

**Q-1 a) STAMP COLLECTING**

To many people a stamp is merely something necessary for sending a letter. They regard stamp collecting as a waste of time, effort and money. But there are many people who love buying stamps and find this hobby worthwhile and more profitable than other leisure pursuits. Collecting stamps helps to pass the time quickly and pleasantly.

Stamp collecting is limitless and endless. Countries are always issuing stamps to celebrate important events, it is fascinating to receive letters from distant countries and to discover stamp in old books. A stamp itself has a charm. Stamps show us geographical and historical pictures, famous people and incidents. These small things contain vast knowledge.

**Ans-1 b) IDIOMS/PHRASES**

- i) Not effective and efficient, not deserving of one's pay
- ii) In close cooperation
- iii) It is hard to know how much someone else is suffering.

**PREPOSITIONS**

- Ans-1 c)i) He died fighting on behalf of his country
- ii) In course of time he saw his mistake
- iii) He is afraid of the dog.

**Correct Sentence****Ans-1 d)**

- i) One of my coat buttons has been lost.
- ii) India is a diverse country.
- iii) Show me the knife that you had bought.

Q-2 a) Major works means the work whose estimated cost exceeds Rs 1 Lac and minor works means the work whose estimated cost is less than Rs 1 Lac.

Q-2 b) The registration of contractors is done by advertisement through newspapers by the competent authority. The contractors who have already executed works satisfactorily should also be included as registered contractors. The list may be augmented by tenders who are currently registered with PWD, MES, Railways, NTPC etc. The tenderers shall be registered as per assessment of their technical suitability.

Competent authority has the right to delete names of defaulting contractors or non responsive contractor. A register shall be maintained for registration of the contractors.

Q-2 c) For items that are critically and urgently required, a spot purchase committee shall be constituted with the approval of competent authority consisting of not less than three members (including one from Accounts side). The committee shall generally follow the limited tender procedure suitably abridged for award of purchase order on the spot.

The purchase limit shall be upto 50% of the competent authority's own powers.

Q-2 d) In urgent cases items valuing Rs 10,000/- may be authorised to be purchased by Sr. XEN/Deputy Secretary against cash payment on the basis of three quotations from the market. For items valuing upto Rs 5,000/- purchases may be made against cash payment after conducting oral enquiries from the market.

Q-2 e)

- i) Blacklisted firms
- ii) Who do not purchase a set of tender documents
- iii) Tenders submitted by a person directly or indirectly connected with service under Govt., Board or local authority.
- iv) Tender who are not accompanied by required amount of EMD.

Q-2 f) Change the voice

- v) By whom was this done?
- vi) Savitri is loved by her
- vii) The mouse was killed by the cat.

Q-3 a) Confidential

Memorandum No:

Dated: \_\_\_\_\_

WTD Case

Sub: **Alternative modes of payment of electricity bills by consumers.**

The basic aim of the enactment of Elec. Act 2003 and various other statutory instructions issued from time to time like the standards of performance notified by PSERC, Right to service Act notified by Govt. of Punjab etc. is to improve customer service by offering him easily accessible and time bound consumers service. The electricity consumer has to visit PSPCL offices regularly for the deposit of their bills. The public faces lot of inconvenience due to long distances they have to travel for depositing of bills especially in rural areas and also because of long queues at our cash counters.

2. Therefore there is urgent need to explore possibility of alternate modes of bill payment by consumers. A team of officers was constituted to study the problem in depth and suggest suitable remedies. The team interacted with the field officers and also visited two other utilities who have given other options for bill payment to their consumers. The team has recommended a few options as detailed below.

- i) Bill payment Machines
- ii) Easy Bill
- iii) Suvidha centres
- iv) On line Bill Payment
- v) Banks

3. It is therefore proposed that commercial organisation may be authorised to explore the various options and put up detailed memorandum for approval of competent authority after calling quotations.

4. No <sup>opinion</sup> options of legal and finance section is required in the case.

5. Director/ Commercial has seen the approval of the memorandum.

6. Decision Required: WTD may kindly consider and approve proposal as per Para 3 above.

Chief Engineer/ Commercial  
PSPCL, Patiala

Q-3 b) Office of Director /Distribution, PSPCL, Patiala

Er. \_\_\_\_\_

Director / Distribution

Dated: \_\_\_\_\_

My Dear Er. \_\_\_\_\_

As you are aware that the summer season is approaching and our distribution system is stretched to the maximum during this period. Moreover, the meteorological

department has predicted a weak monsoon this year which may further increase our problems. Extra precautions are warranted being an election year.

However, I am fully confident that you and your team would be fully geared to meet the challenges ahead to supply quality power to our esteemed consumers with minimum interruptions.

With Best wishes,

Yours sincerely,

Er. \_\_\_\_\_

Er. \_\_\_\_\_

Chief Engineer/ \_\_\_\_\_ Zone

Q-3 c)

- i) He said he didn't believe me
- ii) Rama ordered Arjun to go away
- iii) He asked me what I was doing.

Ans: 4 A)

- i) Ctrl+S Save
- ii) Ctrl+F Find
- iii) Ctrl+H Replace
- iv) Ctrl+O Open
- v) Ctrl+C Copy
- vi) Ctrl+V Paste
- vii) Ctrl+E Center Align
- viii) Ctrl+W Close Window
- ix) Ctrl+R Right Align
- x) Ctrl+J Justify

Ans: 4 B)

A	B
MS Excel	Spread Sheet
Ms Word	Word Processor
Mozilla Firefox	Web Browser
Internet Explorer	Web Browser
Solitaire	Computer Game

Ans: 4 C)

- i) Google, Bing, Yahoo search
- ii) Gmail, Yahoo mail, rediffmail, hotmail, ymail.
- iii) Facebook, Orkut, tweeter
- iv) [www.pspcl.in](http://www.pspcl.in) / [www.pstcl.org](http://www.pstcl.org)
- v) PSPCL Head office, Mall Road, Patiala.

*[Handwritten signature]*

**Ans: 5 a)**

- Step 1: Open your email Client
- Step 2: If asked enter username & password
- Step 3: Locate the email in your inbox
- Step 4: Download the email attachment
- Step 5: Open the downloaded document in MS word
- Step 6: Modify and Save the document
- Step 7: Reply to the email sent by your subordinate
- Step 8: Attach the modify document with your reply
- Step 9: Send the reply email.

**Ans: 5 b)**

- i) Step 1: Go to Data menu & press Filter icon or press CTRL+SHIFT+L
- Step 2: Click on the downward pointing arrow in Heading Row where Marks are listed
- Step 3: In the menu select Number filter > then click "Less Than"
- Step 4: Enter the condition for Marks as "is less than" 33
- ii) Step 1: Use formula Average ( )
- iii) Step 1: Go to Data menu & press Filter icon or press CTRL+SHIFT+L
- Step 2: Click on the downward pointing arrow in Heading Row where Marks are listed
- Step 3: In the menu select Number filter > then click "Top 10"
- iv) Use Formula Max ( )
- v) Go to print menu or press Ctrl+P
- Select Print preview, and go to page setup, select page orientation as landscape.
- Also select page scaling to one page wide by one page tall and page size to A4.

**Ans: 5 c)**

- Step 1: Go to insert then click page no. and select template as page x of y

**Ans: 5 d)** Mouse and Keyboard

Model Solution SRS-II, 5-8/13, P-VI

ANS. Q 1(a):

In the Books of Sri Ram

Cash Book (Bank Column)

Dr.				Cr.			
Date	Particulars	LF	Rs.	Date	Particulars	LF	Rs.
2012 June 30	To Bank Interest A/c (Error)		6000	2012 June 30	By Balance b/d		30000
	To Bank Interest received A/c (transfer)		6000		By Bank Charges A/c		3500
	To Dividend A/c		20000		By undercasting Error		1000
	To Deposit A/c		5000		By Balance c/d		5000
	To B. Banerjee A/c		2500				
			39500				39500

Bank Reconciliation Statement as on 30.6.2012.

	Rs.	Rs.
Bank balance as per the Amended Cash Book (Dr.)		5000
Add: (1) Cheque issued but not presented	50000	
Less: Cancelled cheque issued to B. Banerjee	2500	47500
		52500
Less: (2) Cheque deposited but not credited by the Bank	40000	
(3) Interest transferred not recorded in the Pass Book on 30.6.12	6000	46000
Bank balance as per the Pass Book (Cr.)		6500

**ANS.1 (b): A Company can issue shares at a discount i.e. value less than the face value subject to the following conditions:**

- i) The issue of shares at a discount is authorized by a resolution passed by the company in general meeting and sanctioned by the Central Government.
- ii) The resolution must specify the maximum rate of discount which should not exceed 10 percent of the nominal value of shares or such higher percentage as the Central Government may permit.
- iii) One year must have been elapsed since the date at which the company was allowed to commence business.
- iv) Shares issued at a discount must belong to a class of shares already issued.
- v) Every prospectus relating to the issue of shares and every balance sheet after the issue of shares contain particulars of the discount allowed and so much of the discount as has not been written off.



ANS: Q.2

In the Books of ABC Ltd.

Journal Entries.

			Dr.	Cr.
		LF	Rs	Rs.
2012 May 1	Bank Account Dr.  To Debenture Application Account  (Being application money received on 1,50,000 debenture @ Rs.100 per debenture)		15000000	15000000
June 1	Debenture Application Account Dr.  Underwriters Account Dr.  To 15% Debenture Account  (Being allotment of 150000 debenture of Rs.100 each to applicants and 50,000 debenture to underwriters)		15000000  5000000	20000000
June 1	Underwriting Commission Account Dr.  To Underwriters Account  (Being commission payable to underwriters on underwriting of 2,00,000 debenture of Rs.100 each @ 2%)		400000	400000
June 1	Bank Account Dr.  (To Underwriters Account  (Being amount due received from underwriters)		4600000	4600000
Sep 30	Interest on Debentures Account Dr.  To Bank Account  (Being interest paid on Rs.20000000 debenture for 4 months from June 1 to Sept.30 @ 15% p.a.)		1000000	1000000

# Model Solution SAS-II / S-8/2013 / P-6

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Oct.31	<p>15% Debentures Account Dr.</p> <p>To Equity Shares Capital Account</p> <p>To Securities Premium Reserve Account</p> <p>(Being conversion of 60% of Rs.20000000 debentures by issue of 200000 equity shares of Rs.10 each at a premium of Rs.50 per share)</p>	12000000	2000000 10000000
2013 March 31	<p>Interest on Debentures Account Dr.</p> <p>To Bank Account</p> <p>(Being interest paid on Rs.12000000 debentures for one month from October 1,2012 to October 31,2012 the date of conversion of debentures into shares, @ 15% p.a.; interest also paid on Rs.80,00,000 remaining 40% debentures not converted into shares for 6 months from October 1,2012 to March 31,2013 for 6 months @ 15% p.a.)</p>	750000	750000
March 31	<p>Profit and Loss A/c Dr.</p> <p>To Interest on Debentures Account</p> <p>(Being interest on debenture for the year ending 31<sup>st</sup> March ,2013 transferred to Statement of Profit and Loss)</p>	1750000	1750000

ANS Q.3 (a): Journal

Date	Particulars	LF	Debit Amount Rs.	Credit Amount Rs.
1	Drawing A/c Dr.  To Travelling Expenses A/c  (Being the amount withdrawn by proprietor wrongly debited to travelling expenses account)		20000	20000
2	Plant and Machinery A/c Dr.  To Wages A/c  (Being the wages paid to workmen for making additions to machinery wrongly posted to wages account)		83000	83000
3	Repairs A/c Dr.  To Plant & Machinery A/c  (Being the repairs to plant wrongly charged to plant and machinery account)		68000	68000
4	Building A/c Dr.  To Repairs A/c  (Being the bill for the erection of shed wrongly debited to repairs account)		340000	340000
5	Ram Singh & Co A/c Dr.  To Discount A/c  (Being the cheque from Ram Singh & Co. returned dishonoured and wrongly debited to discount account)		45000	45000
6	Returns Inward A/c Dr.  To Gopal Singh & Co. A/c  (Being the goods returned by Gopal Singh & Co. included in stock but omitted to be recorded in the books.)		37000	37000

### Effect of Error on Final Accounts

Effects of Corrections	On Gross Profit Rs.	On Net Profit Rs.	On B/S Total Rs.
Error 1	Nil	+20000	Nil
Error 2	+83000	+83000	+83000
Error 3	Nil	-68000	-68000
Error 4	+340000	+340000	+340000
Error 5	Nil	+45000	+45000
Error 6	-37000	-37000	Nil
Net effect	+386000	+383000	+400000

#### ANS:Q.3 (b)

Trial Balance is an abstract or list of the ledger accounts at a specified date, showing debit and credit balances for all the accounts and the cash book. It has two amount columns—one for debit amount and the other for credit amount. It is prepared periodically, usually, at the end of each month. It is a statement prepared to test the arithmetical accuracy of the ledger accounts.

#### The main features of a trial balance are:

1. It is just a statement, and not an account.
2. It is neither a part of double entry system, nor does it appear in the actual books of accounts. It is, usually, prepared on a loose sheet of paper.
3. It is a list of balances of all ledger accounts and the cash book.
4. It can be prepared at any time during the accounting period, say, at the end of every month, every quarter or every year.
5. It is always prepared on a particular date and not for a particular period.
6. It is prepared to check the arithmetical accuracy of the ledger accounts and the cash book.
7. The total of debit and credit amount columns of the trial balance must tally.
8. A tallied trial balance is not a conclusive proof of accuracy of accounts.

ANS Q.4 (a)

Dr.		PROVISION FOR TAXATION ACCOUNT				Cr.
2013		Rs	2012			Rs
March 31	To Advance Payment of Tax Account	105000	April 1	By Balance b/d		90000
March 31	To Liability for Taxation Account	9000	2013 March 31	By Surplus Account (excess amount payable for 2011-12)		24000
March 31	To Balance c/d	120000	March 31	By Profit & Loss Account		120000
		234000				234000

Dr.		ADVANCE PAYMENT OF TAX ACCOUNT				Cr.
2013		Rs	2013			Rs
March 31	To Balance b/d	165000	March 31	By Provision for Taxation Account		105000
			March 31	By Balance c/d		60000
		165000				165000

		LIABILITY OF TAXATION ACCOUNT				
2013		Rs	2013			Rs
March 31	To Balance c/d	9000	March 31	By Provision for Taxation Account		9000
		9000				9000

44)

**BALANCE SHEET OF TATA STEELS LIMITED (EXTRACTS)**

As on March 31, 2013

Liabilities	Rs	Assets	Rs
Current Liabilities		Loans & Advances	
Liabilities for Taxation for (2011-12)	9000	Advance Payment for Tax (2012-13)	60000
Provisions			
Provision for Taxation	120000		

**ANS Q.4 (b) :**

An investigation of books of account is conducted with a specific purpose in mind .It may cover an inquiry relating to earning capacity, financial position, extent of fraud and misappropriation etc.The various points of difference between auditing and investigation are as follows:-

Basis of Difference	Auditing	Investigation
1.Scope	The main purpose of auditing is to see whether the Balance Sheet shows true and fair view of statement of affairs of the business and the Profit and Loss Accounts shows true and fair view of operating results during the year.	Investigations have certain specified objects, like future earning capacity, extent of suspected fraud and misappropriations, matters concerning purchase of business.
2.Period covered	Audit of accounts is usually for a financial year.	Investigation covers several years say 2,3 or 5 years to find out average earning capacity ,financial position etc.
3.Statutory Requirement	Audit of accounts is statutory requirement as per Companies Act, 1956.	Investigation of accounts may or may not be statutory requirement under Companies Act, 1956.
4.Initiated by outsiders or Proprietors	Audit is always initiated by proprietors only.	Investigation may be normally carried out on behalf of outsiders who either want to purchase the business or to become partners, to advance loans etc.
5. Investigation of audited accounts	In the ordinary sense investigated accounts are not audited.	The audited accounts are further investigated for some special purpose in view.
6.Evidence	In case of auditing the auditor is concerned only with prima facie evidence.	The investigator looks for substantive evidence and even conclusive evidence are also seen.
7.Qualification	Audit of companies can only be conducted by a qualified Chartered Accountant	The investigator may not be necessarily a qualified Chartered Accountant.

ANS Q.5 (a) :

Internal check is a valuable part of internal control. The entire system of accounting needs to be organized in such a manner that it may ensure some sort of check without incurring additional financial burden. Method of internal check has been devised to meet this requirement. It is an arrangement of the duties of members of staff in such a manner that the work performed by one person is automatically and independently checked by the other. Each employee operates independently but it does not involve duplicating the work of other. Frauds, errors or irregularities are prevented unless there is a collusion among them.

#### Disadvantages of Internal Check

Dependence on each other proves fatal in the quick disposal of the work. If one person is absent, the day-to-day work will be seriously disrupted. Following are some of the disadvantages of a system of internal check.

1. **Costly for small business.** A system of internal check is quite expensive especially for small Business houses.
2. **Quality is sacrificed for promptness:** In an internal check system quality of work declines because the clerks of the business attach greater importance to become quick and do not care if in the process their work gets substandardized.
3. **Carelessness among high officials:** The possibility of some of the responsible and high officials being complacent increases as they believe, though not always rightly, that under a sound system of internal check nothing can go wrong.
4. **Disorder in the working of a business:** In the absence of a properly organized system of internal check there will be chaos and disorder in the working of business.
5. **Risky for an auditor:** If the auditor does not apply tests and procedures of his own and if he relies on the output of the system his work cannot be free from irregularities if the system itself proves to be defective.

ANS Q.5 (b) :

Verification means the procedures normally carried out at the year end, to confirm the **ownership, valuation and existence** of items at the balance sheet date. It also involves confirming that presentation in the financial statements is in accordance with legislations.

The examinations of the books of account with a view to ascertaining their arithmetical accuracy is not enough. The auditor must verify that the various items appearing in the Balance Sheet are in the possession of the concern.



In simple words, verification means '**proving the truth or confirmation.**'

The three terms, i.e. vouching, verification and valuation seem to be identical, but actually they are not so.

Following are the points of distinction:-

1. **Meaning**. Vouching is the process of comparing the entries in the books of accounts with the bonafide vouchers.  
Verification, on the other hand, proves the existence, ownership and title to the assets.  
Valuation certifies the correct value of the assets and liabilities at the date of the balance sheet.
2. **Subject-matter**. Vouching is made of the entries recorded in the books of original entries and their posting in the ledger.  
Verification and Valuation, on the other hand, are made of the assets and liabilities appearing in the Balance Sheet at the end of the year.
3. **By Whom**. Vouching is done by the Senior Auditor and Audit clerks.  
Verification, on the other hand, is done by the Auditor himself or his associates.
4. **When**. Vouching is done after the entry of the transaction in the account books.  
Verification and Valuation, on the other hand, are done at the end of the financial year when final accounts are to be prepared.
5. **Evidence**. In vouching, bonafide vouchers are sufficient evidence for vouching.  
Verification is made on the basis of evidence such as the title deeds, receipts of payment made, etc.  
In Valuation an auditor has to depend upon the certificate of the owners/directors.

Ans 1(A) Calculation of Taxable Salary of Mr Rajeev Gupta For FY 2012-13

(Amount in Rs.)

Basic Plus DA Allowances	: 10,00,000.00
Land Line phone (Note-1)	: 0.00
Car (>16HP with driver for 11 Months) (Note-2)	: 36,300.00
Gift Cheque (Note-3)	: 10,000.00
Medical reimbursement on brother's treatment (Note-4)	: 0.00
Tea/snacks during working hours (Note-5)	: 0.00
<b>Total Taxable Income</b>	<b>: 10,46,300.00</b>

Note:

- Expenses on land line phone are not to be included in salary income as perks (as per rule 3 of the Income Tax Rules.)
- Car valuation >16HP per month is 2400 per Month. Driver valuation 900 per month. Further amount paid by employee is not to be deducted from above valuation. So, Rs. (2400+900)\*11 months=36300/- is to be added as perquisites (As per rule 3 of the Income Tax Rules.)
- Gift by employer to employee through Cheque/cash is fully taxable. However gift in kind is exempted up to Rs. 5000/- in year.
- Medical reimbursement on dependent brother for treatment in Govt. hospital is exempted from tax u/s 17(2) of the Income Tax Act.
- Tea-snacks provided in working hours not taxable.

Ans 1(B) (i) Due date to file Income tax return for company for a financial year is 30<sup>th</sup> September of Next financial year.

Due date to file quarterly TDS return in a financial year for companies is as under

1<sup>st</sup> quarter: 15 July, second quarter=15 October, 3<sup>rd</sup> quarter=15 January,

4<sup>th</sup> quarter: 15th May of succeeding financial year.

Ans 1(B)(ii) Calculation of Taxable Income of Ramesh for FY 2012-13

(Amount in Rs.)

Taxable Salary	: 500000.00
Interest on saving bank & FDR	: <u>10000.00</u>
<b>Gross total Income</b>	<b>: 510000.00</b>
<b>Less: deduction u/s 80C &amp; 80CCD(1) (Note-1)</b>	<b>100000.00</b>
<b>Less: Deduction 80CCD employer's CPF contribution</b>	<b>50000.00</b>
<b>Less: Deduction u/s 80TTA (on saving interest only)</b>	<b><u>5000.00</u></b>
<b>Net Taxable Income</b>	<b>: <u>355000.00</u></b>

Note-1 [Deduction u/s 80C & 80CCD(1)]

Qualifying Amount

Eligible Amount

Life insurance premium paid Rs10000 but restricted upto 10%

of sum assured of 75000 7500.00

CPF employee's share U/S 80CCD(1) 50000.00

PPF deposited in a/c of Major son not depended on Ramesh 50000.00

Tuition fees to son's play school 25000.00

**Total (restricted maximum up to 100000) 137500.00 100000.00**

**Ans2(i)** List of service covered under reverse charge (only five required as per question paper)

1. Insurance agent
2. Goods Transport agency for Transportation of Goods by Road
3. Manpower services and Security services
4. Works contract
5. Director services
6. Sponsorship services
7. Service provided by Advocates
8. Services provided by Arbitral Tribunal
9. Renting and hiring of motor vehicle designed to carry passengers
10. Support services by Government or Local body
11. Any services provided by a person from non-taxable territory to a person in a taxable territory

**Ans2(ii)** In case of **Individuals or Proprietary Concerns and Partnership Firm**, service tax is to be paid on **quarterly basis**. The due date for payment of service tax is the 5th of the month immediately following the respective quarter. For the purpose, quarters are: April to June, July to September, October to December and January to March. However, payment for the last quarter i.e. January to March is required to be made by 31st of March itself.

In case of **any other category (including company)** of service provider than specified in above para, service tax is to be paid on **monthly basis**, by the 5th of the following month. However, payment for the month of March is required to be made by 31st of March itself. (Refer Rule 6 (1) of Service Tax Rules, 1994)

- (iii) **VAT -19** is quarterly return required to be filed by the registered dealers. Under this return list of goods purchased/moved from a dealer situated **out of the state (Punjab)** (excluding goods received against Form H) is required to be given. Form C shall be issued online by the Sales tax Department on the basis of information given in VAT-19 return wef 01.04.2013. **VAT -24** is quarterly return required to be filed by the registered dealers. Under this return list of goods purchased/moved **within the state (Punjab)** is required to be given. In both the returns the returns details are required to be filled Invoice wise.
- (iv) **Form C** under Central Sales Tax Act is a Form of Declaration to be furnished by registered dealer to the selling dealer in interstate sale to indicate that the goods are covered by his certificate of registration. Unregistered dealers cannot issue Form C. In inter-state sale, Form C entitles concessional rate of tax. At present, General concessional rate applicable is 2 % against C form. However if vat rate of selling state is lower than 2 % then vat rate of selling state shall applicable against Form C.

**Ans 3A : Employee means** any person employed for wages in or in connection with the work of factory or establishment to which this act applies.

**The term includes**

- Persons directly employed by principal employer
- Persons employed through immediate employer
- Persons whose services are temporarily lent or let on hire to an employer

**The term includes** any person employed for wages on any work connected with the administration of the factory or establishment or any part, department or branch thereof, or with the purchase of raw materials for, or the distribution or sale of the products of, the factory or establishment.

**The term employees does not includes**

- Any member of the naval, military or air forces
- Any person -whose wages (excluding overtime) **exceeds Rs 15,000/-**.

If a person's wages are within the aforesaid limits at the beginning of the contribution period, he will be deemed to be an employee till the end of the period, even if his wages exceeds the limit in the meantime.

**Meaning of family:** Family means all or any of the following relatives of an insured person, namely

- A spouse
- A minor legitimate and adopted children dependent upon the insured person
- A child who is wholly dependent and who is
  - Receiving education, till he/she attains the age of 21 years.
  - An unmarried daughter
- Dependent parents
- A child who is infirm by reason of any physical or mental abnormality or injury and is wholly dependent on the earnings of the insured persons, so long infirmity continues.

**Ans 3(B) Total disablement under workmen compensation Act :means** such disablement whether of a temporary or permanent nature ,as incapacitates a workman for all work which he capable of performing at the time of the accident resulting in such disablement.

Provided that permanent total loss of the sight of both eyes or from any combination of injuries specified in **schedule-I** ,where the aggregate % of the loss of earnings capacity a specified in that schedule against those injuries amounts to one hundred per cent.

LIST OF INJURIES DEEMED TO RESULT IN PERMANENT TOTAL DISABLEMENT	%(percent)
1. Loss of both hands or amputation at higher sites	100
2. Loss of a hand and a foot	100
3. Double amputation through leg or thigh, or amputation through leg or thigh on one side and loss of other foot	100
4. Loss of sight to such an extent as to render the claimant unable to perform any work for which eye-sight is essential.	100
5. Very severe facial disfigurement	100
6. Absolute deafness	100

4(A) Fill in the blanks

- i. The Ambulance Room is to be provided if engaging employees more than **500**
- ii. Who is an Adolescent (age) as per Factories Act, 1948? **Means who has completed 15 years but less than 18 years old.**
- iii. First Aid Boxes is to be provided for **150** of persons
- iv. Where **250** or more workers are employed in a factory, then there shall be a Safety Committee in the factory.
- v. Safety Officers are to be appointed if Organisation is engaging **1000** or more employees
- vi. Canteen is to be provided if engaging employees more than **250** persons.
- vii. The provision for cooling water during hot weather should be made by the organization if it employees **250** or more employees.
- viii. Welfare Officers are to be appointed if Organisation is engaging **500** or more employees.
- ix. Creche is to be provided if **30** or more lady employees are engaged.
- x. In public utility services application of annual leave shall be made at least **30 days** before the date on which the worker wishes his leave to begin.

4(B) Power of the court in certain cases to appoint an arbitrator, umpire or third arbitrator

(1) In any of the following cases—

- a. where a submission provides that the reference shall be to a single arbitrator and all the parties do not, after differences have arisen, concur in the appointment of an arbitrator;
- b. if an appointed arbitrator neglects or refuses to act or is incapable of acting the vacancy should not be filled and the parties do not fill the vacancy;
- c. where the parties or two arbitrators are at liberty to appoint an umpire or third arbitrator and do not appoint him;
- d. where an appointed umpire or third arbitrator refuses to act or is incapable of acting or dies or is removed and the submission does not show that it was intended that the vacancy should not be filled, and the parties or arbitrators do not fill the vacancy, any party may serve the other parties or the arbitrators, as the case may be, with a written notice to concur in appointing an arbitrator, umpire or third arbitrator.

(2) If the appointment is not made within seven clear days after the service of the notice, the court may, on application by the party who gave the notice and after giving the other party an opportunity of being heard, appoint an arbitrator, umpire or third arbitrator who shall have the like powers to act in the reference and to make an award as if he had been appointed by consent of all parties. [s. 7]

**Ans 5(A)** Sections 118 and 119 of the Negotiable Instrument Act lay down certain presumptions which the court presumes in regard to negotiable instruments. In other words these presumptions need not be proved as they are presumed to exist in every negotiable instrument. Until the contrary is proved the following presumptions shall be made in case of all negotiable instruments:

1. **Consideration:** It shall be presumed that every negotiable instrument was made drawn, accepted or endorsed for consideration. The presumption of consideration, however may be rebutted by proof that the instrument had been obtained from, its lawful owner by means of fraud or undue influence.
2. **Date:** Where a negotiable instrument is dated, the presumption is that it has been made or drawn on such date, unless the contrary is proved.
3. **Time of acceptance:** Unless the contrary is proved, every accepted bill of exchange is presumed to have been accepted within a reasonable time after its issue and before its maturity. This presumption only applies when the acceptance is not dated; if the acceptance bears a date, it will prima facie be taken as evidence of the date on which it was made.
4. **Time of transfer:** Unless the contrary is presumed it shall be presumed that every transfer of a negotiable instrument was made before its maturity.
5. **Order of endorsement:** Until the contrary is proved it shall be presumed that the endorsements appearing upon a negotiable instrument were made in the order in which they appear thereon.
6. **Stamp:** Unless the contrary is proved, it shall be presumed that a lost promissory note, bill of exchange or cheque was duly stamped.
7. **Holder in due course:** Until the contrary is proved, it shall be presumed that the holder of a negotiable instrument is the holder in due course. Every holder of a negotiable instrument is presumed to have paid consideration for it and to have taken it in good faith. But if the instrument was obtained from its lawful owner by means of an offence or fraud, the holder has to prove that he is a holder in due course.
8. **Proof of protest:** Section 119 lays down that in a suit upon an instrument which has been dishonoured, the court shall on proof of the protest, presume the fact of dishonour, unless and until such fact is disproved.

**Ans 5(B)** Agreement without consideration, void, unless

- (1) it is expressed in **writing** and **registered** under the law for the time being in force for the registration of documents, and is made on account of **natural love and affection** between parties standing in a near relation to each other; or unless.
- (2) it is a **promise to compensate**, wholly or in part, a person who has already voluntarily done something for the promisor, or something which the promisor was legally compellable to do; or unless.
- (3) it is a promise, made in writing and signed by the person to be charged therewith or by his agent generally or specially authorised in that behalf, to pay wholly or in part debt of which the creditor might have enforced payment but for the law for the limitation of suits.

**Explanation 1 :** Nothing in this rule shall affect the validity, as between the donor and donee, of any gift actually made.

**Explanation 2 :** An agreement to which the consent of the promisor is freely given is not void merely because the consideration is inadequate; but the inadequacy of the consideration may be taken into account by the Court in determining the question whether the consent of the promisor was freely given.

**Ans: 1 (a) Capitalisation of Interest on Funds Utilised on Construction Stage**

The amount of interest on funds utilised for construction works shall be worked out every year and capitalized. The amount of interest so capitalised shall be included in the cost of assets and the same shall along with the basis cost of assets, be depreciated in normal course over the expected useful life of the assets.

The accounting policies regard to capitalisation of interest on funds utilised at construction stage as laid down in para 2.93 to 2.93 of Basic Accounting policies are stated below:

- i) No capitalisation of an imputed interest cost (notional interest) on the Board's own funds and interest free finance shall be permitted.
- ii) Every year, a portion of the interest payable on the interest bearing borrowings which relate to financing of capital assets at construction stage i.e. till the point of commissioning of assets shall be computed in the manner prescribed in para 1.42 and 1.43 of Annexure V of the Electricity (Supply) (Annual Accounts) Rules 1985 and be capitalised.
- iii) The amount of interest so computed and capitalised shall be reduced from the amount of interest for the year and only the balance amount shall be charged to the Revenue Account for the year.
- iv) The element of interest to be capitalised in case of construction projects/works will be allocated over the work in progress on the basis of average of expenditure incurred at the beginning of the year and at the end of the year.
- v) The amount of interest capitalised shall be included in the cost of the assets which involve significant time periods at construction stage and the same shall, along with the basis cost of assets, be depreciated in normal course, over the expected useful life of the assets.

**Computation of interest and factors to be considered for capitalisation of interest at construction stage**

- i) Every year interest on funds utilised during Construction Stage shall be computed by CAO(A&R Section) according to method outlined in para 143 of Annexure V of the Elec'y (Supply) (Annual Accounts) Rules 1985 after taking into consideration the factors given in 1.42 of the aforesaid rule.
- ii) Interest to be capitalised shall be intimated to Accounting Units concerned for including the same in the expenditure of the work/Asset executed during year.

**Ans 1 (b) Account procedure for Capital Spares at Generating Stations.**

According to Accounting policies laid down in para 2.57 and 2.58 of Basic Accounting principles and Policies Volume-I Part-II

**2.57** "Capital Spares at generating station" purchased prior to the commissioning of the generating station shall be capitalised upon "Capitalisation of the Generating station for which the spares are purchased.

**2.58** "Capital spares purchased subsequent to the commissioning of the generating station shall be capitalised upon purchase."

However, PSPCL has made deviation in case of capital spares purchased subsequent to commissioning of generating station and has decided to charge spares purchased subsequently to 'Material Stock' and book the cost to Annual 'R' and 'M' estimates when issued for use.

The capital spares received after the commissioning of a generating Plant, but the purchased order for which was placed prior to the commissioning will also be capitalised.

Thus there will be two types of spares at generating station 'One the cost of which has been capitalised and the other, the cost of which is charged to Material Stock'. In case of latter type of spares, these will be issued from stock when required for in the plant and their cost will be booked to the annual R&M estimate. The record of such spares will be maintained in the 'Material Estimate Control Register' Form MAT-28.

**Depreciation**

- i) For the purpose of depreciation the estimated life of the spares shall be equal to the estimated useful life of the generation plant.
- ii) On the basis of life of plant depreciation equal to 100% (not 90% as in case of other assets) cost of the spares shall be charged annually by the time the generating plant is to be retired.
- iii) Thus on the expiry of prescribed life of generating plant, spares shall be without value.
- v) In case a spare is damaged, while in use and is declared as irreparable, survey report should be prepared and got approved by the Competent authority. Scrap spares be returned to the stores at written down value.

**Disposal of Capital Spares remaining unutilized on retirement of generating plant**

- i) Capital spares remaining unutilized may be sold alongwith the retired generating plant. Since 100% depreciation had been charged in the past entire sale proceeds should be treated as gain on sale of assets to Account Code 62.4" Gain on Sale of Fixed assets."
- ii) In case of spares remaining un-sold on retirement of the plant, no accounting shall be necessary.



Ans: 2 (a)

**Statement of Cost and Profit under Marginal Costing  
for the year ending 31st March, 2012  
Output = 3,20,000 units**

Particulars	Amount (Rs.)	Amount (Rs.)
Sales: 3,10,000 units @ Rs.80		2,48,00,000
Less: Marginal cost/variable cost:		
Variable cost of production (3,20,000xRs.40)	1,28,00,000	
Add: Opening stock 40,000 units @ Rs.40	<u>16,00,000</u>	
	1,44,00,000	
Less: Closing Stock		
[(3,20,000 + 40,000 – 3,10,000)@Rs.40 = 50,000 units @ Rs.40]	<u>20,00,000</u>	
Variable cost of production of 3,10,000 units	1,24,00,000	
Add: Variable selling expenses @ Rs.12 per unit	<u>37,20,000</u>	<u>1,61,20,000</u>
Contribution (sales – variable cost)		86,80,000
Less: Fixed production cost	24,00,000	
Fixed selling expenses	<u>16,00,000</u>	<u>40,00,000</u>
Actual profit under marginal costing		<u>46,80,000</u>

Ans.2 (b)

**Books of Modern Constructions Ltd.**  
**Contract No.B-37 Account for the year ended 31<sup>st</sup> March 2012**

	Rs.		Rs.
To WIP b/d (9,40,000+11,200)	9,51,200	By Wages Accrued b/d	5,000
To Stock(materials)b/d	8,000	By Materials returned to Store	25,000
To Materials issued	4,00,000	By Materials returned to Suppliers	15,000
To Materials purchased	1,50,000	By WIP c/d-	
To Wages paid	6,00,000	Work Certified	30,00,000
To Wages Accrued c/d	3,000	Uncertified work	32,000
To Architect's fees	51,000		30,32,000
To Plant Hire Charges	50,000	By Materials stock c/d	20,000
To Indirect expenses	10,000		
To General overheads	18,000		
To Notional profit c/d	<u>8,55,800</u>		
	<u>30,97,000</u>		<u>30,97,000</u>
To Profit and Loss A/c $\left\{ \begin{array}{l} 2 \times 8,55,800 \times \frac{80}{100} \\ 3 \end{array} \right\}$	4,56,427	By Notional Profit b/f	8,55,800
To WIP Reserve c/d	<u>3,99,373</u>		
	<u>8,55,800</u>		<u>8,55,800</u>

**Note:** Fines and penalties are not shown in contract accounts

**Contractee's Account**

	Rs.		Rs.
To Balance c/d	24,00,000	By Balance b/d (80% of 9,40,000)	7,52,000
		By Bank	16,48,000
	<u>24,00,000</u>		<u>24,00,000</u>

**Balance Sheet (Extract) as on 31.3.2012**

Profit and Loss A/c	4,56,427	Materials stock at site	20,000
Less : Fines	<u>12,000</u>	Materials stock in store	25,000
Outstanding wages	3,000	WIP:	
		Work Certified	30,00,000
		Work Uncertified	32,000
			30,32,000
		Less: Advance	<u>24,00,000</u>
			6,32,000
		Less: WIP	
		Reserve	<u>3,99,373</u>
			<u>2,32,627</u>

Ans: 3 (a)

(i) **Production Budget for January to March 2012**  
(Quantitative)

	Jan	Feb	Mar	April
Budgeted Sales	10,000	12,000	14,000	15,000
Add: Budgeted Closing Stock	2,400	2,800	3,000	3,000
(20% of Sales of next month)	12,400	14,800	17,000	18,000
Less: Opening Stock	2,700	2,400	2,800	3,000
Budgeted Output	9,700	12,400	14,200	15,000
Total Budgeted Output for the Quarter ended March 31, 2012 = (9,700+12,400+14,200)=36,300 units.				

(ii) **Raw Material Consumption Budget (in quantity)**

Month	Budgeted Output (Units)	Material 'X' @ 4 kg per unit (Kg)	Material 'Y' @ 6 kg per unit (Kg)
Jan	9,700	38,800	58,200
Feb	12,400	49,600	74,400
Mar	14,200	56,800	85,200
April	15,000	60,000	90,000
Total		2,05,200	3,07,800

(iii) **Raw Material Purchase Budget (in quantity)**  
for the Quarter ended (March 31, 2012)

	Material 'X' (Kg)	Material 'Y' (Kg)
Raw material required for production	1,45,200	2,17,800
Add: Closing Stock of raw material	30,000	45,000
	1,75,200	2,62,800
Less: Opening Stock of raw material	19,000	29,000
Material to be purchased	1,56,200	2,33,800

Ans: 3 (b)

$$\text{Capacity Ratio} = \frac{\text{Actual Hours}}{\text{Budgeted Hours}} \times 100$$

$$75\% = \frac{\text{AH}}{6000 \text{ Units} \times 4 \text{ hour per unit}}$$

$$.75 = \frac{\text{AH}}{24000 \text{ Hours}}$$

$$\text{AH} = 18000 \text{ Hours}$$

$$\text{Efficiency Ratio} = \frac{\text{Actual Output in term of Standard Hours}}{\text{Actual Working Hours}} \times 100$$

$$= \frac{5000 \text{ units} \times 4 \text{ hours per unit}}{18000 \text{ Hours}} \times 100$$

$$= \frac{20000 \text{ hours}}{18000 \text{ Hours}} \times 100 = 111.11\%$$

$$\text{Activity Ratio} = \frac{\text{Actual Output in term of Standard Hours}}{\text{Budgeted Output in term of Standard Hours}} \times 100$$

$$= \frac{20000 \text{ Units}}{6000 \text{ Units} \times 4 \text{ hour per unit}} \times 100$$

$$= \frac{20000 \text{ hours}}{24000 \text{ Hours}} \times 100 = 83.33\%$$

Ans:4 Calculation of Cash Inflows

Year	Proposal A Rs.20,000+2000			Proposal B Rs.28,000+2000		
	Net Income Rs.	Depreciation Rs.	Cash Inflow Rs.	Net Income Rs.	Depreciation Rs.	Cash Inflow Rs.
2008	500	5,000	5,500	-	5,600	5,600
2009	2,000	5,000	7,000	3,400	5,600	9,000
2010	3,500	5,000	8,500	3,400	5,600	9,000
2011	2,500	5,000	9,500 (7,500+2000 W.C)	3,400	5,600	9,000
2012	-	-	-	3,400	5,600	11,000 (9,000+2000 W.C)

a) Payback Period

**Proposal A**

Cash inflows for first 3 years = Rs.5500 + 7000 + 8500 =Rs.21,000

Cash inflows for 4<sup>th</sup> year = Rs.9500

Payback period = 3 years +  $\frac{22,000-21,000}{9500} \times 12$  = 3 years and 1.26 months.

**Proposal B**

Cash inflows for first 3 years = Rs.5600 + 9000 + 9000 =Rs.23,600

Cash inflows for 4<sup>th</sup> year = Rs.9000

Payback period = 3 years +  $\frac{30,000-23,600}{9000} \times 12$  = 3 years and 8.53 months.

b) Net Present Value

		Proposal A		Proposal B	
Year	P.V. Factor at 10%	Cash Inflow Rs.	Present Value Rs.	Cash Inflow Rs.	Present Value Rs.
2008	.91	5,500	5,005	5,600	5,096
2009	.83	7,000	5,810	9,000	7,470
2010	.75	8,500	6,375	9,000	6,750
2011	.68	9,500	6,460	9,000	6,120
2012	.62	-	-	11,000	6,820
		Total P.V.	23,650	Total P.V.	32,256
		Less Investment	<u>22,000</u>	Less Investment	<u>30,000</u>
			1,650		2,256

**c) Internal Rate of Return**

Net present value at 10% as calculated in (b) above is +1650 and + 2256 for proposals A and B respectively. so we apply higher rate of discount (14%).

Year	P.V. Factor at 10%	Cash Inflow Rs.	Present Value Rs.	Cash Inflow Rs.	Present Value Rs.
2008	.88	5,500	4,840	5,600	4,928
2009	.77	7,000	5,390	9,000	6,930
2010	.67	8,500	5,695	9,000	6,030
2011	.59	9,500	5,605	9,000	5,310
2012	.52	-	-	11,000	5,720
		Total P.V.	21,530		28,918
		Less Cost of Investment	<u>22,000</u>		<u>30,000</u>
			-470		-1082
Internal Rate of Return (IRR)		<b>Proposal A</b>		<b>Proposal B</b>	
		$= 10\% + \frac{1650}{1650 + 470} \times (14\% - 10\%)$		$= 10\% + \frac{2256}{(2256 + 1082)} \times (14\% - 10\%)$	
		$= 10\% + \frac{1650}{2120} \times 4$		$= 10\% + \frac{2256}{3338} \times 4$	
		$= 10\% + 3.11\%$ $= 13.11\%$		$= 10\% + 2.70\%$ $= 12.70\%$	

## ANS.5

## (a) EOQ MODEL

There are two basic questions relating to inventory management:

- what should be the size of the order?
- At what level should the order be placed?

To answer the first question, the basic Economic Order Quantity (EOQ hereafter) model is helpful. Three types of costs are there in the context of inventory management: ordering costs, carrying costs, and shortage costs.

**Ordering Costs** relating to purchased items would include expenses on the following:- requisitioning, preparation of purchase order, expediting, transport and receiving and placing in storage.

**Carrying costs** include expenses on the following:- interest on capital locked up in inventory, storage, insurance, obsolescence, and taxes. Carrying costs generally are about 25 percent of the value of inventories held.

**Shortage costs** arise when inventories are short of requirement for meeting the needs of production or the demand of customers. Inventory shortages may result in one or more of the following: high costs concomitant with 'crash' procurement, less efficient and uneconomic production schedules, and customer dissatisfaction and loss of sales.

When a firm orders large quantities, in a bid to reduce the total ordering costs, the average inventory, other things being equal, tends to be high thereby increasing the carrying costs. Also, when a firm carries a large safety stock to reduce shortage costs its carrying costs tend to be high. In view of such relationships, minimization of overall costs of inventory management would require a consideration of trade-offs among these costs.

**Assumption of the EOQ Model**

The basis EOQ model is based on the following assumptions:

1. The forecast usage/demand for a given period, usually one year, is known.
2. The usage/demand is even throughout the period.
3. Inventory orders can be replenished immediately (There is no delay in placing and receiving orders).
4. There are two distinguishable costs associated with inventories: costs of ordering and costs of carrying.
5. The cost per order is constant regardless of the size of order.
6. The cost of carrying is a fixed percentage of the average value of inventory.

**EOQ Formula**

$$Q = \sqrt{\frac{2FU}{PC}}$$

**(b) Valuation of Stocks**

There are three important types of inventories carried by a manufacturing organisation: (i) raw material inventory, (ii) work-in-process inventory, and (iii) finished goods inventory.

The valuation of work-in-process and finished goods inventory depends on (i) the method used for pricing materials, and (ii) the manner in which fixed manufacturing overhead costs are treated. Fixed manufacturing overheads costs are treated in two ways viz., direct costing and absorption costing. Under direct costing, fixed manufacturing overheads costs are treated as period costs and not as product costs. They are charged directly to the income statement and hence not reflected in the valuation of inventories. Under absorption costing, on the other hand, fixed manufacturing overheads costs are treated as product (inventoriable) costs and not period costs. Hence, inventory valuation reflects an allocated share of fixed manufacturing overhead costs.

The valuation of work-in-process and finished goods inventory is lower under direct costing and higher under absorption costing. Further, when the inventory level increases, the reported profit under direct costing is lower than the reported profit under absorption costing. By the same token, when the inventory level decreases, the reported profit under direct costing is higher than what is under absorption costing.



**( c ) ABC Analysis**

In most inventories a small proportion of items accounts for a very substantial usage (in terms of the monetary value of annual consumption) and a large proportion of items accounts for a very small usage (in terms of the monetary value of annual consumption). ABC analysis, based on this empirical reality, advocates in essence a selective approach to inventory control which calls for a greater concentration of effort on inventory items accounting for the bulk of usage value. This approach calls for classifying inventories into three broad categories, A, B and C. Category A, representing the most important items, generally consists of 15 to 25 percent of inventory items and accounts for 60 to 75 percent of annual usage value. Category B, representing items of moderate importance, generally consists of 20 to 30 percent of inventory items and accounts for 20 to 30 percent of annual usage value. Category C, representing items of least importance, generally consists of 40 to 60 percent of inventory items and accounts for 10 to 15 percent of annual usage value.