

PRIME ACADEMY
30th SESSION - PROGRESS TEST
COST ACCOUNTING & FINANCIAL MANAGEMENT

No. of Pages: 6

Total Marks: 75

Time Allowed: 2Hrs

PART – A

25 Marks.

1. 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

2. The variable factory overhead application rate under the normal, practical and expected activity levels would be the same
 - a. Except for normal volume
 - b. Except for practical capacity
 - c. Except for expected activity
 - d. For all three activity levels

3. If the overhead to be absorbed was the foreman's salary the most likely appropriate basis for absorption would be
 - a. Weight of material
 - b. Direct labour hours
 - c. Selling price
 - d. Prime cost

4. A perpetual inventory system may be defined as
 - a. The checking of physical stock against the bin card information on a continuous basis

- b. The checking of stock on the same date in each accounting period
 - c. Ensuring that stock taking procedures conform to a previously agreed procedure
 - d. The documentation system which records all stores transactions on a continuous basis
5. Re order quantity may be measured as
- a. Maximum stock level – reorder level +(minimum usage x minimum reorder period)
 - b. Reorder level + minimum stock - (minimum usage x minimum reorder period)
 - c. Maximum stock level – reorder level - (minimum usage x maximum reorder period)
 - d. Normal usage x normal reorder period
6. At Economic order quantity
- a. The ordering cost is lower as compared to inventory holding cost
 - b. Inventory holding cost is lower as compared to ordering cost
 - c. Inventory holding and ordering cost are equal and are minimum
 - d. Ordering cost is half the inventory holding cost
7. When material prices fluctuate widely, the method of pricing that gives absurd results is
- a. Weighted average price
 - b. moving average price
 - c. simple average price
 - d. inflated price
8. Which of the following is a service department
- a. Machine shop
 - b. Assembly shop
 - c. Foundry shop
 - d. maintenance shop
9. A labour payment system follows a system below
- | | |
|--------------|---------------------|
| 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. Flux rate of labour turnover is

- a) Number of employees replaced
Average no.of employees on roll
- b) Number of employees left
Average no.of employees on roll
- c) Number of employees joining and leaving
Average no.of employees on roll
- d) Number of employees replaced
Total no.of employees on roll

11. Economic order quantity - 200 units, Ordering Cost per order Rs.10 Cost per unit Rs.100

Cost of carrying inventory – 10% of cost annual usage quantity is

- (i) 25,000 units
- (ii) 20,000 units
- (iii) 19,000 units
- (iv) 22,000 units

12. 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

13. If risky cash flows are recast in terms of their certainty equivalent, they should be discounted at

- a. The required rate of return
- b. The company wide hurdle rate
- c. The accounting rate of return
- d. A risk free rate of return

14. The method which does not take into account the time value of money

- a. Payback method
- b. Net present value method
- c. Internal rate of return
- d. None of the above

15. A capital budget evaluation method which assumes that cash flow is re-invested in another project at a certain rate of interest is

- a. Pay back method
- b. Internal rate of return
- c. Net present value method
- d. Terminal value method

16. A method that uses a trial and error approach to find the discount factor that equates the original investments to cash flow

- a. Payback method
- b. Terminal value method
- c. Net present value method
- d. Internal rate of return

17. A capital evaluation method which is easy to understand by executives and non technical person is

- a. Net present value method
- b. Terminal value method
- c. Internal rate of return method
- d. None of the above

- 18.** When cash flows are not uniform the method suggested is
- Pay back period method
 - Average rate of return method
 - Internal rate of return
 - Profitability index
- 19.** Profitability index method is based on
- Pay back period
 - Terminal value method
 - Internal rate of return
 - Net present value method
- 20.** Data given : Standard time 32 hours Actual time - 28 hours Wage rate per hour Rs.1 per hour. Earnings as per Rowan plan is
- Rs.30.50
 - Rs. 31.50
 - Rs.32.50
 - Rs.30.00
- 21.** ----- method of pricing of issues is used to determine efficiency of material purchase
- FIFO method
 - LIFO method
 - HIFO method
 - Standard cost method
- 22.** Actual overhead rate is also known as
- Historical overhead rate
 - Normal overhead rate
 - Multiple overhead rate
 - Predetermined overhead rate

- 23.** Spare parts used for upkeep of delivery vans is
- a.** An administrative overhead
 - b.** Material overhead
 - c.** Distribution overhead
 - d.** Factory overhead
- 24.** The method of project selection which considers the time value of money in a capital budgeting decision is accomplished by computing the
- a.** Accounting rate of return on initial investment
 - b.** Accounting rate of return on average investment
 - c.** Discounted cash flow
 - d.** Payback period
- 25.** Pick out the incorrect statement
- a.** Variable overhead is a period cost
 - b.** Fixed overhead is a committed cost
 - c.** Fixed expenses will move up by jumps if the output exceeds the capacity
 - d.** Variable cost per unit remains constant

PART-B

50 Marks

Answer all questions

1. Delta ltd is exploring the idea of replacing its existing machine and the relevant details are given below.

Existing machine

Purchased 2 years ago

Remaining life - 6 years

Salvage value - Rs.500

Depreciation on straight line basis

Current book value – Rs.2,600 and its realizable market value – Rs.3,000

Annual depreciation – Rs.350

Replacement machine

Capital cost -Rs.8,000

Estimated useful life – 6 years

Estimated salvage value – Rs.800

The replacement machine would permit an output expansion.

Current book value – Rs.2,600 and its realizable market value – as a result sales is expected to rise by Rs.1,000 per year, operating expenses would decline by Rs.1,500 per year. It would require an additional inventory of Rs.2,000 and would cause an increase in accounts payable by Rs.500. Assuming corporate tax of 40% and cost of capital of 15 %, advise the company.

PV factor at 15%

| Year | 1 | 2 | 3 | 4 | 5 | 6 |
|------|--------|--------|--------|--------|--------|--------|
| | 0.8696 | 0.7561 | 0.6575 | 0.5718 | 0.4972 | 0.4323 |

(20 marks)

2. A company is planning to introduce an incentive scheme to ramp up productivity. For this a case of three workmen A,B and C is made. A, B and C produces 180,120 and 100 units respectively of company's product in a normal day of 8 hours. Assuming that day wages would be guaranteed at 75 paise per hour and the piece rate would be based on a standard hourly output of 10 units, calculate the earnings of each of the three workers and the labour cost per 100 pieces under

- i. Day wages
- ii. Piece rate
- iii. Halsey scheme and
- iv. The rowan scheme

Also calculate under the above schemes the average cost of labour for the company to produce 100pieces.

(3+3+4+4+1)

3. Kences Ltd is a multi product company manufacturing four products A,B,C and D. The budgeted cost and production for the year ending 31.3.2006 are as follows:

| | A | B | C | D |
|-----------------------|-------|-------|-------|-------|
| Production units | 6,000 | 4,000 | 3,000 | 2,000 |
| Cost details | | | | |
| Direct materials –Kgs | 6 | 4 | 3 | 2 |

| Dept | X | | Y | | X | | Y | |
|---------------------|-----|-----|------|------|------|------|-----|------|
| | X | Y | X | Y | X | Y | X | Y |
| Direct labour hours | 1.5 | 0.5 | 1.00 | 0.50 | 0.75 | 0.25 | 0.4 | 0.10 |

The budgeted direct material cost is Rs.3 per kg and budgeted direct labour cost of Dept. X and Y is Rs. 1,28,400 and Rs. 35,700 respectively. The Company is having two production departments X and Y and two service departments S1 and S2. The service given by two service departments is given below.

| | X | Y | S1 | S2 |
|----|-----|-----|-----|-----|
| S1 | 50% | 30% | - | 20% |
| S2 | 40% | 50% | 10% | - |

The budgeted overheads of departments X and Y is Rs.50,000 and Rs.30,000 respectively. The overheads of departments S1 and S2 is Rs.20,000 and Rs.10,000 respectively. The company adopts reciprocal method of allocation of service department overheads to production departments. Since all the products pass through both production departments the company absorbs overheads using direct labour hours. Prepare a statement of unit cost of the products

(15 marks)

PRIME ACADEMY
30TH SESSION- PROGRESS TEST
COST ACCOUNTING AND FINANCIAL MANAGEMENT
SUGGESTED ANSWERS

PART-A

| Question No. | Answer | Question No. | Answer |
|---------------------|---------------|---------------------|---------------|
| 1 | C | 16 | D |
| 2 | D | 17 | C |
| 3 | B | 18 | B |
| 4 | A | 19 | D |
| 5 | A | 20 | II |
| 6 | C | 21 | D |
| 7 | C | 22 | A |
| 8 | D | 23 | C |
| 9 | D | 24 | C |
| 10 | C | 25 | A |
| 11 | ii | | |
| 12 | C | | |
| 13 | D | | |
| 14 | A | | |
| 15 | D | | |

PART- B

1)

| | | |
|---|------------|--------------|
| Investment in new machine | | Rs. |
| Cost of new machine | | 8000 |
| Less: sales price | | 3,000 |
| Income tax 40 % on profit on sale of Rs.400 160 | | <u>2,840</u> |
| | | 5,160 |
| Add: Additional working capital | | |
| Inventory | -2,000 | |
| Less: Accounts payable | <u>500</u> | <u>1,500</u> |
| Net cash out go | | 6,660 |

| | |
|---------------------------|--------------|
| Cash inflow every year | Rs. |
| Sales | 1,000 |
| Savings in expenses | <u>1,500</u> |
| | 2,500 |
| Less: Income tax on 2,500 | <u>1,000</u> |
| Net cash inflow | 1,500 |

| | | |
|----------------------------------|------|------------|
| Depreciation benefit | | |
| Depreciation on new machine | -Rs. | 1,200 |
| Depreciation on existing machine | | <u>350</u> |
| Increase in depreciation | | 850 |
| Tax benefit @ 40% | Rs. | 340 |

Cash flow

| Year | 0 | 1 | 2 | 3 | 4 | 5 | 6 |
|--|-------|-------|-------|-------|-------|-------|--------------|
| Initial investment (6,600) | | | | | | | |
| Incremental revenue | | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Depreciation benefit | | 340 | 340 | 340 | 340 | 340 | 340 |
| Recovery of Wor.Cap | | | | | | | 1,500 |
| Salvage of new m/c | | | | | | | |
| Rs.800 – Tax of Rs.320 | | | | | | 480 | |
| Salvage value of old m/c | | | | | | | <u>(500)</u> |
| (6,660) | 1,840 | 1,840 | 1,840 | 1,840 | 1,840 | 3,320 | |
| Present value (6,660) | 1,600 | 1,391 | 1,210 | 1,052 | 915 | 1,435 | |
| Net present value = (6,660) + 7,603 = Rs.943 | | | | | | | |

Since NPV of the proposal is positive the company may opt for replacement of the existing machine.

2)

i) Day wages

| Worker | Day wages | Actual output (Units) | Labour cost per 100 pieces (Rs) |
|--------|-------------|-----------------------|---------------------------------|
| A | 6.00 | 180 | 3.33 |
| B | 6.00 | 120 | 5.00 |
| C | <u>6.00</u> | <u>100</u> | 6.00 |
| | 18.00 | 400 | |

Average Cost of Labour for the Company to produce

$$100 \text{ pieces} = \frac{\text{Total wages paid}}{\text{Total output}} \times 100 = \text{Rs. } (18/400) \times 100 = \text{Rs.4.50}$$

ii) Piece rate

| Worker | Actual output (Units) | Piece rate Rs. | Wages Earned (Rs) | Labour cost per 100 pieces (Rs.) |
|--------|--------------------------|-------------------|----------------------|-------------------------------------|
| A | 180 | 0.75 | 13.50 | 7.50 |
| B | 120 | 0.75 | 9.00 | 7.50 |
| C | <u>100</u> | 0.75 | <u>7.50</u> | 7.50 |
| | 400 | | 30.00 | |

Average Cost of Labour for the Company to produce

$$100 \text{ pieces} = \frac{\text{Total wages paid}}{\text{Total output}} \times 100 = \text{Rs.}(30/400) \times 100 = \text{Rs.7.50}$$

iii) Halsey scheme

| Worker | Actual output (units) | Std time for actual output Hrs | Actual time for actual output (Hrs) | Time saved (50% of time saved) (Hrs) | Time Bonus including 100 pieces Bonus (Rs) | Total wages (Rs) | Labour cost/output for 100 pieces (Rs) |
|--------|--------------------------|---|--|---|---|---------------------|---|
| A | 180 | 18 | 8 | 10 | 5 | 9.75 | 5.42 |
| B | 120 | 12 | 8 | 4 | 2 | 7.50 | 6.25 |
| C | 100 | 10 | 8 | 2 | 1 | <u>6.75</u> | 6.75 |
| | | | | | | 24.00 | |

Average Cost of Labour for the Company to produce

$$100 \text{ pieces} = \frac{\text{Total wages paid}}{\text{Total output}} \times 100 = \text{Rs.}(24/400) \times 100 = \text{Rs.6.00}$$

iv) Rowan scheme

| Worker | Actual output (units) | Std time for actual output (Hrs) | Actual time for actual output (Hrs) | Time saved (Hrs) | Time Bonus act. hours @0.75/hr (Rs) | Wages for @0.75/ earning (Rs) | Bonus hrs (Rs) | Total cost/100 pieces (Rs) | Labour cost/100 pieces (Rs) |
|--------|--------------------------|---|--|---------------------|--|--|----------------------|-------------------------------------|--------------------------------------|
| A | 180 | 18 | 8 | 10 | 4.44 | 6.00 | 3.33 | 9.33 | 5.18 |
| B | 120 | 12 | 8 | 4 | 2.67 | 6.00 | 2.00 | 8.00 | 6.67 |
| C | 100 | 10 | 8 | 2 | 1.60 | 6.00 | 1.20 | <u>7.20</u> | 7.20 |
| | | | | | | | | 24.53 | |

Average Cost of Labour for the Company to produce

$$100 \text{ pieces} = \frac{\text{Total wages paid}}{\text{Total output}} \times 100 = \text{Rs.}(24.53/400) \times 100 = \text{Rs.6.13}$$

$$\text{Bonus Hours} = \text{Time taken} \times \frac{\text{Time saved}}{\text{Standard time}}$$

$$A = \frac{8 \times 10}{18} = 4.44 \quad B = \frac{8 \times 4}{12} = 2.67 \quad C = \frac{8 \times 2}{10} = 1.60$$

| | | Rs. |
|-------------------------------|------------|-------------------|
| Direct Labour hours of Dept.X | 6,000×1.50 | 9,000 |
| | 4,000×1.00 | 4,000 |
| | 3,000×0.75 | 2,250 |
| | 2,000×0.40 | <u>800</u> |
| | 16,050 | 1,28,400 |
| | Cost/hr = | 1,28,400 / 16,050 |
| | | = Rs.8.00 |
| Direct Labour hours of Dept.Y | 6,000×0.50 | 3,000 |
| | 4,000×0.50 | 2,000 |
| | 3,000×0.25 | 750 |
| | 2,000×0.10 | <u>200</u> |
| | | 5,950 35,700 |
| | Cost/hr = | 35,700 / 5,950 |
| | | = Rs.6.00 |

Distribution of Overhead to Production Departments

| | X | Y | S1 | S2 |
|------------------------|--------|--------|----------|----------|
| | Rs | Rs | Rs | Rs. |
| Overheads | 50,000 | 30,000 | 20,000 | 10,000 |
| Allocation of S1 5:3:2 | 10,000 | 6,000 | (20,000) | 4,000 |
| Allocation of S2 4:5:1 | 5,600 | 7,000 | 1,400 | (14,000) |
| Allocation of S1 5:3:2 | 700 | 420 | (1,400) | 280 |
| Allocation of S2 4:5:1 | 112 | 140 | 28 | (280) |
| Allocation of S1 5:3:2 | 14 | 8 | (28) | 6 |
| Allocation of S2 4:5:1 | 2 | 4 | (6) | |
| | 66,428 | 43,572 | | |
| Direct Labour Hours | 16,050 | 5,950 | | |
| OH rate/hr – Rs | 4.14 | 7.32 | | |

Calculation of Cost per unit

| Product | A | B | C | D |
|-----------------------------|--------------|--------------|--------------|--------------|
| Direct Materials – Qty/unit | 6 | 4 | 3 | 2 |
| ×3 - Rs./unit | 18 | 12 | 9 | 6 |
| Direct Labour | | | | |
| X Dept – Hrs/unit | 1.50 | 1.00 | 0.75 | 0.40 |
| ×8 Rs. /unit | 12 | 8 | 6 | 3.20 |
| Y Dept – Hrs/unit | 0.50 | 0.50 | 0.25 | 0.10 |
| ×6 Rs./unit | 3 | 3 | 1.50 | 0.60 |
| Overheads | | | | |
| X Dept – Hrs/unit | 1.50 | 1.00 | 0.75 | 0.40 |
| ×4.14 Rs./unit | 6.21 | 4.14 | 3.11 | 1.66 |
| Y Dept – Hrs/unit | 0.50 | 0.50 | 0.25 | 0.10 |
| ×7.32 Rs./unit | 3.66 | 3.66 | 1.83 | 0.73 |
| Total Cost – Rs/unit | 42.07 | 30.80 | 21.44 | 12.19 |

PRIME ACADEMY
30th SESSION PROGRESS TEST
PCC/IPCC - INCOMETAX & SERVICE TAX & VAT

No. of Pages: 5

Total Marks: 75

Time Allowed: 2Hrs

PART – A

25 x 1=25 Marks

1. Case law refers to
 - a) Cases filed in police stations
 - b) Court decisions on disputes between assessee and IT department
 - c) Law passed by Government based on cases
 - d) None of the above.

2. The total of all incomes shown under the major heads of income is called
 - a) Gross total income
 - b) Net Income
 - c) Taxable income
 - d) Operating income

3. The total income of Mr. X for this A.Y 2010 – 11 is Rs.1,10,000. The income derived from agriculture is Rs.2,50,000. His tax liability is computed as.
 - a) Rs.27,810
 - b) Rs.30,591
 - c) NIL
 - d) None of the above.

4. Which of the following is a capital receipt?
 - a) Commission received
 - b) Salary received
 - c) Profits from a business
 - d) Sale proceeds of a building

5. Salary paid by an employer out of capital will be
- a) A revenue receipt in the hands of the employee
 - b) A capital receipt in the hands of the employee
 - c) A casual receipt
 - d) None of the above
6. Chandan, a Citizen of India, leaves India for the first time on 15-06-2009. He visited different places across the world and will be coming back to India on 28/04/2010. His residential status for the A.Y 2010-11 will be
- a) Resident and ordinarily resident
 - b) Resident but not ordinarily resident
 - c) Non-resident
7. Loss due to fire of hired machinery is
- a) Capital loss.
 - b) Revenue loss.
 - c) Capital expenditure
 - d) None of the above
8. An individual who wants to be resident of India must satisfy at least
- a) One of the two basic conditions.
 - b) Both the basic conditions.
 - c) Both the additional conditions.
 - d) None of the above.
9. A person who is of Indian origin visiting India during the previous year to be called resident must stay in India for at least
- a) 60 days in PY
 - b) 6 days in PY and 365 days and 365 days or more during 4 years preceding the PY.
 - c) 182 days in PY
 - d) 730 days during 7 years preceding the PY

- 10.** Resident but not ordinarily resident pays:
- a) No Income tax at all.
 - b) More tax than a resident.
 - c) Less tax than a resident.
 - d) Less tax than a Non resident
- 11.** When parents income is clubbed with minor child's income parent is eligible for exemption of the
- a) Actual income of minor or Rs. 20,000 which ever is less
 - b) Actual income of minor or Rs. 10,000 which ever is less
 - c) Actual income of minor or Rs. 5,000 which ever is less
 - d) Actual income of minor or Rs. 1,500 which ever is less
- 12.** Income of political parties is not to be included in total income if certain conditions are satisfied. The relevant section of IT Act 1961 is
- a) Section 13A
 - b) Section 10(d)
 - c) Section 233B
 - d) Section 88G
- 13.** Allowances received by a Government employee posted abroad are
- a) Fully exempted
 - b) Partly exempted
 - c) Fully taxable
 - d) Taxable by the country where posted
- 14.** Exempted limit of HRA in non metropolitan cities is
- a) 40% of salary
 - b) 50% of salary
 - c) 10% of salary
 - d) 7.5% of salary

- 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.** Statutory limit for exemption of compensation received at the time of voluntary retirement (VRS) is
- a) Rs.5,00,000
 - b) Rs. 8,00,000
 - c) Rs.10,00,000
 - d) Rs.15,00,000
- 17.** Commuted value of pension is fully exempted in case of
- a) An employee of private sector
 - b) An employee of public sector undertaking
 - c) A Government employee
 - d) None of the above.
- 18.** Maximum deduction of interest on loan borrowed after 1.4.99 in case of self occupied house is
- a) Rs. 30,000
 - b) Rs. 1,50,000
 - c) Rs. 2,00,000
 - d) Rs. 3,00,000
- 19.** Unrealized rent allowed earlier and recovered later on is
- a) Income from house property
 - b) Exempted income
 - c) Income from other services
 - d) To be ignored.

- 20.** Contribution made to an approved research association is eligible for deduction upto
- a) 50%
 - b) 80%
 - c) 100%
 - d) 125%
- 21.** The global income of a person Resident in India is
- a) Taxable income
 - b) Exempt income
 - c) None of the above.
- 22.** Excise duty and sales tax are allowed as deduction if paid before:
- a) Last date of filing of return
 - b) Previous year end
 - c) Before 31st December of the previous year.
- 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.** Bad debts allowed earlier and recovered later on is
- a) Income from other sources
 - b) Non Business Income
 - c) Exempted Income
 - d) Business Income

PART-B

50 Marks

Answer all questions

1. What are total income and Gross Total Income? 4 Marks

2. Briefly describe the provisions of the Income Tax Act that deal with the computation of business income on a presumptive basis in certain cases, in the case of resident assesseees? 7 Marks

3. What is Gross Annual Value? 4 Marks

4. Define Block of Assets and depreciation method generally followed under the Income Tax Act, 1961? 5 Marks

5. Harihant Industries furnishes you the following information.

| | |
|---|-----------|
| Financial year 2009-10 | Rs. |
| Block I Plant and Machinery (consisting of 5 looms) | |
| Rate of depreciation 15% WDV | 10,00,000 |
| Block II Building (consisting of 5 buildings) | |
| Rate of depreciation 10% WDV | 25,00,000 |
| Acquired on 5 th July 2009 – 4 looms for | 4,00,000 |
| Sold on 7 th December 2009 – 2 looms for | 8,00,000 |
| Acquired on 10 th January 2010 – 2 looms for | 4,50,000 |
| Compute depreciation claim for the Assessment year 2010-11. | 7 Marks |

6. M/s J Ltd. Is an existing Indian Company, which sets up a new industrial unit. It incurs the following expenditure in connection with the new unit.

| Particulars | Amount (Rs.) |
|--|---------------------|
| Preparation of project report | 4,50,000 |
| Market survey | 5,50,000 |
| Legal and other charges for issue of additional capital Required for the new unit | 1,00,000 |
| Total | 11,00,000 |

The following further data is given

| | |
|----------------------------------|-----------|
| Cost of the project | 25,00,000 |
| Capital employed in the new unit | 35,00,000 |

What is the deduction admissible to the company under section 35D for the AY 2010 - 11

7 Marks

7. Mr. Y owns one residential house in Mumbai. The house is having two units. First unit of the house is self occupied by Mr. Y and another is rented for Rs. 8,000 per month. The rented unit was vacant for 2 months during the year. The particulars of house for the previous year 2009-10 are as under:-

| | |
|------------------------------|----------------------------|
| Standard Rent | Rs. 1,62,000 |
| Municipal Valuation | Rs. 1,90,000 |
| Fair Rent | Rs. 1,85,000 |
| Municipal Tax | 15% of municipal valuation |
| Light and water charges | Rs. 1,500 p.m. |
| Interest on borrowed capital | Rs. 1,500 p.m. |
| Lease money | Rs. 1,800 p.a. |
| Insurance charges | Rs. 4,000 p.a. |
| Repairs | Rs. 15,000 p.a. |

Compute Income from house property for Mr. Y for the Assessment Year 2010-11.

8 Marks

8. Mr. Teja resides at Pune and gets the following monthly emoluments during the previous year 2009-10 from 2 employers – A Ltd. Upto June 2009 and B Ltd from July 2009 to March 2010.

| Particulars | A Ltd. (Rs.) | B Ltd. (Rs.) |
|--|---------------------|---------------------|
| Basic salary | 20,000 | 27,000 |
| Dearness Allowance | 5,000 | 8,000 |
| HRA | 6,000 | 10,000 |
| Commission as a % of Turnover achieved by him (per annum) | Nil | 30,000 |

The rent paid by him during the year is Rs. 12,500 p.m. B Ltd pays Rs. 54,000 in March 2010 being advance salary for April 2010 and May 2010. Calculate the taxable house rent allowance.

8 Marks

PRIME ACADEMY
30th SESSION-PROGRESS TEST
PCC/IPCC – INCOMETAX AND SERVICE TAX AND VAT
SUGGESTED ANSWERS

Part-A

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

PART – B

1. According to section 2(45) 'Total Income' means the total amount of income referred to in section 5, computed in the manner laid down in the Income Tax Act.

According to Section 80B of the Income Tax Act, 'Gross Total Income' means total income computed in accordance with the provisions of the Income Tax Act before making any deduction under chapter VIA.

Income chargeable to income tax shall be classified under five heads of income for the purpose of computation of taxable amount subject to exemptions and deductions.

- a. Salaries
 - b. Income from House Property
 - c. Profits and gains of business or profession
 - d. Capital gains
 - e. Income from other sources
-
2. Section 44 AD – Civil Construction Business: In the case of an assessee carrying on the business of civil construction or supply of labour for civil construction whose gross receipts from such business does not exceed Rs. 40 lakhs a sum equal to 8% of the gross receipts paid or payable to the assessee or such higher sum as declared by the assessee in the return of income shall be deemed to be the income from such business.

Section 44 AE – Transport operation business: In the case of an assessee who carries on the business of plying, hiring or leasing goods carriages and who owns not more than 10 goods carriages at any time during the year, the income shall be deemed to be Rs. 3,500/- from a heavy goods vehicle and Rs. 3,150/- from other than a heavy goods vehicle for every month or part of the month during which such goods vehicle is owned by the assessee in the previous year or such higher sum as declared in the return of income by the assessee.

Section 44 AF – Retail business: In the case of an assessee engaged in retail trade in any goods or merchandise, 5% of the total turnover or such higher income as may be returned by the assessee, shall be deemed to be the profits of such business.

The provision applies only if the total turnover of such retail business does not exceed Rs. 40,00,000/-.

Common points for 44 AD, 44 AE & 44 AF

- e) All deductions under section 30 to 38 including depreciation shall be deemed to have been allowed.
- f) Written down value of assets used for the purposes of such business shall be calculated as if the depreciation has been actually allowed.
- g) Provisions of Section 44 AA and 44 AB should not apply to these businesses and while computing the monetary limits for these sections with reference to other business carried on by the assessee, the gross receipts or the income from the businesses covered by Section 44 AD or 44 AE or 44 AF shall be excluded.
- h) The assessee can claim that the profits and gains of these businesses are lower than the income deemed in these provisions provided the assessee maintains books of account as per Section 44 AA and gets the books of account audited and furnishes audit report as required under section 44 AB.

3. Generally, fair rent is adopted as the Gross Annual Value. To this general rule, there are only two exceptions as follows.

- a) If the property is let out and the actual rent received or receivable in respect thereof is in excess of fair rent, the amount so received or receivable (actual rent) shall be deemed to be the annual value.
- b) If the property is let out and was vacant during the whole or any part of the previous year and owing to such vacancy the actual rent received or receivable is less than the fair rent, then the actual amount received or receivable shall be considered as the annual value. For this purpose, the actual rent received or receivable shall not include the amount of rent which the assessee cannot realize.

4. As per section 2(11) Block of Assets means a group of assts falling within a class of assets comprising of:
- a) tangible assets being buildings, machinery, plant or furniture
 - b) Intangible assets being know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature.

In the case of an assessee carrying on business or profession, assets, are to be first classified as tangible assets and intangible assts. All the tangible assets used for the purpose of such business or profession and eligible for depreciation shall then be classified into building, machinery, plant and furniture.

The method of depreciation followed by the Income Tax Act is 'Written down value method (WDV). The depreciation under this method is calculated as follows.

- a) Opening value of the block or the aggregate value of all the assets forming part of the block.
- b) Add: Actual cost of assets during the previous year belonging to this block.
- c) Less: Moneys payable in respect of any asset in the block which is sold, discarded, demolished or destroyed with the scrap value.
- d) WDV for the purpose of depreciation.
- e) Less: Depreciation at the applicable percentage.
- f) Closing value of the block.

5. Computation of Depreciation claim of Harihant Industries for AY 2010-11

| Block 1 Plant and Machinery | Amount (Rs.) |
|--|--------------|
| WDV as on 01.04.2009 | 10,00,000 |
| Add: Additions during the year | |
| 05.07.2009 - 4 Looms 4,00,000 | |
| 10.01.2010 - 2 Looms 4,50,000 | 8,50,000 |
| | |
| | 18,50,000 |
| | |
| Less: Deletions during the year | 8,00,000 |
| | |
| | 10,50,000 |
| | |
| Less: Depreciation (refer note) | 1,23,750 |
| | |
| WDV as on 31.03.2010 | 9,26,250 |
| | |
| Block II : Building | |
| | |
| WDV as on 01.04.2009 | 25,00,000 |
| | |
| Less. Depreciation @ 10% | 2,50,000 |
| | |
| WDV as on 31..03.2010 | 22,50,000 |

Note: Since the plant & machinery – 2 looms has been acquired only on 10.01.2010 and put to use for less than 180 days, only 50% of normal depreciation @ 15% can be claimed. (i.e. Rs. 4, 50,000 * 15 / 100 * 50%). On the balance WDV of Rs. 6, 00,000/- depreciation chargeable is Rs. 90,000/-

6. According to Section 35 D both company and non-company assesseees are entitled to amortize certain preliminary expenditure incurred in connection with commencement of new business or for extension of the industrial undertakings over a period of 5 years in equal installments. In the case of company assesseees the amount eligible for amortization is the least of the following:

- a) 5% of cost of project or 5% of capital employed at the option of the assessee; or
- b) Aggregate amount of expenditure incurred.

In the given case amount eligible for amortization is lower of the following:

- a) Total preliminary expenses incurred - Rs. 11,00,000/-
- b) 5% of the cost of the project i.e. Rs. 1,25,000/- (5% of Rs. 25,00,000/-) or 5% of capital employed i.e. Rs. 1,75,000/- (5% of Rs. 35,00,000/-) at the option of the assessee.

Therefore the eligible amount is restricted to Rs. 1,75,000/- even though the actual expenditure incurred is Rs. 11,00,000/-. Hence in the given case J Ltd is entitled to amortize Rs. 35,000/- (1/5th of Rs. 1,75,000/-) every year for five years under section 35D.

7. Computation of Income chargeable under the head 'Income from House Property' of Mr. Y for the AY 2010-11.

| Particulars | 50% self occupied | 50% self occupied | 50% let out | 50% let out |
|----------------------------------|-------------------|-------------------|-------------|-------------|
| Gross Annual Value | | Nil | | 80,000 |
| Less: Municipal taxes | | Nil | | 14,250 |
| Net Annual Value | | Nil | | 65,750 |
| Less Deductions under section 24 | | | | |
| a) 30% of NAV | Nil | | 19,725 | |
| b) Interest on housing loan | 9,000 | 9000 | 9,000 | 28725 |
| | | -9000 | | 37,025 |
| Income from house property | | | | 28,025 |

Note: In the above question it is assumed that both the units are of equal area. Thus, both the units occupy half area of the total residential house in Mumbai.

8. Computation of taxable of House Rent Allowance under section 10(13A) of Mr. Teja

(Rs.)

| Particulars | A Ltd. | A Ltd. | B Ltd. | B Ltd. |
|--|---------------|---------------|---------------|---------------|
| Actual House Rent Allowance | | 18000 | | 90000 |
| Less: Least exempt u/s 10(13A) to the extent of the following | | | | |
| 1. Excess of rent paid over 10% of salary | 30000 | | 78000 | |
| 2. 40% of Salary | 30000 | | 138000 | |
| 3. Actual HRA received | 18000 | 18000 | 90000 | 78000 |
| Taxable HRA | | Nil | | 12000 |

Note: Though the advance salary is taxable in AY 2010-11 on receipt basis, it should not be considered in computing Salary for the purpose of calculating exemption under section 10(13A).

PRIME ACADEMY
30th SESSION - PROGRESS TEST
INFORMATION TECHNOLOGY and STRATEGIC MANAGEMENT

No. of Pages: 4

Total Marks: 75
Time Allowed: 2Hrs
25 x 1 = 25 Marks

PART – A

- 1) Pick the odd one out: WAN
 - a) Covers wide geographical area
 - b) Costlier
 - c) No public authority is involved
 - d) Can be set up within the departments

- 2) VPN stands for
 - a) Virtual public network
 - b) Virtual private network
 - c) Virtual pooled network
 - d) None of the above

- 3) The hardware that provides a common wiring point is called
 - a) A Switch
 - b) A Hub
 - c) A Protocol converter
 - d) A Bridge

- 4) A decentralized network topology is a
 - a) A ring network
 - b) A star network
 - c) A mesh network
 - d) All of the above

- 5) Entire byte or 8 bits can be transferred in one operation in
 - a) Synchronous transmission
 - b) Parallel transmission
 - c) Serial transmission
 - d) All of the above

- 6) Port is a
 - a) Software
 - b) System device
 - c) Hardware device
 - d) All of the above

- 7) 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
- 8) 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
- 9) CMOS stands for
- a) Computer managed operations
 - b) Computer Media Output System
 - c) Complimentary Metal oxide Semiconductor
 - d) Computer Metal Oxide Semiconductor
- 10) 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
- 11) 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
- 12) Server in a LAN environment is a
- a) Computer system that provides services
 - b) Computer system which receives service
 - c) Is a work station
 - d) None of the above
- 13) Processor registers is a
- a) Main memory
 - b) Primary Storage
 - c) Secondary storage
 - d) Offline storage
- 14) Non-volatile memory is
- a) that which requires constant power to maintain stored information
 - b) that which requires that stored information is periodically refreshed or read without modifications
 - c) is that which is typically used only for primary storage

- d) is one that retains the stored information even if it is not constantly supplied with electric power
- 15) Smart Cards are
- a) Credit cards
 - b) Debit cards
 - c) look-alikes of Credit cards used for making utility payments and for storing personal information
 - d) all of the above
- 16) Strength, size of the market, purchasing power are determined by
- a) Socio-cultural environment
 - b) Demographic environment
 - c) Economic environment
 - d) Political environment
- 17) Super national Enterprise
- a) is a Multinational Company
 - b) is a Global Company
 - c) is a world wide enterprise chartered by a substantially non-political international body
 - d) all of the above
- 18) MACRO environment does not include
- a) Technological environment
 - b) Global environment
 - c) Competitors
 - d) None of the above
- 19) SWOT analysis has ----- environmental influences
- a) Five
 - b) Four
 - c) Six
 - d) Two
- 20) Macro Environment includes
- a) Organization
 - b) Suppliers
 - c) Government
 - d) Competitors
- 21) 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

22) Bargaining power of suppliers determines

- a) Profitability
- b) Quality
- c) Competition
- d) Cost of the raw materials and other inputs

23) Mission refers

- a) to the statement which defines the role of an organization in the society
- b) to the statement for which an organizations strives for
- c) to the statement that function as a yardstick for tracking the organizations' performance
- d) all of the above

24) Environment is ----- in nature

- a) Complex
- b) Static
- c) Erratic
- d) All of the above

25) Portfolio analysis helps in

- a) Channelization
- b) Strategy formulation
- c) All of the above
- d) None of the above

PART – B

50 Marks

Question 1 is compulsory and answer any three from the rest

1.
 - i) Differentiate between Micro Computer and Work Station
 - ii) Explain the basic functions of an operating system.
 - iii) Briefly discuss various elements of micro environment
 - iv) What are the objectives of a business? (4 x 5 =20Marks)

2.
 - a) Explain the concept of Object oriented programming
 - b) Distinguish between Conservative and cautious approaches of strategic responses to environment (2 x 5 = 10 marks)

3.
 - a) Write short notes on Global environment
 - b) Distinguish between data and information (2 x 5 = 10 Marks)

4.
 - a) Distinguish between a loader and linker
 - b) Explain the difference between the interfaces and port (2 x 5 = 10 Marks)

5. A company offers discounts to customers on the following basis:

| Quantity ordered | Normal discount |
|-------------------------|------------------------|
| Less than 101 | 5% |
| From 101 to 500 | 10% |
| From 501 to 1,000 | 15% |
| More than 1,000 | 20% |

The normal discount as given above is admissible only if the Customer's account balance in below Rs. 1,000 and the order value is Rs. 10,000 or more. If the account does not satisfy both of these conditions, the discount is reduced by 2% and if only one condition is violated, the discount is reduced by 1%.

Draw a Flow Chart to print customer name, discount offered and net amount payable for 25 customers. (10 Marks)

PRIME ACADEMY
30th SESSION- PROGRESS TEST
INFORMATION TECHNOLOGY AND STRATERGIC MANAGEMENT
SUGGESTED ANSWERS
PART-A

| Question | | Answers | |
|-----------------|---|----------------|---|
| 1 | Pick the odd one out: WAN | C | No public authority is involved |
| 2 | VPN stands for | C | Virtual private network |
| 3 | The hardware that provides a common wiring point is called | B | A Hub |
| 4 | A decentralized network topology is a | A | A ring network |
| 5 | Entire byte or 8 bits can be transferred in one operation in | B | Parallel transmission |
| 6 | Port is a | C | Hardware device |
| 7 | The capability to decode and respond natural languages is an attribute of | C | Fifth generation Computers |
| 8 | Mother board | C | All of the above |
| 9 | CMOS stands for | C | Complimentary Metal oxide Semiconductor |
| 10 | Dynamic RAM is | D | To be refreshed hundred of times to prevent data loss |
| 11 | A perfect integer | C | Equals the sum of its proper divisors |
| 12 | Server in a LAN environment is a | A | Computer system that provides services |
| 13 | Processor registers is a | B | Primary Storage |
| 14 | Non-volatile memory is | D | is one that reins the stored information even if it is not constantly supplied with electric power |

| | | | |
|----|--|----------|---|
| 15 | Smart Cards are | C | look likes of Credit cards used for making utility payments and for storing personal information |
| 16 | Strength, size of the market, purchasing power are determined by | C | Economic environment |
| 17 | Super national Enterprise | C | is a world wide enterprise chartered by a substantially non-political international body |
| 18 | MACRO environment does not include | C | Competitors |
| 19 | SWOT analysis has ----- environmental influences | B | Four |
| 20 | Macro Environment includes | C | Government |
| 21 | Availability of materials and services with regard to supplier will have an impact on business as to | A | Quality |
| 22 | Bargaining power of suppliers determines | D | Cost of the raw materials and other inputs |
| 23 | Mission refers | A | to the statement which defines the role of an organization in the society |
| 24 | Environment is ----- in nature | A | Complex |
| 25 | Portfolio analysis helps in | C | All of the above |

PART B

1)

Microcomputer is a full-fledged computer system that uses a microprocessor as its CPU. These are also called personal computers. Between minicomputer and microcomputer, in terms of processing power, there is a class of computers known as workstation. It looks like a personal computer and is typically used by one person. Most microcomputers can run on DOS, Windows and Windows NT operating system

Workstations differ significantly from microcomputers in two areas. Internally, workstations are constructed differently than microcomputers. They are based on different architecture of CPU called Reduced Instruction Set Computing (RISC), which results in faster processing of instructions compared to microprocessor-based personal computers. Workstations are generally used by scientists and engineers. Workstations generally run on the UNIX operating system or a variation of it. Although workstations are still more powerful than the average personal computer, the differences in the capabilities of these types of machines are growing smaller.

ii) **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 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.

iii) 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

iv)

A business has some purpose. A valid purpose of a business is to create customers. It is for the business to create a customer or market. Enterprises pursue multiple objectives rather than a single objective. Some of the more important objectives of business are:

Survival: it is the will and anxiety to perpetuate into the future as long as possible. It is a basis, implicit objective of most organizations. The ability to survive is a function of

the nature of ownership, nature of business competence of management, general and industry conditions, financial strength of the enterprise etc.

Stability: It is cautious, conservative objective. A stable and steady enterprise minimizes managerial tensions and demands less dynamism from managers. It is a strategy of least resistance in a hostile environment.

Growth: This is promising and popular objective which is equated with dynamism, vigor, promise and success. Enterprise growth may take one or more of the forms like increase in assets, manufacturing facilities, increase in sales volume in existing or new products.

Efficiency: Business enterprise seek efficiency in rationally choosing appropriate means to achieve their goals, doing things in the best possible manner and utilizing resources in a most suitable combination to get highest productivity

Profitability: Generally business enterprises are primarily motivated by the objective of profit. All other objectives are facilitative objectives and are meant to be subservient to the profit motive.

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.

b. 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.

3)

a.

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

b.

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

4)

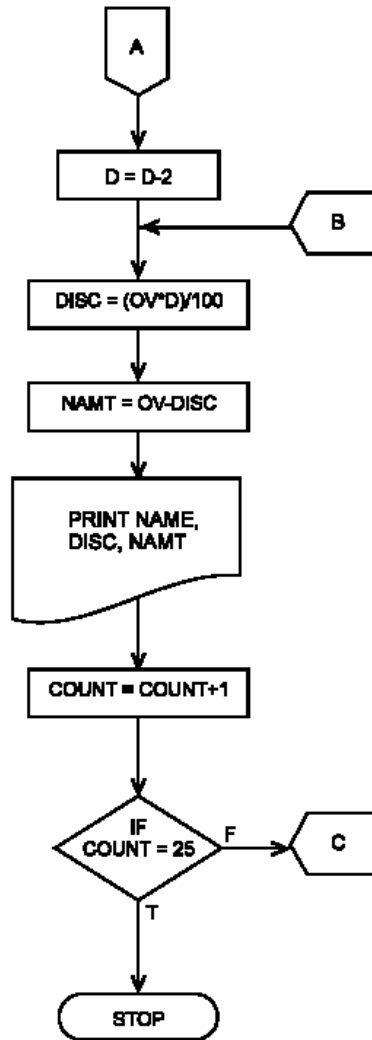
a.

| LOADER | LINKER |
|---|--|
| 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 |

b.

| Interface | Port |
|--|--|
| 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 software | It is hardware related |

5)



Abbreviations:

- Q = Quantity
- OV = Order Value
- CB = Customer's Accounts Balance
- NAMT = Net Amount
- D = Discount

