd. has furnished the following cost data relating to the year ending of 31st March, 2008: 8

	Rs. (in lakhs)
Sales	450
Material consumed	150
Direct wages	30
Factory overheads "(100% variable)	60
Office and Administrative overheads (100% variable)	60
Selling overheads	50

The company wants to make a forecast of working capital needed for the next year and anticipates that:

- Sales will go up by 100%
- Selling expenses will be Rs. 150 laksh.
- Stock holdings for the next year will be-Raw material for two and half months, Work-in-progress for one month, finished goods for half month and Book debts for one and half months.
- Lags in payment will be of 3 months for creditors, I month for wages and half month for factory, Office and Administrative and Selling overheads,

Your are required to:

(i) Prepare statement showing working capital requirements for next year, and

(ii) Calculate maximum permissible bank finance as per Tandom Committee guidelines assuming that core current assets of the firm are estimated to be Rs. 30 lakhs.

(b) Explain 'Global Depository Receipts' and 'American Depository Receipts.' 2+2=4

9. (a) Delta Ltd. currently has an equity share capital of Rs. 10,00,000 consisting of 1,00,000 Equity share of Rs. 10 Each. The company is going through a major expansion plan requiring to raise funds to the tune of Rs. 6,00,000. To finance the expansion the management has following plans: 4+4=8

Plan-I : Issue 60,000 Equity shares of Rs. 10 each

Plan-II : Issue 40,000 Equity shares of Rs. 10 each and 3,000 Rs. 100, 9% Debentures.

Plan-III : Issue 30,000 Equity shares of Rs. 10 each and 3,.000 Rs. 100, 9% Debentures.

Plant-IV : issue 30,000 Equity shares of Rs. 10 each and the balance through 6% preferences shares.

The EBIT of the company is expected to be Rs. 4,00,000 p.a. assume corporate tax rate of 40%.

Required:

(i) Calculate EPS in each of the above plans.

(ii) Ascertain the degree of financial leverage in each plan.

(b) Discuss the meaning and features of 'Commercial paper'. 1+3=4

INFORMATION TECHNOLOGY

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi medium. If a candidate who has not opted for Hindi medium, answers in Hindi, his answer in Hindi will not be valued.

Question No. **1** is compulsory.
Answers any **four** from the rest.

Marks 1x5=5

1. (a) Convert the following from one number system to another system along with the working notes

i) $(65.65)_{10}$ = $(\ldots\ldots\ldots\ldots)_2$

ii) $(12AE)_{16}$ = $(\ldots\ldots\ldots\ldots)_{10}$

iii) $(39.B6)_{16}$ = $(\ldots\ldots\ldots\ldots)_8$

iv) $(245)_8$ = $(\ldots\ldots\ldots\ldots)_{16}$

v) $(1011.1101)_2$ = $(\ldots\ldots\ldots\ldots)_{10}$

(b) Describe briefly, the following terms with reference to Information Technology: 1x5=5

i) Flash Memory
ii) Clock Speed
iii) URL
iv) File volatility
v) Seek time.

(c) Give one or more reasons of use for each of the following:

i) MICR
ii) SQL
iii) Boot Record
iv) GUI
v) Disk formatting program

(d) Write True or False for each of the following: 1x5=5

i) Computer system may function a bit faster if certain of program's window are closed on the system running too many applications simultaneously.
ii) Binary equivalent of a terminating decimal fraction need not be terminating.
iii) Protocol is geometric arrangement of computer resources.
iv) The largest number a computer can store depend on its 'WORD LENGTH'.
v) Formula is ah equation that performs operation on worksheet.

2. Distinguished between the following:

i) CD-ROM and ROM-BIOS
ii) Internet and World Wide Web.
iii) Multi-programming and Multi-Tasking.
iv) Control Unit and ALU

v) MODERN and Multiplexer.

3. (a) Mention the advantages of DBMS.

(b) Discuss various issues related to data management.

(c) There are total 6,000 students in a university having four different disciplines. Their discipline code and yearly tuition fee per student, details are as follows:

Discipline of student	Code	Yearly tuition fee
Medical	M	80,000
Engineering	E	60,000
Science	S	40,0000
Arts	A	25,000

Draw a flowchart to read the name, discipline code of the student's from the terminal/file. Find the total yearly revenue earned and the number of students discipline wise. Also find the percentage of contribution to the total revenue from each discipline of students.

Print the total revenue collected and the number of students, the percentage of their contribution disciplines wise to the total revenue earned by the university.

4. (a) Describe 'Ring Network' as a network topology. Also mention its advantages and disadvantages.

(b) Define an Operating System and discuss its various functions.

(c) Write various steps involved to perform Mail-Merge.

(d) Write the steps for creating a new macro on MS-EXCEL

5. (a) Describe the language tools offered in MS-WORD to aid writing.

(b) Define the following functions used in MS-EXCEL:

i) DB ( )

ii) COUNTIF ( )

iii) INT ( )

iv) CLEAN ( )

v) NPV ( )

c) Give an account of the benefits of "Electronic Commerce' application and implementation. 10

6. (a) What are the objectives of introducing IT ACT, 2000?

(b) How is digital signature created? Describe it.

(c) Mention used of CATTs. What factors should be considered in determining whether to use CATTs?

7. Write short notes on any four of the following:

i) Voice Recognition

ii) Touch Screen

iii) Data File Interrogatin

iv) Clip Gallery

v) Enhanced features of 'Power Point'.

TAXATION

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi medium. If a candidate who has not opted for Hindi medium, answers in Hindi, his answers in Hindi will not be valued.

Answer **all** questions.

Working notes should form part of the answer.
Wherever required, suitable assumptions may be made by the candidate and clearly stated in the answer.

Marks 20

1. **(a)** Rajat is a Chartered Accountant in practice, he maintains his accounts on cash basis. He is a Resident and ordinarily resident in India. His profit and loss account for the year ended March 31, 2008 reads as follows:

Expenditure	Rs.	Income		Rs.
Salary to staff	5,25,000	Fees earned:		
Stipend to articled assistants	18,000	Audit	6,65,800	
Incentive articled assistants	5,000	Taxation services	4,68,600	
Office rent	24,000	Consultancy	3,82,000	15,16,400
Printing and stationery	6,600	Dividend on shares of Indian companies (gross)		9,635
Meeting, seminar and conference	38,600	Income from Unit Trust of India		6,600
Repairs, maintenance and petrol of car	22,400	Profit on sale of shares		15,620
Subscription and periodicals	15,000	Hanorarium received from various institutions for valuation of answers papers		16,350
Postage, telegram and fax	32,500	Rent received from residential flat let out		84,000
Depreciation	29,500			
Travelling expenses	55,000			
Municipal tax paid in respect of house property	1,000			
Net profit	8,76,005			
	16,48,605			16,48,605

Other Information:

(i) The total traveling expenses incurred on foreign tour was Rs.20,000 which was within the RBI norms

(ii) Incentive to articled assistants represent amount paid to two articled assistants for passing PE-II Examination at first attempt.

(iii) Repairs and maintenance of car includes Rs. 1, 600 for the period from 1.10.2007 to 30.9.2008.

(iv) Salary include Rs. 30,000 to a computer specialist in cash for assisting Mr.Rajat in one professional assignment.

(v) Rs. 1,500 interest on loan paid to LIC on the security of his Life Insurance Policy and utilized for repaid of computer, has been debited to the drawing account of Mr.Rajat.

(vi) Birthday gifts received by his minor son include cash Rs. 30,000, which was deposited with a nationalized bank. Interest accrued upto 31.3.2008 amounted to Rs. 1,500.

(vii) Medical Insurance Premium on the health of:

	Amount	Mode of Payment
Self	10,000	By Cheque

Dependent brother	5,000	By Cheque
Major son dependent on him	3,000	By Cash
Minor married daughter	2,000	By Cheque
Wife dependent on assessee	6,000	By Cheque

(viii) Shares sold were held for 10 months before sale.

(ix) Rajat paid life membership subscription of Rs. 1,000 to Chartered Accountants Benevolent Fund, the amount was debited to his drawings account. The Chartered Accountants Benevolent Fund is an approved fund under Section 80G of Income-tax Act, 1961.

Compute the total income and tax payable of Rajat of the Assessment Year 2008-09.

(b) Aarav converts his plot of land purchased in July, 2001 for Rs. 80,000 into stock-in-trade on 31st March, 2007. The fair market value as on 31.3.2007 was Rs. 1,90,000. The stock-in-trade was sold for Rs. 2,25,000 in the month of January, 2008. 5

Find out the taxable income if any, and if so under which 'head of income' and for which Assessment year?

Cost Inflation Index:

F.Y. 2001-2002---426

F.Y. 2006-2007---519

F.Y. 2007-2008---551

(c) Vinod, is a person carrying on profession as film artist, his gross receipt from profession are as under: 5

Financial year	2005-06	1,15,000
Financial year	2006-07	1,80,000
Financial year	2007-08	2,10,000

What is his obligation regarding maintenance of books of accounts for each Assessment Year under Section 44AA of Income-tax Act, 1961?

EITHER

6X2=12

2. **(a)** Explain the orders appealable to Tribunal under Section 253 of the Income-tax Act.

(b) Explain the computation of capital gain in case of Depreciable Asset under Section 50.

OR

6X2=12

2. **(a)** What do you understand by the reference to Valuation officer under Section 55A of Income-tax Act, 1961?

(b) Discuss the cross transfers in the context of Income-tax.

10X1=10

3. **(a)** Choose the correct answer with reference to the provisions of the Income-tax Act, 1961?

(i) In respect of a resident assessee, who is of the age of 65 years or more at any time during the previous year relevant to the Assessment Year 2008-09.

(a) Rebate of tax payable subject to a maximum of Rs. 20,000.

(b) Higher basic exemption of Rs. 1,50,000

(c) Higher basic exemption of Rs. 1,95,000

(d) Higher basic exemption of Rs. 1,35,000

(ii) Income accruing in Japan and received there is taxable in India in the case of

(a) Resident and ordinarily resident only

(b) Both resident and ordinarily resident and resident but not ordinarily resident

(c) Both resident and non-resident

(d) Non-resident.

(iii) For an employee in receipt of hostel expenditure allowance for his three children, the maximum annual allowance exempt under Section 10(14) is

(a) Rs. 10,800

(b) Rs. 7,200

(c) Rs. 3,600

(d) Rs. 9,600

(iv) The due date for filing of return for an individual assessee who is not required to get his books of accounts audited under Section 44AB for Assessment Year 2008-09 is

(a) 31st July, 2008

(b) 30th September, 2008

(c) 31st October, 2008

(d) 30th November, 2008.

(v) Under Section 44AE, presumptive taxation is applicable at a particular rate provided the assessee is the owner of a maximum of certain number of goods carriages. The rate per month or part of the month and the maximum number specified under the Section are

(a) Rs. 3,500 for a heavy goods carriage and Rs. 3,150 for other goods carriages for an assessee owing not more than 10 goods carriages at any time during the year.

(b) Rs. 3,500 per carriages for an assessee owing not more than 10 goods carriages at the end of the previous year.

(c) Rs. 3,500 for a heavy goods carriage and Rs. 3,150 for other goods carriages for an assessee owing not more than 12 goods carriages at the end of the previous year.

(d) Rs. 2,150 per carriage for an assessee for an assessee owing not more than 10 goods carriages at the end of the previous year.

(vi) Rakesh received Rs. 70,000 from his friend on the occasion of his birthday

(a) The entire amount of Rs. 70,000 is taxable

(b) Rs. 25,000 is taxable

(c) The entire amount is exempt

(d) None of the above.

(vii) Income arising to a minor married daughter is

(a) To be assessed in the hands of the minor married daughter

(b) To be clubbed with the income of that parent whose total income, before including minor's income, is higher

(c) Completely exempt from tax

(d) To be clubbed with the income of her husband.

(viii) Mr. B incurred short-term capital loss of Rs.10,000 on sale of shares through the National Stock Exchange. Such loss can be set-off

(a) Only against short-term capital gains

(b) Against both short-term capital gains and long-term capital gains

(c) Against any head of income

(d) None of the above.

(ix) Rs. 1 lakh is the maximum qualifying limit for deduction under

(a) Section 80C alone

(b) Section 80C and 80CCC

(c) Section 80C, 80CCC and 80CCD

(d) Section 88.

(x) A charitable or religious institution is required to file an application for registration from its creation

(a) Within 1 year from its creation

(b) Within 30 days from its creation

(c) Within the financial year of its creation

(d) None of the above.

5X1=5

(b) State whether True/False with proper reasons of the following statements with regard to provisions of Income-tax Act, 1961:

(i) Pension received by recipient of gallantry awards are exempt from Income-tax.

(ii) Surcharge of 10% on Income-tax is payable by an individual where the total Income exceeds Rs. 7,50,000.

(iii) Zero Coupon Bond means a bond on which no payment and benefits are received or receivable before maturity or redemption.

(iv) Mr. A, member of HUF, received Rs. 10,000 as share from the income of HUF, is to be included in his chargeable income.

(v) Subscription to notified bonds of NABARD would qualify for deduction under Section 80C.

4. Write short notes on any three of the following with reference to the provisions of Income-tax Act, 1961: 3X6=18

(a) Explain defective return under Section 139(9).

(b) What do you understand by "Composite Rent"? What is the tax treatment of Composite Rent under the Income-tax Act, 1961?]

(c) Explain the term "Business Connection" under Section 9(1).

(d) Deduction from Gross Total Income under section 80RRB.

5. **(a)** State with brief reasons whether the following statements are true or false as per the provisions of Central Sales-tax Act, 1956: 5X2=10

(i) Sales includes mortgage or hypothecation of or charge or pledge on goods.

(ii) Prosecution on the same facts shall lie under Section 10 if a penalty is imposed under Section 10A.

(iii) Form J is obtained by the selling dealer from his customers in SEZ.

(iv) Payment of Sales-tax under both laws is a condition precedent for application of refund of Local Sales-tax.

(v) Unmanufactured tobacco and tobacco refuse, cigars and cheroots of tobacco, cigarettes and cigarillos of tobacco and other manufactured tobacco are covered under Section 14 as declared goods and can avail concessional tax treatment.

(b) Fill in the blanks in the light of the provisions of Central Sales-tax Act, 1956:

(i) Aviation Turbine fuel sold to aircraft with a maximum take off mass of less than 40,000 kg. operated by scheduled airlines is ....(Declared goods/Undeclared goods)

(ii) As per Section 6(2), no CST exemption in respect of subsequent sale to ...... (Government/Registered Dealers).

(iii) Ram of Indore sells goods after he received the payment from Shyam of Mumbai, Shyam of Mumbai gets a Cash discount, whether cash discount shall be...... (Deducted/ not deducted) from the sale price.

(iv) Indian Airlines Purchases Aviation Turbine fuel for the purpose of its London flight, such purchase........ (shall/shall not) be the sale in the course of export of goods.

(v) Whether erection and commissioning .... (are/are not) works contract.

6. Mr.Sharvil reported undermentioned data for the financial year 2007-08: 10

		Amount Rs.
(i)	Total interstate sales during the F.Y.2007-08 [Inclusive of C.S.T]	1,01,55,800
(ii)	Above sales includes excise duty	13,60,000
(iii)	Incentive on sales received from manufacturer	2,30,000
(iv)	Deposit for returnable containers and packages	8,00,000
(v)	Goods worth Rs. 87,550 (inclusive of tax) made vide Invoice No. 101/ACA dated 29.9.2007 were returned on 31.3.2008.	

Discuss the turnover and CST payable assuming the rate of tax at 3%.