

Paper – V (Drafting and Computer Knowledge)

- Q1. Make a précis in about one-third of the original length for ANY ONE OUT OF THE TWO following passages, give a suitable title and give meanings of the words in **bold** :

A. These are two considerations ----- dreaming national dreams for the future.

(Marks: 10+1+4)

PRECIS:

Two things are to be considered when we think of the future of the Indian theatre. The first is the rivalry of cinema. At one time it was thought that the cinema might oust theatre. But now it is admired that the stage must always be there as a feeder for the studio. Besides the great stage actors do not like the inhuman techniques adopted by the cinema. On the other hand, its challenge might make the theatre rise even to greater heights. Secondly, the adoption of a language may do much for the Indian theatre. Such a language is being formed. When adopted, it will enable the stage to keep the cause of national unity by dramatizing the national consciousness.

TITLE:

Future of Indian theatre

WORD MEANINGS:

1. **Prophesied** - to indicate beforehand.
2. **Extinction** - the state or situation that results when something (such as a plant or animal species) has died out completely
3. **Stimulus** - a thing that arouses activity or energy in someone or something
4. **Linguistic** - what the source or sender expresses, communicates, or conveys in their message to the observer or receiver, and what the receiver infers from the current context

OR

Model solution SAS-2/3-2/16/8-V

B. Of all the characteristics of ordinary human -----feeling is to take a long step towards curing them.

(Marks: 10+1+4)

PRECIS:

Jealousy is a bitter feeling which makes the person's life miserable. He begrudges rather than achieving success by his own. He wastes his energies on absurd thoughts and never finds any logical answer. It is widely accepted that if anyone desires to be happy. He should find panacea of jealousy. In the view of saints its remedy is devotion. Logic doesn't agree on the point of one saint having evil eye for another. For ordinary people panacea is happiness but these people argue that how they can be happy as they keep evil eye on happy moments too. Real life doesn't accept this logic if anyone desires to sort out causes then he should step towards its cure.

TITLE:

Jealousy Vs Happiness

WORD MEANINGS:

1. **Impunity** - exemption from punishment or freedom from the injurious consequences of an action
2. **Inclemency** - severe, rough, or harsh; stormy, not kind or merciful.
3. **Drudgery** - hard, menial or dull work.
4. **Envious** - feeling or showing envy.

Q2: A. Corrected sentences:

- It is becoming much easier to access the internet in India.
- I shall see whether the brakes work well.
- Although it was raining, we had the picnic.
- I asked for his book, but he did not lend it to me
- My mother wanted me to be a doctor

(Marks: 4x1=4)

B. Give the meaning of the following idioms/phrases and make sentences by using these idioms/phrases:

S. No.	Idiom	Meaning	Sentence
a.	Ball is in your court	It is someone's turn to make the decision	Which direction will you go from here? The ball is in your court.
b.	Can't judge a book by its cover	something that you say which means you cannot judge the quality or character of someone or something just by looking at them	She doesn't look very intelligent, but you can't judge a book by its cover.
c.	Don't count your chickens before the eggs have hatched	Don't make plans for something that might not happen	You might be able to get a loan from the bank, but don't count your chickens before they have hatched
d.	To hear something straight from the horse's mouth	To hear something from the authoritative source.	The news of a new office being created is confirmed, I've heard it straight from the horse's mouth.
e.	Let the cat out of the bag	To share information that was previously concealed	I was trying to keep the party a secret, but Shivani went and let the cat out of the bag.

(Marks: 4x1=4)

C. Change the voice:

Changed voice

- Somebody cooks meal every day - Meal is cooked by someone every day
- She bought a diamond necklace - A diamond necklace was bought by her
- Will you ever forget those happy days? - Will those happy days ever be forgotten (by you)?
- The soldiers attacked the enemy barracks - The enemy barracks were attacked by the soldiers.
- The authorities will launch a cleanliness campaign in the park. - A cleanliness campaign will be launched by the authorities in the park.

(Marks: 4x1=4)

4. Punctuated paragraph:

Winston is one of the most laid-back people I know. He is tall and slim with black hair, and he always wears a t-shirt and black jeans. His jeans have holes in them, and his baseball boots are scruffy, too. He usually sits at the back of the class, and he often seems to be asleep. However, when the exam results are given out he always gets an "A". I don't think he's as lazy as he appears to be.

(Marks: 3)

Q3. Attempt the following questions:

- a. Write a DO letter from the Chief Engineer/HRD to all the HoDs regarding the slow progress of the "Swachh Bharat Abhiyaan" ----- like stores, sub-stations etc.

MODEL SOLUTION

My dear _____,

This is to invite your kind attention to the "Swachh Bharat Abhiyaan" started by our Hon'ble Prime Minister on 2.10.2014 as a dream of our respected Father of Nation; Mahatma Gandhi. The campaign is to be completed by 2.10.2019 – the 150th Birth Anniversary of Mahatma Gandhi ji.

It is requested that the offices and the office area may be personally visited say once a month, strict instructions be given to the concerned sectional heads to clean clutter like old record by storing it neatly (or disposing it off as per prevalent instructions), the old furniture may be got repaired or surveyed off (as per condition), the cleanliness of the wash rooms may be ensured and repairs (if any) may be got carried out at the earliest. A few pics may also be clicked with as-on-date situation and those displaying progress w.r.t. cleanliness so that these may be sent to the GoI/GoP as and when required.

Similarly, the lawns and the office area under your administrative control may also be well maintained with landscaping of the former, for which some professional services may also be availed. The officers and staff may be motivated to complete the mission and make cleanliness, not just a part of the campaign, but a way of life.

With _____

- b. Assume any innovation which can -----, a cost benefit analysis may invariably be included.

MODEL SOLUTION

Subject: On-line correction of consumer data – Provision in SAP

It is brought out that 47 nos. Towns in PSPCL have been declared "Go Live" by the implementation of SAP by the o/o Er-in-Chief/IT under the R-APDRP project of the PFC and MoP/Gol. There are a lot of functionalities in the system which have made the working of the office smooth as various returns etc. can be generated instantaneously and error free. Of course, there were a few problems at the start, but the same have been rectified/we have been trained to tackle them.

One functionality that the consumers are demanding is the correction of any error (typographical) in the name or address of the consumer, as a result of which, he cannot use the electricity bill as a proof of residence. The consumers have a difficult time in getting the same corrected. In view of above, it is submitted that the matter may please be referred to the EIC/IT to get the facility of on-line correction of the consumer data added/activated in the SAP system.

The modalities of the process can be as under:

1. A link can be created for on-line database correction applications.
2. The consumer may fill in his consumer number, name of Sub-division etc.
3. The consumer may be allowed to upload a scanned copy of the current bill under the icon "upload current bill".
4. The consumer may be fill in the details of the corrections needed w.r.t. spelling error only in the name and/or address under the icon "Corrections Required".
5. The consumer should then be allowed to upload the Proof of identity and residence wherein correct name and address are displayed under the icon "Upload Identity/residence Proof".

Once the application is uploaded, the original form submitted by the consumer can be checked along with the current submitted proof of residence/identity. In case the application is genuine, the corrections in the data base can be carried out from the system itself.

There is no major expense envisaged on implementing the above functionality. In case the SAP Implementing agency charges a minor amount for making the modalities put in service, the same will be miniscule and will be recovered soon due to saving of manpower cost as well as a big relief and satisfaction to the consumers.

Submitted as above for forwarding the same to the EIC/IT, for consideration and implementing the suggestion, please.

Model solution SAS-2/S-2/K/P-5

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- c. In case you feel that there is a need for some specific training ----- that you get should invariably be included.

(Marks 6+7=20)

MODEL SOLUTION

Subject: Imparting training for preparation of Accounts Statements under Companies Act'2013

It is brought out that after the unbundling of erstwhile PSEB, two companies; PSPCL and PSTCL have been formed in April'2010. For some time, the working of new organisations was going on as per the old practices. However, with the Companies Act'2013 now in-force, there have been lot of changes in the way the accounts and the books have to be handled and the statements to be prepared. Even though, we have purchased the books and have discussions amongst colleagues, but it is felt that a professional training session on the above subject will go a long way in helping to follow the Act in letter and spirit.

In order to provide such training, it is opined that The Institute of Cost Accountants of India (Statutory body under an Act of Parliament) also known as ICAI be contacted by the Chief Engineer/HRD to provide such training. A draft DO letter on the above lines is enclosed, please.

XXX

YYY

DO letter:

My dear _____,

It may be appreciated that after the unbundling of erstwhile PSEB, two companies; PSPCL and PSTCL have been formed in April'2010. For some time, the working of new organisations was going on as per the old practices. However, with the Companies Act'2013 now in-force, there have been lot of changes in the way the accounts and the books have to be handled and the statements to be prepared. Even though, the SAS Superintendents do have the books and carry discussions amongst colleagues, but it is felt that a professional training session on the above subject will go a long way in helping to follow the Act in letter and spirit.

In order to provide such training, it is suggested that The Institute of Cost Accountants of India (Statutory body under an Act of Parliament) also known as ICAI be contacted and necessary approvals may be obtained from the competent authority to provide such training at a mutually agreed schedule.

With _____

Q4. A. Answer the following briefly:

- a) What is the difference between a router and a modem?

Routers and modems are two of the most common computer peripherals, the two devices may look similar, they each serve a different purpose.

A router is a small box that allows multiple computers to join the same network through wired connections or wireless connectivity as well. These "wireless routers" often have one or two moveable antennas on the sides, though some models house the antennas inside the enclosure. While connecting to a router provides access to a local network (LAN), it does not necessarily provide access to the Internet. In order for devices on the network to connect to the Internet, the router must be connected to a modem.

A modem is a device that provides access to the Internet. The modem connects to your ISP, which typically provides either cable or DSL Internet service. Cable modems have a coaxial connection. This connects to a cable port on the wall. DSL modems have a telephone connector, which connects to a telephone socket on the wall.

While the router and modem are usually separate entities, in some cases, the modem and router may be combined into a single device. This type of hybrid device is sometimes offered by ISPs to simplify the setup process.

- b) What are primary and secondary storage devices?

A computer stores data using several different methods. Therefore, there are different levels of data storage, which may be referred to as primary and secondary storage. A computer's internal hard drive is often considered a primary storage device, while external hard drives and other external media are considered secondary storage devices.

However, primary and secondary storage may also refer specifically to the components inside the computer. In this case, primary storage typically refers to random access memory (RAM), while secondary storage refers to the computer's internal hard drive.

RAM, is considered primary storage, since it stores data that is directly accessible by the computer's CPU. Hard drives are considered secondary storage since they are not connected directly to the CPU. However, unlike RAM, hard drives retain data when the computer is turned off. This is because hard drives store data magnetically, while RAM requires an electrical current.

While the computer's primary internal hard drive is the most common secondary storage device, other devices may be considered secondary storage devices as well. These include additional internal hard drives, external hard drives, and optical drives, which are used for CDs, DVDs, and other optical media.

c) What is the difference between DVD and USB?

DVD and USB are two completely different things. A DVD is a type of optical media shaped like a disc that stores data. USB is an interface used for connecting peripherals to a computer. A DVD is a disk that is coated in a layer of material, that material is physically changed using a laser to make dents in the material. This represents the 1s and 0s by making into a dent or no dent.

A USB drive is a small stick that has billions of tiny cells that can be manipulated to allow electricity through or not. The computer can send some electricity to it in a way to either turn it on or off. Then it can read it by trying to send electricity through it. USB drives can be more expensive but last much longer and you can change what is on them very easily compared to a DVD.

d) What are some examples of computer peripheral devices?

A computer peripheral, or peripheral device, is an external object that provides input and output for the computer. Some common input devices include:

- keyboard
- mouse
- touch screen
- pen tablet
- joystick
- scanner
- digital camera
- video camera
- microphone

Some common output devices include:

- monitor
- projector
- TV screen
- printer
- plotter
- speakers

There are also devices that function as both input and output devices, such as:

- external hard drives
- media card readers
- digital camcorders
- digital mixers

e) How do find out how much RAM a computer has and how much it is using?

In a PC using Windows, we can find out how much RAM the PC has by right-clicking the My Computer icon and selecting "Properties..." This will open the System Properties window and we can view the amount of physical memory installed under the General tab. We can find out how much memory our computer is currently using by right-clicking anywhere in the open space of the Taskbar and selecting "Task Manager." Then click the Performance tab of the window that opens and we will be able to view our memory usage.

Model solution SAS-2/5-2/16/8-5

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A. Convert the following:

- a. $(5628)_{10}$ to
- b. $(A267)_{16}$ to
- c. $(1000)_{10}$ to
- d. $(ACDF)_{16}$ to
- e. $(1257)_8$ to

Converted

- $(15FC)_{16}$
- $(41575)_{10}$
- $(1750)_8$
- $(126337)_8$
- $(687)_{10}$

(Marks 5x1=5)

B. Answer the following in detail:

- a. You are drafting a ----- save the document (except a "Read Only") version?

The document can easily be saved in PDF format. For this either convert the file through available softwares in .pdf format or while saving the document, save it as a .pdf document. Alternately, some softwares want that the document be printed to .pdf format, which is similar to saving the file in .pdf format.

Another way (not very technical though) is to have a screen shot of the document, save it in a painting software and then send it across.

- b. How do you insert a ----- If yes, how?

The table can be inserted by clicking on Insert on the tool bar and then selecting table. The initial rows and columns can be selected from the grid provided. In case any further rows and/or columns are required, the same can be done in the following manner:

1. **Addition of rows:** Press the Tab key in the extreme right column of the last row. A row gets added automatically. Alternately, right click in any cell, select Insert and then select the location where the row is to be added (above or below the particular row)

2. **Addition of columns:** Right click in any cell, select Insert and then select the location where the column is to be added (right or left of that particular column).

3. **Deletion of rows and columns:** Right click in any cell of the row/column intended to be deleted, select Delete Cells..., and then select the option; Delete entire row OR Delete entire column (as the case may be). For deleting multiple rows/columns, select as many number of cells of the rows/columns and follow above procedure.

- c. You have put up a draft document, ----- tool, which one and how?

The spelling and grammar can be corrected by using the option of Spelling and Grammar check under the Review button. For this go to the top of the document, click Review on the top tool bar and then select "Spelling & Grammar" icon.

For every word that you feel can have better options, right click on that word and select the option of "Synonyms", a list of alternatives will be shown and the best one appropriate with the flow of the text/situation can be selected. Alternatively, click Review on the top tool bar and then select "Thesaurus" icon. In this way, the draft document can be improved.

- d. You've to tabulate some data ----- Give details.

MS Word is primarily a Word processing software e.g. writing letters, applications, preparing reports etc. Even though the facility of adding tables with formulas is there whereas MS Excel is primarily a data processing software with some limited facility of adding text.

Given an option, for tabulating data, MS Excel will be the most commonly availed option as MS Excel offers benefits like -----

Model solution SAS-2 | S-2 | 16 | P-5

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data display by means of adding a table and performing some calculations, but they are not so easy.

- e. You have to submit a draft case to an advocate ----- If yes, how?

(Marks 5x3=15)

Sending the case history in one file and related documents in separate files, even though is technically correct, but not a new and easy method. In order to embed a file where it is referred to in the document, click on Insert, then click "Object" and select "Object", then select "Create from file", fill in the file name or select the file by clicking on "Browse..", select the file and Click "Insert". Finally, select the option, "Display as Icon". The file will be embedded and the lawyer will not have to find the files elsewhere. Continue with other documents in a similar manner.

Q5. Answer the following in detail:

a. What are The Advantages of Using Computerised Accounting Software?

The main advantages of a computerized accounting system are as under:

Speed – data entry onto the computer with its formatted screens and built-in databases of customers and supplier details and stock records can be carried out far more quickly than any manual processing. Using accounting software, the entire process of preparing accounts becomes faster. Furthermore, statements and reports can be generated instantly at the click of a button. Managers do not have to wait for hours, even days, to lay their hands on an important report.

Data Access: Using accounting software it becomes much easier for different individuals to access accounting data outside of the office, securely. This is particularly true if an online accounting solution is being used.

Reliability: Because the calculations are so accurate, the financial statements prepared by computers are highly reliable.

Scalable: When your company grows, the amount of accounting necessary not only increases but becomes more complex. With computerized accounting, everything is kept straightforward because sifting through data using software is easier than sifting through a bunch of papers.

Automatic document production – fast and accurate invoices, credit notes, purchase orders, printing statements and payroll documents are all done automatically. Since all the calculations are handled by the software, computerized accounting eliminates many of the mundane and time-consuming processes associated with manual accounting. For example, once issued, invoices are processed automatically making accounting less time-consuming.

Accuracy – there is less room for errors as only one accounting entry is needed for each transaction rather than two (or three) for a manual system. The accounting system is designed to be accurate to the minutest detail. Once the data is entered into the system, all the calculations, including additions and subtractions, are done automatically by software.

Up-to-date information – the accounting records are automatically updated and so account balances (e.g. customer accounts) will always be up-to-date.

Availability of information – the data is instantly available and can be made available to different users in different locations at the same time.

Management information – reports can be produced which will help management monitor and control the business, for example the aged debtors analysis will show which customer accounts are overdue, trial balance, trading and profit and loss account and balance sheet.

GST/VAT return – the automatic creation of figures for the regular GST/VAT returns.

Legibility – the onscreen and printed data should always be legible and so will avoid errors caused by poor figures.

Efficiency – better use is made of resources and time; cash flow should improve through better debt collection and inventory control.

Staff motivation – the system will require staff to be trained to use new skills, which can make them feel more motivated. Further to this with many 'off-the-shelf' packages like MYOB the training can be outsourced and thus making a particular staff member less critical of business operations.

Cost savings – computerized accounting programs reduce staff time doing accounts and reduce audit expenses as records are neat, up-to-date and accurate. Since using computerized accounting is more efficient than paper-based accounting, then naturally, work will be done faster and time will be saved. When one considers that Clever Accounting, one of the latest online accounting solutions, starts at a low monthly subscription then computerized accounting really becomes a no-brainer.

Reduce frustration – management can be on top of their accounts and thus reduce stress levels associated with what is not known.

allow a business to trade in multiple currencies with ease. Problems associated with exchange rate changes are minimized.

Visuals: Viewing your accounts using a computer allows you to take advantage of the option to view your data in different formats. You can view data in tables and using different types of charts.

Security: The latest data can be saved and stored in offsite locations so it is safe from natural and man-made disasters like earthquakes, fires, floods, arson and terrorist attacks. In case of a disasters, the system can be quickly restored on other computers. This level of precaution is taken by Clever Accounting.

- b. What is a Bank Reconciliation Statement, its purpose and importance? How do you prepare with the available software?

(Marks 10x2=20)

It is normal for a company's bank balance as per accounting records to differ from the balance as per bank statement due to timing differences. Certain transactions are recorded by the entities that are updated in the bank's system after a certain time lag. Likewise, some transactions are accounted for in the bank's financial system before the company incorporates them into its own accounting system. Such timing differences appear as reconciling items in the Bank Reconciliation Statement.

As such, a Bank reconciliation statement can be defined as a report which compares the bank balance as per company's accounting records with the balance stated in the bank statement OR we can say that Bank reconciliation statement is an important technique by which the accuracy of the bank balance shown by the pass book and cash book is ensured.

The **purpose** of preparing a Bank Reconciliation Statement is to detect any discrepancies between the accounting records of the entity and the bank besides those due to normal timing differences. Such discrepancies might exist due to an error on the part of the company or the bank.

Importance of Bank Reconciliation

- Helps in the identification of errors in the accounting records of the company or the bank.
- Provide the necessary control mechanism to help protect the valuable resource through uncovering irregularities such as unauthorized bank withdrawals.
- Assists in the regular monitoring of cash flows of a business.
- Ensures the accuracy of the balances shown by the pass book and cash book.
- Provides a check on the accuracy of entries made in both the books.
- Helps to update the cash book by discovering some entries not yet recorded.
- Indicates any undue delay in the collection and clearance of some cheques.

Preparation of BRS with software available with PSPCL

In case of PSPCL, BRS is of 2 types:

- a. Collection side BRS
- b. Disbursement side BRS

In all cases, 2 types of input data (soft copies) are required for processing BRS with software:

- a. Bank Ledger
- b. Deposit/Disbursement Statement

After uploading both the statements in the software application, following 3 reports will be generated with all relevant details like days of delays, interest cost etc.:

- a. Matched entries
- b. Unmatched entries- Bank side
- c. Unmatched entries- Office side

The BRS would also contain, closing balance as per office side and as per bank side too, which will exactly match with respective actual balances. This BRS with software will eliminate chances of errors and would bring more transparency, more precision. Staff would be able to focus more on exceptions.

PAPER VI

ACCOUNTS & AUDITING

Question No 1

(a) The essence of the accrual concept is that the revenue is recognised when sale is complete or services are given and it is immaterial whether cash is received or not. Similarly according to this concept, expenses are recognised in the accounting period in which they help in earning the revenue whether cash is paid or not. In matching concept the revenue recognised during the period and the costs to be allocated to the period to obtain the revenue are matched. It is, thus, a problem of matching revenues and expired costs, the residual amount being the net profit or net loss for the period. To match the revenue recognition with those of costs incurred accrual concept plays a vital role as until and unless costs associated with revenue recognition or vice-versa are not accounted for ignoring the cash realisation or payment true profit or loss cannot be ascertained.

(b) Sr. No	Particulars	Amount-Dr.	Amount-Cr.
1	Stock A/c	Dr. 15000	
	Furniture A/C	Dr. 10000	
	Debtors' A/C	Dr. 7000	
	Machinery A/C	Dr. 8000	
	Goodwill A/C	Dr. 12000	
	To Creditors' A/C		12000
	To B's Loan A/C		10000
	To Capital A/C		30000
	Business acquired, raised loan from B and introduced capital for same.		
2	Cash A/C	Dr. 9400	
	Interest Committed A/C	Dr. 600	
	To M's Loan A/c		10000
	Raised loan from M who deducted interest in Advance		
3	Purchases A/C	Dr. 5100	
	To Cash A/c		2499
	To Discount Received A/C		51
	To D & Co A/C		2550

(2)

Model solution SAS-2/5-2/16/P-6

Goods bought from D & Co. by making half payment in cash after availing 2% discount.

4	Bank A/C	Dr.	585	
	Discount Allowed A/C	Dr.	15	
		To Sales A/C		600

Goods sold for cash and discount allowed.

5	L's A/C	Dr.	600	
		To Bank A/C		585
		To Discount Allowed A/C		15

Cheque received from L dishonoured.

6	D & Co. A/C	Dr.	2550	
		To Cash A/c		2500
		To Discount Received A/C		50

D's A/c settled and discount received.

7	Cash A/c	Dr.	240	
	Bad debts A/c	Dr.	360	
		To L's A/C		600

40 paise/rupee received from L's estate.

8	Jones & Co. A/c	Dr.	750	
		To Allowances A/c		750

Dishonoured cheque wrongly debited to allowances now rectified

ii	Suspense A/c	Dr.	300	
		To Discount allowed A/C		300

Over addition of discount allowed rectified.

Model solution SAS-2/S-2/2016/P-6

(3)

iii	Purchases A/c	Dr.	1000	
		To Suspense A/C		1000
	Under-casting of purchases a/c rectified.			
iv	Suspense A/c	Dr.	500	
		To P.Basin & Co. A/C		500
	Sales return omitted to be credited to P.Basin & Co. A/C now corrected			
v	R. Roy's A/c	Dr.	300	
		To suspense A/c		300
	Over casting of credit side of R. Roy's A/c corrected			
vi	Sales A/c	Dr.	750	
		To furniture A/C		750
	Furniture sales credited to sales a/c rectified.			
vii	S. Sampat's A/C	Dr.	2000	
		To Bills Receivable A/C		2000
	Dishonoured bills receivable wrongly debited to B/R A/C corrected.			
		Suspense A/C		
	To Balance b/d	500		
	To Discount allowed A/C	300		
			By Purchases A/c	1000
	To P.Basin & Co. A/C	500		
			By R. Roy's A/c	300
		1300		1300
Profit is affected as under with rectification of errors		Debit		
	Credit			
	Purchases	1000	Allowances	750
	Sales	750	Discount allowed	300
			Balance	700
		1750		1750

Thus profit will get reduced by Rs. 700/

Model Solution SAS-2/ S-2/16/P6

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Question No 2

(a)

Cash Book (Bank Column only)

Particulars	Amount-Rs	Particulars	Amount-Rs.
To Under Casting	3000	By Balance b/d	36300
To Dividend A/C	900	By Amount less entered	540
		By Dishonoured Cheque	2100
		By Interest A/C	2280
To Balance b/d	37320		
	41220		41220

Bank Reconciliation Statement as on 31.03.2015

Particulars	Amount-Rs.	Amount-Rs.
Overdraft balance as per cash book		37320
Add		
Lodgement not credited by bank	10800	
Cheque wrongly debited	1260	12060
Less		
Cheque wrongly debited by bank	15600	15600
Overdraft balance as per Pass book		33780

(b)

Machinery Account 1.04.2012 to 31.03.2015

Date	Particulars	Amount-Rs	Date	Particulars	Amount-Rs
1.04.12	To Balance b/d	2,00,00,000	31.03.13	By Depreciation A/c	10,25,000
1.10	To Bank A/C	10,00,000		By Balance c/d	1,99,75,000
		2,10,00,000			2,10,00,000
1.04.13	To Balance b/d	1,99,75,000	31.03.14	By Depreciation A/c	10,50,000
				By Balance c/d	1,89,25,000
		1,99,75,000			1,99,75,000

Model solution SAS-2/5/16/P-6

1.04.14 To Balance b/d	1,89,25,000	1.04.14 By Bank A/c	16,00,000
1.07.14 To Bank A/C	20,00,000	By P/L A/c (Loss)	11,00,000
		31.03.15 By Extra Dep.	9,53,000
		By Depreciation A/c	13,41,760
		By Balance c/d	1,59,30,240
	2,09,25,000		2,09,25,000

Calculation of Loss

Book Value as on 1.04.2012	Rs. 30,00,000/-
Depreciation @ 5% p.a. for 2012-13 & 2013-14	Rs. 3,00,000/-
Sale Value	Rs. 16,00,000/-
Loss	Rs. 11,00,000/-

Calculation of Extra Depreciation

Period	Depreciation on S.L. Method @5%	D.B. Method @ 8%
1.04.12 to 31.03.13 on Rs. 1.70 crore (Rs. 2.00 cr.-Rs.30 lac)	8,50,000	13,60,000
1.10.12 to 31.03.13 on Rs. 10 Lac	25,000	40,000
1.04.13 to 31.03.14 on 1,80,00,000	9,00,000	13,28,000
Total	17,75,000	27,28,000

Therefore Extra Depreciation = 27,28,000 - 17,75,000 = 9,53,000/-

© Calculation of Liability of underwriters

	P	Q	R
Gross Liability (No. of shares)	7,50,000	5,00,000	2,50,000
Less firm underwriting	50,000	35,000	15,000
Balance	7,00,000	4,65,000	2,35,000
Marked Applications	6,50,000	3,00,000	2,00,000
	1,00,000	2,00,000	50,000
Marked Applications	60,000	40,000	20,000

Model solution SAS-2/5-2/16/P-6

(6)

Net Liability Excluding firm U/Writing	40,000	1,60,000	30,000
Firm Writing	50,000	35,000	15,000
Gross Liability	90,000	1,95,000	45,000

(ii) Calculation of amounts payable and/or received

Liability (No of Shares)	90,000	1,95,000	45,000
Amount payable @ 2.50 per share	2,25,000	4,87,500	1,12,500
Less amount paid on firm appl.	1,25,000	87,500	37,500
Balance payable	1,00,000	4,00,000	75,000
Underwriting Commission	3,75,000	2,50,000	1,25,000
Balance payable/(receivable)	2,75,000	(1,50,000)	50,000

Question No 3

(a)

i Stock velocity Ratio

It denotes the speed at which the inventory will be converted into sales, thereby contributing for the profits of the concern. This ratio establishes relationship between cost of goods sold during a given period and the average amount of inventory held during that period. The ratio reveals the number of times finished stock is turned over during a given accounting period. Higher the ratio, the better it is because it shows that finished stock is rapidly turned-over. This ratio is calculated as follows:

Stock Turnover /Velocity Ratio = $\frac{\text{Cost of Goods Sold}}{\text{Average Stock held during the period}}$

Suppose the cost of goods sold is Rs. 450000/- and average stock is Rs. 150000/-. Then stock turnover ratio will be 3 times i.e. $\frac{450000}{150000}$

ii Capital Gearing

It represents the relationship between the fixed interest-bearing securities and equity shares of a company. Fixed interest-bearing securities carry with them the fixed rate of dividend or interest and include preference share capital and debentures. A company is said to be highly geared if the major share of the total capital is in the form of fixed interest-bearing securities or this ratio is more than one. If this ratio is less than one it is said to be low geared. This ratio must be carefully planned as it affects the company's capacity to maintain a uniform dividend policy during difficult trading periods that may occur.

iii Net Income -Debt Servicing Ratio

This ratio is calculated in order to know the ability of a company to make payment interest and principal on time. It is calculated as follows:

Debt Service Coverage Ratio = $\frac{\text{net profit before interest and tax}}{(\text{interest} + (\text{Principal payment instalment} / (1 - \text{tax rate})))}$

For example if the net profit before interest and tax is Rs. 1,00,000, 10% debenture (payable in 10 years in equal instalment) are Rs. 2,00,000/-. The tax rate is 30% Then debt service coverage ratio will be calculated as follows:

$$= \frac{100000}{(20,000 + (20000 / (1 - 0.3)))} = \frac{1,00,000}{(20000 + 28571)} = 2.06$$

It indicates that net profit before interest and tax covers adequately both interest and principal repayment instalment. Generally higher it is better.

iv Operating Ratio

This ratio indicates the proportion that the cost of sales bears to sales. It is calculated as follows:

$$(\text{Cost of Goods Sold} + \text{Operating Expenses}) / \text{Net Sales} \times 100$$

Here

Cost of Goods Sold = Opening Stock + Purchases + Direct Expenses + Manufacturing Expenses - Closing Stock or Sales - Gross Profit

Operating Expenses = Administrative Expenses + Selling and Distribution Expenses

For Example, if cost of goods sold Rs. 310000, operating expenses Rs. 200000 and net sales Rs. 680000/ are given, then operating ratio will be 75% (i.e. $((Rs. 310000 + 200000) / 680000) * 100$)

Lower the ratio, the better it is. This ratio should be analysed further to throw light on the levels of efficiency prevailing in different elements of total cost.

V Net worth to Fixed Assets

This is known as Proprietary ratio. It represents soundness of the capital structure of a company. It is computed by dividing the stakeholders' funds by fixed Assets.

Net worth to Fixed Assets = Shareholders' funds or Net Worth / fixed assets * 100

For Example Fixed Assets = 8,00,000/

Stakeholders' Funds or net worth = 4,40,000/

Proprietary or net worth to fixed assets ratio = $440000 / 800000 * 100 = 55\%$

The ratio focuses attention on the general financial strength of the business enterprise. The ratio is of particular importance to the creditors who can find out the proportion of shareholders' funds in the fixed assets employed in the business.

(b) Accounting Standard AS-12 Government Grants

Particulars	Amount-Rs.
Cost of Assets (1.04.2010)	10,00,000
Less Grant Received	3,00,000
Net Cost	7,00,000
Depreciation 2010-11	1,20,000
Depreciation 2011-12	1,20,000
WDV as on 1.04.2012	4,60,000
Add Refund of Grant	3,00,000
Revised WDV	7,60,000
Depreciation for 2012-13	2,20,000
Depreciation for 2010-11 & 2011-12	$= (7,00,000 - 1,00,000) / 5 = 1,20,000/$
Depreciation for 2012-13	$= (7,60,000 - 1,00,000) / 3 = 2,20,000/$

Model Solution SAS-2/5-2/16/P-6

(9)

© Accounting Standard AS-16 Borrowing Costs

Building & Plant and Machinery are qualifying assets because Building is being constructed, P&M is installed for modernization of factory. Payment for assets is a capital advance i.e. we are contractee. Hence we have to make fixed payments. Money spent on the working capital is not for the purpose of qualifying assets. Hence interest pertaining to construction of building & installation of plant is required to be capitalised and all the other activities should be charged to Profit and Loss Account. In the present case the interest amount of Rs. 58.50 lac shall be treated as follows:

Capitalisation of Interest Rs. 42.30 lac and interest charged to P&L A/C Rs. 16.20 lac

Question No 4

(a) Contingent liabilities are liabilities which may or may not arise. According to Montgomery "the term contingent liability should be used in the accounting sense to designate a possible liability of presently determinable or indeterminable amount which arise from past circumstances or action which may or may not become a legal obligation in the future."

Unless a contingent liability is quite negligible, its existence should be disclosed by an appropriate note in the Balance Sheet.

Examples of Contingent liabilities are:

i Liabilities of bills discounted but not matured

ii Liability under a guarantee

iii Liabilities for penalties under Forward Contracts

The auditor should inspect the various contracts entered into by the company and assess the likelihood of contingent liability arising therefrom. His duty is to ensure that all such likely liabilities have been accounted for and shown in the Balance Sheet. He should also obtain a certificate from the management to the effect that all contingent liabilities which are apprehended to materialise at a future date have been disclosed.

(b)

Fundamental principles are those according to which the books of business accounts are audited.

Techniques of auditing mean the procedure and method which is adopted by the auditor in checking the accounts.

Thus Principles of auditing are laid down path which the auditor should follow for conducting the audit while techniques represent the ways which the auditor adopts during conduct of audit.

Techniques of auditing may be changed by the auditor but principles of auditing will remain same consistency.

The main principles of auditing are planning, honesty, impartiality, secrecy, evidence, legal frame work, working paper preparation, internal control and report.

Techniques of auditing are examination of record, inquiry, sampling, confirmation, compliance, use of computer techniques, substantive test, dependence on experts and analytical review.

Statutory Audit and Government Audit

An Audit by qualified Chartered Accountants, who are not connected with preparation of accounts or management of the concern, under Companies' Act is known as as statutory audit.

Government audit is conducted by Comptroller and Auditor General of India

Model solution SAS-2/2-2/16/P-6

Appointment of statutory auditor in case PSPCL is made by CAG of India and fee payable is determined by the Annual General Meeting.

Government Audit is conducted by representatives/staff of CAG office and no fee is payable for the same.

Statutory audit is conducted annually while CAG audit is conducted continuously.

Statutory audit is subject to supplementary audit by CAG.

Statutory audit ensures compliance of provisions of companies' act, accounting standards and various taxation laws while CAG conducts proprietary audit also.

Model Solution S/S-2/5-2/16/8-6

Question No 5

(a)

i Vouching of petty cash

While vouching the payments from petty cash, the auditor should examine that:

- (a) All vouchers are serially numbered and sanctioned by a responsible and competent authority.
- (b) petty cash received from the head cashier is recorded on the same day on which it is actually received.

© Appropriate expense account is debited.

(d) All the payments must be verified from the supporting evidence

ii Vouching of Salaries and Wages

In vouching the payment of salaries, following points are important:

- (a) Auditor should check salary register with the entries made in cash book.
- (b) He should examine carefully alteration in the amount of deductions on account of fines, funds, loans, insurance etc.

Auditor should see that salaries bill is prepared with the sanction of responsible officer. Further he should check attendance records, salary bill of earlier months and appointment letters of new employees. If there is an abnormal increase in salaries of a month over the salaries of previous month, he should inquire into the reasons for such change.

Payment of wages involves large amount. There are many chances of fraud and misappropriation in wages payment. The auditor should study the system of internal control in operation.

While vouching the wage sheet the following points should be kept in mind:

- (a) Names of workers included in the wage sheet should be compared with workers' register. It will help in locating dummy workers and workers who have left the organisation.
- (b) Wages paid and calculated for the various months should be compared.
- © At random checking of wages calculations should be made.
- (d) Auditor should see the proper record is maintained for unpaid wages.
- € Deductions for any advance taken by worker should be verified.
- (f) Deduction made from the wages should be entered in the proper account.
- (g) Special attention should be given to the payments made to casual workers.

(c) Matters to be included in the auditor's report. -

The auditor's report on the account of a company to which this Order applies shall include a statement on the following matters, namely:—

- (i) (a) whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) whether these fixed assets have been physically verified by the management at reasonable intervals;
- whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account;
- (ii) (a) whether physical verification of inventory has been conducted at reasonable intervals by the management;
- (b) are the procedures of physical verification of inventory followed by the management reasonable and adequate in relation to the size of the company and the nature of its business. If not, the inadequacies in such procedures should be reported;
- (c) whether the company is maintaining proper records of inventory and whether any material discrepancies were noticed on physical verification and if so, whether the same have been properly dealt with in the books of account;
- (iii) whether the company has granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act. If so,
 - (a) whether receipt of the principal amount and interest are also regular; and

- (b) if overdue amount is more than rupees one lakh, whether reasonable steps have been taken by the company for recovery of the principal and interest;
- (iv) is there an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. Whether there is a continuing failure to correct major weaknesses in internal control system.
- (v) in case the company has accepted deposits, whether the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed thereunder, where applicable, have been complied with? If not, the nature of contraventions should be stated; If an order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal, whether the same has been complied with or not?
- (vi) where maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Companies Act, whether such accounts and records have been made and maintained;
- (vii) (a) is the company regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as at the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated by the auditor.
- (b) in case dues of income tax or sales tax or wealth tax or service tax or duty of customs or duty of excise or value added tax or cess have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending shall be mentioned. (A mere representation to the concerned Department shall not constitute a dispute).
- (c) whether the amount required to be transferred to investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder has been transferred to such fund within time.
- (viii) whether in case of a company which has been registered for a period not less than five years, its accumulated losses at the end of the financial year are not less than fifty per cent of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year;
- (ix) whether the company has defaulted in repayment of dues to a financial institution or bank or debenture holders? If yes, the period and amount of default to be reported;
- (x) whether the company has given any guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company;
- (xi) whether term loans were applied for the purpose for which the loans were obtained;
- (xii) whether any fraud on or by the company has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated.

©SALARIES AND WAGES:

- (1) Proper records shall be maintained to show the attendance and earnings of all employees assigned to the cost centres or departments and the work on which they are employed. The records shall also indicate the following separately for each cost centre or department:
- piece rate wages (wherever applicable);
 - incentive wages, either individually or collectively as production bonus or under any other scheme based on output;
 - overtime wages;
 - earnings of casual or contractual labour;
 - bonus or gratuity, statutory as well as other;
 - contribution to superannuating scheme;
 - cost of employees stock option;
 - leave travel concession;
 - paid holidays;
 - leave with pay;
 - Training, workshop, seminar expenses;

- (l) Medical/health, safety, education expenses;
- (m) any other statutory provision for labour welfare;
- (n) any other free or subsidized facility.
- (2) The records shall be maintained in such a manner as to enable the company to book these expenses cost centre wise or department wise with reference to goods/services under reference and to furnish necessary particulars. Where the employees work in such a manner that it is not possible to identify them with any specific cost centre/service centre or department, the employees cost shall be apportioned to the cost centre/service centres or departments on equitable and reasonable basis and applied consistently.
- (3) The idle labour cost shall be separately recorded under classified headings indicating the reasons therefor. The method followed for accounting of idle time payments shall be disclosed in the cost records.
- (4) Any wages and salaries allocable to capital works, such as, additions to plant and machinery, buildings or other fixed assets shall be accounted for under the relevant capital heads. The method followed for accounting of such payments in determining the cost of the goods/services under reference shall be on equitable and reasonable basis and applied consistently. The said method shall be disclosed in the cost records also.
- (5) The cost of normal retirement benefits payable to employees shall be recorded separately and charged to cost. The method followed for accounting of such costs in determining the cost of the goods/services under reference shall be on equitable and reasonable basis and applied consistently and disclosed separately. Termination benefits which are payable in addition to the normal retirement benefits, such as benefits under voluntary retirement Scheme, expenses treated as abnormal and not forming part of salaries and wages and cost of production of goods/rendering of services.

Question no. 1

(a) Power to declare air pollution control areas,

- (1) The State Government may, after consultation with the State Board, by notification in the Official Gazette declare in such manner as may be prescribed, any area or areas within the State as air pollution control area or areas for the purposes of this Act.
- (2) The State government may, after consultation with the State Board, by notification in the Official Gazette,-

- (a) alter any air pollution control area whether by way of extension or reduction ;
- (b) declare a new air pollution control area in which may be merged one or more existing air pollution control areas or any part or parts thereof.

- (3) If the State Government, after consultation with the State Board, is of opinion that the use of any fuel, other than an approved fuel, in any air pollution control area or part thereof, may cause or is likely to cause air pollution, it may, by notification in the Official Gazette, prohibit the use of such fuel in such area or part thereof with effect from such date (being not less than three months from the date of publication of the notification) as may be specified in the notification.

- (4) The State Government may, after consultation with the State Board, by notification in the Official Gazette, direct that with effect from such date as may be specified therein, no appliance, other than an approved appliance, shall be used in the premises situated in an air pollution control area :

Provided that different dates may be specified for different parts of an air pollution control area or for the use of different appliances.

- (5) If the State Government, after consultation with the State Board, is of opinion that the burning of any material (not being fuel) in any air pollution control area or part thereof may cause or is likely to cause air pollution, it may, by notification in the Official Gazette, prohibit the burning of such material in such area or part thereof.

- (b) As per section 7A, of Factory Act, following are the duties of general duties of the occupier

- (1) Every occupier shall ensure, so far as is reasonably practicable, the health, safety and welfare of all workers while they are at work in the factory.
- (2) Without prejudice to the generality of the provisions of sub-section (1), the matters to which such duty extends, shall include-

- (a) the provision and maintenance of plant and systems of work in the factory that are safe and without risks to health;
- (b) the arrangements in the factory for ensuring safety and absence of risks to health in connection with the use, handling, storage and transport of articles and substances;
- (c) the provision of such information, instruction, training and supervision as are necessary to ensure the health and safety of all workers at work;
- (d) the maintenance of all places of work in the factory in a condition that is safe and without risks to health;

- 2 -

(e) the provision, maintenance or monitoring of such working environment in the factory for the workers that is safe, without risks to health and adequate as regards facilities and arrangements for their welfare at work.

(3) Except in such cases as may be prescribed, every occupier shall prepare, and, as often as may be appropriate, revise, a written statement of his general policy with respect to the health and safety of the workers at work and the organization and arrangements for the time being in force for carrying out that policy, and to bring the statement and any revision thereof to the notice of all the workers in such manner as may be prescribed.

(c) As per section 15B of Employees State Insurance Act-1948 permanent total disablement means such disablement of a permanent nature as incapacitates an employee for all work which he was capable of performing at the time of the accident resulting in such disablement:

Provided that permanent total disablement shall be deemed to result from every injury specified in Part I of the Second Schedule or from any combination of injuries specified in Part II thereof where the aggregate percentage of the loss of earning capacity, as specified in the said Part II against those injuries, amounts to one hundred percent, or more;

(d) Accident arising out of and in the course of employment
an accident arising out of employment implies a casual connection between the injury and the accident and the work done in the course of employment. employment should be the distinctive and the proximate cause of the injury. the three tests for determining whether an accident arose out of employment are:

(1) at the time of injury workman must have been engaged in the business of the employer and must not be doing something for his personal benefit;

(2) that accident occurred at the place where he was performing his duties; and

(3) injury must have resulted from some risk incidental to the duties of the service, or inherent in the nature or condition of employment.

The expression 'arising out of employment' is not confined to the mere nature of employment. The expression applies to employment as such — to its nature, its conditions, its obligations and its incidents. if by reason of any of those factors the workman is brought within the zone of special danger, the injury would be one which arises 'out of employment'. to put it differently, if the accident had occurred on account of a risk which is an incident of the employment, the claim for compensation must succeed, unless of course, the workman has exposed himself to an added peril by his own imprudent act.

the phrase "in the course of employment" is understood to mean that the injury has resulted during the course of employment from some risk incidental to the duties of the service, which unless engaged in the duty owing to the master, it is reasonable to believe the workman would not otherwise have suffered. thus, whereas 'in the course of employment' emphasizes the time when accidental injury was caused, "arising out of employment" emphasizes that there must be a casual connection between the employment and the accidental injury.

Question No.2

- (a) As per Factory act 1948 an adult worker shall have a holiday on the first day of the week, i.e. Sunday. Weekly holidays are necessary for the workers to recover energy for the work they are doing in the factories. It saves their health. But if he is required to work on a Sunday, he must have another whole day as holiday which would fall within three days before or after the first day of the week. A previous notice of this desire of manager to employ a worker on Sunday has to be communicated to the inspector before the worker is made to work. Such notice must also be displayed in the factory. But the substitution should not result in the worker working for more than ten days consecutively without a holiday for a whole day.

Where any worker works on the first day of the week, and has had a holiday on any of the three days immediately before it, that first day of the week, shall for the purpose of calculating his weekly hours of work, be included in the preceding week. No general permission can be granted for altering the day of weekly holiday so as to cover all the workmen, whenever workers are required or permitted to work on a weekly holiday, the specific permission of the chief inspector in respect of each and every worker who is required to work on such a day should be ignored.

- (b) As per the Arbitration and conciliation act:-

All matters which form the subject of civil litigation affecting private rights may be referred to arbitration. In other words, all disputes between the parties relating to private rights of which the civil court may take cognizance may be referred to arbitration. Thus, matters which are purely criminal and give rise to no civil remedy cannot be referred to arbitration. Similarly, matters of public right cannot be decided by arbitration.

What can be referred:-

- 1) Disputes concerning movable property;
 - 2) Disputes arising out of breaches of contract;
 - 3) Disputes relating to breach of promise of marriage;
 - 4) Questions of title to immovable property;
 - 5) Questions of law or fact;
 - 6) Disputes regarding compliment, dignity, trespass, etc.
 - 7) Time barred claims;
 - 8) Questions as to whether judgement has been properly obtained or not.
 - 9) Questions relating to the past or future maintenance of a widow.
- (c) The word 'endorsement' in its literal sense means, a writing on the back of an instrument. But under the negotiable instruments Act it means, the writing of one's name on the back of the instrument or any paper attached to it with the intention of transferring the rights therein. Thus endorsement is signing a negotiable instrument for the purpose of negotiation. The person who effects an endorsements is called an 'endorser' and the person to whom negotiable instrument is transferred by endorsement are called the 'endorsee'.

Essentials of a valid Endorsement

The following are the essentials of valid endorsement :

1. It must be on the instrument. The endorsement may be on the back or face of the instrument and if no space is left on the instrument, it may be made on a separate paper attached to it called allocate. It should usually be in ink.
2. It must be made by the maker or holder of the instrument. A stranger cannot endorse it.

3. It must be signed by the endorser. Full name is not essential. Initials may suffice. Thumb-impression should be attested. Signature may be made on any part of the instrument.
4. It may be made either by the endorser merely signing his name on the instrument (it is a blank endorsement) or by any word showing an intention to endorse or transfer the instrument to a specified person (it is a blank endorsement) or by any words showing an intention to endorse or transfer the instrument to a specified person (it is an endorsement in full). No specific form of words is prescribed for an endorsement. But intention to transfer must be present.
5. It must be completed by delivery of the instrument. The delivery must be made by the endorser himself or by somebody on his behalf with the intention of passing property therein. Thus where a person endorses an instrument to another and keeps it in his papers where it is found after his death and then delivered to the endorsee, the latter gets no right on the instrument.

If delivery is conditional endorsement is not complete until the condition is fulfilled.
6. It must be an endorsement of the entire bill. A partial endorsement i.e. which purports to transfer to the endorsee a part only of the amount payable does not operate as a valid endorsement.

Question no. 3

- (a) According to Section 6 of Contract Act, modes of revocation of offer are as under:-
1. **By notice of revocation.** Offer may be revoked by a communication of a notice of revocation by the offeree to the other party before acceptance is complete against the offer or himself. An offer made in writing may be revoked by words of mouth. The notice of revocation may not always be express. A notice of revocation to be effective must be communicated to the offeree.
 2. **By lapse of time.** A proposal will come to an end by the lapse of time prescribed in such proposal for its acceptance or, if no time is so prescribed by the lapse of time of reasonable time is a question of fact depending upon the circumstances of each case. Where the subject matter of the contract is an article, like gold, the parties of which fluctuate daily in the market, very short period will be regarded as reasonable made late in November.
 3. **By non-fulfillment of condition precedent.** A proposal is revoked when the acceptor fails to fulfill a condition precedent to the acceptance of the proposal which was conditional offer. Thus, X may offer to sell certain goods to Y on a condition that Y pays a certain amount before a certain date.
 4. **By death or insanity.** A proposal is revoked by the death or insanity of the proposer if the fact of his death or insanity comes to the knowledge of the acceptor before acceptance.
 5. **By counter offer.** An offer comes to end when the offeree makes a counter offer or rejects the offer. Where an offer is accepted with some modification in the terms of the offer or with some other condition not forming part of the offer, such qualified acceptance amount to a counter offer.
 6. **By the non-acceptance of the offer according to the prescribed or usual mode.** The offer will also stand revoked if it has not been accepted according to the prescribed.
 7. **By subsequent illegality.** An offer lapses if it becomes illegal after it is made and before it is accepted. Thus, where an offer is made to sell 10 bags of wheat for Rs. 2500 and before it is accepted, a law prohibiting the sale of wheat by private individual is entered, the offer comes to end.
- (b) As per section 117 of the companies act, 2013

(1) A copy of every resolution or any agreement, in respect of matters specified in sub-section (3) together with the explanatory statement under section 102, if any, annexed to the notice calling the meeting in which the resolution is proposed, shall be filed with the Registrar within thirty days of the passing or making thereof in such manner and with such fees as may be prescribed within the time specified under section 403:

Provided that the copy of every resolution which has the effect of altering the articles and the copy of every agreement referred to in sub-section (3) shall be embodied in or annexed to every copy of the articles issued after passing of the resolution or making of the agreement.

(2) If a company fails to file the resolution or the agreement under sub-section (1) before the expiry of the period specified under section 403 with additional fee, the company shall be punishable with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default, including liquidator of the company, if any, shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

(3) The provisions of this section shall apply to— (a) special resolutions;

- (b) resolutions which have been agreed to by all the members of a company, but which, if not so agreed to, would not have been effective for their purpose unless they had been passed as special resolutions;
- (c) any resolution of the Board of Directors of a company or agreement executed by a company, relating to the appointment, re-appointment or renewal of the appointment, or variation of the terms of appointment, of a managing director;
- (d) resolutions or agreements which have been agreed to by any class of members but which, if not so agreed to, would not have been effective for their purpose unless they had been passed by a specified majority or otherwise in some particular manner; and all resolutions or agreements which effectively bind such class of members though not agreed to by all those members;
- (e) resolutions passed by a company according consent to the exercise by its Board of Directors of any of the powers under clause (a) and clause (c) of sub-section (1) of section 180;
- (f) resolutions requiring a company to be wound up voluntarily passed in pursuance of section 304;
- (g) resolutions passed in pursuance of sub-section (3) of section 179; and (h) any other resolution or agreement as may be prescribed and placed in the public domain
- (c) As per the provisions of the Service Tax, In case of individual/proprietary firm or partnership firm service tax should be paid on quarterly basis up to 6th of subsequent quarter but for the last quarter, service tax should be paid upto 31st March. In case of other service providers, service tax should be paid on monthly basis upto 6th of next month and for the last month up to 31st March. E-payment of service tax is compulsory for all the persons. The service provider should fill in challan form GAR-7 to pay service tax and bank should have EASIEST facility (EASIEST- Electronic Accounting System in Excise and Service Tax). GAR-7 challan is a single copy challan with tax payer's counterfoil at the bottom of challan. The challan should be on white paper with back printing.

Payments in case of multiple service providers

A multiple service provider (a service provider rendering more than one taxable service) can use single GAR-7 challan for payment of service tax on different services.

Question no.4

(a)

- (i) **Special Business:** -As per Companies Act, 2013 All matters other than ordinary business are treated as special business at an annual general meeting.

To transact special business ordinary resolution is required but in the notice the 'special business' must be clearly mentioned. Increase in authorised share capital is regarded as special business. For transacting special business at a meeting, there shall be annexed to the notice of the meeting an explanatory statement setting out:

- (a) All material facts concerning each item of such business.
(b) In particular, the nature of the concern or interest, if any, of every director manager in each item.

The items constituting the special business are transacted either by an ordinary resolution or by a special resolution depending upon the requirements of the companies act 2013 or articles of the company in respect of each particular item.

- (ii) **Resolution by circulation:** Section 111 of companies act, 2013 provides a method by which member desirous of moving a resolution at the annual general meeting can give notice and explanation in advance to the other members of what they intend to do. A company is bound on requisition in writing by a specified number of members (a) to give notice to the members of any resolution which is intended to be moved at the next annual general meeting; (b) to circulate to the members any statement of not more than one thousand words with respect to the proposed resolution or any business to be dealt with at the meeting. The expenses of any such notice and circulation will be borne by the requisitionists.

- (iii) **Resolution by postal ballot:** According to section 110 A of companies act, 2013 . It is generally noticed that members of a listed company are widely dispersed and there is very poor attendance at the general meetings. The meetings are normally attended by the promoters, their friends and associates who collect proxies and by and large resolutions are passed unanimously and without any dissent. Moreover the general meetings are required to be held during working hours and the stakeholders find it difficult to attend the meeting. By Postal Ballot shareholder can take part in decision making of the company.

A listed company may if so desire may get any resolution passed by means of a postal ballot. Section 110 also empowers the central government to declare that certain business can only be conducted by postal ballot. In respect of such notified business it is mandatory for the company to pass the resolution only by postal ballot and shall not be placed for transacting before the general meeting of the company.

- (iv) Article 286(3) empowers the Parliament to declare some goods as 'goods of special importance' and to impose restrictions and conditions with regard to power of the 'States pertaining to levy, rates and other incidence of tax on such goods. Thus, Parliament can restrict the power of States to tax such declared goods.

State Government cannot levy sales tax within the State on these goods exceeding 5%.

As per section 14, some of the declared goods are as given below:

- i) Cereals
- ii) Coal
- iii) Cotton
- iv) Cotton fabrics
- v) Cotton yarn
- vi) Crude Oil
- vii) Iron and Steel

- ix) Oilseeds
- x) Pulses
- xi) Man-made fabrics
- xii) Sugar
- xiii) Liquefied petroleum gas for domestic use.

As per section 15, if such goods were purchased within the state and local sales tax was paid and subsequently such goods were sold under inter-state sale and central sales tax was paid, in that case local sales tax paid shall be refunded to such person provided the goods are sold in the same form but if paddy was purchased and rice were sold in the inter-state sale, they will be considered to be same commodity. (this provision was relevant earlier when tax credit was not allowed but at present it is not relevant because tax credit is allowed).

- (c) Section 109 of the Companies Act, 2013 empowers a member present in person or by proxy to demand a poll. Therefore a proxy can demand or join in demanding a poll.

Question no. 5

Computation of salary income of Mr. Nitish for the assessment year 2014-15.

Basic salary @ Rs. 30,000 p.m.			3,60,000
D.A @ Rs. 3,000 p.m.			36,000
Bonus			33,000
Commission			60,000
Advance Salary			66,000
Employer's contribution in RPF in excess over 12% of his salary (48,000-47,520)			480
Entertainment Allowance			36,000
Special Allowance			24,000
House Rent Allowance			
HRA received @ Rs. 10,000 p.m.		1,20,000	
Less: Exempted being least of 3 amounts			
(i) HRA received	1,20,000		
(ii) 40% of employee's salary i.e. 40% of Rs. 3,96,000	1,58,400		
(iii) Rent paid in excess of 10% of his Salary (1,44,000-39,600)	<u>1,04,400</u>	<u>1,04,400</u>	15,600
Car perquisite (Rs. 1,20,000+10% of Rs. 7,50,000)			1,95,000
Interest credited in RPF in excess of 9.5% (Rs. 30,000-23,750)			6,250
Club facility			24,000
Free Lunch (45,000-15,000)			30,000
Interest free loan to buy motor cycle (as it is less than Rs. 20,000 so it is exempted)			----
Interest free loan for medical treatment is also exempt			----
Gross Salary			8,86,330
Salary Income			<u>8,86,330</u>

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Q: - 1. (a)

Marginal costing means to control the cost by calculating all variable cost and deduct it from sale. With this, a special reserve contribution is created. This contribution can be used to pay fixed cost and rest will be the profit.

Marginal costing is one of best technique, for proper use of cost-volume- profitability analysis because PV ratio is just relationship of contribution and sales. By calculating it, two products' PV ratio can be compared. Products having high PV ratio will be preferred to produce instead of producing products having low PV ratio.

Following are the main formulae which are used in marginal costing.
Marginal Cost: Effect on total cost by producing one more or less unit of product.
Marginal Costing Equation

$$\text{Contribution} = \text{Sales} - \text{Variable Cost}$$

or

$$\text{Contribution} = \text{Fixed Cost} +/\text{- Profit}$$

If both side will equal, then **Contribution = contribution**

$$\text{Sales} - \text{Variable cost} = \text{Fixed Cost} +/\text{- Profit}$$

$$S - V = F + P$$

$$\text{Profit Volume Ratio} = \text{Contribution} / \text{Sale}$$

$$\text{PV Ratio} = \text{Fixed Cost} +/\text{- Profit} / \text{Sale or } F - P / S$$

Or

$$\text{PV Ratio} = \text{Sales} - \text{Variable Cost} / \text{Sale or } S - V / S$$

The limitations of marginal costing:

1. Proper classification of fixed and variable cost is not easy. If you deem any fixed cost as variable cost, it may mislead your decision. Moreover, some cost may be semi-variable. We cannot classify it either in fixed cost or variable cost.
2. In marginal costing, we give less preference to fixed cost. But fixed cost can also affect net flow of cash and cash from operation. So, your decision may be affected from this point.
3. In the area of construction or making of building or big contract, we cannot use marginal costing technique for controlling the cost because fixed cost is more important and it should be take as part of cost of production for normal showing of profit every year.

Question : 1(b) Method for preparing cash flow budgets and operating plans which every year must start from scratch with no pre-authorized funds. Unlike the traditional (incremental) budgeting in which past sales and expenditure trends are assumed to continue, ZBB requires each activity to be justified on the basis of cost-benefit analysis, assumes that no present commitment exists, and that there is no balance to be carried forward. By forcing the activities to be ranked according to priority, ZBB provides a systematic basis for resource allocation.

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Question no. 2 (a) There are a number of advantages to budgeting and budgetary control:

1. Compels management to think about the future, which is probably the most important feature of a budgetary planning and control system. Forces management to look ahead, to set out detailed plans for achieving the targets for each department, operation and (ideally) each manager, to anticipate and give the organisation purpose and direction.
2. Promotes coordination and communication.
3. Clearly defines areas of responsibility. Requires managers of budget centres to be made responsible for the achievement of budget targets for the operations under their personal control.
4. Provides a basis for performance appraisal (variance analysis). A budget is basically a yardstick against which actual performance is measured and assessed. Control is provided by comparisons of actual results against budget plan. Departures from budget can then be investigated and the reasons for the differences can be divided into controllable and non-controllable factors.
5. Enables remedial action to be taken as variances emerge.
6. Motivates employees by participating in the setting of budgets.
7. Improves the allocation of scarce resources.
8. Economises management time by using the management by exception principle.

Question no.2(b):

In financial accounting, the term inventory shrinkage is the loss of products between point of manufacture or purchase from supplier and point of sale. The term shrink relates to the difference in the amount of margin or profit a retailer can obtain. If the amount of shrink is large, then profits go down which results in increased costs to the consumer to meet the needs of the retailer.

In retail terms, shrinkage refers to a company's percent loss resulting from damage, product expiration and theft of unsold products. Retail shrinkage can happen anywhere along the production and sale chain, including at the factory, in transit or at the retail location.

Retail shrinkage can be calculated by dividing the value of goods lost to shrinkage by the total value of goods that are supposed to be in the inventory.

$$\text{Shrinkage} = (\text{Book stock} - \text{Actual Stock}) / \text{Book Stock} = \text{Total Value of goods lost} / \text{Total value of the goods in inventory.}$$

Causes of shrinkage include:

1. Employee Theft or Shop lifting
2. Administrative errors such as shipping errors, warehouse discrepancies, and misplaced goods.
3. Cashier or price-check errors in the customer's favor.
4. Damage in transit or in the store.
5. Paperwork errors.
6. Perishable goods not sold within their shelf life.
7. Vendor fraud.

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Question no. 3 (A)

A well-integrated project plan is the primary tool for effective coordination of the work and for tracking and steering progress by appropriate initiatives. It's the key document as a basis of reference. It is sometimes called the project brief. A project brief may also be required to obtain other approvals such as client commitment to the details, and funding to proceed into subsequent phases of the project-life-cycle.

A good project brief will set out the goals, objectives and scope of the project (its deliverables), how these are to be achieved (technical content), quality (technical standards), any supplementary approvals that may be required (regulatory), design outlines (sketches and block diagrams), the component parts (breakdown structure), who will be responsible for what (team responsibilities), sequence and timing (logic network and schedule), required budget (supporting cost estimate), resources required for implementation (human and material), other resources (space, existing assets, external interfacing), financial considerations (economics and cash flow projections), justification (the impacts and alternatives), and areas of uncertainty (risk), contingency and control plans.

Goals and objectives, by the way, are sometimes used interchangeably but really a goal is an overview statement while an objective is one of the components or stepping stones of which the goal is comprised.

Question no. 3(b) The functional activities those are included in the scope of cost accounting:

1. **Cost records:** It involves maintaining complete record of all costs incurred from their incurrence to their charge to departments, products and services. Such recording is preferably done on the basis of double entry system.
2. **Cost system:** Systems and procedures are devised for proper accounting for costs.
3. **Cost ascertainment:** Ascertaining cost of products, processes, jobs, services, etc., is the important function of cost accounting. Cost ascertainment becomes the basis of managerial decision making such as pricing, planning and control.
4. **Cost Analysis:** It involves the process of finding out the causal factors of actual costs varying from the budgeted costs and fixation of responsibility for cost increases.

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Question no. 4 (a)

A Disbursing officer has to satisfy not only himself but also to audit,

1. That a claim which has been accepted is valid, that a voucher is a complete proof of the payments which it supports and that an account is correct in all respects.
2. That all the accounts are so kept and the details so fully recorded, as to afford the requisite means for satisfying any enquiry that may be made into the particulars of any case, even though such enquiry may be as to the economy or the bonafides of the transactions.
3. That the records of payment, measurements and transactions in general must be so clear explicit and self-contained as to be producible as satisfactory and convincing evidence of facts, if required in the Court of Law.
4. That all the transactions involving giving and taking of cash, stores, other properties, rights, privileges and concessions which have money values should be brought to account.
5. That the record of transactions of receipt or expenditure is made at once under the final or the debit or remittance head to which it pertains, if that be known, if it is not known, it should be classified temporarily under deposits if a receipt or under Misc. advance if a charge.

Question no. 4(b). The accounts pertaining to works expenditure are known as works accounts.

The primary object of accounts of works is to exhibit simply and accurately the actual cost of work done. However the maintenance of separate account, for the several component parts of each work, is necessary for the following reasons:

1. It is often desirable to have details for statistical information.
2. It facilitates the conduct of an analysis of the comparative cost of various classes of work, type of buildings etc.
3. In case of large works, the construction of which is spread over a long period, it enable Divisional officer to exercise proper control over the recorded transactions of their cost.

The Divisional officer's personal knowledge of the executive arrangements for the execution of a work and of its progress has to be supplemented by a comparison of the cost as recorded in the accounts with the quantity of work done. Such a comparison is obviously impossible unless the total cost of a work is split up into convenient posts in such a way that as far as possible, the cost of each distinct part may be compared with the work done on it.

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Question no.5 (a):

Concerned office shall prepare an asset disposal request for sale or scrapping /retirement / **Obsolescence** of assets and forward the request to the officer in charge of accounting who after securitizing the asset disposal request and on satisfaction of the veracity of the fixed assets records authorize and forward to the circle office. SE concerned after evaluating justification for disposal approve the same if it is within its power to approve the same otherwise get the same approved from the competent authority.

Divisional office/accounting unit after obtaining the approval from the competent authority refer to the fixed assets register /register of works to ascertain the cost of in case of works in progress and to know the original cost the depreciation provision and the written down value in case of assets in use, and passes the accounting entries and update the fixed asset register and asset card. An intimation of the decision of the assets which are to be disposed will be sent to the concerned office.

The concerned office on receipt of the intimation from the Divisional Office intimates SE Disposal. As and when the asset is sold the concerned office intimates the detail of sale or disposal to the Divisional office. The Divisional officer/Accounting unit calculates the loss or gains on the sale or disposal of the asset bifurcating the gain into capital and revenue and passes the relevant accounting entries.

Question no.5 (b) :

Notes to account are an important requirement in providing a true and fair view. Notes must be as clearly worded as possible and be able to fully convey the matter without any ambiguity. Amounts involved must be given wherever relevant.

Notes should be split into sections:

- (A) Notes to Revenue Account and Net Revenue & Appropriation Account:
and
- (B) Notes to Balance Sheet.

Wherever a note relates to items in both the sections, the note should be given in the Section to Revenue Account.

Cross reference of note number should be given against the relevant items in the Revenue Account, Net Revenue and Appropriation Account, Balance Sheet or any of the other Statements or Schedules. Similarly, relevant Schedule number/Statement number should also be stated against the note.

The matters included in the attached list must be disclosed in 'Note to Accounts' by every Board of Directors except in cases where any of items are not applicable to a Board/Corporation. This list, however, is not intended to be an exhaustive list and, therefore, a Board/Corporation would have to select other matters for which a note would be essential in the Annual Accounts.