PRIME ACADAMY
29 th SESSION PROGRESS TEST
PCC / IPCC – COST ACCOUNTING and FINANCIAL MANAGEMENT

No.of.pages:4   **Total Marks: 75**
                                                              Time Allowed: 2Hrs

PART-A   **25 Marks**

1. A method of stock valuation mostly used by companies is
   - (a) Weighted average cost
   - (b) Standard cost
   - (c) FIFO (First in first out)
   - (d) LIFO (Last in first out)

2. Which of the following is the correct valuation base for finished goods for balance sheet valuation purposes?
   - (a) Prime cost per unit
   - (b) Production margin per unit
   - (c) Production cost per unit
   - (d) Total cost per unit

3. Units that do not meet production standards and are sold for their salvage value if any are called
   - (a) Spoiled units
   - (b) Defective units
   - (c) Scrap material
   - (d) Waste material

4. The term "sunk costs" refers to
   - (a) Past costs that are now irrecoverable
   - (b) Costs that are directly influenced by unit managers
   - (c) Costs that should be incurred in a particular production process
   - (d) Benefits lost from rejecting the next best alternative

5. The term "Prime costs" refers to
   - (a) Manufacturing costs incurred to produce units of output
   - (b) Costs which are predetermined and should be attained
   - (c) The sum of direct labour costs and all factory overhead costs
   - (d) The sum of direct material costs and direct labour costs

6. Costs which are inventoriable are
   - (a) Manufacturing costs incurred to produce units of output
   - (b) The sum of direct labour costs and all factory overheads
   - (c) The sum of raw material costs and direct labour costs
   - (d) Costs which are associated with marketing, shipping & ware housing

7. When the amount of under or over absorption is significant, it should be disposed off by
   - (a) Supplementary rate
   - (b) Transferring to costing profit and loss a/c
   - (c) Carrying over to next accounting period as deferred charge
   - (d) All the above

8. If the raw material prices are suffering from inflation, which of the following methods of valuing stock will give the lowest gross profit
      (a) LIFO
      (b) FIFO
      (c) Replacement cost
      (d) Simple average cost

9. A labour payment system follows a sbelow

Efficiency	Payment
Upto 83-1/3%	Ordinary piece rate
83-1/3% to 100%	110% of ordinary piece rate
Above 100 %	120% of ordinary piece rate

  Identify the above labour payment system
      (a) Halsey premium bonus plan
      (b) Rowan premium bonus plan
      (c) Taylor differential piece work system
      (d) Merrick differential piece rate system

10. Which of the following is an imputed cost
      (a) Depreciation
      (b) Royalty
      (c) Notional rent owned factory building
      (d) Interest cost

11. If a predetermined overhead rate is not employed and the volume of production is increased over the level planned, the cost per unit would be expected to
      (a) Decrease for fixed costs and remain unchanged for variable costs
      (b) Remain unchanged for fixed costs and increase for variable costs.
      (c) Decrease for fixed costs and increase for variable costs
      (d) Increase for fixed costs and increase for variable costs.

12. The following expense do not find in cost accounting
      (a) Royalty expenses
      (b) Depreciation
      (c) Canteen expenses
      (d) Underwriting commission

13. Which of the following production batch sizes will minimize cost where annual output is 20,000 units, setup costs per batch are Rs.25, holding costs are Rs.3 per unit
      (a) 69 units
      (b) 267 units
      (c) 577 units
      (d) 4,800 units

14. At reorder point
      (a) the level of stock is equal to the minimum expected consumption during lead time
      (b) the level of stock is equal to the maximum expected consumption during lead time
      (c) the level of stock is equal to the average expected consumption during lead time
      (d) None of the above

15. Two bin system adopted facilitates
    (a) to preserve one bin against damage
    (b) better accounting
    (c) to do away with bin cards
    (d) physical verification, easy handling and better physical control of materials

16. Inventory tags consists of
    (a) One portion
    (b) Two portion
    (c) Three portion
    (d) Four portion

17. Bill of materials is an itemized list of
    (a) materials available in the stores
    (b) materials not available in the stores
    (c) materials required for a job or process or service
    (d) None of the above

18. The item normally not considered in valuation of material receipts is
    (a) Trade and quantity discount
    (b) Transport charges
    (c) Cash discount
    (d) None of the above

19. Work study is a combination of two techniques
    (a) Method study and motion study
    (b) Method study and Work measurement
    (c) Work measurement and time management
    (d) None of the above

20. The following is a not a method of remunerating labour
    (a) Taylor differential piece work system
    (b) Rowan System of premium bonus system
    (c) Halsey premium system
    (d) Rohan system of premium bonus system

21. Under Barth Premium System to arrive at the wages payable , the hourly rate of pay is multiplied by
    (a) the product of the standard time and time taken
    (b) the square root of the product of the standard time and the time taken
    (c) the cube root of the product of the standard time and the time taken
    (d) none of the above

22. The following is a Collective Production Bonus scheme
    (a) Halsey premium system
    (b) Taylor differential piece work system
    (c) Rowan System of premium bonus system
    (d) Priestman system

23. In Emerson Efficiency or Empiric System the standard of efficiency is set at
    (a) 80 %
    (b) 50%
    (c) 75%
    (d) 66-2/3 or 67 %

24. Vacation pay for factory workers should be charged to
    (a) Work in process inventory
    (b) Direct labour
    (c) Administrative expense
    (d) Factory overhead

25. Following is not a method to separate semi-variable overhead into fixed and variable components
    (a) High and low method
    (b) Scattergraph method
    (c) Analytical method
    (d) Best square method

1. The following data were obtained from the books of Heavy Engineering company, for the half year ended 30th March 2009. Calculate the departmental overhead rates for each of the production departments, assuming that the overheads are recovered as a percentage of wages:

	Production Departments			Service Departments	
	A	B	C	X	Y
	Rs.	Rs.	Rs.	Rs.	Rs.
Direct wages	7,000	6,000	5,000	1,000	1,000
Direct materials	3,000	2,500	2,000	1,500	1,000
Employees (Nos)	200	150	150	50	50
Electricity (Kwh)	8,000	6,000	6,000	2,000	3,000
Light Points (Nos)	10	25	15	5	5
Asset Values	50,000	30,000	20,000	10,000	10,000
Areas Occupied (Sq.yds)	800	600	600	200	200

The expenses for six months were	Rs.
Stores Overhead	400
Power	1,500
Electric Lighting	200
Labour welfare	3,000
Depreciation	6,000
Repairs & maintenance	1,200
General Overheads	10,000
Rent & Taxes	600

Apportion the expenses of the Department X in the ratio of 4:3:3 and those of Department Y in the proportion to direct wages to the Departments A, B, C respectively
14 Marks

2. An operator engaged in machining certain components receives an ordinary rate of Rs.160 per day of 8 hours. The standard output for machining the components has been fixed at 80 pieces per hour (time as fixed for premium bonus). On a certain day, the output of the worker on this machine is 800 pieces. Find the labour cost per 100 pieces and the wages that would have actually been earned by the workmen under the following.
   a) if a bonus of Rs.23 is paid per 100 of the extra output
   b) If paid for on straight piece-work basis at the standard rate
   c) if Halsey Premium Bonus system is being adopted.   12 Marks

3. 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 for the period September 1,2003 to October 31,2003:

	Rs.
(i) Direct materials purchased	2,50,000
(ii) Work in process inventory, 1.9.2003	40,000
(iii) Direct materials inventory, 1.9.2003	20,000
(iv) Finished goods inventory, 1.9.2003	37,750
(v) Indirect manufacturing costs	40% of conversion cost
(vi) Sales revenues	7,50,000
(vii) Direct manufacturing labour	2,22,250

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(viii) Prime costs   3,97,750
(ix) Gross margin percentage based on revenues   30 %
(x) Cost of goods available for sale   5,55,775
The loss is fully covered by the insurance company. The insurance company wants to know the historical cost of the inventories as a basis for negotiating a settlement, although the settlement is actually to be based on replacement cost, not on historical cost.
Required:
(i) Finished goods inventory, 31.10.2003
(ii) Work in process inventory, 31.10.2003
(iii) Direct material inventory, 31.10.2003

16 Marks

4. A firm is able to obtain quantity discount on its orders of material as follows:

Price per tonne(Rs)	Tonnes
6.0	Less than 250
5.9	250 and less than 800
5.8	800 and less than 2,000
5.7	2,000 and less than 4,000
5.6	4,000 and above

The annual demand for the materials is 4,000 tonnes. Stock holding costs are 20% of material cost per annum. Delivery cost per order is Rs.6.00
Calculate the best quantity to order and what is the total cost at that quantity?

8 Marks

SUGGESTED ANSWERS

PART – A

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

Part – B

1.

Departmental Overhead distribution summary

Expenses	Basis	Total Rs.	A Rs.	B Rs.	C Rs.	X Rs.	Y Rs.
					Prodn.Dept		**Service Depts.**
Direct wages Actual						1,000	1,000
Direct Materials Actual						1,500	1,000
Sto.Overhead Direct Materials	400	120	100	80	60	40	
Power Kw hours	1,500	480	360	360	120	180	
Lighting Light points	200	40	40	60	20	20	
Lab.welfare No.of empl.	3,000	1,000	750	750	250	250	
Depreciation Asset val.	6,000	2,500	1,500	1,000	500	500	
Rep & maint. –do–	1,200	500	300	200	100	100	
Genl.OH Dir.wages	10,000	3,500	3,000	2,500	500	500	
Rent &taxes Area	600	200	150	150	0	50	
	27,400	8,340	6,220	5,100	4,100	3,640	
Dept.X 4:3:3		1,640	1,230	1,230	(4,100)		
Dept Y Direct wages		1,415	1,213	1,012		(3,640)	
		11,395	8,663	7,342			
Direct wages		7,000	6,000	5,000			
Overhead rate		168.78%	144.31%	146.84%			

		Rs.
2. a) Time rate for 640 pieces	-	160.00
Bonus for (800-640=160 pieces $\frac{23 \times 160}{100}$	-	36.80
Total wages for 800 pieces	-	196.80
Labour cost per 100 pieces	-	24.60

b) Standard output 640 pieces in 8 hours and Rs.160 per day

For 800 pieces - $\frac{800 \times 160}{640}$ - Rs. 200

Labour cost for 100 pieces $\frac{100 \times 200}{800}$ - Rs.25

c) For 640 pieces the time allowed is 8 hours and for 800 pieces it should be 10 hours

Time taken for 800 pieces	- 8 hours
Time saved	- 2 hours

If for 8 hours the wages is Rs.160 for 2 hours it should be Rs.40

Wages for time taken	- Rs.160
Bonus @50% of the time saved	- 20
Total earnings	Rs.180
Labour cost per 100 pieces	- $\frac{100 \times 180}{800}$ Rs.22.50

3.

Prime costs	=	Direct material + Direct labour
3, 97,750	=	Direct material + Rs 2, 22,250
Direct material	=	Rs 3, 97,750 – Rs 2, 22,250 = Rs.1, 75,500
Direct material cost	=	Opening inventory + purchases – closing inventory
1, 75,500	=	Rs 20,000 + Rs 2, 50,000 – Closing inventory
Closing inventory	=	Rs 2, 70,000 – Rs 1, 75,500 = Rs.94, 500

Sales revenue	=	Rs.7, 50,000
Gross margin	=	30 % = 30 % of Rs.7, 50,000 = Rs.2, 25,000
Cost of goods sold	=	Sales revenue – Gross margin
	=	Rs.7, 50,000 – Rs.2, 25,000 = Rs.5, 25,000

Finished goods inventory, 31.10.2003 = Cost of goods available for sale – Cost
        Of goods sold
    = Rs. 5, 55,775 – Rs. 5, 25,000
    = Rs.30, 775

Conversion cost	= Direct manufacturing cost+ Indirect manufacturing cost
Given Indirect manufacturing cost	= 40 % of conversion cost
Conversion cost	= Direct manufacturing cost + 0.4 conversion cost
0.6 conversion cost	= Direct manufacturing cost
Conversion cost	= Direct manufacturing cost/0.6 = Rs.2,22,250/0.60
	= Rs.3, 70,417
Indirect manufacturing cost	= Conversion cost – Direct manufacturing cost

| | | = Rs.3, 70,417 – Rs.2, 22,250 | = | Rs.1, 48,167 |

Gross factory cost = Prime cost + Indirect manufacturing cost
= Rs.3, 97,750 + Rs.1, 48,167 = Rs.5, 45,917

Cost of goods sold = Opening cost of finished goods + Cost of goods
Manufactured – Closing stock of goods sold

Rs 5, 25,000 = Rs 37,750 + Cost of goods manufactured – Rs 30,775

Cost of goods manufactured = Rs.5, 25,000 – Rs.37, 750 + Rs.30, 775
= Rs.5, 18,025

Opening Work in process + Gross Factory cost – Closing work in process
= Cost of goods manufactured

Rs.40, 000 + Rs.5, 45,917 - Closing work in process = Rs.5, 18,025

Closing work in process = Rs.5, 85,917 – Rs.5, 18,025 = Rs.67, 892

4.

Quantity Tons	Price per Ton (Rs)	Cost of purchase (Rs)	Cost of order (Rs)	Cost of stock holding (Rs)	Total Cost (Rs)
200	6	4000x 6 =24,000	(4000/200)x6 120	(200 x0.2 x6)/2 120	24,240.00
250	5.90	4000x5.90 =23,600	(4000/250)x6 96	(250 x0.2 x5.9)/2 147.50	23,843.50
800	5.80	4000x5.80 =23,200	(4000/800)x6 30	(800 x0.2 x5.8)/2 464	23,694.00
2,000	5.70	4000x5.70 =22,800	(4000/2,000) x6 12	(2,000 x0.2 x5.7)/2 1,140	23,952.00

Since the total cost is minimum when the order quantity is 800 tonnes and the total cost is Rs.23, 694

No.of.pages:5   **Total Marks: 75**
                                                                 Time Allowed: 2Hrs

PART-A   **25 x 1=25**

1. The annual value of self occupied property is
    a) Higher of Fair Rent or Municipal valuation
    b) NIL
    c) Standard rent
    d) None of the above.

2. Sec.2(29c) defines "maximum marginal rate" to mean the rte of income tax applicable
    in relation to the highest slab of income in the case of individual, AOP, BOI as the
    case may be, as specified in the Finance Act of the relevant year. The income tax
    applicable referred to in sec 2(29c)
    a) Including surcharge on income tax, if any
    b) Excluding surcharge on income tax
    c) Income tax at normal slab and surcharge at maximum rate
    d) Both income tax and surcharge at normal slab rate.

3. The total income of Mr. X for this A.Y 2009 – 10 is Rs.1,10,000. The income derived
    from agriculture is Rs.2,50,000. Hrs tax liability is computed as.
    a) Rs.27,810
    b) Rs.30,591
    c) NIL
    d) None of the above.

4. The person who fails to deduct tax at source is
    a) Representative Assessee
    b) Assessee in default
    c) Deemed assessee
    d) None of the above

5. Which of the following is an exception to the rule that "only real income shall be
    taxed"
    a) Salaries
    b) Income from house property
    c) Business income
    d) Casual income

6. Gopal, a Citizen of India, leaves India for the first time on 15-06-2008. He visited different places across the world and came back to India on 28/04/2009.
His residential status for the A.Y 2009-10
   a) Resident and ordinarily resident
   b) Resident but not ordinarily resident
   c) Non-resident

7. Mr. X is employed with Y Co. Ltd. His basic salary is Rs.10,000 p.m. The DA (not forming part of salary) is Rs.1000 p.m. Mr. X contributes Rs.1000 towards R.P.F. The company also contributes an equal amount to this Provident Fund. Which of the following statement is true?
   a) Y Co. Ltd's contribution is salary of Mr. X
   b) Y Co. Ltd's contribution is not salary of Mr. X
   c) Both the contributions are not salary
   d) None of the above

8. Entertainment allowance is deductible in the case of
   a) all employees.
   b) Government employees.
   c) Employee Governed by payment of Gratuity Act
   d) None of the above.

9. Mr. Mathew receives Rs.1,25,000 as gratuity on retirement under the payment of Gratuity Act. He has furnished the following information to you to compute exemptions u/s 10(10).

   Last drawn Salary
   Basic salary   Rs.15,000
   Dearness AllowanceRs. 5,000

   Average of last ten months Salary
   Basic Salary   Rs.14,500
   D.A   Rs. 4,500

   Dearness Allowance is not forming part of Salary.
   Salary for this purpose of claiming deductions u/s 10(10) is
   a) Rs.20,000
   b) Rs.19,000
   c) Rs.15,000
   d) Rs.14,500

10. Ramani owns a flat which is assessed by the local authority with an annual value of Rs.90,000. The property was let-out for Rs.7500p.m. The tenant vacated the property on 30-09-2008. The flat was vacant from October 2008 till January 2009. In February 2009 a new tenant Occupied at a rent of Rs.10,000 p.m. The Gross Annual value of the property is
    a) Rs.90,000
    b) Rs,1,20,000
    c) Rs.95,000
    d) Rs.65,000

11. Mr. A retires from Y Ltd. He can encash his leave to the extent of Rs.3,00,000. Before joining with Y Ltd He was employed in X Ltd and availed an exemptions of Rs.1,00,000 with regard to leave salary. The maximum amount exempt u/s 10(10AA) with the present employer's
    a) Rs.200,000
    b) Rs.100,000
    c) Rs.300,000
    d) None of the above.

12. Mr. Bhaskar opened an account with State Bank of India to invest in Public Provident Fund. During 2008-09, he receives Rs.250,000 from the said find of which Rs.100,000 is interest credited @12% p.a. which of the following statement is true
    a) Rs.250,000 is taxable
    b) Rs.250,000 is exempt
    c) Interest is excess of 9.5% is exempt
    d) Interest in exc3ess of 9.5% is taxable

13. X Ltd. adopts the policy of reimbursing the medical bills of its employees and family Mr. George an employee incurs Rs.7500 for the treatment of his father which is reimbursed by the company. The taxable value of perquisite is
    a) Rs.7500
    b) Rs.15000
    c) NIL
    d) None of the above.

14. Mr. X, the Regional manager of a company transferred from Cochin to Chennai. The company provided hotel accommodation in Chennai till he finds a suitable residence He stayed 14 days is Hotel and the company spends Rs.21,000 is this regard. The salary due to him for such period is Rs.50,000. The value of taxable perquisite with regard to such hotel accommodation is
    a) Rs.12,000
    b) Rs.21,000
    c) Rs.24,000
    d) None of the above.

15. The agricultural income is aggregated with taxable non-agricultural income if it is
   a) Rs.5000 or more
   b) exceeds Rs.5000
   c) Exceeds Rs.500
   d) None of the above.

16. Mr. X transferred his house property to Mr. Y for adequate consideration on 31-03-2008. During 2008-09 He received Rs.20,000 being unrealized rent for 2006-09 and 2007-08 for which he had made a deduction in computing his house property income. Which of the following statement is true?
   a) Rs.20,000 is taxable as income from House Property
   b) Rs.20,000 is taxable as income from Other sources
   c) Rs.12,000 is taxable as income from House property.
   d) Rs.12,000 is taxable as income from other sources.

17. Mr. Pratheep is the Finance Manager of Hi-Tech Ltd. The company provide a motor car of 1.6 liter cubic capacity He uses this car exclusively to commute between this residence and office. The company also provides a driver. Taxable value of perquisites per month with regard to this motor car is.
   a) Rs.1800p.m.
   b) Rs.2200 pm
   c) NIL
   d) None of the above.

18. A director employee of employer company is
   a) always a specified employee
   b) a specified employee if has substantial interest is the employer company
   c) a specified employee if his income under the head salaries exceeds Rs.50,000
   d) None of the above.

19. Mr. X employed with A Ltd. The company purchased a laptop worth Rs.35,000 and used by Mr. X. The value of perquisites is
   a) Rs.3500
   b) Rs.35000
   c) Nil
   d) None of the above.

20. Syam purchases sapling and sealing grown is a nursery and sells it to agriculturists. The income derived to him from these transaction is
   a) Agricultural income and fully exempt
   b) Income from other sources but fully exempt
   c) Profits and Gains of Business or Profession but fully exempt
   d) Chargeable to tax under the head profits and Gains of Business or profession

21. The global income of a person Resident in India is
    a) Taxable income
    b) Exempt income
    c) None of the above.

22. Royalty payable by Government to a non-resident is
    a) not income
    b) Income received in India
    c) Income deemed to accrue or arise in India
    d) None of the above.

23. Employer-employee relationship is established under.
    a) Contract for service
    b) Contract of service
    c) Agency service
    d) None

24. Salary surrendered to Central Government is
    a) included in computing salary income
    b) not included in computing salary income
    c) first included in salary and later deducted
    d) None

25. The maximum children education allowance which is exempt per child per month is
    a) Rs.50
    b) NIL
    c) Rs.100
    d) None

Answer all questions

1.   Write a short note on "Basis of charge". What are the exception to the rule that income of an assessee for the previous year will be charged to tax in the subsequent assessment year?

                                                                    2 + 5 = 7 Marks

2.   Define Royalty u/s 9 of Income Tax Act   7 Marks

3.   What are the conditions to be fulfilled to consider the income from a farm building as Agricultural Income   4 Marks

4.   Explain the taxability of gratuity under the head "salaries"   8 Marks

5.   Mr. Gopal is working as General Manager of X Ltd. He is drawing a monthly salary of Rs,20,000. He is provided with a rent free furnished accommodation in Chennai. Cost of furniture provided is Rs.50,000 [WDV is Rs.30,000]. The company also provided him the following.

    (1) Interest free loans (on 1.4.2008)   Rs.
    a) For residential flat purchase   7,00,000
       (repayable in 8 years)
    b) Education Loan (for son)   15,000

    Compute his salary income for the A.Y. 2009-10   9 Marks

6.   How is income from self-occupied property computed?

    Anand let out his house property for a rent of Rs.10,000 p.m. The municipal valuation of such property is Rs.120,000 and standard rent Rs.1,15,000 The municipal taxes for 2008-09 Rs.15,000 was paid on 31-03-09. The loan outstanding on this property was repaid on 30-06-2008. The total repayment was Rs.3,50,000. Rs.80,000 of such amount repaid accounts for interest of which Rs.30,000 was due for the year 2007-08. There is an advertisement hoarding on the top of this building. The annual rental income from such advertisement is Rs.30,000.
    Compute total income for A.Y.2009-10

                                                                    4+11= 15 Marks

PART-A

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

PART-B

1. BASIS OF CHARGES

Section 4, which provides the chargeability of total income, State that the total income of the previous year of every person shall be charged to income tax at the rate prescribed in the annual Finance Act as applicable to the relevant assessment year.

However, in respect of certain types of income, the income Tax Act prescribed the rate of tax.

Eg: Sec 112 prescribes a tax rate of 20% in respect of long term capital gain.

Exception

Section 4, provides the taxability of total income of previous year. ie the total income of previous year is taxable at the rates applicable to the relevant assessment year. The following are the exceptions to this principle where the total income is taxable in the same year.

i. Sec 172 – Shipping business of a non – Resident

    Where a ship belonging to or chartered buy a non – resident carrying passengers, livestock, mail or goods shipped at a port of India the ship is allowed to leave the port only if the tax due thereon has been paid or satisfactory arrangements have been made for payment there of 7.5% of the freight paid or payable on account of such carriage is deemed to be his income.

ii. Sec 174 persons leaving India.

    Where it appears of the Assessing office that any individual may leave India during an assessment year or shortly after its expiry and he has no present intention of returning to India, the total income of such individual for the period form the expiry of the previous year for that assessment year up to the probable date of his departure from India is chargeable to tax in that assessment year.

iii. Sec 174A Assessment of AOP / BOI or artificial juridical person formed for a particular event or purpose.

    Where it appears to the assessing officer that any AOP / BOI or artificial juridical person formed for a particular event or purpose is likely to be dissolved in the assessment year in which such AOP or BOI was formed or immediately after such assessment year the total income of such person for the period from the expiry of the pervious year for that assessment year up to the date of its dissolution shall be chargeable to tax in that assessment year itself.

iv. Sec 175 – Persons likely to transfer property to avoid tax

Where it appears to the Assessing Officer that a person is likely to sell, Transfer, Dispose off or part with any of his assets to avoid tax liability under that act the total income of such person for the period from the expiry of the previous year for the assessment year to the date when the assessing offices commences proceedings under the section is chargeable to tax in tat assessment year.

v. Sec 176 (3A) Discontinued business or profession

Where any business is discontinued in any year, any sum received after the discontinuance shall be deemed to be the income of the recipient and charges to tax in the year of receipt.

2. "Royalty" is defined U/S 9 to mean consideration for :-

i.   The transfer of all or any rights (including the granting of a licence) in respect of patent inventions, models, design, secret formula or process or trade mark or similar property;

ii. The imparting of any information concerning the working of, or the use of , a patent, inventions, models, design, secret formula or process or trade mark of similar property

iii. The use of any patent, inventions, model, design, secret formula or process or trade mark or similar property;

iv. The imparting of any information concerning technical, industrial, commercial or scientific knowledge experience or Skill.

   a. the use or right to us , any industrial, Commercial or scientific equipment but not including the amount referred to in Sec 44 BB

v.   The transfer of all or any rights in respect of any copy right, literary, artistic or scientific work including film or video tapes for use in connection with radio broadcasting but not including consideration for the sale, distribution or exhibition of cinematographic film.

vi. Rendering of any services in connection with the activities referred to in sub clause (i) to (v) above.

3. Income from farm building is considered as agricultural income if the following conditions are satisfied:-

i.   The building is on or in the immediate vicinity of the agricultural land;

ii. It is occupied by the cultivator or receiver of rent or revenue,

iii. It is used as a dwelling house or store house or out house and

iv. The land is assessed to land revenue or it is not situated in specified area.

4. The chargeability of Gratuity depends upon the point of time when the employee receives it. The employee may receive gratuity during the period of service or after the period of service.

   4.1. any gratuity received during the period of service is taxable in the hands of all employees.

   4.2. any death- Cum- retirement gratuity received by the employee is subject to exemption U/s 10(10).

   a. Government Employee: Any death-cum-retirement gratuity received by government employees is wholly exempt from tax.

   b. Employees covered by payment of Gratuity Act 1972.

   Gratuity received by an employee covered by the payment of Gratuity act 1972 ; is exempt from tax to the extent of least of the following.

   i.   Rs.35000 or

   ii.   15 days salary (out or 26 days) based on last drawn salary for each completed year of service or part of the year in excess of six month; or

   iii.   Gratuity actually received

Note:- Salary for this purpose means basic Salary and dearness allowance.

   c. Other Employees:-

   The least of the following is exempt

   i.Rs 350000 or

   ii. Half month's salary for each completed year of service

   iii.Gratuity actually received

Note: 2:   Salary for this purpose means the average salary for last 10 months preceding the month in which the retirement and other events occur and includes basic salary, dearness allowance if provided in terms of employment and commission as a percentage of turnover achieved by the employee.

Note – 3: Where gratuity is received by an employee from two or more employers in the same previous year then the aggregate amount of gratuity is exempt from tax cannot exceed the above limit prescribed.

Note:4 In case where the employee has received gratuity in any earlier year from his former employer and also received gratuity from another employer in later year the limit of Rs.3.5 lakhs will be reduced by the amount of gratuity exempt from tax in any earlier year,.

5. Computation of salary income of Mr Gopal for the Assessment year 2009-10

PARTICULARS	Amount Rs	Amount Rs.
Salary (Rs.20000 x 12 months)		240,000
Taxable Perquisites		
i. Value of Rent free furnished Accommodation (Ref:: to working Note No.1)		41,000
ii. Value of fringe benefits (Ref: to working Note No.2)		73,588
GROSS SALARY		**354,588**

Working Note:-1

PARTICULARS	Amount Rs	Amount Rs.
1. Employees is provided rent free accommodation in chennai		
Salary for the purpose	240,000	
Value of rent free unfurnished accommodation (=15% of Salary =240000x15%)		36,000
Add: 10% of cost furniture (Rs50,000x10%)		5,000
Value of Rent free furnished accommodation		41,000

Working Note :- 2

PARTICULARS	Amount Rs	Amount Rs.
Taxable value of fringe benefits		
1. Interest free housing loan Rs.7,00,000 x 10.25%		71,750
2. Education Loan Rs.15,000 x12.25%		1,838
TOTAL		**73,588**

6. **Self Occupied property:**

The annual value of self occupied property can be adopted a NIL. Municipal taxes paid and 30% deductions are not allowed. Interest on loan borrowed, for the acquisition or construction, up to maximum of Rs.150000 shall be allowed as deduction if the following conditions are satisfied.

   a. Loan shall be borrowed on or after 01.04.99

   b. Acquisition or construction is completed within 3 years from the end of the financial year in which such loan is borrowed.

In any other cases the maximum interest deducted is limited to Rs.30000/-.

Computation of Total income of Anand for the Assessment year 2009-10

Particulars	Rs.
i. Income from House Property	23,500
(Ref: to Working note – 1)	
ii. Income from other sources	30,000
(Ref to working note – 2)	……..
Total Income	**53,500**

Working Note:-1.

Incomer from House property:

	Rs.	Rs.
Gross annual value		120,000
Less: Municipal taxes paid during the year		15,000
Net Annual Income		105,000
Less: Deduction u/s 24		
i. 30% of Net Annual Value Rs105000 x 30%	31,500	
ii. Interest on Loan	50,000	81,500
Income from House Property		23,500

Interest due for the year is (Rs80,000-30,000) =50,000/-

Working Note:-2.

Advertisement hoarding on the top of the building is neither building nor land appurtenent thereto. Here, not taxable under property income. It is taxable under the head Income from others sources.

PRIME ACADEMY
29 th SESSION PROGRESS TEST
PCC/ IPCC
INFORMATION TECHNOLOGY and STRATEGIC MANAGEMENT

No of pages:3   **Total Marks: 75**
                                                    Time Allowed: 2Hrs

PART-A   **25 x 1 = 25**

(1)   A set of magnetic concentric circles created when formatted is known as
        a. Magnetic disk
        b. Diskette
        c. Tracks
        d. FAT

(2)   A Computer composed of several computers is a
        a. Super Computer
        b. Host Processor
        c. Multi processor
        d. None of the above

(3)   Speed of Mainframe Computers is measured in
        a. Megaflops
        b. Nanoseconds
        c. BIPS
        d. None of the above

(4)   Port is a
        a. Software
        b. System device
        c. Hardware device
        d. All of the above

(5)   The capability to decode and respond natural languages is an attribute of
        a. Third generation Computers
        b. Fourth Generation Computers
        c. Fifth generation Computers
        d. All of the above

(6)   Bus is a
        a. Component
        b. Communication device
        c. Processor equipment
        d. All of the above

(7)   Central nervous System of a Computer is
        a. Control Unit
        b. CPU
        c. ALU
        d. All of the above

(8)   RAM Stands for
        a. Read and access Memory
        b. Random Memory
        c. Random Access Memory
        d. None of the above

(9) Mother board
      a. Acts as a base to all the various components
      b. Houses different slots, ports and connectors
      c. All of the above
      d. None of the above

(10) CMOS stands for
      a. Computer managed operations
      b. Computer Media Output System
      c. Complimentary Metal oxide Semiconductor
      d. Computer Metal Oxide Semiconductor

(11) Dynamic RAM is
      a. Faster, larger
      b. One which retains the stored data as long as the power remains
      c. Is mainly used in Cache memory
      d. To be refreshed hundred of times to prevent data loss

(12) A perfect integer
      a. Is a positive integer
      b. Is an even
      c. Equals the sum of its proper divisors
      d. All of the above

(13) A file, which contains the permanent data, is called
      a. A System File
      b. A Master File
      c. A transaction file
      d. None of the above

(14) Competitors and Consumers are part of
      a. Business Environment
      b. Micro Environment
      c. Macro Environment
      d. Global Environment

(15) Survival
      a. is the basic objective of every business
      b. Represents the will and anxiety to remain in business
      c. Is the ability to sustain and grow
      d. All of the above

(16) Profitability is
      a. The overall measure of performance
      b. Main objective of any business Processing
      c. Is a long term perspective
      d. All of the above

(17) Environment is ----- in nature
      a. Complex
      b. Static
      c. Erratic
      d. All of the above

(18) SWOT analysis has ------ environmental influences
        a. Five
        b. Four
        c. Six
        d. Two

(19) Superior R & D skills which can be used for a new product development by a business is
        a. An Opportunity
        b. Threat
        c. Strength
        d. All of the above

(20) Increase in Consumer Income and growing demand is
        a. An Opportunity
        b. A Threat
        c. Strength
        d. Environmental influence

(21) Macro Environment includes
        a. Organization
        b. Suppliers
        c. Government
        d. Competitors

(22) Availability of materials and services with regard to supplier will have an impact on business
    as to
        a. Quality
        b. Bargaining Power
        c. Timeliness of Supply
        d. All of the above

(23) Bargaining power of suppliers determines
        a. Profitability
        b. Quality
        c. Competition
        d. Cost of the raw materials and other inputs

(24) Wholesalers, retailers and dealers
        a. Help in establishing a link between organization and its customers
        b. Help in establishing an competitive environment
        c. Are part of macro environment
        d. All of the above

(25) Economic environment determines
        a. Strength and size of the market
        b. Purchasing Power
        c. Liquidity of the business
        d. None of the above

PART-B   **50 Marks**

Question 3 is compulsory and answer any three questions from the rest

(1)   (a) Explain the basic functions of an operating system.

        (b) Briefly discuss various elements of micro environment   (5 + 5 = 10 Marks)

(2)   (a) Explain the concept of Object oriented programming

        (b) What are the objectives of a business   (5+ 5 = 10 Marks)

(3)   Distinguish between:

        (a) Third generation language and Fourth generation language

        (b) System Software and Application Software

        (c) Internal and External factors that determine the business firm and its relationship with its environment

        (d) Conservative and cautious approaches of strategic responses to environment

                                         (4 X 5 = 20 Marks)

(4)   What are the effects of Globalization   (10 Marks)

(5)   Explain the Concept of BIOS   (10 Marks)

SUGGESTED ANSWERS

PART - A

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

1. (a) Basic functions of an operating system.

The operating system may be defined as an integrated system of programs which supervises the operation of the CPU, controls the input/output functions of the computer system, translates the programming languages into the machine languages and provides various support services.
There are six basic functions that an operating system can perform. These are:-

(i) Schedule Jobs:

Operating systems can determine the sequence in which jobs are executed, using priorities established by the organization.

(ii) Manage Hardware and Software Resources:

Operating systems cause the user's application p   program to be executed by loading it into primary storage and then cause the various hardware units to perform as specified by the application.

(iii) Maintain System Security:

They may require users to enter a password - a group of characters that identifies users as being authorized to have access to the system.

(iv) Enable Multiple User Resource Sharing:

They can handle the scheduling and execution of the application programs for many users at the same time, a feature called multiprogramming.

(v) Handle Interrupts:

An interrupt is a technique used by the operating system to temporarily suspend the processing of one program in order to allow another program to be executed. Interrupts are issued when a program requests an operation that does not require the CPU, such as input or output, or when the program exceeds some predetermined time limit.

(vi) Maintain Usage Records:

Operating systems can keep track of the amount of time used by each user for each system unit - the CPU, secondary storage, and input and output devices.

(b) Various elements of micro environment

Micro environment affects business and marketing at routine and operating levels. Whereas the changes in the macro environment affect business in the long run, the effect micro environment changes are noticed immediately. Organizations

Have to closely analyze and monitor all the elements of micro environment in order to stay competitive. Micro environment can be broadly classified as:
➢ Consumers/customers
➢ Competitors
➢ Organization
➢ Market
➢ Suppliers
➢ Intermediaries

2. (a) Object oriented programming:

With traditional programming may approach, developing a new program means writing entirely new codes which may take years to complete, yet not meeting the desired quality standards. Since each program is written from scratch, quality is often poor, productivity of programmers is low, and programs are usually behind schedule. When program modifications are needed, the code must be rewritten and tested. As programs become longer and more complex, achieving a reasonable quality level becomes a formidable task.

The solution to this problem is a new way of developing software using an object oriented language. An object is a predefined set of program code that, after having been written and tested, will always behave the same way, so that it can be used for other applications. All programs consist of specific task such as saving or retrieving data and calculating tools. In object-oriented programming, an object is written for each specific task and saved in a library so that anyone can use it.

In OOP, object is selected by pointing to a representative icon. A small amount of code necessary for finishing the program is written and then linking these objects together creates a new program. Object can be modified, reused, copied, or created. When an object is updated, all programs using that object can be automatically updated as well.

OOP offers the following advantages:

- ❖ Allows graphical user interface
- ❖ Ease of use
- ❖ Faster program development
- ❖ Enhanced programmer productivity
- ❖ More reliability and contains fewer errors
- ❖ When an object is updated, all programs using that object updated automatically.

However, large programs produced using OOP are slower and expensive since they require more computer resources.

3.(a) Distinction between Third generation language and Fourth generation language

Sl No.	Third Generation Languages	Fourth Generation Languages
1	Intended to be used by professional program	May be used by a non-programming end user as we professional programmer
2	Require specification of how to perform task	Require specification of what task to perform (syste determines how to perform the task)
3	Code may be difficult to read, understand and maintain.	Code is easy to understand and maintain
4	Largely developed for batch operation	Language is developed primarily for online use
5	Difficult to debug	Easier to debug
6	Typically file-oriented	Typically database oriented.
7	Require that all alternatives be specified	Have default alternatives built in; end user need not specify
8	Can be difficult to learn	Many features can be learned quickly
9	Require large number of procedural instructio	Require far fewer instructions

(b)   Distinction between System Software and Application Software

System Software comprises of those programs that control and support the computer system and its data processing applications. It includes the following:

- ❖ Programming languages
- ❖ Operating Systems
- ❖ Subroutines
- ❖ Utility programs
- ❖ . Diagnostic routines
- ❖ Language translators.

The system software of one computer system may differ in many ways from that of another. It is traditionally written in low-level languages. A detailed knowledge of system hardware is needed to write such programs. Hence, they are generally provided by the manufacturers or specialized software development firms.

Application Software on the other hand, directs the computer in performing specific user-related data   processing tasks. These are written by the programming staff of a computer using organization. The program usually solves a particular application or problem that is unique to that organization. Examples of such programs are payroll, general accounting, sales statistics, inventory control and CAD/CAM. Usually different organizations require different programs for similar application and hence it is difficult to write standardized programs. However, tailor made application software can be written by software houses on modular design to cater the needs of different users.

(c)   Distinction between Internal and External factors that determine the business firm and its relationship with its environment

Internal Factors	External Factors
Size of the organization, age, nature of business, nature of ownership, degree of professionalization of management etc	Includes behavior of environmental elements Their nature and composition
Is within the control of the business	Outside the control of the business
To some extent predictable and certain	Uncertain and non-predictable

(d) Distinction between Conservative and cautious approaches of strategic responses to environment

Conservative approach also known as least resistance approach aims at maintaining units, managing to survive by way of coping with their changing external environments.
These enterprises are very passive in their behavior and are solely guided by the signals of external environment

Under Cautious approach or proceed with caution , firms take an intelligent interest to adapt with the changing external environment seek to monitor the changes in environment, analyze their impact on their own goals and activities and translate their assessment in terms of specific strategies for survival , stability and strength.

These firms understand that the complexity of the external environmental elements are there to exist and are to be taken as 'given' within the framework of which they have to function as adaptive- organic sub-systems.

4. Effects / Manifestations of Globalizations

1. **Global locations**:

   An MN can locate its different operations in different countries on the basis of raw material availability, consumer markets and low-cost labour

.

2. **Inter-linked and inter-dependent economies**:

   In terms of economic-welfare, globalization refers to the unique economically inter-dependant international environment; each country's prosperity is inter-linked with the rest of the world.

3. **Lower Trade barriers**:

   Due to increased privatization of manufacturing and service sectors, less government interference in business decisions and more dependence on the value –added sector to gain market competitiveness, the trade tariffs and custom barriers are getting lowered, resulting in cheaper and abundant supply of goods.

4. **Infrastructure:**

   Infrastructural inputs must be ensured at competitive prices, if the companies were to compete globally. The advantages of cheap labour and other inputs evaporate in the face of continuous inflation and high infrastructural costs.]

5. **Privatization:**

   Due to globalization, gradually Governments withdraw from owning and running business enterprises. Private entrepreneurs are given greater access and freedom to run business units. The role of Government is reduced to the provider of infrastructure for private business to prosper.

6. **Entrepreneurship**:

   Due to globalization, the entrepreneur and his unit become central figures in the process of economic growth and development of a nation. The businesses are able to innovate bring in new products and contribute to the nation's wealth.

7. **Mobility of skilled resources:**

   The various factors of production, viz., land, labour and capital are highly mobile and are transferable from any part of the world to any other part. The entire world has become one single village

8. **Efficient and quality:**

   Integration of global markets implies that costs, quality processing time and terms of business become dominant competition drivers and consumers can get quality products in their own location.

9. **Regional blocks:**

   Strategic alliances are formed to ward off economic and technological threats and for social progress and cultural development in the region on matters of common interest.

(5) Concept of BIOS

Basic input output system (BIOS) is a small chip on the motherboard which loads the hardware settings to load various devices such as keyboards, monitors etc. It is the program that a persona computer's microprocessor uses to get the computer system started after it is turned on.

Features:

(a) BIOS is a program that is made accessible to the microprocessor on an erasable programmable read only memory (EPROM)
(b) Theoretically, it is the intermediary between the microprocessor and I/O device and controls information and data flow. In some cases, it can arrange for flow of data directly to memory from devices (like such as video cards) which require faster data flow to be effective.
(c) A small lithium Ion battery provides power to BIOS.
(d) When the details of a device change only the BIOS program needs to be changed during the system setup.

Role/ Functions:

(a) When the computer is switched on, the microprocessor passes control to the BIOS program which is always located at the same place on EPROM.
(b) It controls the routine functions like clock, I/O Devices and manages data flow between the computer's operating system and attached devices such as hard disk, video adapter, keyboard , mouse and printer
(c) When BIOS boot up the computer, it determines whether all the attachments are in place and operational and then it loads the operating system (or key parts thereof) into the computer's random access memory from the hard disk or diskette drive.