

PRIME ACADEMY
33RD SESSION PROGRESS TEST – ADVANCED ACCOUNTING

No. of Pages: 8

Total Marks: 75
Time Allowed: 2Hrs

PART – A

1. VP Ltd deals in computers and the following particulars are extracted.
Computers lying with the Hire purchaser at Invoice price ₹13,13,750
Cost per computer ₹14,000
Cash price per computer ₹15,500
Invoice price per computer ₹16,800
Calculate the stock reserve to be created.
(a) 1,01,659
(b) 2,18,958
(c) 1,500
(d) 2,800

2. Under sales method of HP accounting
(a) The entire profit on sale under hire purchase agreement is credited to the profit & loss A/c of the year in which the sales has taken place
(b) The entire profit on sale under hire purchase agreement is credited to the profit & loss A/c of the year in which the purchase has taken place.
(c) The entire profit on sale under hire purchase agreement is credited to the profit & loss A/c of the year in which the collection has taken place.
(d) The entire profit on sale under hire purchase agreement is credited to the profit & loss A/c of the year in which the sales has not taken place

3. Under sales method of HP accounting
(a) Interest of the whole hire purchase period is credited to the profit & loss Account in the year of sales
(b) Interest pertaining to each accounting period is credited to the profit & loss Account of that year.
(c) Interest is recognized on receipt basis
(d) None of the above

4. Depreciation on asset acquired on hire purchase must be calculated on
(a) Cash price.
(b) Hire purchase price
(c) Cost
(d) Fair value

5. In the books of hire purchaser, under interest suspense method, the balance in the interest suspense A/c representing the remaining amount not transferred to the interest A/c appears
(a) in the credit side of profit & loss A/c.
(b) in the debit side of profit & loss A/c

- (c) in the liabilities side of the balance sheet
 - (d) in the assets side of balance sheet
6. Foreign branches may be classified into:
 - (a) Integral foreign operations
 - (b) Non-integral foreign operations
 - (c) Both the above
 - (d) None of the above
 7. Generally if the operation is integral foreign operation the business is carried on
 - (a) In foreign currency
 - (b) In India Rupees
 - (c) In the currency of the country where it is located
 - (d) Multiple currencies
 8. If production is made by a foreign country in foreign currency out of resources available in such country independent of the reporting enterprise is
 - (a) Non-integral foreign operation
 - (b) Integral foreign operation
 - (c) Both the above
 - (d) Company operation
 9. Independent branches maintain
 - (a) Comprehensive books of a accounts
 - (b) Order books & transmits the order to Ho
 - (c) Cash book and selected ledger, accounts
 - (d) Only Cash remittance details.
 10. When the goods are sent at invoice price, the entry for removal of loading being the difference between selling price and cost of goods is
 - (a) Goods sent to Branch A/c Dr
To Branch A/c
 - (b) Branch A/c Dr
To Goods sent to Branch
 - (c) Stock Reserve A/c Dr
To Branch A/c
 - (d) Branch A/c Dr
To Stock Reserve A/c
 11. In case of independent branches the entry to be passed for payment of expenses by Ho is
 - (a) Expenses A/c Dr
To Bank A/c
 - (b) Expenses A/c Dr
To Branch A/c

- (c) Branch Expenses A/c Dr
 To Cash / Bank A/c
- (d) Expenses A/c Dr
 To Head office A/c

12. Where the asset A/c is maintained at the Head office, entry to be made for providing depreciation on the assets of independent branch shall be
- (a) Depreciation A/c Dr
 To Fixed Asset A/c
 - (b) Depreciation A/c Dr
 To Branch A/c
 - (c) Depreciation A/c Dr
 To Head office A/c
 - (d) Depreciation A/c Dr
 To Profit & Loss A/c
13. If asset is carried at cost, cost and depreciation of tangible fixed assets is translated at
- (a) Average rate
 - (b) closing rate
 - (c) opening rate
 - (d) Exchange rate at the date of purchase of asset
14. Total interest on hire purchased goods is the difference between
- (a) Hire-purchase purchase price and cash price
 - (b) Hire-purchase price and down payment
 - (c) Cash price and first installment
 - (d) None of the above
15. Depreciation on hire purchased asset is claimed by
- (a) Hire vendor
 - (b) Hire purchaser
 - (c) Either the hire vendor or the hire purchaser as per the agreement between them
 - (d) No depreciation is claimed till the last installment is paid /received
16. under installment payment system, ownership of goods
- (a) is transferred at the time of payment of last installment
 - (b) is not transferred
 - (c) is transferred at the time of signing the contract
 - (d) None of the above
17. The amount paid at the time of entering the hire-purchase transaction for the goods purchased is known as
- (a) Cash price
 - (b) Down payment
 - (c) First installment
 - (d) Hire purchase price

18. Closing balance of hire purchase stock represent
- Installment not yet due
 - Installments due but not yet paid
 - Installment due and paid
 - Total cost of the goods with customer
19. Closing balance of hire purchase debtors represent
- Installment not yet due
 - Installment due but not yet paid
 - Installment due and paid
 - Total cost of the goods with customer
20. When the hire purchase transactions are numerous and the value of the items are small, it is preferable to open
- Memorandum hire purchase books
 - Shop Stock A/c
 - Hire purchase Stock A/c
 - Hire purchase Trading A/c
21. In case of Hire purchase under Stock & Debtors system the entry to create stock reserve on opening stock is
- Hire purchase Adj A/c Dr.
To Stock Reserve
 - Stock Reserve A/c Dr.
To Goods sent on HP A/c
 - HP Stock A/c Dr.
To Stock Reserve A/c
 - Stock Reserve A/c Dr.
To Hire purchase Adj A/c
22. Under Stock & Debtors System when instalments become due for payment, the entry to be passed will be
- HP Stock A/c Dr.
To HP debtors A/c
 - Cash A/c Dr.
To HP debtors A/c
 - HP debtors A/c Dr.
To HP Stock A/c
 - HP Stock A/c Dr.
To Cash A/c
23. In the books of hire purchaser when the repossessed value is less than the book value the difference is transferred to the P & L as
- Loss on Surrender
 - Profit on Surrender
 - HP Stock
 - None

24. In case of repossession the hire vendor closes Hire purchaser A/c in his books by transferring the balance of Hire purchaser A/c to ----- account
- (a) Hire purchaser A/c
 - (b) HP Assets A/c
 - (c) Hire vendor A/c
 - (d) Goods repossessed A/c
25. Under Debtors method all down payments and instalments falling due are credited to hire purchase sales A/c. Balance in hire purchase sales A/c is transferred to HP Trading A/c
- (a) True statement
 - (b) False
 - (c) Partly true
 - (d) Can't say

(25x1=25 Marks)

PART – B

1. V Ltd Chennai has a branch at Srinagar to which goods are sent @20% above cost. The branch makes both cash and credit sales. Branch expenses are met partly from Ho and partly by the branch. The statement of expenses incurred by the branch every month is sent to Ho for recording.

Following further details are given for the Year ended 31st March 2010.

Cost of goods sent to branch at cost - ₹100000

Goods received by branch till 31-03-2010 at Invoice price - ₹110000

Credit sales for the year 2009-2010 @ Invoice Price - ₹82500

Cash sales for the Year 2009-10 @ Invoice Price - ₹29500

Cash remitted to Ho -----→ ₹111250

Expenses paid by Ho -----→ ₹ 6000

Bad debts written off -----→ ₹375

Balance as on	1-4-09	31-3-10
	₹	₹
Stock	12500(cost)	14000 (IP)
Debtors	16375	13000
Cash in hand	2500	1250

Show the branch A/c in the books of the Head office under double column method.

(10 Marks)

2. KS Inc. has head office at Washington (U.S.A.) and branch at Mumbai (India). Mumbai branch is an integral foreign operation of KS Inc.

Mumbai branch furnishes you with its trial balance as on 31st March, 2008 and the additional information given thereafter:

Particulars	Dr.	Cr.
	₹ in thousands	₹ in thousands
Stock on 1 st April, 2007	300	----
Purchases and sales	800	1200
Sundry Debtors and creditors	400	300
Bills of exchange	120	240
Wages and salaries	560	----
Rent, rates and taxes	360	----
Sundry charges	160	----
Computers	240	----
Bank balance	420	----
Washington office a/c	----	1,620
	3,360	3,360

Additional information:

- (a) Computers were acquired from a remittance of US \$ 6,000 received from Washington head office and paid to the suppliers. Depreciate computers at 60% for the year.
- (b) Unsold stock of Mumbai branch was worth ₹ 4,20,000/- on 31st March, 2008.
- (c) The rates of exchange may be taken as follows:

- * on 1.4.2007 @ ₹40 per US \$
- * on 31.4.2008 @ ₹42 per US \$
- * average exchange rate for the year @ ₹41 per US \$
- * conversion in \$ shall be made up to two decimal accuracy.

You are asked to prepare in US dollars the revenue statement for the year ended 31st March, 2008 and the balance sheet as on that date of Mumbai branch as would appear in the books of Washington head office of KS Inc. You are informed that Mumbai branch account showed a debit balance of US \$ 39609.18 on 31.3.2008 in Washington books and there were no items pending reconciliation.

(16 Marks)

3. MP Agencies started business on 1st April 2005. During the year ended 31st March 2006, they sold under-mentioned durables under two schemes – Cash Price Scheme (CPS) and Hire-Purchase Scheme (HPS).

Under the CPS they priced the goods at cost plus 25% and collected it on delivery.

Under the HPS the buyers were required to sign a Hire-Purchase agreement undertaking to pay for the value of the goods including finance charges in 30 installments the value being calculated at Cash Price plus 50%.

The following are the details available at the end of 31st March 2006 with regards to the products:

	Television	Washing machine
No of units Purchased	90	70
No of units Sold under CPS	20	20
No of units Sold under HPS	60	40
Cost per unit`	16000	12000
No of Installments due during the year	1080	840
No of Installments received during the year	1000	800

The following were the expenses during the year:

Rent	120000
Salaries	144000
Commission to Salesmen	12000
Office expenses	120000

From the above information you are required to prepare:

- (a) Hire-purchase Trading Account
- (b) Trading and Profit & Loss Account

(16 Marks)

4. Sundar acquired on 1st January 2006 a machine under a Hire-Purchase agreement which provides for 5 half-yearly installments of ₹6000 each, the first installment being due on 1st July 2006. Assuming that the applicable rate of interest is 10% P.a., calculate the cash value of the machine. All working should form part of the answer. **(8 Marks)**

PRIME ACADEMY
33RD SESSION PROGRESS TEST – ADVANCED ACCOUNTING
SUGGESTED ANSWERS
Part – A

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

Part-B

1) In the books of V Limited Srinagar Branch Account

Particulars	Invoice Price ₹	Cost ₹	Particulars	Invoice Price ₹	Cost ₹
To Balance b/d			By Cash sales	29,500	29,500
Opening stock	15,000	12,500	By Credit sales	82,500	82,500
To goods sent to Branch A/c	1,20,000	1,00,000	By balance c/d		
To stock adj A/c	1,000	833	Closing stock	24,000	20,000
To gross profit transferred to P&L A/c		18,667			
	<u>1,36,000</u>	<u>1,32,000</u>		<u>1,36,000</u>	<u>1,32,000</u>

Working notes

- 1) Gross Profit= ₹1, 12,000*20/120= ₹ 18,667
- 2) Cost of closing stock = 24000 X 100/120 = ₹ 20,000
- 3) As the gross profit rate is fixed and all other amounts are specifically calculated the difference in this account is treated as stock adjustment. This system is like a memorandum system.

2)

KS Inc.
Mumbai Branch Trial Balance in (US \$) as on 31st March, 2008

Particulars	Conversion	Dr.	Cr.
	Rate per \$	Us \$	Us \$
Stock on 1 st April, 2007	40	7500.00	----
Purchases and sales	41	19512.20	29268.29
Sundry Debtors and creditors	42	9523.81	7142.86
Bills of exchange	42	2857.14	5714.29
Wages and salaries	41	13658.54	----
Rent, rates and taxes	41	8780.49	----
Sundry charges	41	3902.44	----
Computers	-	6000	----
Bank balance	42	10000	----
Washington office a/c	-	----	39609.18
Total		81735	81735

Trading and profit & Loss Account for the Year ended 31st March, 2008

	US\$		US\$
To Opening stock	7500.00	By Sales	29268.29
To Purchases	19512.20	By Closing Stock	10000.00
To Wages and salaries	13658.54	By Gross loss c/d	1402.45
	<u>40670.74</u>		<u>40670.74</u>
To Gross Loss b/d	1402.45	By Net Loss	17685.38
To Rent, Rates and taxes	8780.49		
To Sundry Charges	3902.44		
To Depreciation on computers (Us \$ 6000 x 0.6)	3600.00		
	<u>17685.38</u>		<u>17685.38</u>

Balance Sheet of Mumbai Branch

As on 31st March, 2008

Liabilities	US\$	US\$	Assets	US\$	US\$
Washington office A/c	39609.18		Computers	6000	
Less : Net Loss			Less: Depreciation	<u>3600</u>	2400.00
	<u>17685.38</u>	21923.80	Closing Stock		10000.00
Sundry creditors		7142.86	Sundry debtors		9523.81
Bills Payable		5714.29	Bank balance		10000.00
			Bills receivable		2857.14
		<u>34780.95</u>			<u>34780.95</u>

3.

In the books of MP Agencies
Hire Purchase Trading Account for the year ending 31st March 2006

Particulars	₹	₹	Particulars	₹	₹
To Goods sold on HP A/c TV (60 X ₹30000) WM (40 X ₹22500)	1800000		By Bank A/c TV (1000 X ₹1000) WM (800 X ₹750)	1000000	1600000
	<u>900000</u>	2700000		<u>600000</u>	
To HP stock reserve ₹900000 X 87.5/187.5		462000	By installment due A/c TV (80 X ₹1000) WM (40 X ₹750)	80000	110000
		798000		<u>30000</u>	
To Profit & Loss A/c (HP profit transferred)			By goods sold on HP A/c (cancellation of loading) ₹2700000 X 87.5/187.5		1260000
			By HP stock (W.N.:2)		990000
		<u>3960000</u>			<u>3960000</u>

Trading and Profit & Loss Account for the year ending 31st March 2006

Particulars	₹	₹	Particulars	₹	₹
To Purchases A/c TV (90 X ₹16000) WM (70 X ₹12000)	1440000		By Sales A/c TV (20 X ₹20000) WM (20 X ₹15000)	400000	700000
	<u>840000</u>	2280000		<u>300000</u>	
To Gross Profit c/d		140000	By goods sold on HP A/c (2700000 - 1260000)		1440000
		<u>2420000</u>	By Stock (W.N.:3)		<u>280000</u>
					<u>2420000</u>
To Salaries		144000	By Gross profit b/d		140000
To Rent		120000	By HP trading A/c		798000
To Commission		12000			
To Office expenses		120000			
To Net Profits		<u>542000</u>			
		<u>938000</u>			<u>938000</u>

Working Notes:

(1) Calculation of per unit cash price; HP price; and installment amount:

	TV	Washing Machine
Cost `	16000	12000
Cost Price ₹ (Cost X 1.25)	20000	15000
HP price ₹ (cash price X 1.50)	30000	22500
Installment Amount ₹ (HP price / No. of installments)	1000	750

(2) Calculation of HP stock as on 31st March 2006:

	TV	Washing Machine
Total no of installments (Nos)	1800	1200
Installment due in 2005-06 (Nos)	1080	840
Installment not due in 2005-06 (Nos)	720	360
Amount ₹	720000	270000

Total HP stock (₹ 720000 + ₹ 270000) = ₹ 990000

(3) Calculation of shop stock as on 31st March 2006:

	TV	Washing Machine
Purchased (Nos)	90	70
Sold (Nos)	80	60
Balance (Nos)	10	10
Amount `	160000	120000

Total Shop stock (₹ 160000 + ₹120000) = ₹ 280000

4. Statement showing cash value of the machine acquired on HP basis

	Installment () ()	Interest @ 5% ()	Principal ()
5 th Installment	6000 286 *	5714	5714
Less: Interest	<u>(286)</u>		
Add: 4 th Installment	<u>6000</u>		
	11714	558**	5442
Less: Interest	<u>(558)</u>	(11156-5714)	
	11156		
Add: 3 rd Installment	<u>6000</u>		
	17156	817***	5183
Less: Interest	<u>(817)</u>	(16339 - 11156)	
	16339		
Add: 2 nd Installment	<u>6000</u>		
	22339	1063	4937
Less: Interest	<u>(1063)</u>	(21276 - 16339)	
	21276		
Add: 1 st Installment	<u>6000</u>		
	27276	1299	4701
Less: Interest	<u>(1299)</u>	<u> </u>	(25977 - 21276)
	<u>25977</u>	<u>4023</u>	<u>25977</u>

* $6000 \times 5/105 = 286$

** $11714 \times 5/105 = 558$

*** $17156 \times 5/105 = 817$ (similarly calculations made in other cases)

Therefore the cash price of the machinery is ₹ 25,977/-

PRIME ACADEMY
33RD SESSION PROGRESS TEST – LAW ETHICS & COMMUNICATIONS

No. of Pages: 6

Total Marks: 75
Time Allowed: 2Hrs

PART- A

1. In the case of a Limited Company, a Charge on Book debts should be registered with the Registrar of Companies within ____ days of creation of Charge.
 - (a) 14 days
 - (b) 21 days
 - (c) 30 days
 - (d) 45 days
 - (e) 60 days

2. Unless the Articles of Association provide for retirement of all Directors at every Annual General meeting the minimum number of Directors to retire shall be
 - (a) 1/3 rd of the total number of Directors
 - (b) 2/3 rd of the total number of Directors
 - (c) ½ of the total number of Directors
 - (d) All the directors
 - (e) None of the above

3. Statutory meeting of a Public Limited company is required to be held
 - (a) whenever share holders demand for it
 - (b) annually along with agm
 - (c) biannually along with egm
 - (d) only once in the life-time of a public company
 - (e) whenever creditors demand for it

4. A company formed by an Act of the Legislature is known as:-
 - (a) Statutory company
 - (b) Chartered company
 - (c) Registered company
 - (d) Unregistered company
 - (e) One man company

5. A government company is a company which has atleast:-
 - (a) 49% of the paid up capital
 - (b) 51% of the authorized capital
 - (c) 49% of authorized capital
 - (d) 51% of the paid up capital.
 - (e) 51% of the called up capital

6. Which of the following is not a clause included in memorandum of association?
 - (a) Name clause
 - (b) Registered office clause
 - (c) Object clause
 - (d) Dividend clause
 - (e) Association clause

7. Which of the following does not require having their own articles?
 - (a) Unlimited companies
 - (b) Statutory public company
 - (c) Companies limited by guarantee
 - (d) Private companies limited by shares
 - (e) Privately held subsidiary

8. A purported activity beyond the powers of the company will be ineffective even if ratified by all the members:-
 - (a) Doctrine of indoor management
 - (b) Doctrine of Ultra virus
 - (c) Cancellation of the registration
 - (d) Conversion of the identity.
 - (e) Ratification

9. Which of the points is not mentioned in a prospectus?
 - (a) Capital structure
 - (b) Terms of issue
 - (c) Risk factors
 - (d) Future dividend
 - (e) Future projections

10. In how many companies an individual can hold directorship?
 - (a) 5
 - (b) 10
 - (c) 7
 - (d) 15
 - (e) 18

11. Apart from minor grammatical corrections or clerical errors, the text of the resolution Cannot be changed. This is an important distinction between:
 - (a) Special resolutions and Ordinary resolution
 - (b) AGM and Board Meetings
 - (c) Statutory report and statutory resolution
 - (d) Special resolution with special notice
 - (e) Special resolution with or without special notice

12. A company is deemed to be a subsidiary of another company when:
- (a) the latter controls the composition of the Board of directors of the former
 - (b) the former controls the composition of the Board of Directors of the latter
 - (c) the former holds more than half in nominal value of equity share capital of the latter
 - (d) the majority of the directors of the former are in the board of the latter
 - (e) the majority of the directors of the latter are in the board of the former.
13. Managing Director shall exercise
- (a) superior powers
 - (b) limited powers
 - (c) special powers
 - (d) substantial powers
 - (e) specific powers
14. In a partnership firm
- (a) All partners are liable
 - (b) No partner is liable
 - (c) Partners are liable jointly and severally
 - (d) Liable only to the extent of their capital
 - (e) Only active partners are liable
15. A Public Company is allowed to issue shares to public only in compliance of
- (a) RBI rules
 - (b) SEBI regulations
 - (c) Stock Exchange agreement
 - (d) Central Government approval
 - (e) Board approval alone
16. Dividend remaining unpaid beyond 7 years shall be transferred to
- (a) General Reserve Fund
 - (b) Central Government a/c
 - (c) Investors Education & Protection Fund a/c
 - (d) Charitable Institution
 - (e) RBI a/c.
17. The first Auditors are appointed
- (a) Within 30 days of incorporation, by the Board
 - (b) Within 30 days of incorporation, by the members
 - (c) Within 30 days of Commencement of Business, By the Board
 - (d) Within 30 days of incorporation, by the Central Government
 - (e) At the time formation, by Registrar of Companies

18. The quorum for a board meeting as per the Companies Act, 1956 shall be
- (a) 1/3 of its total strength or 2 directors whichever is higher
 - (b) 1/3 of its total strength or 3 directors whichever is higher
 - (c) 1/4 of its total strength or 2 directors whichever is higher
 - (d) 1/4 of its total strength or 3 directors whichever is higher
 - (e) 3 Directors
19. All the general meetings except the statutory and annual general meeting is called as :
- (a) Board meeting
 - (b) Class meeting
 - (c) Extraordinary general meeting
 - (d) Committee meeting
 - (e) Statutory meeting
20. Even when a charge is not registered, it will be valid against the liquidator and the creditors of the company, if it is a charge:
- (a) on the uncalled share capital of the company
 - (b) in the form of a pledge on any immovable property of the company
 - (c) on the book debts of the company
 - (d) on calls made but not paid
 - (e) on sweat equity shares
21. Society gives business its license to exist and this can be amended or revoked at any time if it fails to live up to society's expectations, this law is known as :
- (a) AAA 8000
 - (b) GRI
 - (c) Iron Law of Responsibility
 - (d) Social Reforming law
 - (e) Corporate Mechanism law
22. The ethical corporate action which produces the greatest good and does the least harm fro all who are affected is termed as:
- (a) Virtue approach
 - (b) Justice approach
 - (c) Rights approach
 - (d) Utilitarian approach
 - (e) Trusteeship approach
23. Instead of just creating and distributing an ethics policy, it is important that takes the time to explain the reasons for the policy and review the guidelines for conduct formal training to further sensitise potential ethical issues, is enunciated in the guidelines as ;
- (a) Ethical dilemma decisions
 - (b) Establish open communication
 - (c) Appoint ombudsman
 - (d) Integrate ethics with other management practices
 - (e) Codes of conduct

24. Based on John Elkington's Triple bottom line, reporting is an accountability standard which is given under:
- (a) GRI
 - (b) AA 1000
 - (c) Caux Round Table
 - (d) SA 8000
 - (e) Bench Marking
25. Predictability, transparency, accountability and stakeholder satisfaction are hallmark of;
- (a) CSR
 - (b) Work ethics
 - (c) Quality standards
 - (d) Corporate Governance
 - (e) CRT
- (25 x1= 25 Marks)

PART – B

Answer any 5 questions from question no. 1 to 6 and 5 questions from Question no 7 to 12.

1. ABC Ltd has 4 directors on their Board. What are the general powers and duties of the Board of directors?
2. What are the characteristic features of a Company? Discuss with the help of "Salmon Vs Salmon Co.Ltd and other cases that can bring out the special features?
3. What are the special privileges of a private company?
4. Explain the exceptions to the doctrine of indoor management.
A syndicate, of which E was the head, purchased an island which was said to contain valuable minerals. E, as promoter, sold the island to a company newly formed for the purpose of buying it. A contract was entered into between X, a nominee of the syndicate, and the company for purchase at double the price actually paid by E. Explain
5. In what ways the companies Act, 1956 regulate the issues of shares at a premium. State the purpose for which share premium so charged can be utilized .To what extent it is possible for a company to issues shares at a premium for consideration other than cash.
6. What are the provisions of relating to Information Memorandum contained in Sec 60B of the Companies Act, 1956 (inserted by the Companies Amendment Act , 2000 ?
7. Explain the provisions of Companies Act, 1956 relating to the establishment of Investors Education and Protection Fund.
8. Explain Ethical DILEMMA? How it can be resolved
9. How do you implement CSR? Briefly explain the key strategies in implementing CSR
10. Discuss the need of Corporate Governance and its importance.
11. What are the important elements of work place ethics
12. What are the benefits of business ethics (10X 5 = 50 Marks)

PRIME ACADEMY
33RD SESSION PROGRESS TEST – LAW ETHICS & COMMUNICATION
SUGGESTED ANSWERS
PART - A

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

Part – B

1. General powers and duties of the board of Directors :

1. Power to appoint auditors
2. Power to transact all business activities
3. Power to participate in all meetings and vote
4. Power to work out strategy for expansion , modernization

Duties :

1. To submit quarterly accounts and final accounts.
2. To submit reports as required by SEBI and the stock exchanges
3. To be transparent in all appointments to the board and in all business related activities
4. To report to the shareholder regarding the financial profits and dividend.

2. Features of a Company

1. Voluntary association
2. Separate legal entity
3. Limited Liability
4. Perpetual Succession
5. Common seal
6. Transfer of Shares
7. Property in its own name

In **Solomon vs Solomon**, it was decided that a Company is distinct from the members who form it and the liability is restricted to the extent of unpaid value of shares.

3. Special Privileges of a Private Company :

1. Free transferability of shares
2. Managerial remuneration ceiling is not applicable
3. It can commence its operations after obtaining Certificate of Incorporation
4. It need hold Statutory meeting
5. It can have two directors and directors need not retire by rotation.

6. Sec 12(1) A private company can be formed with only two members.

7. Sec 69 A private company can proceed to allot shares without waiting for the minimum subscription. As per the reason is that the private company is not required to offer shares to the public.

8. Sec 70(3) A private company is not required to issue prospectus.

9. Sec 81(3) A private company need not offer further issue of shares to the public.

10. Sec 90(2) A private company can issue any kind of share n allow disproportionate voting rights since Secs.85 to 89 of the act are not applicable to it.
11. Sec 149(2) A private company can commence business immediately after its corporation.
12. Sec 151(1) It need not have index of members.
13. Sec165(10) A private company is not required to hold a statutory meeting or to file a statutory report with the registrar of companies.
14. Sec 174(1) Only 2 members, who are personally present in the meeting, shall form the quorum unless the articles provide for a larger number.
15. Sec 252 (2) A private company need have minimum of 2 directors only
16. Sec 300 Directors of a private company can vote on a contract in which they are interested.

4. Doctrine of Indoor Management :

This doctrine highlights that outsiders can presume that things which ought to have been done regularly have been done regularly.

This is a rule of presumption and it can be rebutted by :

- (i) Person having actual knowledge of the irregularity
- (ii) Persons who have purported to act as a director in the transaction
- (iii) Forgery
- (iv) Persons put on enquiry

The Defendant could recover the amount of the bond, since he can presume that the internal proceedings are carried through in the normal course of the business. He or she need not take special effort to explore what has happened inside a company management.

Doctrine of Ultra Vires :

- (i) An act is Ultravires , if the activity is beyond the powers of the company. If any act is Ultravire the articles , the company, then injunction may be obtained by any shareholder to restrain the company from carrying out an ultravires act.
- (ii) The shareholder can bring about an action against the directors for restoration of company funds.

5. **Issue of Shares at a premium** :As per Section 78, of the Companies Act, 1956, shares can be issued at a premium as decide by the Board of directors .SEBI guidelines provides for the shares can be issued at a premium and does not provide for quantification of premium.

The premium amount can be utilized only for :

- (i) Issuing fully paid bonus shares to members
- (ii) Writing off the balance of the preliminary expenses of the company
- (iii) Writing off commission paid or discount allowed and
- (iv) For providing for the premium payable on redemption of any redeemable preference shares or debentures of the company.

6. **The provisions of relating to Information Memorandum contained in Sec 60B of the Companies Act, 1956 (inserted by the Companies Amendment Act , 2000, are :**

1. **Purpose** ; The objective of issue of information memorandum is to ascertain the quantum and acceptable price of securities to be offered by a company.
2. **Procedure** : A company inviting subscription by an information memorandum shall be bound to file a prospectus prior to opening of the subscription.
3. **Variation** : The information memorandum and red-herring prospectus shall carry same obligations as a prospectus.
4. **Withdrawal** : The applicant or proposed subscriber shall exercise his right to withdraw the application or intimate its variation within 7 days of such intimation.
5. **Final Prospectus** : Upon the closing of the offer , a final prospectus containing the total capital raised shall be filed by a listed company with SEBI.

7. The provisions of Companies Act, 1956 relating to the establishment of Investors Education and Protection Fund. Investors Education and Protection Fund : Sec 205 C

The following amounts shall be credited to the said fund :

- a. The following amounts which have remained as unpaid or unclaimed for a period of 7 years.-, like the amount in the unpaid dividend accounts of the companies, matured deposits, matured debentures, interest accrued and application money received by the companies.
- b. Grants and donations given to the fund by the central government.
- c. The interest or other income received out of the investments made from the fund

8. **Ethical Dilemma**

To choose between right and wrong is a troublesome grey area. Guidelines are :

1. Define the problem clearly
2. How would you define the problem .
3. How did the situation arise
4. To whom are you loyal as a person and as member of the organization.
5. What is your intention in making this decision .
6. Can you discuss with the affected parties.
7. What is the symbolic potential of your action.
8. Could you disclose without any doubt your decision .
9. Under what conditions would you allow exceptions to your stand.

9. Implementation of CSR :

Corporate Social Responsibility is achieving commercial success in ways that honour ethical values and respect people , communities and the natural environment.

Companies implement CSR by putting in place internal management systems which in turn promote:

- a. Adherence to labour standards
- b. Respect for human rights.
- c. Reducing the negative impact of operating in conflict zones
- d. Avoiding bribery and corruption
- e. Consumer protection

Strategies of Implementing CSR :

1. Mission , Vision and Value Statements
2. Cultural Values
3. Management Structures
4. Strategic Planning
5. General Accountability
6. Employee Recognition and rewards
7. Communication , education and training
8. CSR Reporting

10. Need of Corporate Governance and its importance

Corporate Governance is about promoting corporate fairness, transparency and accountability.

Need for Corporate Governance :

It surfaced due to corporate scandals at Enron, WorldCom. These scandals led to numerous corporate governance reforms like introduction of Sarbanes –Oxley Act, new listing requirements in New York Stock Exchange . CG provides the structure through which the company objectives are set as well as the means of attaining and monitoring the performance of those objectives. Importance of Corporate Governance

The outside world is linked with the organization by encompassing :

1. The power given to management
2. Control over management's use of power.
3. Management's accountability to stakeholders
4. Formal and informal processes

11. Elements of Work Place Ethics :

1. Codes of conduct and ethics
2. Establish open communication
3. Make ethics decisions in groups
4. Integrate ethics management with other management practices
5. Use of cross-functional teams when developing and implementing the ethics management program
6. Appointing an ombudsperson
7. Creating an atmosphere of trust
8. Include a grievance policy for employees
9. Set an example from the top

12. **Benefits of Business Ethics :**

1. Cultivate strong team work and productivity
2. Ethics support employee growth
3. Ethics programs ensure that the policies are legal and helps to avoid criminal acts of omission.
4. It improves society
5. It helps to manage values associated with quality , strategic planning and diversity
6. Ethics promote a strong public image
7. Easier change management

PRIME ACADEMY
33RD SESSION PROGRESS TEST – COST ACCOUNTING AND FINANCIAL MANAGEMENT

No. of Pages: 7

Total Marks: 75
Time Allowed: 2 Hrs

PART – A

1. Operating costing is a
 - (a) method of costing
 - (b) technique of costing
 - (c) norm of costing
 - (d) procedure of costing

2. Operating costing is more useful in
 - (a) Manufacturing Industries
 - (b) Service Industries
 - (c) Trading Organization
 - (d) None of These

3. Operating Costing is widely used in
 - (a) Chemical Manufacturing
 - (b) Textile Industry
 - (c) Transport Industry
 - (d) Sugar Industry

4. Standing Charges are
 - (a) Semi Variable
 - (b) Fixed
 - (c) Variable
 - (d) None of These

5. Garage rent is a ----- charge of operating costing
 - (a) Standing
 - (b) Maintenance
 - (c) Running
 - (d) None of These

6. Operating costing is a sort of refined ----- costing applied to a series of small operations
 - (a) Job
 - (b) Batch
 - (c) Process
 - (d) Contract

7. Cost of tyres and tubes is a ----- charge in operating costing
 - (a) Standing
 - (b) Maintenance
 - (c) Running
 - (d) None of these

8. Calculate the passenger kilometers covered by a fleet of 4 taxis run by XYZ travels from Hyderabad to Bhuvanagiri [45 km] and back 4 trips each day with 5 passengers on an average on each vehicle for the month of April 1992.
- (a) 216000 passenger Kms
 - (b) 108000 passenger Kms
 - (c) 72000 passenger Kms
 - (d) 43200 passenger Kms
9. From the following information calculate total ton kilometers No of lorries 10 capacity 5 tons each days operated 25 days per month trips made by each lorry one trip a day of a distance of 120kms Average load carried 80% of capacity empty running – 40% of the total running distance.
- (a) 12000 ton Kms
 - (b) 18000 ton Kms
 - (c) 48000 ton Kms
 - (d) 72000 ton Kms
10. When FIFO method is used in process costing the opening stocks are
- (a) Kept separate from the costs of new period
 - (b) Added to new costs
 - (c) Subtracted from the new cost
 - (d) Averaged with other cost to arrive at total cost
11. The main purpose of accounting for joint products and by products is to
- (a) Determine Profit/Loss on each product
 - (b) Determine the selling price line
 - (c) Comply with the statutory requirements
 - (d) Identify the cost and load it on the main product.
12. When average method is used in process costing the opening inventory cost are
- (a) Kept separate from the cost of the new product
 - (b) Added to new costs
 - (c) Subtracted from the new costs
 - (d) Averaged with other costs to arrive at total costs.
13. Major purpose of ascertaining equivalent production is
- (a) To ascertain cost of output
 - (b) To find Profit/Loss
 - (c) To control and reduce cost
 - (d) None of these
14. Cost of abnormal loss is shown in
- (a) Balance Sheet
 - (b) Profit & Loss A/c credit side
 - (c) Profit & Loss A/c debit side
 - (d) None of these

15. Most common industries where process costing method is used
- (a) Mines
 - (b) Oil refining
 - (c) Chemicals
 - (d) All of the above
16. Cost of process ₹ 1,60,000/- profit to be charged on transfer price 20% find out the inter process profit
- (a) ₹ 3,20,000/-
 - (b) ₹ 2,60,000/-
 - (c) ₹ 40,000/-
 - (d) None of these
17. Calculate cost per unit in process A from the following details
- Units introduced 100@ 20 per unit
 - Other expenses ₹ 5/- per unit
 - Normal loss 20% of input
 - Scrap value ₹ 5/- per unit
 - Actual Output 800 units
- (a) ₹ 30/- per unit
 - (b) ₹ 25/- per unit
 - (c) ₹ 20/- per unit
 - (d) None of these
18. Find out abnormal Loss/Gain units
- Input 5000 units
 - Normal Loss 20%
 - Output 4300 units
- (a) Abnormal gain 300 units
 - (b) Abnormal loss 300 units
 - (c) Abnormal gain 200 units
 - (d) Abnormal loss 200 units
19. Bonus under Halsey plan is paid
- (a) At 30% of time saved
 - (b) At 75% of time saved
 - (c) At 80% of time saved
 - (d) At 50% of time saved
20. Job evaluation is
- (a) Process of studying and assessing relative values of job
 - (b) Studying methods of performing jobs
 - (c) Determining the best way to perform jobs
 - (d) None of these

21. Salary to foreman should be classified as
- (a) Fixed overhead
 - (b) Variable overhead
 - (c) Semi fixed or semi variable overhead
 - (d) None of the above
22. For reducing the labour cost per unit which of the following factors is to be one of the Important
- (a) Low wage rates
 - (b) Higher input output ratio
 - (c) Strict control
 - (d) Long hours of work
23. Direct labour means
- (a) Labour completing the work manualles
 - (b) Labour which is recruited directly and not through contractors
 - (c) Permanent labour in production department
 - (d) Labour which can be conveniently associated with a particular job
24. The input output ratio in care of labour means the ratio of
- (a) The values of output to the wages paid
 - (b) Standard time of production to actual time paid for
 - (c) Abnormal idle time to normal idle time
 - (d) Number of workers employed to the sanctioned strength
25. Time and motion study is essential for
- (a) A rational promotional policy
 - (b) Completing a job on time
 - (c) Determining the standard time and correct method of completing a task
 - (d) Determine price of products
- (25 x1=25 Marks)**

PART-B

1. Distinguish between
 [A] Time card and Job Card
 OR
 [B] Job costing and Process costing
 OR
 [C] How is cost classified under operating costing (6 Marks)

2. Mr.X operates a lodging house in " Ooty" which contains 50 single rooms, 40 double rooms, 20 A.C. rooms and 10 cottages. It is estimated that an A.C. room is worth two times to a double room. Double room is worth 1.5. times to a single room, and a cottage is equivalent to 1.5. A.C. rooms.
 During an average year, the occupancy of rooms is 100% between April and June, but only 40% for the rest of the year. (Year may be taken as 360 days).
 Compute the rent to be charged for each type of room, if profit is 25% on cost, on the basis of the following data for 1996.

		₹
Value of premises	:	18,00,000
Capital cost and depreciation	:	10% P.a.
Staff Salaries	:	12,000 p.m.
Depreciation of furniture and fittings	:	96,000 p.m.
Heating and Electricity	:	10,000 p.m.
Linen, cleaning etc.,	:	4,000 P.m.
Sundry expenses	:	93,120 p.a.

(12 Marks)

3. The following data pertains to Process I for March, 2001 of Bata Ltd.

Opening work-in-progress	1,500 units for	15,000
Degree of completion:		
Materials 100%, Labour and Overheads 33 $\frac{1}{3}$ %		
Input of materials 18,500 units at		52,000
Direct labour		14,000
Overheads		28,000
Closing work-in-progress 5,000 units		
Degree of completion: Materials 90% and labour and overheads 30%		
Normal process loss is 10% of total input (opening work in progress units + units put in)		
Scrap value ₹2.00 per unit		
Units transferred to the next process 15,000 units.		

Your are required to:

- (a) Compute equivalent units of production
- (b) Compute cost per equivalent unit for each cost element i.e. materials, labour and overheads.
- (c) Compute the cost of finished output and closing work-in-progress.
- (d) Prepare the process and other accounts.

Assume:

- a) FIFO method is used by the company.
- b) The cost of opening work-in-progress is fully transferred to the next process.

(14 Marks)

4. (a) Find out the labour cost per hour if a worker is paid ₹ 200 per month in addition to D.A (Dearness allowance) of ₹ 50 per month. He is entitled to bonus at 10% on wages. Employer's contribution is 8.33% of wages towards contributory provident fund and 1% towards E.S.I Scheme. The employee's contribution towards E.S.I scheme is 0.5%. The worker is entitled to leave on full pay of 1/20 of days worked. The employer maintains a canteen where subsidized tea and lunch are provided to workers and a monthly subsidy of ₹ 1,000 is provided to the canteen. The total number of the employees who take advantage of this canteen is 200. Normal idle time amounts to 20%. The average working days in a month are 25 of 8 hours each.

(4Marks)

- (b) The standard time allowed for job is 30 hours. The hourly rate of guaranteed wages is ₹ 1.50. Because of savings in time, a worker X gets an hourly wage of ₹1.80 under Rowan premium Bonus system. For the same savings in time, calculate the hourly rate of wages a worker Y will get infer Halsey Premium Bonus System.

(4 Marks)

- (c) A manufacturing enterprise has introduced a bonus system of wage payment at slab rate based on cost reduction towards labour and overheads, the slab rate being

Upto 10% saving	5% of the earnings
Upto 20% saving	15% of the earnings
Upto 40% saving	30% of the earnings
Upto70% saving	40% of the earnings
Above 70% saving	50% of the earnings

The rates per hour for three workers X Y Z are 0.50, 0.60 and 0.55 respectively The overhead recovery rate is500% on productive wages. The standard cost towards wage and overhead per unit is determined at ₹1.20 per unit. If the time taken by X Y Z to finish 100 units is 26 30 and 20 hrs respectively.. What is the amount of bonus earned by each worker?

(4 Marks)

- (d) Ten men work as a group When the weekly production of the group exceeds standard (200pieces per hour) each man in the group is paid a bonus for the excess production in addition to his wages at hourly rates. The bonus is computed thus the percentage of production in excess of standard amount is found and one- half of this percentage is

considered as one man's share. Each man in the group is paid as a bonus this percentage of wage rate of ₹ 3.20 per hour. There is no relationship between the individual workman hourly rate and bonus rate. The following is one week's record

	Hours worked	Production
Monday	90	22100
Tuesday	88	22600
Wednesday	90	24200
Thursday	84	20100
Friday	88	20400
Saturday	40	10200
Total	480	119600

- (a) Compute the rate and amount of bonus for the week
 (b) Compute the total pay of Jones who worked 41.5 hrs and was paid 2 per hour basic and of smith who worked 44.5 hrs and was paid 2.50 per hour basic. **(6Marks)**

PRIME ACADEMY
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SUGGESTED ANSWERS

PART A

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

PART B

1. (a) Time card makes a record of the time of arrival and departure of a worker in a factory and gives information of the total time spend by the worker which becomes a basis of calculating the wages payable to him where the method of paying wages is on time basis.

On the other hand, job card is used for recording the time spent by a worker on different jobs during the total time he has spend in the factory shown by the time card. Time shown by job cards becomes a basis of charging labour cost of various jobs.

Total time shown by time cards becomes a basis of charging total overheads if overheads are recovered on the basis of labour time. On the other hand, time shown by job card is used for charging overheads to various jobs where overheads to various jobs are absorbed on the basis of labour hours.

The difference between the total time as recorded in time cards and the time spent on various jobs as recorded in job cards will represent idle time. An analysis of idle time will throw light on various reasons responsible for idle time which may prove helpful in taking managerial decisions.

- (b) The main points of difference between job costing and process costing are given as Under:

Basis of distinction	Job Costing	Process Costing
1. Production	Production is against specific orders.	Production is in continuous flow; the products being homogeneous.
2. Cost Determination	Costs are determined for each job separately.	Costs are compiled for each process for department on time basis i.e., for production of a given accounting period.
3. Entity	Each job is separate and independent of others.	Products lose their individual entity as they are manufactured in a continuous flow.
4. Unit Cost	Total cost of a job is divided by the number of units produced in the job in order to calculate unit cost of job.	The total cost of each process is divided by the total production for the process to calculate the average cost per unit for the period.
5. Cost Calculation	Costs are compiled when a job is completed.	Costs are calculated at the end of the cost period.
6. Transfer	There are usually no transfers from one job to another unless there is a surplus work or excess production.	Transfer of costs from one process to another is made, as the product moves from one process to another.
7. Work -in- Progress	There may or may not be work-	There is always some work-in-

	in-progress at the beginning or end of the accounting period.	process at the beginning as well as at the end of the accounting period.
8. Control	Proper control is comparatively difficult as each product unit is different and the production is not continuous.	Proper control is comparatively easier as the production is standardized and is more stable.
9. Forms and Details	It requires more forms and details regarding materials and labour due to the need for the allocation of labour to so many orders and material is issued in bulk to departments.	It requires few forms and less details but a closer analysis of operations is needed.
10. Suitability	It is suitable where the goods are made to customer's order, production is intermittent and customers' orders can be identified in the value of production.	It is suitably employed where goods are made for stock and production is continuous or goods although made to customer's order are, owing to the continuous nature of the production, lost sight in the volume of production.

(c) CLASSIFICATION OF COSTS

Costs are classified in to the following three heads:

1. **Standing or Fixed Charges.** These charges are incurred in spite of the kilometers run e.g. salary of operating manager and supervisors etc., insurance, motor vehicle tax, licence fee, garage rent, general supervision and interest on capital.
2. **Maintenance Charges.** Semi-variables expenses are included in this group e.g. tyres and tubes, repairs and paintings, overhauls etc.
3. **Operating and Running Charges.** These charges vary more or less in direct proportion to kilometers and include, petrol, oil, grease etc., wages of driver, conductor, attendant etc. if payment is related to time or distance of trips, commission of taking, if any, and depreciation. In short, all the variable charges of running vehicle are included in this group. Normally the life of a vehicle is given in terms of mileage to be run. Accordingly depreciation is to be allocated on the basis of kilometers run and hence should be treated as an item of variable charge.

The classification of various items of costs into the above three groups should not be attempted as a matter of rule. It depends basically on the circumstances of each case. For example, the wages payable to a driver by a private owner on a no work no pay basis should be treated as an item of operating or variable expenses. But in case of employees of State Transport Corporation and employed on permanent basis, the same item of cost should be treated as part of standing or fixed charges.

$$\begin{aligned} \text{Absolute tonnes-kms} &= 20 \text{ tonnes} \times 80 \text{ kms} + 12 \text{ tonnes} \times ₹ 120 \text{ kms} + \\ &\quad 16 \text{ tonnes} \times 160 \text{ kms.} \\ &= 5,600 \text{ tonnes-kms.} \end{aligned}$$

$$\begin{aligned} \text{Commercial tonnes-kms} &= \text{Average load} \times \text{total kilometers traveled} \\ &= 20+12+16 \\ &\quad \text{----- Tonnes} \times 360 \text{ kms} = 5,760 \text{ tonnes-kms} \end{aligned}$$

2(a)

Statement showing operating cost for 1996(42570 room days)

Particulars		Per annum
Depreciation and Capital Cost	18,00,000x10/100	1,80,000
Staff Salaries	12,000x12	1,44,000
Depreciation of furniture and fittings		96,000
Heating and Electricity	10,000x12	1,20,000
Linen, washing etc.,	4,000x 12	48,000
Sundry expenses	:	<u>93,120</u>
		<u>6,81,120</u>
Add: Profit at 25%	6,81,120x25/100	<u>1,70,280</u>
Required collections		8,51,400
Charge per room day	8,51,400/42,570	20
Rent to be charged for each type of room		
A. Single room`	20x1	₹ 20 per day
B. Double room	20x15	₹ 30 per day
C.A.C. room	30x2	₹ 60 per day
D. Cottage	60x15	₹ 90 per day
Working note:		
	Room days	
Rooms		Equivalent single rooms
Ingle 50x 1		50
Double 40x15		60
A.C. 20x2x15		60
Cottage 10x15x2x15		<u>45</u>
		215
Room days= Rooms x days Occupancy		
April to June	215x3x360x <u>100</u>	=19350

$$\begin{array}{rcl}
 & 12 & 100 \\
 \text{July to March} & 215 \times \frac{9}{12} \times 360 \times \frac{40}{100} & = 23220 \\
 \text{Occupied room days in 1996} & & 42570
 \end{array}$$

3. Statement of equivalent production and Cost.

Input Units	Output	Units	Materials		Labour		Overheads	
			%	Units	%	Units	%	Units
1,500	Opening WIP transferred	1500	-	-	66 2/3	1,000	66 2/3	1,000
18,500	Normal Loss	2,000	-	-	-	-	-	-
	Finished goods	13,500	100	13,500	100	13,500	100	13,500
	Closing WIP	5,000	90	4,500	30	1,500	30	1,500
20,000		22,000		18,000		16,000		16,000
Input Units	Output	Units	Materials		Labour		Overheads	
	Less abnormal gain	2,000	100	2,000	100	2,000	100	2,000
	Materials	20,000		16,000		14,000		14,000
	Less Scrap value							
	= 2000 x 2	4,000		₹48,000		₹14,000		₹28,000
	Cost per equivalent unit			₹3		₹1		₹2

Statement of Evaluation:

Opening WIP	Material		
	Labour 1000 @ `1 =	1,000	
	Overheads 1,000 @ `2 =	2,000	3,000
Finished goods	13,500 x ₹6		81,000
Abnormal gain	2,000 x 6		12,000
Closing WIP	Material	4,500 x ₹3	13,500
	Labour	1,500 x ₹1	1,500
	Overheads	1,500 x ₹2	3,000
			<u>18,000</u>

PROCESS I ACCOUNT						
	Units	₹			Units	₹
To opening WIP	1,500	15,000	By Normal A/c		2,000	4,000
" Materials	18,500	52,000	By Finished goods		15,000	
" Direct labour		14,000		1,500	18,000	
" Overheads		28,000		13,500	81,000	99,000
" To abnormal gain	2,000	12,000	By closing WIP		5,000	18,000
	22,000	121,000			22,000	121,000
NORMAL LOSS ACCOUNT						
	Units	₹		Units	₹	
To process I A/c	2,000	4,000	By abnormal gain A/c	2,000	4,000	
ABNORMAL GAIN ACCOUNT						
	Units	₹	By process I A/c	Units	₹	
To Normal Loss A/c (Loss of income)	2,000	4,000		2,000	12,000	
" Costing P/L A/c		8,000				
	2,000	12,000		2,000	12,000	

4. a) Total expenses incurred per month:

	₹
Wages	200.00
Dearness allowance	50.00
Bonus 10% of wages (₹ 200 x 10 / 100)	20.00
Contribution towards contributory	
PF @ 8.33% of wages (₹.200 x 25 / (3x 100))	16.67
Contribution towards E.S.I scheme (₹ 200 x 1 / 100)	2.00
Proportion of canteen subsidy (₹ 1000 / 200)	5.00
Total	<u>293.67</u>
Number of working hours:	
Working days per month	25
Working hours per day	8
Total working hours in a month	200
Less : 1/20 for leave (200 /20)	10
	190
Less: 20% for normal idle time (190 x 20 /100)	38
Effective hours in a month	152
Total expenses per month (as calculated above)	293.67
Labour cost per hour	₹ 293.67 / 152
	1.93

b) Total wages under Rowan system

$$T \cdot R + (s-t) / (s \cdot T \cdot R)$$

Where T= Actual time taken not given (to be found out)

R= Rate per hour guaranteed= ` 1.50

S= Standard time=30 hrs

$$\text{Total wages} = T \cdot 1.50 + (30-T) / (30 \cdot R \cdot 1.50)$$

Or T*Effective rate per hour

$$= T \cdot 1.50 + (30-T) / (30 \cdot R \cdot 1.50)$$

$$T \cdot 1.80 = T \cdot 1.50 + (30-T) / (30 \cdot R \cdot 1.50)$$

When simplified we get actual time =24 hrs

Wages of worker under halsey system

$$T \cdot R + (s-t) / (2 \cdot R)$$

₹ 40.50

Therefore Effective hourly rate of wages 40.50/24= ₹1.69

C. Statement showing wages and overhead

Units =100

	No. of hrs	Time wages	Overhead wages	Overhead	Wages & Overhead / unit
X	26	13	65	78	0.78
Y	30	18	90	108	1.08
Z	20	11	55	66	0.66

% of savings over standard cost towards wages and overhead

	Standard Cost	Wages & overhead	Savings	% of savings
X	1.2	0.78	0.42	35
Y	1.2	1.08	0.12	10
Z	1.2	0.66	0.54	45

Bonus

X 30% of earnings

=30% of 13 = 3.90

Y 5% of earnings

= 5% of 18=0.90

Z=40% of earnings

40% of 11=4.40

D) Ten men work as a group When the weekly production of the group exceeds standard (200 pieces per hour) each man in the group is paid a bonus for the excess production in addition to his wages at hourly rates. The bonus is computed thus

The percentage of production in excess of standard amount is found and one- half of this percentage is considered as one men's share. Each man in the group is paid as a bonus this percentage of wage rate of ₹ 3.20 per hour. There is no relationship between the individual workman hourly rate and bonus rate. The following is one week's record.

	Hours worked	Production
Monday	90	22100
Tuesday	88	22600
Wednesday	90	24200
Thursday	84	20100
Friday	88	20400
Saturday	40	10200
Total	480	119600

(c) Compute the rate and amount of bonus for the week

(d) Compute the total pay of Jones who worked 41.5 hrs and was paid 2 per hour basic and of smith who worked 44.5 hrs and was paid 2.50 per hour basic.

(a) Actual production for the week 117600

(b) Standard production (200*480) 96000

(c) Production in excess of standard 21600

Excess production percentage $21600/96000*100=22.5\%$

Therefore Bonus % for the group $22.5%*.5 = 11.25\%$

Therefore Bonus rate is 11.25% of $3.20 = ₹ 0.36$

Amount of Bonus $480*.36 = ₹ 172.80$

(b) Wages Computation for Jones & Smith

Jones

Basic wages $41.5 \text{ hrs} * 2 = 83$

Bonus $41.5 \text{ hrs} @ ₹ 36 = 14.94$

97.94

Smith

Basic wages $44.5 @ 2.50 = 111.25$

Bonus $44.5 @ .36 = 16.02 = 127.27$

PRIME ACADEMY
33RD SESSION PROGRESS TEST – TAXATION

No. of Pages: 6

Total Marks: 75
Time Allowed: 2Hr

PART - A

1. Under service tax law, all records should be preserved for
 - (a) Atleast 5 years
 - (b) 5 year
 - (c) More than 5 years

2. Services provided by Central or state Government are taxable unless;
 - (a) These are Statutory Services
 - (b) Consideration is received
 - (c) Consideration is received in non monetary form

3. In none of the cases assessment year and previous year can be the same financial year.
 - (a) True
 - (b) False

4. A new business was set up on 15-11-2010 and it commenced its business from 1-12-2010. The first previous year in this case shall be:
 - (a) 15-11-2010 to 31-3-2011
 - (b) 1-12-2010 to 31-3-2011
 - (c) 2010-2011.

5. Incomes which accrue or arise outside India but are received directly into India are taxable in case of
 - (a) Resident only
 - (b) Both ordinarily resident and NOR
 - (c) Non-resident
 - (d) All the assesses

6. R Ltd., is registered in U.K. The control and management of its affairs is situated in India .R Ltd shall be :
 - (a) Resident in India
 - (b) Non-resident
 - (c) Not ordinarily resident in India

7. For an employee in receipt of hostel expenditure allowance for his three children, the maximum annual allowance exempt under section 10(14) is
 - (a) ₹10, 800
 - (b) ₹7,200

- (c) ₹9,600
(d) ₹3,600
8. Family pension received by a widow of a member of the armed forces where the death of the member has occurred in the course of the operational duties, is
(a) Exempt up to ₹3,00,000
(b) Exempt up to ₹3,50,000
(c) Totally exempt under section 10(19)
(d) Totally chargeable to tax.
9. A person leaves India permanently on 15-11-2010. The assessment year for income earned till 15-11-2010 in this case shall be:
(a) 2009-10
(b) 2010-11
(c) 2011-12.
10. A local authority is taxable at flat rate of income-tax.
(a) True
(b) False
11. Income deemed to accrue or arise in India is taxable in case of :
(a) Resident only
(b) Both ordinarily resident and NOR
(c) Non-resident
(d) All the assessee.
12. If the assessee is engaged in the business of growing and manufacturing tea in India, the agricultural income in that case shall be:
(a) 40% of the income from such business
(b) 60% of the income from such business
(c) Market value of the agricultural produce minus expenses on cultivation of such produce.
- 13) Incomes which accrue or arise outside and also received outside India are taxable in case of
a) Resident only
b) NOR
c) Non-resident
d) All the assessee.
14. The total income of a University without giving effect to exemption under Sec.10(23C) is ₹46lakhs. Its total income however is nil. Should the university file its return of income?
15. The power to make rules for service tax is given to Central Government by
(a) Sections 66 and 67 of the Finance Act, 1994
(b) Section 94 of the Finance Act, 1994
(c) Sections 94 and 96-1 of the Finance Act, 1994
(d) Sections 93 and 94 of the Finance Act, 1994

16. Where service is received from outside India, such service shall be:
- Taxable in the hands of service provider
 - Taxable in the hands of Service recipient
 - Exempt from service tax
17. If the aggregate value of taxable service in the preceding financial year exceeds ₹10,00,000, service tax shall be payable during the current financial year
- If the aggregate value of taxable service exceed, ₹10,00,000 during the current year.
 - On the entire aggregate value of service,
 - If the aggregated value of taxable service exceeds ₹10,00,000 during the current financial year.
18. If the aggregate value of taxable service in the preceding previous year in less than ₹10,00,000, service tax in the current financial year shall be payable:
- On the entire aggregate value of service
 - On the amount which is in excess of ₹10,00,000
19. Service tax is not payable on any service provided to:
- An undertaking in a free trade zone
 - An undertaking in a software technological park
 - An undertaking in a special economic zone
 - A developer or unit in a special economic zone
20. Gross amount charged for the taxable services includes:
- only that amount received towards the taxable service which is received before the provision of such services
 - Only that amount received towards the taxable service which is received after the provision of such services.
 - Any amount received towards the taxable services whether received before, during or after provision of such services.
21. State whether True or False
- Service tax is always paid by the service provider
 - Service tax is to be Paid at the stage of rendering the service
 - Service tax is payable on the money which is received in advance
 - In case the payment of service tax is made by cheque, the date of payment is the date on which the cheque is encased by the bank
 - Service tax has to be rounded off to nearest rupees ten
 - Service tax is not payable if it has not been charged in bill
22. State whether true or false
- There is no need to file a nil return.
 - Separate returns will have to be filed if multiple services are provided.
 - If due date of filing return happens to be a holiday, the return can be filed on the next
 - working day immediately following the holiday.

23. Due date of payment of service tax, other than for the month of March, in case of a company is:
- (a) 5th day of the month immediately following each quarter
 - (b) 5th day of month immediately following the calendar month
 - (c) 25th day of month immediately following the calendar month
24. Due date of payment of service tax other than for the quarter ending March in case of partnership firm is:
- (a) 5th day of the month immediately following each quarter
 - (b) 5th day of the month immediately following the calendar month
 - (c) None of the above
25. Due date of payment of service tax for the month/quarter ending 31st March is:
- (a) 31 st March
 - (b) 5th day of the month immediately following March
 - (c) None of the above
- (25x1=25 Marks)

PART B

1. Explain the valuation of Taxable service for charging of service tax.
2. Explain the circumstances for Self Adjustment of Excess Service Tax paid.
3. Explain the applicability of Geographical areas for levying Service tax.
4. Ravi & Co is a service provider. It receives ₹19, 80,000 during the financial year 2010-11 after deduction of tax at source under section 194J. The rate of tax deduction being 10 percent (i.e., after deduction of ₹2, 20,000). Calculate the service tax liability of Ravi & Co. Further discuss whether multiple service providers can use a single challan for payment of service tax for various services rendered by it.
5. Mrs. Bose is rendering taxable services, which were brought into the service tax net w.e.f. 1.5.2009. The following information are made available to you: - (i) Amount received on 10.5.2009 for services provided in April, 2009 – ₹2,00,000 (ii) Advance received from one client on 10.5.2009 – ₹ 3,39,000 (iii) For balance services of ₹7,00,000 bill was raised on 12.3.2010 and the amount due was received from the above client on 15.3.2010 (iv) Other taxable services billed and received during 1.5.2009 to 31.3.2010 – ₹ 4,00,000 (v) Value of free services rendered in October, 2009 – 1,50,000. - - Compute the value of taxable services and service tax payable for the year ended 31.3.2010.
6. Discuss, giving reasons whether the following transactions will give rise to incomes which will be deemed to accrue or arise in India.

R, a non-resident and a non-citizen, holds 5,000 equity shares in X Ltd, an Indian Company. The share certificates are lying with R, in U.K where he normally resides.
R sold these shares to G by handing over these shares in UK the duly executed share transfer form and the relevant transfer certificates. The purchase consideration is received in U.K in Sterling currency.

A foreign company having no Indian Citizen/Resident of India as Share holder, has shot a TV film entirely on Indian locations. The film is to be telecast exclusively in the foreign countries.
But it was also agreed with the Government of India to give the right of telecast in India, free of charge.
7. Discuss the specific rates prescribed by the Income Tax Act, in cases of
 - (a) Section 112 of the Income Tax Act
 - (b) Section 111 A of the Income Tax Act
 - (c) Section 115 BB of the Income Tax Act
8. Mr.D went on a holiday on 25.12.2010 to Delhi with his wife and three children (one son, aged 5 years and twin daughters aged 2 years). They went by economy class (air) and the total cost of expenses reimbursed by his employer was ₹60,000 (₹45,000 for adults and ₹15,000 for the three minor children). Compute the amount of LTC exempt.

9. Mr.Garg received retrenchment compensation of ₹10 lacs after 30 years and 4 months of service. At the time of retrenchment, he was drawing basic salary of Rs.20000 pm; DA ₹5000 pm. Compute his taxable retrenchment compensation.
10. Discuss the residential status in the following two cases:
- (a) X came to India from America for the first time on 10.10.2010. He returns to his home country after staying in India upto 5.7.2011. Will he be a resident in India for the AY 2011-12?
- (b) X came to India from America for the first time on 2.10.2009. He returned to his home country after staying in India upto 28.9.2010. Will he be a resident in India for the assessment years 2010-11 and 2011-12?

(10x5= 50 Marks)

PRIME ACADEMY
33RD SESSION PROGRESS TEST – TAXATION
SUGGESTED ANSWERS
PART A

Question	Option
1	b
2	c
3	b
4	a
5	d
6	b
7	b
8	c
9	c
10	b
11	a
12	b
13	a
14	true yes has to file
15	c
16	b
17	b
18	b
19	d
20	c
21	a) false, b)false, c) true, d)false, e)false, f)false
22	a) false, b) false, c) true
23	b
24	a
25	a

Part B

1. Valuation of taxable services for charging service tax: As per section 66, service tax is to be Charged @ 10% of the value of taxable service provided or to be provided. Hence, we have to determine the value of such taxable services so as to pay service tax.
 1. Consideration also includes any amount which is payable for the taxable services provided or to be provided.
 2. Money includes any currency, cheque, promissory note, letter of credit, draft, pay order, travelers cheque, money order, postal remittance and other similar instruments but does not include currency that held for its numismatics value.
 3. Gross amount charged include payment by cheque, credit card, deduction from account and any form of payment by issue of credit notes or debit notes and book adjustment.
 4. The first basic principle is that service tax is payable on the gross amount and not on the net amount.
 5. The second principle which also flows from section 67 is that the amount charged has to be in relation to services rendered.
 6. Valuation where billing is inclusive of service tax: The assessee is to calculate service tax based on reverse working.
E.g.: If the billing is done inclusive of service tax (Consider billing 100 (inclusive) realizations 100 (Inclusive), the assessee can claim that the bill amount should be bifurcated into value and service tax components. Accordingly the service tax payable shall be $(100 \times 10.3/110.30) = ₹9.34$.
2. Self Adjustment of Excess service tax paid
 1. Reason not involving interpretation of law, taxability, classification, valuation or applicability of any exemption notification.
 2. On account of delayed receipt of details of payments towards taxable services may be adjusted without monetary limit.
 3. In case other than specified in clause (ii) above, the excess amount paid may be adjusted with a Monetary limit of rupees fifty thousand for a relevant month or quarter, as the case may be
 4. The details and reasons for such adjustment shall be intimated to the jurisdiction Superintendent of Central Excise within a period of fifteen days from the date of such adjustment.
3.
 1. Destination Based: Service tax is destination based and service is taxable only if provided in India. Hence, in the following cases, there is no service tax liability.
 - a. Technical Consultancy provided by Foreign Collaborator (Illustrative).
 - b. If Indian service provider provides services abroad.
 - c. Services consumed for the purpose of Export
 2. Special Consideration for J & K: The levy of Service Tax extends to the whole of India except Jammu & Kashmir. The following are the observations in this regards. Services rendered in Jammu and Kashmir will not be liable to Service Tax.

- a. Service rendered by a person established in Jammu and Kashmir, but rendered outside the State is liable to Service Tax
3. Service provided in Exclusive Economic Zone and Continental shelf: India includes Territorial waters and exclusive economic zone. Therefore Service Tax provisions are applicable to Designated areas of continental shelf and exclusive economic zone of India.
 4. Even TDS is 'amount received' Hence, service tax is payable on ₹22, 00,000. Hence, value for purpose of service tax is ₹19, 94,560.29 (22, 00,000 x 100/110.30). Service tax @ 10% is 1, 99,456.03. Education cess @ 2% is 3,989.12. SAHE cess @ 1% - ₹1,994.56. Total service tax payable – 2, 05,439.71.
 5. Service tax is not payable on ₹ 2, 00,000. Service tax is payable on ₹.3, 39,000 plus 7, 00,000 plus 4, 00,000. No service tax is payable on free services. Thus, service tax is payable on ₹16, 39,000. Mrs. Bose can claim exemption of first ₹10 lakhs and pay service tax @ 10.30% on ₹ 6, 39,000 i.e. ₹65,817.
 6. As per section 9(1)(l) all incomes accruing or arising whether directly or indirectly through the transfer of a Capital asset situate in India shall be deemed to be an income which accrue or arise in India. In the instant case, although shares are kept abroad and these are transferred outside India, these shares are said to be located at a place where the "Company is "incorporated.

The assessee is a foreign company and it does not have any Shareholder who is citizen of India or resident of India and as shall no income of the foreign company will be deemed to accrue or arise in India. (Section 9(1) of the Income Tax Act, 1961).

7.
 - a. 20%
 - b. 15%
 - c. 30%
8. Since the son's age is more than the twin daughters, Mr.D can avail exemption for all his three children. The restriction of two children is not applicable to multiple births after one child. The holiday being in India and the journey performed by air (economy class) the entire reimbursement met by the employer is fully exempt.

9. Exemption U/S 10(10B)

Compensation actually received	₹10 lacs
Statutory Limit	₹5 lacs
Amount calculated as per the provisions of Industrial Disputes Act, 1947.	
$15/26 * \{ (20000*3) + (5000*3) \} / 3 * 30 \text{ years}$	₹432692
Taxable Retrenchment Compensation	= ₹10, 00,000 - ₹4, 32,692
	= ₹5, 67,308

10.

- a. In this case although Mr.X has been in India for a continuous period of 270 days, but it falls in two previous years ie PY 2010-11 and 2011-12. During the previous year 2010-11 his stay in India is only 173 days. Therefore he is a **non-resident** for that year as he does not satisfy the first condition of 182 days stay in India during the previous year. Further, the second condition is also not satisfies, as, although he is in India for more than 60 days, in the relevant previous year , he was not there for 365 days or more in the 4 preceding previous years. He will also be a **non-resident** in Py 2011-12 for the same reasons, if he doe not come to india thereafter, as the period of stay in India will be 96 days only. The second condition is also not satisfies as in the preceding 4 years he was there only for 173 days.
- b.
- i. AY 2010-11 During the PY 2009-10, he is in India from 2.10.2009 to 31.3.2010 ie for 181 days. Prior to that he has never been in India. He does not satisfy any of the condition and he is a Non-Resident.
- ii. AY 2011-12 During the PY 2010-11, he is in India from 1.4.2010 to 28.9.2010 ie for 181 days. He does not satisfy the first condition. During 4 previous years immediately preceding the Previous year 2010-11 he is in India only for 181 days. He does not satisfy the second condition also. Therefore, he is a Non-resident.