

PRIME ACADEMY
31ST SESSION PROGRESS TEST – COST ACCOUNTING & FINANCIAL MANAGEMENT
QUESTION PAPER

No. of Pages: 5

Total Marks: 75
Time Allowed: 2Hrs

PART- A

25 X 1 = 25 Marks

1. A purchase requisition is raised
 - a. To intimate to the supplier the quantity and quality of new material required
 - b. When the stock of raw material has fallen to the re-order level
 - c. When goods are received from a supplier
 - d. To let the accounts department know that an invoice should be expected from a supplier.

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

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. Waster material

4. A written request to a supplier for specified goods at an agreed price is called as
 - a. Purchase order
 - b. Purchase requisition
 - c. Receiving report
 - d. Materials requisition form

5. Bin card contains
 - a. Details of the price of raw material lying in the Bin
 - b. Details of the price and quantity of raw material lying in the Bin
 - c. Details of the quantity of material lying in the Bin
 - d. None of the above

6. Overtime premium pay may be defined as
 - a. The bonus paid for skilled workers
 - b. The increased payment during overtime hours because of increased rates of pay
 - c. The payment for all hours in excess of the basic working week
 - d. A premium paid to workers to compensate for fatigue.

7. Labour turnover rate is best defined as
 - a. The number of employees successfully completing the required job training programme
 - b. The degree of mobility of employees from one department to another
 - c. The number of employees recruited each week
 - d. The ratio of leavers replaced to average number of employees on payroll.

8. Time and motion study is essential for
 - a. A rational promotion policy
 - b. Completing a job on time
 - c. Determining the standard time and correct method of completing a task
 - d. Determining the prices of products for correct accounting in the records]

9. Vacation pay for factory workers should be charged to
 - a. Work-in-progress inventory
 - b. Direct labour
 - c. Administrative expense
 - d. Factory overhead

10. Which of the following methods of remuneration is most likely to give stability of earning to the employee and stability of labour cost to the employer
 - a. Straight piece work
 - b. Premium bonus scheme
 - c. Measured day work
 - d. Group bonus scheme

11. The process of attributing proportion of items of cost amongst cost centers is called
 - a. Overhead absorption
 - b. Absorption of indirect costs
 - c. Cost apportionment
 - d. Cost allocation

12. Non-production overheads are usually omitted from stock valuation for the following reasons
 - a. They are outside the control of production management
 - b. They are incurred after the stock has been brought to its present location and condition
 - c. They cannot be identified with individual products
 - d. They are fixed period costs

13. Which of the following best describes a fixed cost? A cost which
 - a. Represents a fixed proportion of total costs
 - b. Remains at the same level upto a particular level of output
 - c. Has a direct relationship with output
 - d. Remains at the same level when output increases

14. Maximum possible productive capacity of a plant when no operating time is lost is its
 - a. Practical capacity
 - b. Normal capacity
 - c. Theoretical capacity
 - d. Capacity based on sales expectancy.

15. What is the basis of distribution of indirect material cost to various departments
 - a. Direct allocation
 - b. Cost of direct materials consumed
 - c. Machine hours worked
 - d. Either of the three

Mention True or False

16. Primary distribution of overheads is effected on the basis of service rendered to the production department by service department.

17. Linking overhead to cost unit is known as overhead absorption

18. Factory rent is a direct cost to the factory as a whole but indirect to departments

19. The cost of abnormal idle time may be recovered by inflating the hourly rate

20. The cost of labour turnover is recovered through departmental overhead recovery rates

21. Piece rate system is suitable when quality of goods produced is of extreme importance

22. Premium bonus plans induce workers to increased efficiency and greater output.

23. Weighted average cost method of valuing material issues involves adding all the different prices and dividing by the number of such prices

24. The Bin card is a perpetual inventory record

25. Wastage can be realized whereas scrap cannot be realized

PART – B

1. X Ltd is committed to supply 24,000 bearings per annum to Y Ltd on steady basis. IT is estimated that it costs 10 paise as inventory holding cost per bearing per month and that the set-up cost per run of bearing manufacture is Rs.324
- What would be the optimum run size for bearing manufacture?
 - What would be the interval between two consecutive optimum runs?
 - Find out the minimum inventory cost per annum. (9 Marks)

2. An invoice in respect of a consignment of chemical A and B provides the following information

	Rs
Chemical A 10,000 kgs at Rs.10 per kg	100000
Chemical B 8,000 kgs at Rs.13 per kg	104000
Sales Tax @10%	20400
Railway Freight (on the basis of weight)	3840
	228900

A shortage of 500 kgs in chemical A and 320 kgs in chemical B is noticed due to normal breakages. You are required to determine the rate per kg of each chemical assuming a provision of 2% for further deterioration. (5 Marks)

3. A manufacturing company has three production departments and two service departments. The departmental distribution summary of January 2009 gives the following details.

Production departments	Rs.	Rs.
A	16,000	
B	13,000	
C	14,000	43,000
Service departments		
X	4,680	
Y	6,000	10,680

The service department expenses are charged on a percentage basis:

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

Prepare a statement showing the apportionment of two service departments expenses to production departments by Simultaneous Equation Method. (9 Marks)

4. The present output details of a manufacturing department are as follows:

Average output per week	48,000 units from 160 employees
Saleable value of output	Rs.6,00,000
Contribution made by output	
Towards fixed expenses and profit	Rs.2,40,000

The Board of directors plans to introduce more mechanization into the department at a capital cost of Rs.1,60,000. The effect of this will be to reduce the number of employees to 120, and increasing the output per individual employee by 60%. To provide the necessary incentive to achieve the increased output, the Board intends to offer a 1% increase on the piece work rate of Re.1 per unit for every 2% increase in average individual output achieved.

To sell the increased output, it will be necessary to decrease the selling price by 4%.

Calculate the extra weekly contribution resulting from the proposed change and evaluate for the Board's information, the desirability of introducing the change. (15 Marks)

5. X Ltd. Manufactures four brands of toys – A, B, C and D. If the company limits the manufacture to just one brand the monthly production will be:

A – 50,000 units	B - 1,00,000 units
C – 1,50,000 units	D – 3,00,000 units

You are given the following set of information from which you are requested to find out the profit or loss made on each brand showing clearly the following elements:

(a) Direct cost (b) Works cost (c) Total cost

Particulars	Brands			
	A	B	C	D
Actual production (units)	6,750	18,000	40,500	94,500
Direct Wages (Rs.)	15,000	27,500	37,500	105,000
Direct Material cost (Rs.)	50,000	92,500	127,500	380,000
Selling Price per unit (Rs.)	20	15	10	8

Factory overhead expenditure for the month was Rs.1,62,000. Selling and distribution cost should be assumed @20% of works cost. Factory overhead expenses should be allocated to each brand on the basis of units which could have been produced in a month when single brand production was in operation.

(12 Marks)

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SUGGESTED ANSWERS

PART A

Sl. No	Answers
1	b
2	a
3	a
4	a
5	c
6	b
7	d
8	c
9	d
10	c
11	c
12	b
13	d
14	c
15	c
16	False
17	True
18	True
19	False
20	True
21	False
22	True
23	False
24	True
25	False

PART B

1. (i) Optimum run size for bearing manufacture
- $$\sqrt{\frac{2 \times \text{Annual supply of bearings} \times \text{Set-up cost per production run}}{\text{Annual holding cost per bearing}}}$$
- $$\sqrt{\frac{2 \times 24,000 \text{ bearings} \times \text{Rs.}324}{12 \text{ months} \times 0.10 \text{p}}}$$
- (ii) Interval between two consecutive optimum runs
- $$\frac{12 \text{ Months}}{\text{Number of production runs per annum}}$$
- $$\frac{12 \text{ Months}}{(\text{Annual production} / \text{Optimum run size})}$$
- $$= \frac{12 \text{ months}}{(24000 \text{ bearings} / 3600 \text{ bearings})}$$
- $$= \frac{12 \text{ months}}{6.66} = 1.8 \text{ months or } 55 \text{ days approx.}$$
- (iii) Minimum inventory cost per annum
- $$= \text{Total production run cost} + \text{Total carrying cost per annum}$$
- $$= (24000 \text{ bearings} / 3600 \text{ bearings}) \times \text{Rs.}324$$
- $$+ 0.5 \times 3600 \text{ bearings} \times 0.10 \text{ P} \times 12 \text{ months}$$
- $$= \text{Rs.}2160 + \text{Rs.}2160 = \text{Rs.}4320$$

2. Statement showing computation of effective quantity of each chemical available for use

	Chemical A	Chemical B
	Lbs	Lbs
Quantity purchase	10,000.00	8,000.00
Less: Shortage due to normal breakages	500.00	320.00
	9,500.00	7,680.00
Less: Provision for deterioration 2%	190.00	53.60
Quantity available	9,310.00	7,626.40

Statement showing the computation of rate per lb. of each chemical

Rate per lb	A:	Rs.1,12,133	= Rs.12.04
		9,310 lbs	
Rate per lb	B:	Rs.1,16,107	= Rs.15.43
		7,526.34 lbs	

3. $X = 4680 + 10/100 Y$
 $Y = 6000 + 20/100 X$

By solving
 $Y = 7078$
 $X = 5388$

Item	Total	Production Department		
		A	B	C
	Rs.	Rs.	Rs.	Rs.
As per primary distribution summary	43,000	16,000	13,000	14,000
Dept.X (80% of Rs.5388)	4,310	1,077	1,347	1,886
Dept.Y (90% of Rs.7078)	6,370	1,770	1,769	2,831
Total	53,680	18,847	16,116	18,717

4. Working Note:

1. Present average output per employee and total future expected output per week

$$\begin{aligned} \text{Present average output per employees per week} &= \frac{\text{Total present output}}{\text{Total number of present employees}} \\ &= \frac{48000 \text{ units}}{160 \text{ employees}} = 300 \text{ units} \end{aligned}$$

$$\begin{aligned} \text{Total future expected output per week} &= \text{Total number of future employees (present output + 60\% of} \\ &\quad \text{present output per employee)} \\ &= 120 \text{ employees (300 units + 60\% X 300 units)} \\ &= 57,600 \text{ units} \end{aligned}$$

2. Present and proposed piece work rate

$$\begin{aligned} \text{Present piece work rate} &= \text{Re.1.00 per unit} \\ \text{Proposed piece work rate} &= \text{Present piece work rate} + 30\% \times \text{Re.1} \\ &= \text{Re.1.00} + 0.30 \text{ P} \\ &= \text{Rs.1.30 per unit} \end{aligned}$$

3. Present and proposed sale price per unit

$$\begin{aligned} \text{Present sales price per unit} &= \text{Rs.12.50 (Rs.6,00,000 / 48,000 units)} \\ \text{Proposed sale price per unit} &= \text{Rs.12 (Rs.12.5 - 4\% X Rs.12.50)} \end{aligned}$$

4. Present marginal cost (excluding wages) per unit:

$$\begin{aligned} &= \frac{\text{Present sale value} - \text{Fixed expenses \& profit} - \text{Contribution towards present wages}}{\text{Present output (units)}} \\ &= \frac{\text{Rs.6,00,000} - \text{Rs.2,40,000} - \text{Rs.48,000}}{48000 \text{ units}} = \text{Rs.6.50 per unit} \end{aligned}$$

Statement of extra weekly contribution
(Information resulting from the proposed change of mechanization meant for Board's evaluation)

Expected sales units (WN 1)	57600	
	Rs.	Rs.
Sales value: (A) (57,600 units X Rs.12) (WN 3)		691,200
Marginal costs (excluding wages): (B) (57600 units X Rs.6.50) (WN 4)	374,400	
Wages (C) (57600 units X Rs.1.30) (WN 2)	<u>74,880</u>	
Total Marginal cost: (D) = (B - C)		<u>449,280</u>
Marginal contribution: (A - D)		241,920
Less: Present contribution		<u>240,000</u>
Increase in contribution (per week)		<u><u>1,920</u></u>

5. It is given in the problem that factory overhead should be allocated to each brand of toys on the basis of units which could have been produced in a month when single brand production was in operation. If the company limits the production to just one brand, the monthly production will be:

A – 50,000 units	B – 1,00,000 units
C – 1,50,000 units	D – 3,00,000 units

Now, suppose the total machine hours available are 3,00,000. Therefore, production per machine hour will be: A – 6 units, B – 3 units, C – 2 units and D – 1 unit. For the purpose of factors overhead allocation, these weights will have to be multiplied with actual production:

	Weights	Actual production	Weighted production
A	6	6,750	40,500
B	3	18,000	54,000
C	2	40,500	81,000
D	1	94,500	94,500
			<u>270,000</u>

Factory overhead recovery rate for D = $\text{Factory overhead} / \text{Weight production}$
= $\text{Rs.1,62,000} / 2,70,000 = \text{Rs.0.60}$

Overhead recovery rate and factory overhead allocated to each brand will be:

		Production	Factory Overhead (Rs.)
A	Re.0.60 X 6	Rs.3.60 X 6,750	24,300
B	Re.0.60 X 3	Rs.1.80 X 18,000	32,400
C	Re.0.60 X 2	Rs.1.20 X 40,500	48,600
D	Re.0.60 X 1	Rs.0.60 X 94,500	56,700
			<u>162,000</u>

Statement showing the Profitability of Each Brand

Particulars	A (Rs)	B (Rs)	C (Rs)	D (Rs)
Direct material	50,000	92,500	127,500	380,000
Direct wages	15,000	27,500	37,500	105,000
Direct cost	<u>65,000</u>	<u>120,000</u>	<u>165,000</u>	<u>485,000</u>
Factory overhead	24,300	32,400	48,600	56,700
Works cost	89,300	152,400	213,600	541,700
Selling and distribution (20% of works cost)	17,860	30,480	42,720	108,340
Total cost of sales	107,160	182,880	256,320	650,040
Sales	<u>135,000</u>	<u>270,000</u>	<u>405,000</u>	<u>756,000</u>
Profit	<u>27,840</u>	<u>87,120</u>	<u>148,680</u>	<u>105,960</u>

PRIME ACADEMY
31ST SESSION PROGRESS TEST - INCOME TAX, SERVICE TAX & VAT
QUESTION PAPER

No. of Pages: 4

Total Marks: 75
Time Allowed: 2Hrs

PART- A

25 X 1 = 25 Marks

1. The basic objective of taxation is
 - a) To procure resources
 - b) To provide incentives to save
 - c) To check inflation
 - d) To achieve reduction in consumption of goods

2. Income Tax levied as
 - a) Direct Tax
 - b) Indirect Tax
 - c) Local Tax
 - d) Wealth Tax

3. Income Tax is applicable to
 - a) Whole of India
 - b) Whole of India except the state of Jammu and Kashmir
 - c) Whole of India except Sikkim
 - d) None of the above

4. The number of major heads of income under Indian Income Tax Act 1961 are
 - a) 2
 - b) 6
 - c) 5
 - d) 4

5. The term previous year means:
 - a) The accounting period of the assessee
 - b) Financial year before the Assessment year
 - c) Calendar year before the assessment year
 - d) None of the above

6. Kumar, a Citizen of India, leaves India for the first time on 15-06-2009. He visited different places across the world and came 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. Exemption 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
10. Allowance received by a Government employee posted abroad are
- a) Fully exempted
 - b) Partly exempted
 - c) Fully taxable
 - d) Taxable by the country where posted
11. Which of the following is not a revenue expense?
- a) Rent of office building
 - b) Sales tax and excise duty paid
 - c) Payment made on dismissal of temporary employee
 - d) Remuneration to promoters of a company
12. Embezzlement of cash by a cashier is
- a) A revenue loss
 - b) A capital loss
 - c) A casual loss
 - d) None of these
13. If control and management of its affairs was fully in India, a foreign company becomes
- a) Resident in India
 - b) Ordinarily resident in India
 - c) Non resident
 - d) None of these
14. 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
15. Residential status of taxable entities is
- a) Fixed in nature
 - b) Can change from year to year
 - c) Fixed once in five years
 - d) None of the above.
16. Incomes on which Income tax is not charged are called
- a) Exceptional incomes
 - b) Omitted incomes
 - c) Privileged incomes
 - d) Exempted incomes
17. Incomes received in India is taxable in the hands of
- a) Resident only

- b) Resident and ordinarily resident only
 - c) Non-resident only
 - d) All assessees.
18. Salary received by a Member of Parliament is:
- a) Taxable as salary income
 - b) Exempt from tax
 - c) Taxable as income from other sources
 - d) None of these.
19. Perquisites is
- a) Cash paid by employer to employee
 - b) Facility provided by employer to employee
 - c) Amount credited to employee's account
 - d) None of these.
20. Perquisites provided to Government employees posted abroad are:
- a) Fully taxable
 - b) Taxable upto 7.5% of the salary
 - c) Fully exempted
 - d) Taxable upto 15% of the salary
21. Interest on RPF is exempted upto
- a) 9.75%
 - b) 9.5%
 - c) 10%
 - d) 12%
22. 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 these.
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. Sum received by a co - parcener from Hindu Undivided family is
- a) Exempted in the hands of the co - parcener
 - b) Exempted in the hands of HUF
 - c) Taxable in the hands of the co - parcener
 - d) None of these

PART – B

50 Marks

1. What are total income and Gross Total Income? 4 Marks
2. Briefly explain about aggregation of Agricultural income for rate purposes. How will income-tax be computed where an individual derives agricultural as well as non agricultural income? 7 Marks
3. Define the term assessee and state in this connection the different classes of assessees under the Income Tax Act, 1961?
A single letter of inquiry was issued by the income tax department to Mr. Shoumik of Pune. In the letter there was no specific mention of any provision of the Income Tax Act. Can Mr. Shoumik be treated as an 'assessee' under the Income Tax Act? 5 Marks
4. X, a non-resident lent Rs. 5,00,000 to Y, a resident in India. Y used the money borrowed by him for purposes of business in India. Y paid an interest of Rs. 75,000/- during the year ended 31st March 2010 to X in the United Kingdom. Discuss the tax liability of such interest in the hands of X in India 4 Marks
5. X came to India for the first time on 1st November 2007. During his stay in India upto 30th October 2009 he stayed at Bombay upto 10th May 2009 and thereafter remained in Bangalore till his departure from India. Determine his residential status for the Assessment Year 2010-11 5 Marks
6. Incentives for newly established units in Special Economic Zone (Section 10AA) Discuss 9 Marks
7. Mr. M is a area manager of M/s Nuclear Steels Co. Ltd. During the financial year 2009-10, he gets following emoluments from his employer:

Basic salary upto 31.8.2009 Rs. 20000 p.m.
 From 1.9.2009 Rs. 25000 p.m.
 Dearness Allowance (full year) Rs. 3000 p.m.
 Transport allowance Rs. 2000 p.m.
 Contribution to RPF 15% of basic salary and DA.
 Children Education allowance Rs. 500 pm for two children
 City compensatory allowance Rs. 300 pm
 Hostel expenses allowance Rs. 380 pm for two children
 Tiffin Allowance Rs. 5000 pa
 (actual expenses Rs. 3700)
 Professional tax paid by the employer Rs. 2500

Compute the taxable salary of Mr. M for the AY 2010-11 9 Marks

8. Mr. Ravi 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. 7 Marks

PRIME ACADEMY
31ST SESSION PROGRESS TEST - INCOME TAX, SERVICE TAX & VAT
SUGGESTED ANSWERS

PART A

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

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.

1. Salaries
 2. Income from House Property
 3. Profits and gains of business or profession
 4. Capital gains
 5. Income from other sources
2. Aggregation of agricultural income for rate purposes: The power to levy tax on agricultural income is vested only with the State Governments. The Central Government cannot impose any tax on agricultural income. Accordingly, it is provided that agricultural income is exempt from tax u/s 10(1). Though the agricultural income is exempt, the same shall be included for determining the rate at which the non-agricultural income is chargeable to tax. This is provided for in the Finance Act each year with a view to increase the tax payable in respect of non-agricultural income. Accordingly, students may note that it is an indirect method of taxing agricultural income, though it is exempt u/s 10(1). The procedure for computation of tax payable on non-agricultural income after aggregation of agricultural income is as follows.
 3. The term assessee is defined under section 2(7) to mean a person by whom any tax or any other sum of money is payable under the Act and it include:
 - (i) every person in respect of whom any proceeding has been initiated under the Act for the assessment of his income or the income of any other person.
 - (ii) A person who is deemed to be an assessee under any provision of the Act.
 - (iii) A person who is deemed to be an assessee in default in any provisions of the Act.

As per the definition of the term assessee, any person in respect of whom any proceeding is initiated under the Income Tax Act for assessment shall be treated as an assessee. In this case it is informed that a single letter is issued by the Income Tax Department. The said letter is issued only to conduct some enquiry. As there is no mention of any provisions of the Income Tax Act, it may not be construed as part of a proceeding under the Income Tax Act. Therefore Mr. Shoumik cannot be treated as an assessee on the basis of issuance of the letter.

4. According to section 9, interest paid by a resident to a non-resident on loans borrowed and used in India shall be deemed to accrue or arise in India. In this case, y is a resident paying interest to X, who is a non-resident and the funds borrowed from X is used for the purposes of business in India. Consequently, the sum of Rs. 75,000/- is chargeable to tax in the case of Mr. X in India. However, one has to verify the provisions of DTAA with UK for the exact rate of tax at which the income has to be taxed in India.
5. During the previous year 2009-10, relevant to the assessment year 2010-11, Mr. X stayed in India for a period of 213 days.

In view of this, Mr. X fulfills the basic condition, which requires stay for 182 days to become a resident in India. Mr. X fulfills both the following additional conditions i.e.

 - a) being a non-resident in 9 out of 10 preceding previous years, and
 - b) stayed for 729 days or less in 7 preceding previous years.

A person will be considered to be not ordinarily resident in case he satisfies any one of the additional conditions. In the given case, Mr. X satisfies both the additional conditions and becomes resident but not ordinarily resident, as per the provisions of section 6 of the Act.

6. Section 10AA Eligible Assesseees

An entrepreneur who has begun or begins to manufacture or produce articles or things or provides services in SEZ as defined under Special Economic Zones Act, 2005 are eligible for exemption.

Conditions for claiming exemption

In order to claim deduction under this section the undertaking shall fulfill the following conditions.

- e) It has begun or begins to manufacture or produce articles or provide services in any Special Economic Zone on or after 1.4.2006.
- f) It is not formed by the splitting up, or the reconstruction, of a business already in existence (except as referred to in section 33B).
- g) It is not formed by the transfer to a new business, of machinery or plant previously used for any purpose. However, the value of the machinery or plant so transferred shall not exceed 20% of the total value of machinery or plant.

Computation and period of deduction

Deduction is available in respect of profits and gains derived from the export of services, articles or things manufactured or produced.

The deduction shall be computed in respect of the profits of the undertaking on the following basis.

Export turnover of the undertaking x Total profits of the undertaking / Total turnover of by the undertaking

The profits and gains derived from On-site development of computer software including services for development of software outside India shall be deemed to be export profits eligible for deduction.

7. Taxable salary of Mr. M for the AY 2010-11

Particulars	Amount (Rs.)	Amount (Rs.)
1. Basic Salary (20000x5) + (25000x7)		275000
2. Dearness allowance (3000x12)		36000
3. Transport allowance (2000 x 12)	24000	
Less: exempt under section 10(14) (800x12)	9600	14400
4. Contribution to PF in excess of 12% of basic + DA		9330
5. Children education allowance (500 x12)	6000	
Less: Exempt under section 10(14)	2400	3600
6. City compensatory allowance (300x12)		3600
7. Hostel expenses allowance (380x12)	4560	
Less: Exempt under section 10(14)	4560	0
8. Tiffin allowance (fully taxable)		5000
9. Profession tax paid by employer		2500
Gross Salary		349430
Less: Deduction under section 16(iii) – Professional tax on employment		2500
Taxable salary		346430

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

(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
31ST SESSION PROGRESS TEST - INFORMATION TECHNOLOGY & STRATEGIC MANAGEMENT
QUESTION PAPER

No. of Pages: 4

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

PART- A

- 1) What are the enduring statements of purpose that distinguish one business from other similar Firms?
 - (a) Policies
 - (b) Mission statements
 - (c) Objectives
 - (d) Rules

- 2) -----provides better access control and reduces cost by reducing duplication of hardware/software and operates continuously on a network
 - (a) A computer
 - (b) A server
 - (c) A network
 - (d) All of the above

- 3) Objectives of business include
 - (a) Survival
 - (b) Stability
 - (c) Growth
 - (d) All the above

- 4) Find the odd one out: A super national enterprise is:
 - (a) A world wide enterprise
 - (b) Operates as a private business without direct obligation
 - (c) Is chartered by political international body
 - (d) It draws the economic world closer together

- 5) All elements are microenvironment except
 - (a) Consumer
 - (b) Suppliers
 - (c) Competitors
 - (d) Society

- 6) A simple numeric character is called
 - (a) A Character
 - (b) A digit
 - (c) A data item
 - (d) None of the above

- 7) One MB represents
 - (a) 1000 KB
 - (b) 1024 KB
 - (c) 1024 x 1024 KB
 - (d) 512 x 512 KB

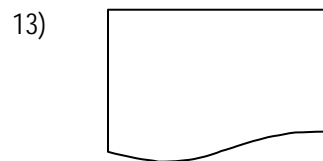
- 8) Examples of I/O devices include
 - (a) Keyboard
 - (b) Mouse
 - (c) Touch Screen
 - (d) All of the above

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

10) Cache memory is a
(a) Secondary Storage
(b) Primary storage
(c) Main memory
(d) None of the above

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

12) Flow charts are tools used in the ----- stage of SDLC
(a) Analysis
(b) Design
(c) Coding
(d) All of the above



Refers to

- (a) An operation
- (b) A document
- (c) An execution of an operation
- (d) An Output

14) Consumers are part of
(a) Business Environment
(b) Micro Environment
(c) Competitive Environment
(d) All of the above

15) The group that influence an Organization are
(a) Owners
(b) Board of Directors
(c) Employees
(d) All of the above

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

17) The relationship between an organization and its environment can best be described in terms of

- (a) Exchange of information
 - (b) Exchange of resources
 - (c) Exchange of influence and power
 - (d) All of the above
- 18) Macro Environment includes
- (a) Organization
 - (b) Suppliers
 - (c) Government
 - (d) Competitors
- 19) Business has
- (a) Single objective
 - (b) Multiple objectives
 - (c) General objectives
 - (d) All of the above
- 20) 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
- 21) CMOS stands for
- (a) Computer managed operations
 - (b) Computer Media Output System
 - (c) Complimentary Metal oxide Semiconductor
 - (d) Computer Metal Oxide Semiconductor
- 22) Processor registers is a
- (a) Main memory
 - (b) Primary Storage
 - (c) Secondary storage
 - (d) Offline storage
- 23) 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
- 24) 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
- 25) 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

PART – B

- 1) Answer any four
- a) What is the basic function of a computer?
 - b) What is the function of the control unit?
 - c) What are the advantages of flow chart?
 - d) What is an operating system? What are its basic functions?
 - e) What are the major attributes of judging a CPU? (4 X 5 = 20 Marks)
- 2) Draw a program flow chart for finding the sum of first 100 odd numbers (10 Marks)
- 3) a) Write Short notes on
- i) Global environment
 - ii) Various elements of micro environment
- b) Distinguish between Conservative and cautious approaches of strategic responses to environment
- c) Explain Porter's Five model Competitive analysis (5 +5+5+5 = 20 Marks)

PRIME ACADEMY
31ST SESSION PROGRESS TEST - INFORMATION TECHNOLOGY & STRATEGIC MANAGEMENT
SUGGESTED ANSWERS

PART A

SI No.	Answers
1	b
2	b
3	d
4	c
5	d
6	b
7	b
8	d
9	d
10	b
11	c
12	b
13	b
14	b
15	d
16	a
17	d
18	c
19	b
20	c
21	c
22	b
23	c
24	d
25	a

PART – B

1. (a) Basic function of a computer

Computer does the following four functions:

- Receive the input data through input devices
- Process the data with the help of CPU
- Generate the output through output devices
- Stores the input/output in storage devices

(b) Function of the control unit

The functions of the Control Unit are as follows:

- It controls, supervises all activities of a computer and monitors the execution of programs.
- It coordinates various parts of computer system like ALU, Main memory and Peripheral devices.
- It controls transfer of data from input devices, storage in memory, movement of data from memory to working space and back and finally to output devices.
- Stores programs, data, and results in main memory in separate partition made for them.
- Permits the users who want to have access to computer simultaneously.

(c) Advantages of flow chart

- Logical representation of problem steps
- Flow chart helps to make the complex logic simpler
- A visual aid in conceptualization of the problem
- It is tool for efficient programming
- Helps in debugging
- Support program documentation

(d) Operating system and its basic functions

An operating system is an integrated act of specialized program that are used to manage the overall resources of and operations of the computer. It is specialized software that controls/monitors the execution of all other programs that reside in the computer, including application program and other system software. Major functions of an operating system are —

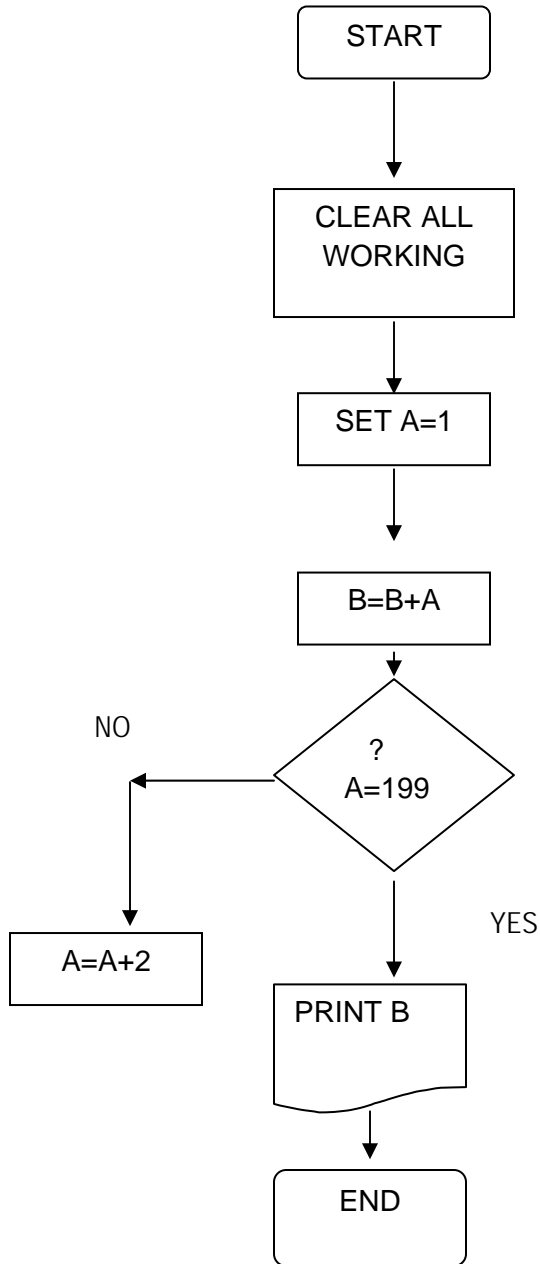
- Job Management
- Scheduling
- Acceptance of tasks
- Communication with terminals
- Computer resources management
- Data management
- Job accounting
- Access control

(e) Major attributes of judging a CPU

The major attributes of a CPU are as follows:

- Memory cycle time.
- Storage Capacity
- Number of data transfer channels
- Range of multi-programming capability
- Real time processing capacity.

2. Program flow chart for finding the sum of first 100 odd numbers



3. (a) (i) **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
At the organizational level, globalization has two effects –
- the Company commits itself heavily with several manufacturing locations around the world and offers products in several diversified industries and
 - it has the ability to compete in domestic markets with foreign competitors.

Factors of Global environmental that should be assessed include –

- Potential positive and negative impact of significant international events
- Identification of changing and emerging in global markets
- Differences between cultural and institutional attributes of individual global markets

(ii) 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

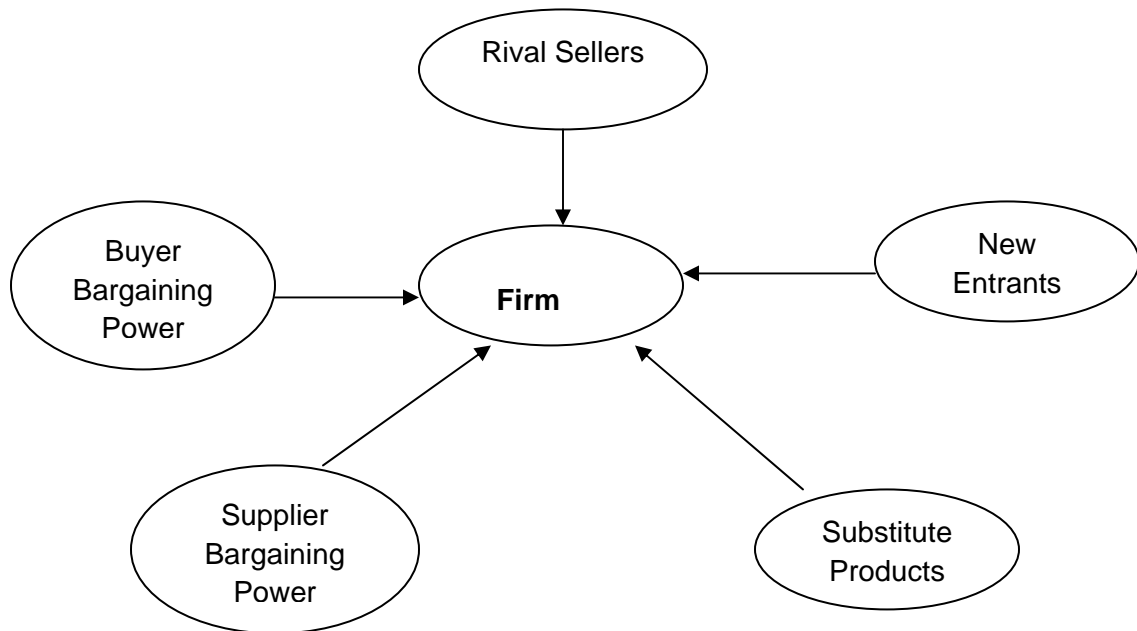
(b) Conservative approach also known as least resistance approach aims at maintaining units, managing to survive by way of coping with their changing external environments.

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.

(c) Porter's Five model Competitive analysis



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

Step	<i>Description</i>
1	Identify the specific competitive pressures associated with each of the five forces
2	Evaluate how strong the pressures comprising each of the five forces are- (a) fierce, (b) strong, (c) moderate to normal or (d) weak
3	Determine whether the collective strength of the five competitive forces is conducive to earning attractive profits