

**PRIME ACADEMY  
PROGRESS TEST – JANUARY 2008**

**Time Allowed : 2 Hours**

**PE II / PCC**

**Maximum Marks: 75**

**COST ACCOUNTING AND FINANCIAL MANAGEMENT**

**PART – A**

**(25x1=25 Marks)**

**Answer All Questions:**

1. Labour Turnover measures
  - a) Both influx and exit of working force over a specified period of time
  - b) Only influx of working force
  - c) Only exit of working force
  - d) None of the above
2. Absorption of production overhead in unit costs on a marginal cost basis is unacceptable
  - a) As a cost control mechanism
  - b) As a decision making aid
  - c) For stock valuation in compliance with SSAP 9
  - d) For profit measurement in management accounts
3. Factory worker fringe benefit costs are usually charged to
  - a) Work-in-progress inventory
  - b) Direct Labour
  - c) Administrative expense
  - d) Factory overhead
4. Which of the following is usually classified as stepped cost?
  - a) Supervisor's wages
  - b) Raw materials
  - c) Rates
  - d) Telephone
5. Which of the following is usually prepared daily by employees for each job worked on?
  - a) Labour job ticket
  - b) Time card
  - c) Punch card
  - d) Cost control card
6. Vacation pay for factory workers should be charged to
  - a) Work in process inventory
  - b) Direct Labour
  - c) Administrative expense
  - d) Factory overhead
7. Which of the following methods of remuneration is most likely to give stability of earnings to employee and stability of Labour cost to the employer
  - a) Straight piece work
  - b) Premium bonus schemes
  - c) Measured day work
  - d) Group bonus scheme
8. There is a difference between costing and financial profit & loss account. The most likely reason could be
  - a) Direct Labour
  - b) Factory overheads

- c) Indirect overheads
- d) Dividend received

9. Bad debts is a

- a) Factory overhead
- d) Distribution overhead
- c) Administrative overhead
- d) Selling overhead

10. Formula for Labour turnover takes into account both accessions and separations

- a) Flux method
- b) Replacement method
- c) Separations method
- d) None of the above

11. The cost of idle time that is considered normal for production process should be charged to

- a) Work in process inventory
- b) Direct Labour
- c) Administrative expenses
- d) Factory overhead

12. Following is not a method to separate semi-variable overhead into fixed and variable components

- a) High and low method
- b) Scatter graph method
- c) Analytical method
- d) Best square method

13. Floor area can best be used to allocate

- a) Electricity consumption of machines
- b) Oil consumption of machines
- c) Indirect Labour
- d) Rent allocable to individual machines in the machine shop

14. Is not a method of secondary distribution of overheads?

- a) Step distribution method
- b) Repeated distribution method
- c) Simultaneous equation method
- d) Variable distribution method

15. The cost of dispensary may be allocated to other departments on the basis of

- a) Area of each department
- b) Production in each department
- c) Power consumption
- d) Number of employees

16. Royalty based on volume of production is a

- a) Sales overhead
- b) Factory overhead
- c) Distribution overhead
- d) Administrative overhead

17. Under Emerson's efficiency system above 100% efficiency an additional bonus of

- a) 4% of the hourly rate for each 1% increase in efficiency
- b) 2% of the hourly rate for each 1% increase in efficiency
- c) 3% of the hourly rate for each 1% increase in efficiency
- d) 1% of the hourly rate for each 1% increase in efficiency

18. Under Halsey plan, the bonus is calculated to give the employee

- a) 50% of the time saved
- b) 40% of the time saved
- c) 60% of the time saved

- d) 30% of the time saved
19. Guaranteed time rate is not provided under
- a) Barth sharing plan
  - b) Rowan plan
  - c) Emerson's efficiency system
  - d) Halsey plan
20. Which of the following best describes a fixed cost? A cost which:
- a) Represents a fixed proportion of total costs
  - b) Remains at the same level up to a particular level of output
  - c) Has a direct relationship with output
  - d) Remains at the same level when output increases
21. Primary packing is treated as
- a) Distribution cost
  - b) Advertising expense
  - c) Manufacturing overhead
  - d) Selling overhead
22. Market research cost is a
- a) Selling overhead
  - b) Distribution overhead
  - c) manufacturing overhead
  - d) None of the above
23. The item not found in cost accounting is
- a) Indirect materials
  - b) Depreciation
  - c) Royalty
  - d) Loss on sale of asset
24. In cost accounting the valuation of opening stock and closing stock is higher by Rs.1,000 as compared to financial books. This will result in
- a) Costing profit higher by thousand rupees
  - b) Costing profit is higher by Rupees two thousand
  - c) Costing profit and financial profit same
  - d) None of the above
25. When time taken is equal to .....% of time allowed, the bonus under Halsey and rowan plan is equal
- a) 40%
  - b) 50%
  - c) 60%
  - d) 70%

**PART - B**

**(50 Marks)**

**Answer all Questions:**

1. A manufacturing company has three Production Departments and two service departments. The department distribution summary of December 2007 gives the following details.

Production Departments	Rs	Rs.
A	16,000	
B	13,000	
C	<u>14,000</u>	43,000
Service Departments		
X	4,680	
Y	<u>6,000</u>	<u>10,680</u>
		53,680

The service department expenses are charged on a percentage basis

Service Department	Production Departments			Service departments	
	A	B	C	X	Y
X	20%	25%	35%	-	20%
Y	25%	25%	40%	10%	

Prepare a statement showing the apportionment of two service departments expenses to production departments by simultaneous equations method. **(15 marks)**

2. The following figures have been extracted from the financial accounts of a manufacturing concern for the first year of its operation

	Rs.
Direct material consumption	50,00,000
Direct wages	30,00,000
Factory overheads	16,00,000
Administrative overheads	7,00,000
Selling & Distribution Overheads	9,60,000
Bad debts	80,000
Preliminary expenses written off	40,000
Legal charges	10,000
Dividends received	1,00,000
Interest received on deposits	20,000
Sales (1,20,000 units)	1,20,00,000
Closing stock	
Finished goods 4000 units	3,20,000
Work in progress	2,40,000

The cost accounts for the same period reveal that the direct material consumption was Rs.56,00,000. Factory overheads is recovered at 20% on prime cost. Administration overhead is recovered at Rs.6 per unit of production. Selling and distribution overheads are recovered at Rs.8 per unit sold.

Prepare the profit and loss accounts both as per financial records and as per cost accounts

**(15 marks)**

- 3a. Calculate the Labour hour rate of a worker A from the following data:

Basic pay	Rs.200 p.m
DA	Rs.150 p.m
Fringe benefits	Rs.100 p.m

Number of working days in a year 300. 30 days full pay and 20 days half pay leave in a year is availed and allowed. Assume 8 hours day.

What would be the effect on hourly rate if only 30 days full pay is allowed.?

**(15 marks)**

**3b.**What do you mean by under/over absorption of production overheads? How does it arise?  
How is it treated in cost accounts? **(5 marks)**

**PRIME ACADEMY**  
**PROGRESS TEST – JANUARY 2008**  
**PCC / PE II**  
**COST ACCOUNTING AND FINANCIAL MANAGEMENT**  
**PART-A** **(25 Marks)**

**Answers**

1. (a)
2. (c)
3. (d)
4. (a)
5. (a)
6. (d)
7. (c)
8. (d)
9. (d)
10. (a)
11. (d)
12. (d)
13. (d)
14. (d)
15. (d)
16. (b)
17. (d)
18. (a)
19. (a)
20. (d)
21. (c)
22. (a)
23. (d)
24. (c)
25. (b)

**Part B****(50 Marks)**

1. Let P = Total overhead of department X  
 N = Total overhead of department Y  
 $P = 4680 + 10/100 N$   
 $N = 6000 + 20/100 P$   
 $P = 4,680 + 0.1N$   
 $N = 6,000 + 0.2P$

Solving the two equations  $N = 7078$   
 $P = 5388$

## Secondary distribution of overheads

Item	Total	Production deptt		
		A	B	C
	Rs.	Rs.	Rs.	Rs.
As per distribution summary	43,000	16,000	13,000	14,000
Dept X (80% of Rs.5,388)	4,310	1,077	1,347	1,886
Dept Y (90% of Rs.7,078)	6,370	1,770	1,769	2,831
Total	53,680	18,847	16,116	18,717

2. Profit and loss account  
 (As per financial records)

	Rs'000		Rs'000
To Direct materials	5,000	By sales 1,20,000 units	12,000
Direct wages	3,000	By closing stock	
Factory overheads	1,600	WIP	240
To Gross profit	2,960	Finished good 4,000 units	320
	12,560		12,560
To Admn.Overheads	700	By Gross Profit	2,960
S & D Overheads	960	Dividend	100
Legal charges	10	Interest	20
Preliminary exp w/o	40		
Bad debts	80		
Net profit	1,290		
	3,080		3,080

## Statement showing cost and profit as per cost records

Direct materials	Rs.56,00,000
Direct wages	30,00,000
Prime cost	86,00,000
Factory overheads 20% on prime cost	17,20,000
	1,03,20,000
Less: Closing WIP	2,40,000
Works cost of (1,20,000+4,000) =1,24,000 units	1,00,80,000
Administration overheads 1,24,000 x 6	7,44,000
Cost of production 1,24,000 units	1,08,24,000
Less: Finished stock 4000 x Rs.87.29 (Rs.1,08,24,000/1,24,000 = Rs.87.29)	3,49,160
Cost of goods sold (1,20,000 units)	1,04,74,840
Selling & Distribution exp 1,20,000 x Rs.8	9,60,000
Cost of sales	1,14,34,840
Sales	1,20,00,000
Net profit	5,65,160

## Reconciliation of profit as per financial and cost accounts

Profit as per cost records	5,65,160
Add: Excess expenses charged in cost account	
Material	Rs.6,00,000

Fact.overheads	1,20,000	
Admn.overheads	44,000	
Add: Income not considered in		
Cost accounts		
Dividend	1,00,000	
Interest received	20,000	8,84,000
		<u>14,49,160</u>
Less: Expenses not charged in cost accounts		
Legal charges	10,000	
Preliminary exp w/o	40,000	
Bad debts	80,000	
Less:Overvaluation of closing		
stock in cost accounts	29,160	<u>1,59,160</u>
Profit as per financial accounts		<u>12,90,000</u>

**3a.** Effective working hours

Working days in a year	300	
Less: leave days (30+20)	<u>50</u>	
Effective working days	250	
Working hours in a day	8	
Total effective working hours	250x8 = 2,000 hours	
Total wages paid in a year		
	Monthly	Annual
Basic	Rs.200	
DA	150	
Fringe benefits	<u>100</u>	
	450	5,400
Less: 20 days half pay of 10 days full pay		
5400/300 x 10		180
Net amount paid		5,220
Hourly rate	5,220/2000	Rs.2.61
Effective working days	270	
Effective working hours	2,160 hours	
Total wages payable	Rs.5,400	
Hourly rate	Rs.2.50	
Effect on hourly rate = Rs.2.61 – Rs.2.50 = Rs.0.11		

**3b.** Under or over absorption of production overheads can be disposed of in the following ways.

- (i) Use of supplementary rates
- (ii) Writing off to costing profit and loss account
- (iii) Carrying over to the next year's account

Use of supplementary rate:

This method is used to adjust the difference between overheads absorbed and overheads actually incurred by computing supplementary overhead rates. Such rates may be either positive or negative. A positive rate is intended to add the unabsorbed overheads to the cost of production and negative rate reduces the cost of production. The effect of applying such a rate is to make the actual overheads get completely absorbed.

Writing off to Costing Profit & Loss account:

This method is adopted when the under or over absorption is negligible and it is not worthwhile to absorb it by using supplementary rates. The amount is directly charged to costing profit & loss account in the case of under absorption and credited to profit and loss account in the case of over absorption.

Carrying over to the next year's account:

Under this method the amount of under or over absorbed overhead is carried over to the next year's account. This method is not considered appropriate as it allows costs of one period to affect costs of another period. Therefore this method has only limited application. However this method may be used when normal business cycle extends over more than one year, or in the case of a new project where the output is low in the initial years.



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Time Allowed : 2 Hours

PE II / PCC  
INCOME TAX

Maximum Marks: 75

**Marks)** PART – A (25

**Answer All Questions:**

- (I) 1. In case of HUF, the residential status is determined by means of (10 X 1 =10)
- Control and management of affairs
  - Kartha's residential status
  - All members residential status
  - None of the above
2. The number of days, the individual need to stay in india in order to become a resident of india.
- 182 days
  - 180 days
  - 182 days or more
  - 180 days or more
3. Dividend paid outside India by an Indian company
- Is deemed to be received in India
  - Is deemed to accrue or arise in India
  - Is not a dividend chargeable to tax in india
  - None of the above
4. The following is not considered as person
- Individual
  - Firm
  - AOP/BOI
  - Proprietor ship concern
5. Income earned by NR, by transferring a capital asset in India, is treated as
- Income deemed to be received in india
  - Income deemed to accrue or arise in India
  - Income not deemed to be received in India
  - Income not deemed to accrue or arise in India
6. The income from house property is not chargeable to tax under the head income from house property in the case of
- If the person is using the building for his residential purposes
  - If the person is using the building for others residential purposes
  - If the person is holding the building as Investments
  - None of the above cases
7. Municipal taxes are allowed, if
- Actually payable during the year
  - Paid during the year
  - Only if tenant is paid
  - If not paid during the year

8. The transferor is considered as deemed owner, If the house property is transferred, without adequate consideration,
  - a. To Major Son/Daughter
  - b. To Minor Married Daughter
  - c. To the Father/Mother
  - d. None of the above
  
9. The amount of pre-construction interest is allowed during the year is
  - a. 20%
  - b. 30%
  - c. 25%
  - d. Nil
  
10. The interest is not allowed as a deduction, if
  - a. It is not paid during the year
  - b. It is paid to any relatives
  - c. If TDS is not deducted when paid out of India.
  - d. On the second and subsequent property

**(II) State your views on the following :**

(Only correct reason will get three marks)

**(5 X 3 =**

**15)**

- 1) The income of the Assessment year is chargeable to income tax during the Assessment year at the rates applicable to the previous year.
- 2) Rs.1,50,000/- is the maximum interest allowed on Loans taken for the construction of the house property, if occupied for own purposes.
- 3) If all the members of the HUF are non-residents, the residential status of the HUF is also non-resident.
- 4) The basic exemption of all woman assesses is Rs.1,45,000/- for the A.Y. 2008-09.
- 5) Only income earned in India is chargeable to tax in the hands of the resident.

**PART - B**

**(5 X 10 = 50 Marks)**

- 1) Calculate the tax payable on each of the following person on the respective Total Income for the A.Y.2008-09.

Sl. No.	Person	Total Income Rs	Total Tax (Incl. Cess) <small>(Working notes should form part of your answer)</small>
1	Mr. Ramesh (Indian)	10,36,000	
2	Ms. Lakshmi Priya (Indian)(Non	10,36,000	

	resident)		
3	Ms. Sangeetha (Foreign national & Non Resident)	10,36,000	
4	Ms. Nisha (Resident & Indian)	10,36,000	
5	ABC & CO (Partnership Firm)	1,00,30,000	
6	XYZ & CO (AOP – X is having a total income of Rs.3Lakhs and YZ nil income)	1,00,30,000	
7	XYZ & CO (AOP - none of the members are having taxable income)	1,00,30,000	
8	Mitai Inc. (Foreign company)	1,00,30,000	

- 2) Explain what is “Income deemed to accrue or arise India”.
- 3) What are the exemptions to the basic principle that the previous year income is chargeable to income tax in the assessment year?
- 4) i) Mr. Srikanth, a Malaysian citizen leaves India, after a period of 10 years stay on 1.6.2005. During the financial year 2006-07, he comes to India for a period of 46 days. Later he returns to India for good on 10.10.2007. Determine his residential status for the assessment year 2008-09. Will your answer be different if his date of departure was 15.5.2005?
- ii) XYZ & co a partnership firm, having partners X, Y and Z. How do determine the residential status of XYZ & co.
- 5) Mr. Vijay owns 2 residential properties (One house and one property) and both are used for own residence. The relevant details for the previous year 2007-08 are as follows:

Particulars	Flat Rs.	House Rs.
Municipal Valuation	24,000	42,000
Fair rent	34,000	36,000
Standard rent	30,000	45,000
Municipal taxes paid	6,000	8,000
Repairs	12,000	4,000
Insurance premium	1,500	1,800
Interest on loans (borrowed on 30-3-1999)	12,000	60,000

Check whether Mr. Vijay needs to pay any tax on income, his income from other sources is 1 lakh.

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**PROGRESS TEST – JANUARY 2008**  
**PCC / PE II**  
**INCOME TAX**  
**PART-A**

**(25 Marks)**

**Answers**

**Part A - I**

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

**Part A - II**

1. False. Sec 4. Is the charging section, which enumerates as follows:
  - a. The Income of the previous year is chargeable to TAX in the Assessment Year.
  - b. The rate of tax is as applicable to the assessment year.
  - c. There are certain exemptions to this principle also.
2. Partly True. In case of Self occupied property, Rs. 1,50,000/- is the maximum limit of Interest allowed, if the
  - a. If the Loan is taken for the
    - i. Purpose of the construction / purchase of the house property.
    - ii. Such loan is taken on or after 1-4-1999.
    - iii. Such construction / Purchase is completed within 3 years from the end of the previous year.
  - b. In any other case, 30,000

If the property is Let out property or Deemed let out property, there is no limit on the claim of interest.

3. False. The residential status of HUF is not depends on the Residential status of its members/ Kartha. However To verify whether such HUF is Not Ordinary resident, we may use the data about the number of days Karta is in India during 7 Preceding previous years and his status during 10 Preceding Previous Years. For easy purposes the provisions are given below.

**RESIDENT**

The control and Management of its affairs is situated wholly or partly in India.

**NON-RESIDENT**

The control and Management of its affairs is situated wholly outside India.

**RESIDENT BUT NOT ORDINARILY RESIDENT**

If the HUF is a resident by satisfying the condition that atleast a part of its control and management is in India, then only we have to investigate whether it is a RBNOR. The conditions being the same as in step 2 for individuals. Since HUF is a group of persons, we have to apply the step to the kartha(manager) of the HUF.

**IF kartha (manager) of the family**

is NR for 9 out of 10 preceding previous years preceding the previous year  
is in India for 729 days or less during the 7 PPY preceding the previous year

4. False. The Basic Exemption of all Women are not equal.
  - a. Rs. 1,10,000/- in case of NR Woman Assesseees and
  - b. Rs. 1,45,000/- in case of Resident Woman Assesseees.
  
5. False, Not only the income earned in India, but also
  - a. the income earned out side India (where ever it is received)
  - b. the income deemed to be received in India
  - c. income deemed to accrue or arise in IndiaIn a nutshell, the RESIDENT's World's income is chargeable in India.

**Part B****(50 Marks)****1)*****Amount in Rs.***

Sl. No.	Person	Total Income	Tax & Surcharge	Marginal Relief	Net After Marginal Relief	Total Tax (Incl. Cess)
1	Mr. Ramesh (Indian)	10,36,000	2,85,780	780	2,85,000	2,93,814
2	Ms. Lakshmi Priya (Indian)(Non resident)	10,36,000	2,85,780	780	2,85,000	2,93,814
3	Ms. Sangeetha (Foreign national & Non Resident)	10,36,000	2,85,780	780	2,85,000	2,93,814
4	Ms. Nisha (Resident & Indian)	10,36,000	2,81,930	430	2,81,500	2,89,945
5	ABC & CO (Partnership Firm)	1,00,30,000	33,09,900	2,79,900	30,30,000	31,20,900
6	XYZ & CO (AOP – X is having a total income of Rs.3Lakhs and YZ nil income)	1,00,30,000	33,09,900	0	33,09,900	34,09,197
7	XYZ & CO (AOP - none of the members are having taxable income)	1,00,30,000	32,64,800	0	32,64,800	33,62,744
8	Mitai Inc. (Foreign company)	1,00,30,000	41,12,300	82,300	40,30,000	41,50,900

Hint:

- 1) Basic Exemption varies
- 2) Marginal Relief should be applied

2

- 1) Income earned directly or indirectly through business connection in India (discussed under note 1 to this topic)
- 2) Income earned, directly or indirectly through or from any asset or property or source of income in India is treated as income deemed to accrue or arise in India.  
E.g.: Mr. X living in US, gave his property in India to Microsoft on rent for \$1000 to be payable in US only. Since he got the rent of \$1000 from the asset in India he has to pay to tax in India.
- 3) Income earned through transfer of an asset situated in India.  
E.g.: Mr. Y living in US, sold his property in India to Microsoft for \$5000 in US. Since he got the consideration of \$5000 from the asset located in India he has to pay capital gains tax in India. (not entire consideration but to the extent of gains on such transfer i.e. after consideration of cost of acquisition)
- 4) Dividend paid out side India by an Indian company (subject to sec.10(34), 115O)
- 5) Salary payable in India/foreign country for
  - a) Service rendered in India (we saw earlier also under income received in India)
  - b) The REST PERIOD or leave period succeeded or preceded by services rendered in India (normally forms part of employment contract)

6) Salary and other allowances paid by Government of India.

Payable by government of India	Indian citizen for services outside India paid outside India	Other than India citizen for services outside India paid outside India.
Salary	Taxable	Not covered
Allowances/perquisites	Taxable (However exempt u/s 10(7))	Not covered
Eg.	Indian ambassador to US	Cab driver

7) The chargeability of a person who received income(interest, royalty and fees from technical service) from any of the following persons :

Income recd from	Nature of income		
	Interest	Royalty	Fees for technical service
Government of India	Deemed to accrue or arise in India	Deemed to accrue or arise in India	Deemed to accrue or arise in India
Resident	Normally : Deemed to accrue or arise in India except : When used for Business or Profession outside India	Normally : Deemed to accrue or arise in India Exception 1: When used for Business or Profession outside India. Exception 2 : See note 1	Normally : Deemed to accrue or arise in India except : When used for Business or Profession outside India
Non resident	When such monies borrowed is used for business / profession carried on by him in India.	Normally : Not Deemed to accrue or arise in India If such monies borrowed is used for business / profession in India then deemed to accrue or arise in India.	Normally : Not Deemed to accrue or arise in India If such monies borrowed is used for business / profession in India then deemed to accrue or arise in India.

3

I. **Shipping Business** : A ship operated by a **NON RESIDENT**, if comes to an Indian port will be allowed to leave the Indian port only upon the payment of tax due or upon satisfactory arrangements have been made for such payment.

☞ To determine the amount of tax we need to know the amount of Income and Rate of Tax

➤ **Income** : 7.5% of the Freight related to the Indian operations should be considered as Income. Such Freight income may be collected by Owner (Non Resident) or charterer or any other person on his behalf in India or outside India or collectible in future. The freight may be for the carriage of goods or live stock or for passage of passengers. The demurrage or other charges are also should be considered as Freight and accordingly taxable.( The balance of 92.5% of Freight is considered as expenses, even if actual expenses may be more or less)

➤ **Rate of Tax :** It is discussed in Para 2 below

- II. **Persons leaving India :** If any individual leaving India with an intention to leave India permanently or for a long period during the Assessment year or soon after its expiry, the total income of such individual is taxable in the same assessment year which is also a previous year for such type of individuals.
  - III. **AOP/BOI/AJP formed for a particular purpose :** If AOP/BOI/AJP is formed for a particular event or purpose and it is going to be dissolved in the assessment year upon completion of such event, then the total income upto the date of its dissolution is taxable in the same assessment year which is also a previous year.
  - IV. **Persons transferring property to avoid payment of tax :** If a person is likely to Charge, sell, dispose off or transfer any of his assets to avoid the payment of tax or any other liability under this act, the total income upto such date of such transfer is taxable in the same assessment year which is also a previous year.
  - V. **Discontinued Business or profession:** Where any business / profession is discontinued, any receipts received after the discontinuance shall be deemed to be the income of the year in which such receipt is received.
- 4.(i) During the financial year 2007-08, Mr.Srikanth stays in India from 10.10.2007 onwards amounting to 174 days. Therefore, he does not fulfill the first basic condition, but he fulfills the second basic condition as he has stayed for more than 60 days during 2007-08. He has stayed for more than 365 days during the preceding four financial years. Hence he is resident.

#### **To check whether he is a not-ordinarily resident**

He was resident in 9 out of 10 preceding previous years and was staying for more than 729 days during the 7 preceding previous years. Therefore, he does not satisfy any of the additional conditions.

#### **Conclusion**

By fulfilling the second basic condition and not fulfilling any of the additional conditions, Mr. Srikanth is a resident and ordinarily resident for the assessment year 2008-09.

- 4(ii) The partnership firms can be any of the two residential status viz. Resident & Non-resident. The residential status of the partners in no way influence the residential status of the partnership firm.

#### **RESIDENT**

IF control and management of its affairs is situated either wholly or partly in India.

#### **NON-RESIDENT**



IF control and management of its affairs is situated wholly Outside India.
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5. Working Note

When Vijay occupies both the houses for his residential purposes, he needs to necessarily declare one of such buildings as deemed let out property. The option is left to him. So he needs to compute the income under both the options (The first option - if he let out Flat property & and the second option – if he let out the house property).

Particulars	Option I		Option II	
	House I Self occupied Rs.	House II Deemed let out Rs.	House I Deemed let out Rs.	House II Self occupied Rs.
Gross Annual Value	Nil	42,000	30,000	Nil
Less : Municipal tax paid	—	<u>8,000</u>	<u>6,000</u>	—
Net Annual Value	Nil	34,000	24,000	Nil
Less: Deduction u/s.24				
– 30% of net annual value	—	10,200	7,200	—
– Interest on loans	<u>12,000</u>	<u>60,000</u>	<u>12,000</u>	<u>30,000</u>
<b>Income from House Property</b>	<b><u>(12,000)</u></b>	<b><u>(36,200)</u></b>	<b><u>4,800</u></b>	<b><u>(30,000)</u></b>
<b>Net effect</b>	<b>Loss : 48,200</b>		<b>Loss : 25,200</b>	

Conclusions:

Under Option - I the net result of computation under the head 'Income from House Property' is a loss of Rs. 48,200 as against a loss of only Rs. 25,200

Under Option - II as per the detailed working given here below. In this case, though the annual value of house - II is greater than that of house - I, still it is beneficial to treat House II as deemed let out in view of huge interest claim deductible u/s.24.

Therefore, House I can be treated as self-occupied and House - II can be treated as deemed let-out and the computation as indicated under option - I can be adopted.

Mr. Vijay's Income from other source is Rs.1,00,000/- & Income from house property is Loss of Rs. 48,200/-. The Net Total Income (Rs. 51,800/-)is less than the basic exemption and need not to pay any tax.

**PRIME ACADEMY  
PROGRESS TEST – JANUARY 2008**

**Time Allowed : 2 Hours**

**PE II  
INFORMATION TECHNOLOGY**

**Maximum Marks : 75**

**PART – A**

**(25x1=25)**

**Marks)**

**Answer All Questions:**

1. A simple numeric character is called
  - a) A Character
  - b) A digit
  - c) A data item
  - d) None of the above
  
2. A Data Centre is a
  - a) Browsing center
  - b) Private Data Centre
  - c) A Centralized repository for storage , management and dissemination of data and information.
  - d) All of the above
  
3. Operations in data processing includes
  - a) Recording
  - b) Classifying
  - c) Sorting
  - d) All of the above
  
4. Data processing system does not include
  - a) Manual data processing
  - b) Mechanical Data processing
  - c) Automatic data processing
  - d) None of the above
  
5. Echo check is
  - a) An extra bit that is added to the code for each character to make the number of 1 bits odd or even
  - b) A detective control
  - c) Provides a check on integrity of data
  - d) Is a hard ware check applied to check the mechanism of the input/output devices
  
6. A file containing relatively permanent data is called
  - a) Transaction file
  - b) Master file
  - c) Transfer file
  - d) Dump file
  
7. One MB represents
  - a) 1000 KB
  - b) 1024 KB
  - c) 1024 x 1024 KB
  - d) 512 x 512 KB
  
8. A hybrid of sequential and direct access file organization is called as
  - a) Indexed sequential file organization

- b) Sequential file organization
  - c) Direct file organization
  - d) Random access file organization
9. A common wiring point is called
- a) Switch
  - b) Hub
  - c) Repeater
  - d) Modem
10. A mesh network is a network structure where
- a) The nodes are randomly connected using the communication links
  - b) A single cable runs and all nodes are linked along with this back bone
  - c) A number of nodes are arranged around a closed loop cable
  - d) The link between two neighboring nodes are unidirectional
11. Browser is
- a) An application program
  - b) Is a collection of web files
  - c) Is a internet service provider
  - d) All of the above
12. A decision table contains
- a) Condition Stub and action stub
  - b) Condition entry and action entry
  - c) Only a
  - d) Both a and b
13. I-time refers to
- a) The time required to move an instruction from primary storage to address register and operation code register
  - b) The time required for performing operations specified by an instruction
  - c) The time taken by removing the data from the storage location specified by the operation address register
  - d) All of the above
14. Synchronous transmission
- a) Is a timed sequences method of transmission
  - b) Is a method of stop and stop bits transmission
  - c) Is a least expensive method
  - d) Is used in narrow and slow speed band channels
15. Viruses are
- a) Self replicating program code that are inserted into other executable code
  - b) Destructive programs that may destroy data or utilize computer and communication resources by duplicating themselves
  - c) Self actuating and self sustaining
  - d) All of the above
16. Pick the odd one out
- a) RAM is Random Access Memory
  - b) RAM is a Secondary Storage Device
  - c) RAM allows access at any moment in the same, usually small amount of time
  - d) The capacity of the RAM determines the Speed of the access
17. Examples of I/O devices include

- a) Keyboard
  - b) Mouse
  - c) Touch Screen
  - d) All of the above
- 18.** Business-to- business E-commerce refers to
- a) Exchange of services, information and products from one business to another
  - b) Exchange of services, information and products from one business to customer
  - c) Exchange of services, information and products from one business to government
  - d) All of the above
- 19.** HTML stands for
- a) Hyper text markup language
  - b) Hyper text machine language
  - c) High transmission machine language
  - d) Non of the above
- 20.** Assembler Language is a
- a) First generation language
  - b) Second Generation language
  - c) High level Language
  - d) Object oriented language
- 21.** X.12 is a
- a) Interconnection between networks of different countries
  - b) Used for uploading and downloading files
  - c) Protocol used on the Internet
  - e) Standard Protocol for electronic data interchange (EDI)
- 22.** A Laser Printer
- a) Serial Printer
  - b) Line Printer
  - c) Impact Printer
  - e) Non-impact Printer
- 23.** Multiprocessing refers to
- a) the ability of the operating system to execute two or more tasks
  - b) the ability of the processor in prioritizing the jobs
  - c) the execution of two or more programs that reside in primary storage
  - d) to the system with more than one CPU
- 24.** SQL is
- a) Structured Query Language
  - b) Select Query Language
  - c) Structure of Query Language
  - d) None of the above
- 25.** DBMS Language types are
- a) Data Definition Language
  - b) Data Manipulation Language
  - c) All of the above
  - d) None of the above

**PART –B**

**(50 Marks)**

**Question 1 is compulsory and answer any three questions**

- |   |                 |
|---|-----------------|
| <b>1a.</b> What is Distributed Data processing Its advantages and limitations.                          | <b>10 marks</b> |
| <b>b.</b> Draw a flow chart to accept 10 numbers sort them in ascending Order and print the sorted list | <b>10 marks</b> |
| <b>2a.</b> Briefly explain Security programs  | <b>5 marks</b>  |
| <b>b.</b> Distinguish between data and information  | <b>5 marks</b>  |
| <b>3a.</b> Explain the meaning and purpose of Expansion slots and boards in a Computer System           | <b>5 marks</b>  |
| <b>b.</b> Explain the difference between the interfaces and port  | <b>5 marks</b>  |
| <b>4</b> Define Language translators and explain its types  | <b>10 Marks</b> |
| <b>5a.</b> What are the various primary access methods  | <b>5 marks</b>  |
| <b>b.</b> Write short notes on Tape and disk management systems   | <b>5 marks</b>  |

**PRIME ACADEMY**  
**PROGRESS TEST – JANUARY 2008**  
**PE II**  
**INFORMATION TECHNOLOGY**  
**PART-A**

**(25 Marks)**

**Answers**

1. B
2. C
3. D
4. D
5. D
6. B
7. B
8. A
9. B
10. A
11. A
12. D
13. A
14. A
15. A
16. A
17. D
18. A
19. A
20. B
21. D
22. D
23. D
24. A
25. C

**PART –B**

**(50 Marks)**

**1. a.**

Distributed Data Processing (DDP) system is a network of several computers in remote stations, each of which is linked to a single host computer which maintains the firm's master database and system log.

The remote systems are fully independent and maintains their own local database in addition to communicating with the master computer

These individual computers are tied together through a high-speed data communication network, which helps the computers to communicate with one another in a variety of ways depending on the CIS requirements

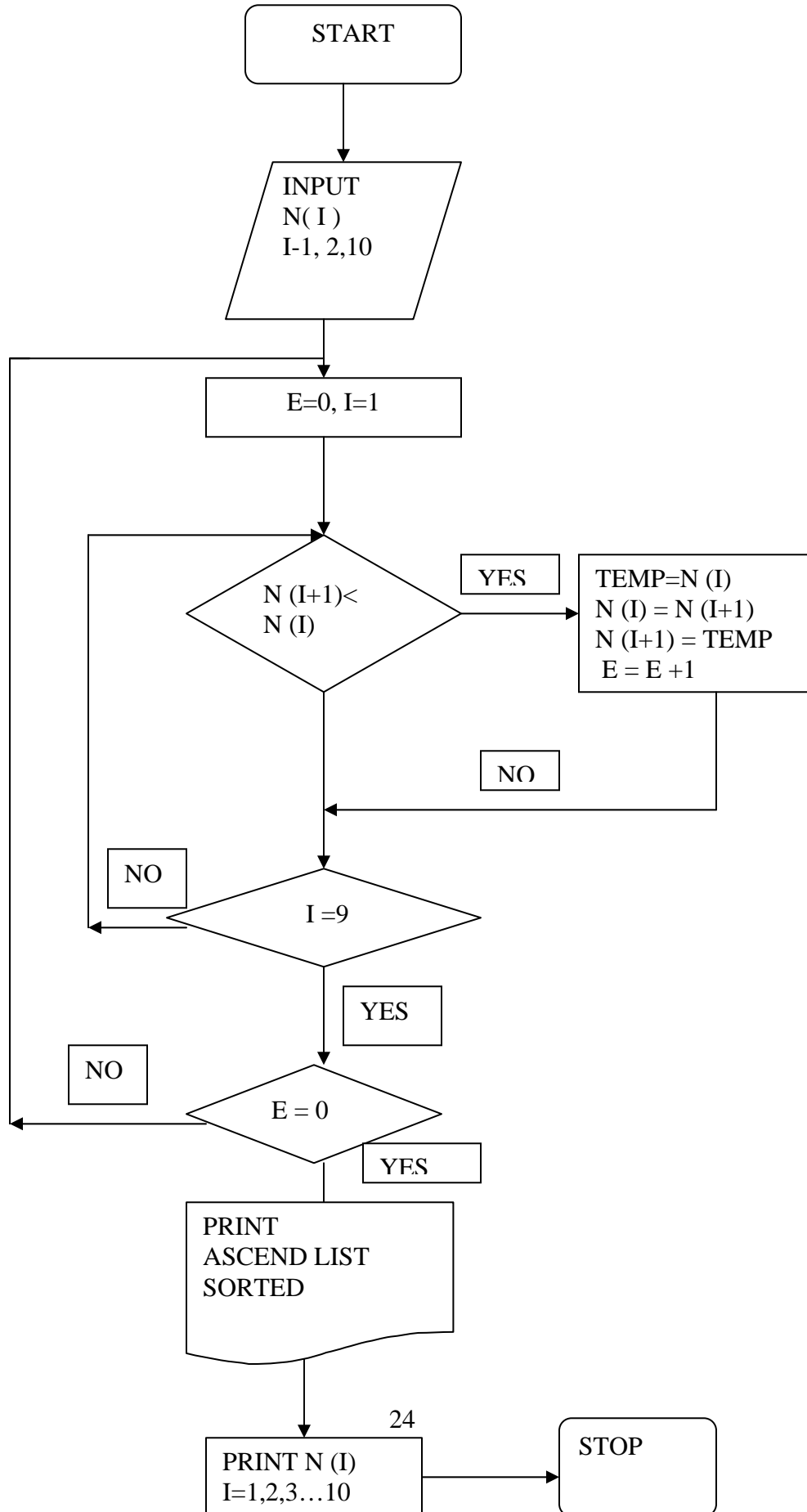
Advantages:

- a) Local computers on the network offer immediate response to local needs
- b) The systems can be expanded in modular fashion if required
- c) The system is not dependent on one large unit that could shut down the network if it failed, since many small computers are used.
- d) Equipment-operating and management costs are often lower.
- e) Since microcomputers are less complex than large systems, they are more useful to local users.

Limitations:

- a) There are chances of data duplication amongst the different remote systems
- b) The operating system for inter-computer communications is complex
- c) Use of DDP system necessitates larger number of equipments, storage and processing capabilities resulting in cost increase.

1.b.





2a.

- a) Security programs are meant to control access to data in files. They permit only authorized users into restricted files.
- b) Controls are prevented through various levels of password assigned on the basis of the need
- c) Through the Internet or intranet, any remote user can gain access to the database of a company and tamper with/misuse important and survival-critical information. Hence, security programs are necessary.
- d) Firewalls, encryption technique are various types of security programs

2b.

- 1. Data is a plural of the word Datum. It is defined as the raw facts or observations or assumptions or occurrence about physical phenomenon or business transactions  
Information is the data that has been converted into a meaningful and useful context for specific end users
- 2. Data is the collection of facts, which is unorganized but can be organized into useful information; whereas information is an organized or classified data having a high value for its users.
- 3. Data is objective whereas information is data that is subjected to the aggregation, manipulation and analysis that is placed in proper context for a human user.
- 4. Data should be accurate but need not be relevant, timely or concise; Information must be relevant, accurate, timely, concise and complete and apply to the current situation. It should be condensed into usable length
- 5. Data can take various forms like picture, text or all of these where as information exists as reports in a systematic textual format or as graphics

3a.

PC Mother boards have two or more expansion slots, which are extensions of the computer's Bus that provide a way to add new components to the computer. These slots accept circuit boards (also called as cards or Adapters)

Purposes of Expansion Slots

- (a) To access devices such as hard disk, diskette drives to the system bus through their controller cards with the help of adapters
- (b) To provide I/O ports, and to connect external devices at the back of the system such as monitors, external modems, printers, keyboards and mouse
- (c) To connect accelerator cards to enhance the speed of the system

3b.

<b>Interface</b>	<b>Port</b>
It means making an appropriate physical connection so that two pieces of equipment can communicate and work together	An interface connection is called port. To connect a new piece of hardware to the computer, the user can plug the device into an existing port
It is the physical arrangement supporting the attachment of any device to connector or to another device	A port is a socket on the back of the computer that is used to connect external devices to computer
It requires the involvement of hardware and	It is hardware related

4 *Language translators accept statements in one language and produce equivalent statements in another language. They read the source language statements one at a time and prepare a number of machine instructions to perform the operations specified/implied by each source statement. The various types of language translators are -*

**1. Compilers:**

- (a) They translate the entire program into machine language before the program is executed
- (b) Earlier they first translated a source program into assembly language and then called on an existing assembler to produce machine language. Nowadays, most compilers translate from source language (e.g.COBOL) directly to machine language.
- (c) The Compiler analyses each statement in the source program and generates equivalent sequence of instructions in machine language called as Object Program, also giving out syntax errors found in the source program.

**2. Interpreter:**

- (a) They are translators for a high level programming language that translates and runs the program at the same time.
- (b) The interpreter does not save an object program, since translation and execution processes are alternate.
- (c) The actual interpreting of high level language is faster with interpreter as compared to compiler but the program execution is slower with an interpreter as compared to a fully compiled program.

**3. Assembler:**

- (a) The program that translates assembly language to machine language is called an assembler
- (b) An assembler produces one machine –language instruction for each assembly-language instruction in the program
- (c) The input to the translator is known as Source language and the output as object program

5a. Access methods refer to the algorithms (set of procedures) used for storing and retrieving data  
Relative and direct access methods are the types of access methods  
**Relative access method** is the method of accessing data from the most recently referenced point in secondary memory and it supports finding nth record from the current position or from the beginning of the file.  
**Direct Access method** is the method of identifying data, its disk address and going to that point. It uses a calculation to generate the beginning address of a record. It can also be accessed when the record's primary key is provided.

5b. Tape management system (TMS) or Disk management system (DMS) is system software that tracks and lists tape/disk resources needed for data center processing. The system include data set name and specific tape reel or disk drive location, creation date, effective date, retention period, expiration date and contents information.  
**The benefits include:** It saves time – they minimize computer operator time and errors caused by locating proper files or mounting the wrong data set version  
They improve space efficiency by consolidating fragmented free spaces

TMS systems provide inventory control over tapes, identification of offsite rotation of back up media and security features to control tape access. Some of the systems work with robotic units to automatically retrieve and load tape volumes when they are requested by the computer systems

**PRIME ACADEMY  
PROGRESS TEST – JANUARY 2008**

Time Allowed : 2 Hours

PCC

Maximum Marks: 75

**INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT**

**PART – A**

**(25x1=25 Marks)**

**Answer All Questions:**

1. Objectives of business include
  - a)Survival
  - b)Stability
  - c)Growth
  - d)All the above
  
2. Basic goals of environmental analysis are
  - a)Understanding of changes
  - b)Inputs for decision making to facilitate strategic thinking
  - c)All of the above
  - d)None of the above
  
3. Find the odd one out:  
A super national enterprise is:
  - a)A world wide enterprise
  - b)Operates as a private business without direct obligation
  - c)Is chartered by political international body
  - d)It draws the economic world closer together
  
4. All elements are microenvironment except
  - a)Consumer
  - b)Suppliers
  - c)Competitors
  - d)Society
  
5. Kieretsus are
  - a)Large cooperative network of businesses
  - b)They have members in board who are not common
  - c)They are dependent companies
  - d)It Is a consortium or an association
  
6. A simple numeric character is called
  - a)A Character
  - b)A digit
  - c)A data item
  - d)None of the above
  
7. Operations in data processing includes
  - a)Recording
  - b)Classifying
  - c)Sorting
  - d)All of the above
  
8. Data processing system does not include
  - a)Manual data processing
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- c) Automatic data processing
  - d) None of the above
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- a) An extra bit that is added to the code for each character to make the number of 1 bits odd or even
  - b) A detective control
  - c) Provides a check on integrity of data
  - d) Is a hardware check applied to check the mechanism of the input/output devices
10. A file containing relatively permanent data is called
- a) Transaction file
  - b) Master file
  - c) Transfer file
  - d) Dump file
11. One MB represents
- a) 1000 KB
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  - d) 512 x 512 KB
12. A hybrid of sequential and direct access file organization is called as
- a) Indexed sequential file organization
  - b) Sequential file organization
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- a) The nodes are randomly connected using the communication links
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  - c) The time taken by removing the data from the storage location specified by the operation address register
  - d) All of the above

- 18. Synchronous transmission**
- a) Is a timed sequences method of transmission
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  - b) Mouse
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  - e) All of the above
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  - d) All of the above
- 23. HTML stands for**
- a) Hyper text markup language
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- 24. Assembler Language is a**
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  - d) Object oriented language
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- a) Interconnection between networks of different countries
  - b) Used for uploading and downloading files
  - c) Protocol used on the Internet
  - d) Standard Protocol for electronic data interchange (EDI)

**PART –B**

**(50 Marks)**

**Question 1 is compulsory and answer any three questions**

- |  |                 |
|--|-----------------|
| 1. a. Explain Porter's Five model Competitive analysis   | <b>10 marks</b> |
| b. Draw a flow chart to accept 10 numbers sort them in ascending Order and print the sorted list | <b>10 marks</b> |
| 2. a. Write short notes on Global environment  | <b>5 marks</b>  |
| b. Distinguish between data and information  | <b>5 marks</b>  |
| 3. a. Distinguish between a loader and linker  | <b>5 marks</b>  |
| b. Explain the difference between the interfaces and port  | <b>5 marks</b>  |
| 4. a. What are removable hot disks and hot swappable hard disks                                  | <b>5 marks</b>  |
| b. Explain the different types of database structures  | <b>5 marks</b>  |
| 5. a. What are the various primary access methods  | <b>5 marks</b>  |
| b. Write short notes on Tape and disk management systems   | <b>5 marks</b>  |

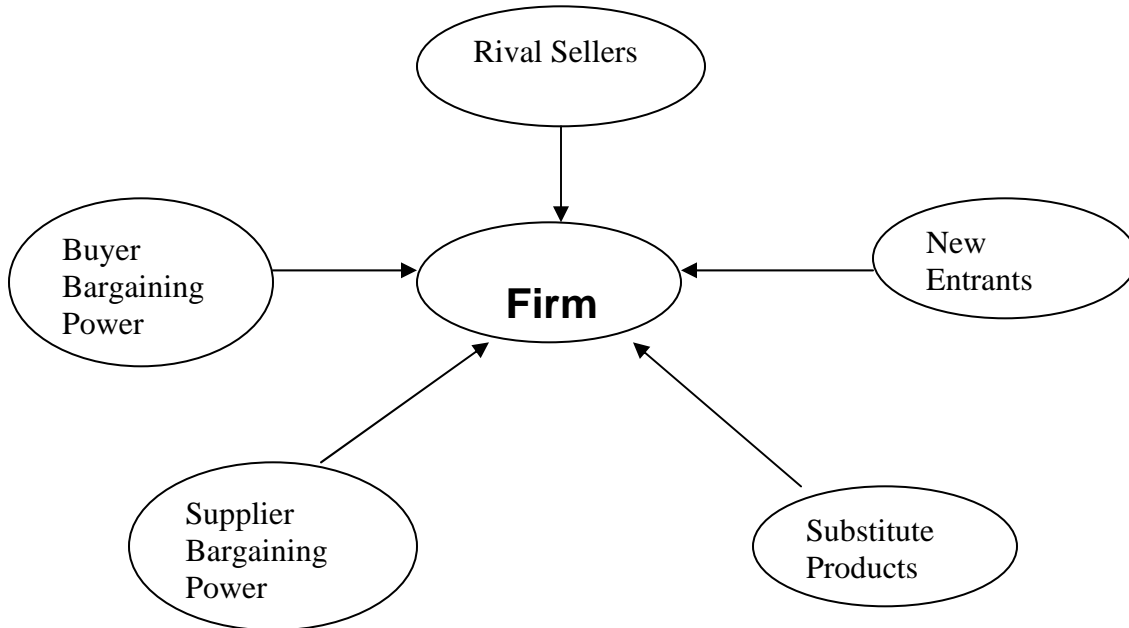
**PRIME ACADEMY**  
**PROGRESS TEST – JANUARY 2008**  
**PCC**  
**INFORMATION TECHNOLOGY and STRATEGIC MANAGEMENT**  
**PART-A** **(25 Marks)**

**Answers**

1. D
2. C
3. C
4. D
5. A
6. B
7. D
8. D
9. D
10. B
11. B
12. A
13. B
14. A
15. A
16. D
17. A
18. A
19. A
20. A
21. D
22. A
23. A
24. B
25. D



1a.



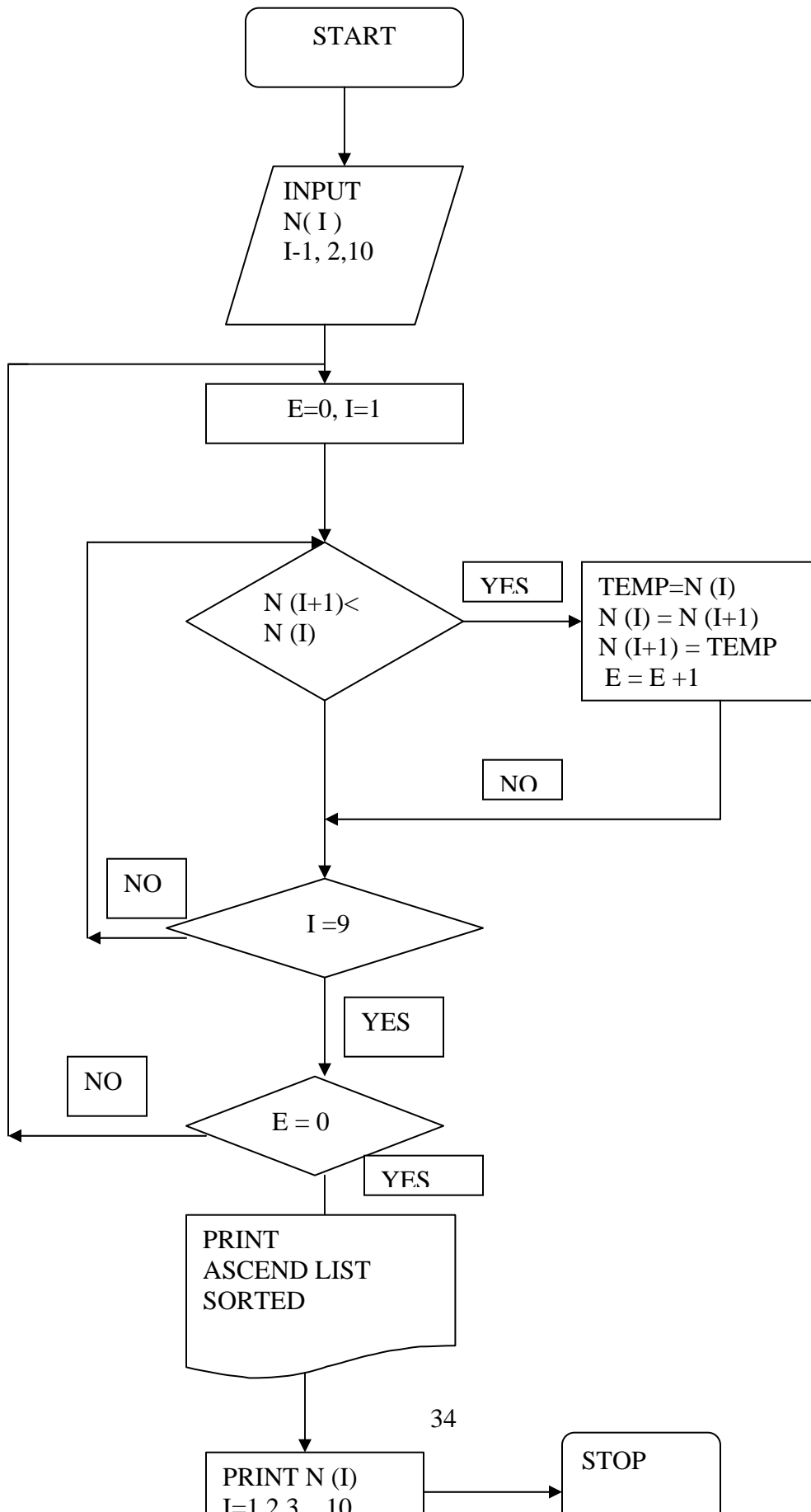
1. **Porter’s Five Model Competitive Analysis** is a powerful and widely used tool for systematically diagnosing the principal competitive pressures in a market and assessing the strength and importance of each. The five forces together determine industry attractiveness /profitability
2. **Competitive Pressures:** This model states that the state of competition in an industry is the result of competitive pressures operating in five areas of the overall market –
  - (a) Competitive pressures associated with the market, maneuvering and jockeying for buyer patronage that goes on among rival sellers in the industry
  - (b) Competitive pressures associated with the threat of new entrants into the market
  - (c) Competitive pressures coming from the attempts of Companies in other industries to win buyers over their own substitute products
  - (d) Competitive pressures stemming from supplier bargaining power & Supplier –seller collaboration
  - (e) Competitive pressures stemming from buyer bargaining power and seller-buyer collaboration

3. **Steps:** The steps to determine competition in a given industry are –

Step	<i>Description</i>
1	Identify the specific competitive pressures associated with each of the five forces
2	Evaluate how strong the pressures comprising each of the five forces are- (a) fierce, (b) strong, (c) moderate to normal or (d) weak

3	Determine whether the collective strength of the five competitive forces is conducive to earning attractive profits
---	---

1b.



2a.

1. Globalization refers to the process of integration of the world into one huge market. This unification leads to removal of all trade barriers among countries
2. At the organizational level, globalization has two effects – (a) the Company commits itself heavily with several manufacturing locations around the world and offers products in several diversified industries and (b) it has the ability to compete in domestic markets with foreign competitors.
3. Factors of Global environmental that should be assessed include –
  - (a) Potential positive and negative impact of significant international events
  - (b) Identification of changing and emerging in global markets
  - (c) Differences between cultural and institutional attributes of individual global markets

2b.

6. Data is a plural of the word Datum. It is defined as the raw facts or observations or assumptions or occurrence about physical phenomenon or business transactions  
Information is the data that has been converted into a meaningful and useful context for specific end users
7. Data is the collection of facts, which is unorganized but can be organized into useful information; whereas information is an organized or classified data having a high value for its users.
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10. Data can take various forms like picture, text or all of these where as information exists as reports in a systematic textual format or as graphics

3a.

<b>LOADER</b>	<b>LINKER</b>
1. It is a system software provided as an additional component of operating system	It is a system software provided as a component of language translators
2. It is used to load operating system components or application from secondary memory to main memory	It is used to load the modules of an application and to load them to main memory
3. It is used in loading individual components of operating system or application	It is used to link and load the components of applications
4. It controls and supervises the transfer of operating system components	It controls and supervises the transfer of program modules

3b.

<b>Interface</b>	<b>Port</b>
It means making an appropriate physical	An interface connection is called port. To

connection so that two pieces of equipment can communicate and work together	connect a new piece of hardware to the computer, the user can plug the device into an existing port
It is the physical arrangement supporting the attachment of any device to connector or to another device	A port is a socket on the back of the computer that is used to connect external devices to computer
It requires the involvement of hardware and software	It is hardware related

- 4a.** Removable hard disks effectively combine the speed and capacity of a hard disk (magnetic disk) with the portability of a floppy disk  
**Hot swappable hard disks are used on high-end workstations that require large amounts of storage; they allow the user to remove (swap out) a hard disk and insert (swap in) another while the computer is still on (hot). Hot swappable hard disks are like removable versions of normal hard disks; the removable box includes the disk, drive and read-write heads in a sealed container.**
- 4b.** Database structures are the definition of the data records in which information is stored, including the number of data fields. It is an approach to logically organize records and their relationships. The various types of database structures are:  
(a) Hierarchical database structure  
(b) Network Database Structure  
(c) Relational Database Structure
- 5a.** Access methods refer to the algorithms (set of procedures) used for storing and retrieving data  
Relative and direct access method is the types of access methods  
**Relative access method** is the method of accessing data from the most recently referenced point in secondary memory and it supports finding nth record from the current position or from the beginning of the file.  
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They improve space efficiency by consolidating fragmented free spaces  
TMS systems provide inventory control over tapes , identification of offsite rotation of back up media and security features to control tape access. Some of the systems work with robotic units to automatically retrieve and load tape volumes when they are requested by the computer systems