

Answer 1

a. Precis

"The character of those in the prime of life lies midway between that of youth and of age. Neither rash nor timid, neither skeptical nor overtrusting, they usually make choices on a true basis. They are not given to excess in desire, nor to lack of feeling or parsimony. They live respecting both honor and expediency. In short, the most useful traits of youth and age are theirs."

(Marks: 10)

b. Change the Voice.

- i. My grandmother painted this portrait.
- ii. They took the injured boy to the hospital.
- iii. They have invited me to their party.
- iv. A speeding car ran over him.
- v. The children have plucked the flowers.

(Marks: 1X5=5)

c. Use appropriate prepositions.

- i. The dog was beaten with a stick.
- ii. My friend has invited me to his party.
- iii. My house is near/by the river.
- iv. We cancelled the trip because of the rain.
- v. The dog ran after me.

(Marks: 1X5=5)

Answer 2 Drafting

a. A letter on behalf of CE/DS to Financial Advisor, PSPCL

(Logo)

PUNJAB STATE POWER CORPORATION LIMITED

Regd. Office: PSEB Head Office, The Mall Patiala-147001, Punjab, India.

Corporate Identity Number: U40109PB2010SGC033813 (www.pstcl.org)

Office of Chief Engineer/DS

Patiala.
Fax/Ph.No. _____ Email : @pstcl.in

To

Financial Advisor,
PSPCL, Patiala.

Memo No. _____ / Dated:- _____, 2015.

Sub.: Allocation of Budget for Procurement of Furniture Items.

In this respect it is requested that as per the requirements of this office, Furniture items are to be procured for replacement of old furniture and also for additional requirements. The said procurement is to be done in the financial year 2015-16 itself.

Budget allocation of Rs. 100 lacs had been made earlier in the year to the office for capital items out of which an amount of Rs. 80 lacs has already been utilized till date and there is another requirement of funds to the tune of Rs. 30 lacs for procurement of furniture. With Rs. 20 Lacs available for capital items, it will not be possible to do the procurement.

It is, therefore, requested that additional allocation of budget for capital items to the tune of Rs. 10 lacs be made to the office, so that all the planned items be procured during the remaining part of the year.

Chief Engineer/DS,
PSPCL, _____.

b. Expression of Interest (EOI)

(Logo)

PUNJAB STATE POWER CORPORATION LIMITED

Regd. Off: PSEB Head Office, The Mall, Patiala-147001

Office of _____, The Mall, Patiala

CIN No.U40109PB2010SGC033813

Phone No.0175- _____ Email: @pspcl.org Website:www.pspcl.in

EXPRESSION OF INTEREST

On behalf of the Punjab State Power Corporation Limited (PSPCL), proposal for Expression of Interest (EOI) is invited from the eligible consulting/professional firms for rendering consultancy service in assessing the current status of PSPCL and bench mark the performance in different areas of Generation and Distribution, to validate the outcomes by engaging key stakeholders, identifying the areas for cost cutting measures and its implementation in various segments, developing the Roadmap for the demand supply requirements etc.

The interested bidders may download the EOI/Bid documents containing the detailed 'Request for Proposal' (RFP), Eligibility Criteria, Terms of Reference and General Terms & Conditions etc. from our website www.pspcl.in against non-refundable cost of Rs.2500/- (Rupees Two Thousand Five Hundred only) in the form of demand draft in favour of 'Accounts Officer/ Cash, PSPCL' payable at Patiala which should be submitted along with the bid. The schedule for submission of bids is as under:-

Date of downloading the bid documents	Up to 24 th August, 2015
Date of Pre-bid Conference	13 th August, 2015 at 11.00 AM
Last Date of Receipt of Tenders	29 th August, 2015 up to 3.00 PM
Date of Opening of Tenders	29 th August, 2015 at 3.30 PM
Earnest Money	Rs.500000/- (Rupees Five Lac only)

Amendment/corrigendum, if any, shall be issued only on our above mentioned web site up to last day of downloading the EOI/Bid documents.

Stamp of the issuing authority

Marks: 10X2= 20

Question 3

a. Punctuation

(11)

1. I gave you the spray bottles for one reason: to clean the windows.
2. You will need the following ingredients: milk, sugar, flour and eggs.
3. My father ended every conversation the same way: "Don't give up."
4. I have invited the following people to my party: Kunal, Anita and Karan.
5. The soldier shouted the following before leaving to war: "We shall return victorious!"

Marks: 1X5=5

b. meaning of idioms and phrases

- | | |
|-------------------------------------|----------------------------------------------------------------------------------------------------|
| i. dribs and drabs- | in small portions; bit by bit. |
| ii. jump in at the deep end- | to begin doing something very complex and unfamiliar, suddenly without any guidance or assistance. |
| iii. Set the cat among the pigeons- | to do or say something that causes trouble and makes a lot of people angry and worried. |
| iv. make no bones about- | Act or speak frankly. |
| v. the die is cast- | No turning Back, the point of no return. |

Marks: 1X5=5

Answer 4

a. Flash drive and its features.

Flash memory is a kind of semiconductor-based, non-volatile, rewritable computer memory; that is, it has many of the same characteristics as RAM, except that the data is not wiped out when the machine is turned off.

Flash memory stores bits of data in memory cells, but the data remains saved even when electrical power is cut.

Due to its higher speed, durability, and low energy consumption, flash memory is ideal for many applications, such as digital cameras, mobile phones, printers, PDAs, laptop computers, and mp3 players.

Flash memory is considered a solid state storage device. Solid state means that there are no moving parts — everything is electronic instead of mechanical.

b. Shortcut.

In computing, a file shortcut is a handle in a user interface that allows the user to find a file or resource located in a different directory or folder from the place where the shortcut is located.

Shortcuts are typically implemented as a small file containing a target URL or GUID to an object, or the name of a target program file that the shortcut represents. The shortcut might additionally specify parameters to be passed to the target program when it is run. Each shortcut can have its own icon. Shortcuts are very commonly placed on a desktop, in an application launcher panel such as the Microsoft Windows Start Menu, or in the main menu of a desktop environment. The functional equivalent in the Macintosh operating system is called an alias, and a symbolic link (or symlink) in UNIX-like systems.

c. Modifier Keys.

Modifier keys are special keys that modify the normal action of another key, when the two are pressed in combination. For example, <Alt> + <F4> in Microsoft Windows will close the program in an active window. The most widely-used modifier keys include the Control key, Shift key and the Alt key.

A Control key is a modifier key which, when pressed in conjunction with another key, will perform a special operation.

The Shift key is a modifier key which is used to type capital letters and other alternate "upper" characters.

The Alt key on a computer keyboard is used to change (alternate) the function of other pressed keys.

The Space bar, spacebar, or space key, is a key whose main purpose is to conveniently enter the space, e.g., between words during typing.

The Enter key causes a command line, window form or dialog box to operate its default function.

d. Special Keys.

The Page Up & Page Down keys are used to scroll up or down in documents.

The Home key is used to take the control to the start of the document.

The End key is used to take the control to the end of the document.

.b key on a keyboard is used to advance the cursor to the next tab stop.

The Insert key is used to switch between the two text-entering modes.

The Delete key performs a function which discards the character ahead of the cursor's position, moving all following characters one position "back" towards the freed place.

The Print Screen command used to capture the entire screen and send it to the printer, but in the present it usually puts a screenshot in the clipboard.

The Escape key (often abbreviated Esc) is used to initiate an escape sequence.

The Menu key / Application key is a key found on Windows-oriented computer keyboards. It is used launch a context menu with the keyboard rather than with the usual right mouse button.

Marks: 5X4= 20

Answer 5

a. Tables

Tables are used to display data in a tabular format. The operations on Table can be :
Creating Table and Formatting Table.

Inserting a table in word document:-

1) Either click Insert >> Tables and choose any of the required format.

2) Or Click Insert Table and number of rows & columns.

Under AutoFit behavior, choose an option to adjust the table size:

User can draw a complex table of different heights or a varying number of columns per row.

Click Insert >> Table >> Draw Table.

The pointer changes to a pencil.

Draw a rectangle to define the outer boundaries of the table, and draw column and row lines.

b. Converting text into a table.

Select the text that we want to convert into a table format.

Click Insert >> Tables >> Convert Text to Table.

In the Convert Text to Table dialog box, under Separate text at, click the option for the separator character that is in our text.

Select the rows or table that we want to convert to paragraphs. Under Table Tools, on the Layout tab, in the Data group, click Convert to Text.

c. Insertion of worksheet in a word document.

Place the insertion point where the worksheet is to be created.

Then click Insert >> Table >> Excel Spreadsheet.

Marks: 5X3= 15

Answer 6

- a. Formula in MS Excel. Basic arithmetic operators and using a formula.

Formula uses numerical data found in the chosen cell range (the value entered in a cell range)
Enter the formula:

1. select the cell where you want to enter a formula
2. enter the sign "="
3. enter numeric values or cell addresses and arithmetic operator
4. press the Enter key to complete

Basic arithmetic operators:

- addition = $A1 + A2$
- multiplication = $A3 * C5$
- division = $C5/C3$
- exponentiation = $F15^A2$

Microsoft Excel follows the mathematical order of calculation operations. Formula can be seen in the formula bar when the cell, that contains it, is selected or if we position the cursor with a double click in the cell, that contains the formula (that way it will be visible in the cell and edited too). The formula result will be displayed in the cell that contains the formula and where the cursor is not positioned.

- b. Template in MS Excel.

Template is like a pad of preprinted paper. Every time a template is opened a copy of the template is created. Templates can be extremely helpful when working with workbooks with identical formatting, labels, formulas, and so on.

- c. Creating a new worksheet in an existing file.

To quickly insert a new worksheet at the end of the existing worksheets, click the Insert Worksheet tab at the bottom of the screen.

To insert a new worksheet before an existing worksheet, select that worksheet, and then on the Home tab, in the Cells group, click Insert, and then click Insert Sheet.

Marks: 5X3= 15

Answer 1 (A)

- (a) Money Measurement Concept. Only those transactions which are capable of being measured in terms of money are to be recorded in the books of account.
- (b) Realisation concept. Revenue is recognised at the point of sale or at the performance of a service.
- (c) Accrual concept. An accounting system which recognises revenues and expenses as they are earned or incurred, respectively, without regard to the date of receipt or payment.
- (d) Materiality concept. An item is recorded only when it is considered to be useful or important to the user of a financial statement.
- (e) Consistency concept. Whatever accounting method a business unit decides to adopt, a consistent approach has to be followed.

Answer 1 (B)

The following errors are not disclosed by the Trial Balance:-

- (a) Errors of Omission:- If a particular transaction is omitted altogether from the books of original entry, it will not disturb the agreement of the Trial Balance. If a sum of Rs.100 paid to X, is not recorded either in the Cash Book or in the account of X, only the total of the Trial Balance will fall short by Rs.100, but the debit and credit columns will show no difference.
- (b) Errors of Principle:- These errors arise because of an incorrect application of the principles of accounting, for instance, failure to differentiate between capital and revenue expenditure. The existence of this type of error is not disclosed by the Trial Balance. Examples are : (a) Wages paid for installation of machinery being debited to Wages Account; and, (b) Repairs of the building debited to Building Account and the like.
- (c) Compensating Errors:- These are a group of errors, the total effect of which is not reflected in the Trial Balance. These errors are of a neutralizing nature, i.e. one error is compensated by another error or by errors of an opposite nature. For example, an extra debit in Salary Account for Rs.100 may be compensated by an extra credit of Rs.100 in Sales Account.
- (d) Recording Wrong Amount in the Books of Original Entry:-If a transaction is wrongly recorded in the books of original entry and is subsequently carried through the ledgers, it will not cause disagreement in the Trial Balance. For example, if stationery purchased for cash Rs.175 is recorded in the cash book as Rs.751 and posted to Stationery Account in the ledger as Rs.751, the Trial Balance will still agree.
- (e) Recording Both Aspects of a Transaction more than once in the Books of Account:-The Trial Balance will agree if both aspects of a transaction are recorded twice in the books of original entry. For example, if a credit purchase of Rs.4,000 from Tata Chemicals Ltd. is entered in the purchase day book twice, the error will not cause a disagreement in the totals of the Trial Balance.
- (f) Errors in Recording a Transaction on the Correct Side of a Wrong Account:- If a transaction is recorded on the correct side of a wrong account, it will not cause a

disagreement in the Trial Balance. For example, if Rs.500 cash paid to Ram, is wrongly debited to Raman Account, it will not affect the agreement of the Trial Balance.

Answer 1 (C)

Journal.

	Particulars	L.F.	Dr. Rs.	Cr. Rs.
1.	Returns Inwards A/c Dr. To Suspense A/c (Being Returns Inwards Book undercast by Rs.100, now rectified)		100	100
2.	Hari Chand A/c Dr. To Radhey A/c To Suspense A/c (Being cash of Rs.5,810 paid to Hari Chand was wrongly debited to Radhey A/c as Rs.5,010, now rectified)		5,810	5,010 800
3.	Furniture A/c Dr. To Purchases A/c (Being purchase of furniture was wrongly debited to Purchases Account, now rectified)		1,500	1,500
4.	Purchase A/c Dr. To Suspense A/c (Being purchase of Rs.500 was wrongly posted as Rs.50 to the Purchases Account, now rectified)		450	450
5.	Machinery A/c Dr. To Wages A/c (Being wages paid for erection of machinery was wrongly debited to Wages Account, now rectified)		700	700
6.	Drawings A/c Dr. To Purchases A/c (Being goods purchased for personal use was wrongly debited to Purchases Account, now recorded)		1,000	1,000
7.	Depreciation A/c Dr. To Suspense A/c (Being depreciation on machinery was not posted to Depreciation Account, now rectified)		1,000	1,000
8.	Suspense A/c Dr. To Shyam A/c To Ram A/c (Being Rs.100 received from Ram was wrongly debited to Shyam's Account, now rectified)		200	100 100
9.	Suspense A/c Dr. To Mohan A/c (Rs.1,150x2) (Being cash received from Mohan of Rs.1,150 was wrongly debited to his account, now rectified)		2,300	2,300
10.	Kishan A/c Dr. To Purchases Return A/c (Being purchases return to Kishan were not recorded in the book, now recorded)		980	980

Answer 2 (A)

In the Books of A

Dr.

Machinery Account

Cr.

Date	Particulars	Rs.	Date	Particulars	Rs.
1.7.2014	To Balance c/d - Note 1(a)	6,73,280	30.6.2015	By Depreciation A/c (Note 2)	3,78,750
1.10.2014	To Bank A/c	15,00,000	30.6.2015	By Balance c/d	18,16,250
30.6.2015	To Profit & Loss Adjustment A/c - Note 1 (c)	<u>21,720</u> <u>21,95,000</u>			<u>21,95,000</u>

Working Note: 1 (a) Calculation of Depreciation under Diminishing Balance Method

Date of Acquisition	1.7.2010 (Rs.)	1.1.2012 (Rs.)	Total Depreciation (Rs.)
Cost	8,00,000	----	
Less Depreciation for 2010-11 @ 20% p.a.	1,60,000	----	1,60,000
Balance on 1.7.2011 (W.D.V.)	6,40,000		
Cost	----	6,00,000	
Less Depreciation for 2011-12 @ 20% p.a.	1,28,000	60,000*	1,88,000
Balance on 1.7.2012 (W.D.V.)	5,12,000	5,40,000	
Less : Depreciation for 2012-13 @ 20% p.a.	1,02,400	1,08,000	2,10,400
Balance on 1.7.2013 (W.D.V.)	4,09,600	4,32,000	
Less Depreciation for 2013-14 @ 20% p.a.	81,920	86,400	1,68,320
Balance on 1.7.2014 (W.D.V.)	3,27,680	3,45,600	7,26,720

*For ½ year.

W.D.V. on 1.7.2014 Machinery Account = Rs.(3,27,680+3,45,600) = Rs.6,73,280

1 (b) Calculation of Depreciation under Straight Line Method

Date of Acquisition	1.7.2010	1.1.2012	Total Depreciation (Rs.)
No. of years for which Depreciation is to be charged	4	2½	
Annual Depreciation @ 15% p.a. on original cost	1,20,000	90,000	
Total Depreciation	4,80,000	2,25,000	7,05,000

1 (c) Depreciation overcharged = Rs.7,26,720-Rs.7,05,000 = Rs.21,720

(2) Depreciation for 2014-15

- | | |
|----------------------------------|--------------------------|
| (i) On 1st Machine | Rs. 1,20,000 (full year) |
| (ii) On 2 nd Machine | Rs. 90,000 (full year) |
| (iii) On 3 rd Machine | Rs. 1,68,750 (9 months) |
| Total | Rs. 3,78,750 |

Answer 2 (B)

Importance of Bank Reconciliation:-

Bank reconciliation is an usual and valued practice of almost all business concerns. Valued because, it is an important mechanism of internal control of cash inflow and outflow. Both of them must tally as per Cash Book with the Bank Statement. This brings into focus errors and irregularities, if any. Because of the fear of detection, people in charge of maintaining and recording the cash have to be careful.

Usually, for the purpose of prevention, the two functions of bank reconciliation and of recording cash transactions are separated from each other. With this separation of functions, the system of check automatically operates and chances of pilferage or embezzlement are reduced. The employees cannot prepare unauthorized cheques, and get them encashed, without entering the transaction in the account. If they want to, they should enter into collusion with each other, which is more circuitous and, therefore, difficult than when both the jobs are entrusted to the same person. Therefore, just as a judge should not be the legislator, likewise cash recording and cash dealing with the books should be in separate hands, and they are kept in separate hands in well managed concerns.

Answer 2 (C) Let cash sales be X, Credit Sales = 2X,

$$\begin{aligned} \text{Total Sales} &= X + 2X = 3X \\ 2X &= \text{Rs. } 4,00,000 \\ X &= \text{Rs. } 4,00,000 / 2 = \text{Rs. } 2,00,000 \\ \text{Total Sales} &= \text{Rs. } 2,00,000 \times 3 = \text{Rs. } 6,00,000 \end{aligned}$$

Let Cost of Goods sold be X

Cost + Gross Profit = Sales

$$X + \frac{1}{5}X = \text{Rs. } 6,00,000$$

$$X = \text{Rs. } 6,00,000 \times \frac{5}{6} = \text{Rs. } 5,00,000$$

$$\text{Gross Profit} = \text{Rs. } 6,00,000 - \text{Rs. } 5,00,000 = \text{Rs. } 1,00,000$$

$$\begin{aligned} \text{Gross Profit Ratio} &= \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100 \\ &= \frac{\text{Rs. } 1,00,000}{\text{Rs. } 6,00,000} \times 100 = 16.67\% \end{aligned}$$

Answer 3 (A)

Journal of XYZ Limited

		Dr.	Cr.
Date	Particulars	Rs.	Rs.
1.7.2014	Bank A/c (Note 1 -Column 3) Dr. To Equity Share Application A/c (Being application money received on 3,55,000 shares @ Rs.2 per share)	7,10,000	7,10,000
10.7.2014	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c (Note 1 column 5) To Bank A/c (Note 1 Column 6) (Being application money on 1,00,000 shares transferred to Equity Share Capital Account; on 2,15,000 shares adjusted with allotment and on 40,000 shares refunded as per Board's Resolution No..... dated.....)	7,10,000	2,00,000 4,30,000 80,000
10.7.2014	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being allotment money due on 1,00,000 shares @ Rs 5 each including premium as per Board's Resolution No dated.....)	5,00,000	1,00,000 4,00,000
10.7.2014	Bank A/c (Note 1 - Column 8) Dr. To Equity Share Allotment A/c (Being balance allotment money received)	70,000	70,000
30.4.2015	Equity Share Final Call A/c Dr. To Equity Share Capital A/c (Being final call money due on 1,00,000 shares @ Rs.7 per share as per Board's Resolution No..... dated.....)	7,00,000	7,00,000
30.4.2015	Bank A/c Dr. To Equity Share Final Call A/c (Being final call money on 1,00,000 shares @ Rs.7 each received)	7,00,000	7,00,000

Notes: (1) Calculation for Adjustment and Refund

Category	No. of Shares Applied for	No. of Shares Allotted	Amount Received on Application	Amount Required on Application	Amount Adjustment on Allotment	Refund (3- (4+5))	Amount due on Allotment	Amount Receivable on Allotment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(7-5) (8)
i	5000	5,000	10,000	10,000	---	Nil	25,000	25,000
ii	30,000	15,000	60,000	30,000	30,000	Nil	75,000	45,000
iii	3,20,000	80,000	6,40,000	1,60,000	4,00,000	80,000	4,00,000	---
TOTAL	3,55,000	1,00,000	7,10,000	2,00,000	4,30,000	80,000	5,00,000	70,000

Answer 3 (B)

As per AS 12 'Accounting for Government Grants' when government grant is received for a specific purpose, it should be utilized for the same. So the grant received for setting up a factory is not available for distribution of dividend.

In the second case, even if the company has not spent money for the acquisition of land, land should be recorded in the books of accounts at a nominal value. The treatment of both the elements in the treatment of the grant is incorrect as per AS 12.

Answer 3 (C)

Capitalisation of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

An asset is normally ready for its intended use or sale when its physical construction or production is complete even though routine administrative work might still continue. If minor modifications such as the decoration of a property to the user's specification, are all that are outstanding, this indicates that substantially all the activities are complete.

When the construction of a qualifying asset is completed in parts and a completed part is capable of being used while construction continues for the other parts, capitalisation of borrowing costs in relations to a part should cease when substantially all the activities necessary to prepare that part for its intended use or sale are complete.

Answer 4 (A)

(a) General Considerations in Framing a System of Internal Check: The term "internal check is defined as the "checks on day to day transactions which operate continuously as part of the routine system whereby the work of one person is proved independently or is complementary to the work of another, the object being the prevention or early detection of errors or fraud". The following aspects should be considered in framing a system of internal check:

1. No single person should have an independent control over any important aspect of the business. The work done by one person should automatically be checked by another person in routine course.
2. The duties/work of members of the staff should be changed from time to time without any previous notice so that the same officer or subordinate does not, without a break, perform the same function for a considerable length of time.
3. Every member of the staff should be encouraged to go on leave at least once in a year so that frauds successfully concealed by such a person can be detected in his absence.
4. Persons having physical custody of assets must not be permitted to have access to the books of accounts.
5. There should be an accounting control in respect of each important class of assets, in addition, these should be periodically inspected so as to establish their physical condition.
6. The system of Budgetary Control should be introduced.
7. For inventory-taking, at the close of the year, trading activities should, if possible, be suspended. The task of inventory-taking, and evaluation should be done by staff belonging to other than inventory section.
8. The financial and administrative powers should be sub divided very judicially and the effect of such division should be reviewed periodically.
9. Finally, the system must be capable of being expanded or contracted to correspond to the size of the concern.

Answer 4 (B): Vouching of travelling expenses: The following factors are to be considered while "Vouching of Travelling Expenses":-

- (i) Travelling expenses are normally payable to staff according to rules approved by directors or partner. Where no rules exist, the auditor should recommend that these be framed for controlling the expenditure. In the absence of T.A Rules, the expenditure should be vouched on the basis of actual expenditure incurred. A voucher should be demanded for all items of expenses incurred, except those which are capable of independent verification.
- (ii) As regards travelling expenses claimed by directors, the auditor should satisfy himself that these were incurred by them in the interest of the business and that the directors were entitled to receive the amount from the business.
- (iii) The voucher for travelling expenses should normally contain the under mentioned information:
 - (1) Name and designation of the person claiming the amount.
 - (2) Particulars of the journey.
 - (3) Amount of railways or air fare.
 - (4) Amount of boarding or lodging expenses or daily allowance along with the dates and times of arrival and departure from each station.
 - (5) Other expenses claimed.
- (iv) If the journey was undertaken by air, the counterfoil of the air ticket should be attached to the voucher; this should be inspected. For travel by rail or road, the amount of the fare claimed should be checked from some independent source.
- (v) Particulars of boarding and lodging expenses and in the case of halting allowance the rates thereof should be verified.
- (vi) The evidence in regard to sundry expenses claimed is generally not attached to T.A. bills. So long as the amount appears to be reasonable it is usually not questioned. All vouchers for travelling expenses should be authorised by some responsible official. In the case of foreign travel or any extraordinary travel, the expenses, before being paid, should be sanctioned by the Board.
- (vii) The travelling advance taken, if any, should be settled on receipt of final bills. At the year end, the amount not settled should be shown appropriately in the Balance Sheet.
- (viii) Unless the articles specifically provide or their payment has been authorised by a resolution of shareholders, directors are not entitled to charge traveling expenses for attending Board Meetings.

Answer 5 (A)

Vouching:- The act of examining vouchers is referred to as vouching. It is the practice followed in an audit, with the objective of establishing the authenticity of the transaction recorded in the primary books of account. It essentially consists of verifying a transaction recorded in the books of account with the relevant documentary evidence and the authority on the basis of which the entry has been made; also confirming that the amount mentioned in the voucher has been posted to an appropriate account which would disclose the nature of transaction on its inclusion in the final statements of account. After examination, each voucher is marked in a manner to ensure that it may not be presented again in support of another entry.

The following points need careful consideration while examining a voucher:

1. that the date of the voucher falls within the accounting period;
2. that the voucher is made out in the client's name;
3. that the voucher is duly authorised;
4. that the voucher comprised of all the relevant documents which could be expected to have been received or brought into existence on the transactions having been entered into, i.e., the voucher is complete in all respects; and
5. that the account in which the amount of the voucher is adjusted is the one that would clearly disclose the character of the receipts or payments posted thereto on its inclusion in the final accounts.

Answer 5 (B) (a)

The auditor should verify that transactions have been carried out with the approval of the competent authority. Here, for the sale of investments, competent authority is the committee. All decisions of purchase and sale should be sanctioned by the committee by a majority of the members before purchase or sale. However, this is not a hard and fast rule. In emergency situations as stated in the problem, sales or purchases may be made without the prior sanction of the committee but the transaction should be subsequently ratified by the committee. Auditor should insist on ratification of the sale by the committee. If such ratification is done, it is alright. If not, the auditor should report this matter in his communication of internal control weakness to top management – Board of Directors/ Audit Committee.

Answer 5 (B) (b)

As per the generally accepted accounting principles, the accounts of a particular year should incorporate all transactions which took place during that year. As per commercial customs and usages, payment is treated as made or received on the date on which cheque is given or received (even though it will be cleared at a later date) provided that the cheque does not bounce subsequently. Hence, the fact that cheque has been received means payment has been received during the year and accounted for by debiting cheques on hand and crediting the party concerned. In the following period when cheque is banked, cheque on hand will be credited and bank account debited. If any of these cheques bounce subsequently, entry should be reversed as of year-end (and not in the next month). The above rules apply if cheques are not post-dated. If cheques are post-dated, then they will be accounted for only in the next period when date arrives.

SESSION -8/2015
SAS Part-2
(INDUSTRIAL, COMMERCIAL LAWS & DIRECT TAXES)
PAPER-VII
MODEL SOLUTION

10/16

QUESTION NO.1(a)

The provisions relating to safety measures for the workers employed in the factory are as under -

1. There should be proper arrangement of lighting in factories either by natural sources or artificial sources.
2. Any moving part of the machinery or machinery that is dangerous in kind should be properly fenced.
3. The employment of young person on dangerous machinery is not allowed unless he is been fully instructed in the usage of the machinery and is working under the supervision.
4. Every factory should have special devices for cutting off of power in emergencies from running machinery. Suitable striking gear appliances should be provided and maintained for moving belts.
5. The women and children should not be appointed for any part of factory working on cotton pressing.
6. All floors, stairs, passages and gangways should be properly constructed and maintained, so that there are no chances of slips or fall.
7. No person in any factory shall be employed to lift, carry or move any load so heavy that might cause in injury. State Government may specify maximum amount of weight to be carried by workers.
8. Factory should provide specific goggles or screens to the workers who are involved in manufacturing work that may cause them injury to eyes.
9. No worker shall be forced to enter any chamber, tank, vat, pit, pipe, flue or other confined space in any factory in which any gas, fume, vapour or dust is likely to be present to such an extent as to involve risk to persons being overcome thereby.
10. There should be safe mean to escape in case of fire, and also necessary equipment and facilities to extinguish fire.

Marks: 10

QUESTION NO.1 (b)

No lump sum or half-monthly payment payable under the Workmen's Compensation Act 1923 shall in any way be capable of being assigned or charged or be liable to attachment or pass to any person other than the workman by operation of law, nor shall any claim be set off against the same.

Marks: 5

QUESTION NO.1(c)

The bill is a valid bill for Rs 10,000 because in case of discrepancy between the amount stated in figure and in words, the amount stated in words shall be the amount of the instrument.

Marks: 5

SESSION -8/2015
SAS Part-2
(INDUSTRIAL, COMMERCIAL LAWS & DIRECT TAXES)
PAPER-VII
MODEL SOLUTION

QUESTION NO.2 (a)

Holder: - The "Holder" of a promissory note, bill of exchange or cheque means any person entitled in his own name to the possession thereof and to receive or recover the amount due thereon from the parties thereto. Where the note, bill or cheque is lost or destroyed, its holder is the person so entitled at the time of such loss or destruction.

Holder in due course: - means any person who for consideration became the possessor of a promissory note, bill of exchange or cheque if payable to bearer, or the payee or indorsee thereof, if payable to order, before the amount mentioned in it became payable, and without having sufficient cause to believe that any defect existed in the title of the person from whom he derived his title.

Privileges of the holder in due course:-

- 1) The holder in due course gets a good title even though the instruments were originally stamped but was an inchoate instrument.
- 2) Every prior party to the instruments is liable to a holder in due course until the instrument is duly satisfied.
- 3) Acceptor cannot plead against a holder in due course that the bill is drawn in a fictitious name.
- 4) The other parties liable to pay cannot plead that the delivery of the instrument was conditional or for a specific purpose only.
- 5) He gets a good title to the instrument even though the title of the transferor or any price party to the instrument is defective. He can recover the full amount unless he was a party to fraud; or if the instrument is negotiated by means of a forged endorsement.
- 6) The person liable cannot plead against the holder in due course that the instrument had been lost or was obtained by means of an offence of fraud or for an unlawful consideration.
- 7) The validity of the instrument as originally made or drawn cannot be denied by the maker or drawer of a negotiable instrument or by acceptor of a bill of exchange for honour of the drawer.
- 8) The maker of a note or an acceptor of a bill payable to order cannot deny the payee's capacity to indorse the same at the date of the note or bill.
- 9) Endorser is not permitted as against the holder in due course to deny the signature or capacity to contract of any prior party to the instrument.

Marks:10

QUESTION NO. 2(b)

Where an offence under the Air (Prevention and Control of Pollution) Act, 1981 has been committed by any Department of Government, the Head of the Department shall be deemed to be guilty of the offence shall be liable to be proceeded against and punished accordingly. Provided that nothing contained in this section shall render such Head of the Department liable to any punishment if he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence.

However, where an offence under this Act has been committed by a Department of Government and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any officer, other than the Head of the Department, such officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

Marks: 10

SESSION -8/2015--SAS Part-2
(INDUSTRIAL, COMMERCIAL LAWS & DIRECT TAXES)
PAPER-VII
MODEL SOLUTION

QUESTION NO. 3 (a)

The act has been enacted to formulate the principles regarding the following:

- i. To formulate principles for determining when a sale or purchase of goods takes place:
 - in the course of Inter-State trade or commerce or
 - outside a State or
 - in the course of import into or export from India.
- ii. To provide for levy and distribution of taxes on sale of goods in the course of Inter State trade or commerce.
- iii. To declare certain goods to be of a special importance in Inter-State trade or Commerce.
- iv. To specify the restriction and condition to which state laws imposing taxes on sale or purchase of goods of special importance in the course of Inter-State trade and commerce shall be subjected to.

Marks:5

QUESTION NO.3 (b)

The requisite minimum number of members can apply to the central government for relief from oppression and mismanagement. The minimum number shall be 100 or members not holding less than $1/10^{\text{th}}$ of the total voting power. The following are the reliefs can be provided:

- 1) The central government may appoint such number of persons as the Tribunal specifies as being necessary to effectively safeguard the interest of the company, or its shareholders or the public interest to hold the office as directors of the company to prevent oppression and mismanagement. The directors so appointed shall not hold office more than three years from the date of appointment.
- 2) Any person can be appointed by the central government to hold office as director or additional director and the government may issue such directions to the company as it may consider necessary to be appropriate in regard to its affairs.
- 3) The central government may require the persons appointed as directors to report to the government from time to time with regards to affairs of the company.
- 4) The government may issue directions that may include:
 - a) To remove an auditor already appointed and appoint another auditor in his place.
 - b) To alter the articles of the company.
- 5) Central government has power to remove managerial personnel from office on recommendation of Tribunal.

Marks: 10

QUESTION NO.3 (c)

1. Winding Up is first stage where assets/liabilities are realised/paid-off; Dissolution is final stage where company ceases to exist.
2. Winding up is carried on by liquidator appointed by company/court; Order for dissolution is given by court only.
3. Liquidator can represent company during winding up till dissolution; After dissolution liquidator don't represent company.
4. Creditors can prove their debts in winding up but not on dissolution
5. Winding up always don't lead to dissolution

Marks 5

SESSION -8/2015
SAS Part-2 (PAPER-VII)
(INDUSTRIAL, COMMERCIAL LAWS & DIRECT TAXES)
MODEL SOLUTION

QUESTION NO.4 (a)

RESOLVED -

- I. That the draft scheme of amalgamation of XYZ Ltd., a subsidiary of the company, with the company be and is hereby approved.
- II. That Shri. A, Managing Director and Shri. B, Company Secretary be and are hereby severally authorised to take such action as may be considered necessary or expedient to obtain the approval and to carry into effect the terms of scheme of amalgamation as approved by the High Court.
- III. That the said Shri. A, Managing Director and Shri. B, Company Secretary be and are hereby authorised severally to sign all papers and/or other documents and swear affidavits which are required for carrying into effect the said scheme of amalgamation."

Marks:10

QUESTION NO.4 (b)

Failure of registration may attract a penalty up to Rs.10000/- or Rs. 200/- for every day during which such failure continues, whichever is higher.

However, such penalty may be waived in case the assessee proves that there was reasonable cause for such failure

Marks: 5

QUESTION NO.4(c)

Every person who has provided a taxable service of value exceeding Rs. 9 lakhs, in the preceding financial year, is required to register with the Central Excise or Service Tax office having jurisdiction over the premises or office of such service provider. In case a recipient is liable to pay service tax he also has to obtain registration.

The "Input Service Distributors" are also required to register them.

Every person who provides taxable service and is liable to pay service tax.

Marks: 5

SESSION -8/2015
SAS Part-2 (PAPER-VII)
(INDUSTRIAL, COMMERCIAL LAWS & DIRECT TAXES)
MODEL SOLUTION

QUESTION NO.5 (a)

- i. "Free consent" the Consent is said to be free when it is not caused by -
- (1) Coercion, or
 - (2) Undue influence, or
 - (3) Fraud, or
 - (4) Misrepresentation, or
 - (5) Mistake.

Consent is said to be so caused when it would not have been given but for the existence of such coercion, undue influence, fraud, misrepresentation, or mistake.

- ii. "Coercion" is the committing, or threatening to commit, any act forbidden by the Indian Penal Code (45 of 1860) or the unlawful detaining, or threatening to detain, any property, to the prejudice of any person whatever, with the intention of causing any person to enter into an agreement.

QUESTION NO.5 (b)

The deductions from total income in respect of various investments/expenditures/payments under Section 80C are as under:-

- i. Life Insurance premium
- ii. Payment in respect of non-commutable deferred annuity
- iii. Any sum deducted from the salary payable to Govt. employee for the purpose of securing him a deferred annuity.
- iv. Contribution towards Statutory Provident Fund and Recognised Provident Fund.
- v. Contribution towards 15-year Public Provident Fund.
- vi. Contribution towards an Approved Superannuation Fund.
- vii. Subscription to National Saving Certificates, specified by the Govt.
- viii. Contribution for participating in the Unit-linked Insurance Plan of UTI.
- ix. Contribution for participating in the Unit-linked Insurance Plan of LIC Mutual Fund.
- x. Payment to notified annuity plan of LIC.
- xi. Subscription towards notified Units of Mutual Fund or UTI
- xii. Contribution to notified Pension Fund set up by Mutual Fund or UTI
- xiii. Any sum paid as Tuition fees for full time education of any two children of an individual.
- xiv. Re-payment of loan for purchase/construction of a residential Property
- xv. Amount invested in approved debenture of, and equity shares in, public company engaged in infrastructure.
- xvi. Amount deposited in as term deposit for a period of 5 years or more in accordance with a scheme framed by the Govt.
- xvii. Subscription to any notified Bonds of National Bank for Agriculture and Rural Development.
- xviii. Amount deposited under Senior Citizens Saving Scheme.
- xix. Amount deposited in 5 year Time Deposit In Post Office

Model Solution SAS Part-II 5-8/2015

SAS Part 2nd

Paper 8th

Works and Management Accountancy

Question No 1

(a) Comment

i) The action is in order as repair and maintenance estimates are prepared as per norms laid by PSPCL from time to time. No provision is required to be for these expenses in these estimates.

ii) As per accounting procedure for deposit works prescribed in Manual on Capital Expenditure and Fixed Assets the action is in order.

iii) The action is in order as laid in Manual on Capital Expenditure and Fixed Assets.

iv) The cost should be capitalised when these buildings are put to use without waiting for commissioning of the project. As such the action is not as per Manual on Capital Expenditure and Fixed Assets

v) The expenditure should have been debited to Miscellaneous Works in the project cost by preparing a special estimate and not to office contingency.

(b) Classify the following

i) The amount should be credited under Account Code 62.9 Miscellaneous Receipts by debit to Other receivable 28.8. However opening of new sub account codes are required under both the Account Codes i.e. 62.9 & 28.8

ii) 28.863

ix 53.720

iii) 10.551

x 55.401

iv) 15.230

v) 20.250

vi) 22.730

vii) 25.521

viii) 46.715

21/8/15
7-2
Paper-VIII

①
19

Question No 2

(a) Bill Of Material & Store Requisition

Bill of materials is a complete schedule of component parts and raw materials required for a particular job or work order prepared by the drawing office along with the necessary blue prints of the drawings.

Store requisition is a written document prepared to demand by production department to stores department to supply certain materials.

Distinguish between the two

Bill of materials

Prepared by drawing office

A complete schedule of component parts and raw materials required for a particular job or work

Often serves the purpose of a stores requisition

Helps in keeping a quantitative control on materials

As the store keeper should not issue any excess quantities of the materials

Used for the purpose of quotations

Serves purpose of purchase requisition and Work order

Store requisition

Prepared by Foreman of the consuming department

A document authorising store keeper to issue materials to the consuming department.

Can not replace bill of materials

Shows the materials actually drawn from stores.

Useful in arriving at historical cost only

Can not serve such purposes.

- (b) Cost object is defined as anything for which a separate measurement of costs is desired. Generation of electricity at thermal station is a example of the same.

Cost centre It is defined as a location, person or an item of equipment or a group of these for which costs are ascertained. Coal handling system in a thermal plant is an example of cost centre.

Cost unit is a unit of product or service or time in relation to which costs may be ascertained or expressed. Kilo watt hour is unit for electricity generation.

As such the cost object is broader term which refers to the purpose of cost ascertainment where as cost centre indicate a part of whole system of cost object for which cost is determined for control purpose. Total cost of the object is expressed as its per unit known as cost unit.

©

Product/Service	Cost unit	Costing methods
Coal	per tonne	Output costing
Taxi Service	Passenger Kilometre	Operating costing
Electricity	Kilo watt hour	operating Costing
Bricks	per 1000 bricks	Output costing

(d)

Economic order quantity = $\sqrt{2 \cdot A \cdot O / C}$

$$= \sqrt{2 \cdot (50 \cdot 365) \cdot 50 / 0.02 \cdot 365}$$

$$= \sqrt{250000} = 500 \text{ units}$$

Re-order level = Maximum consumption * maximum lead period

$$= 50 \cdot 32 = 1600 \text{ units}$$

(2)

Model Solution SAs Part-II 5-8/2015 Paper-VIII

Question No 3

(a)

1 Direct materials inventory as on 31.05.2015

Particulars	Rs. Lac
Opening Balance	90
Purchases during the month	360
Total	450
Used during the month	375
Balance as on 31.05.2015	75

2 Fixed manufacturing overhead for the month

Total manufacturing overhead	480
Variable manufacturing overhead	250
Fixed manufacturing overhead	230

3 Direct Manufacturing Labour for the month

Total manufacturing costs	1600
Total manufacturing overhead	480
Direct Costs	1120
Direct Materials during the month	375
Direct Manufacturing Labour	745

4 WIP as on 31.05.2015

WIP as on 01.05.2015	200
Total manufacturing costs during the month	1600
Cost of goods manufactured	1650
WIP as on 31.05.2015	150

5 Goods Available for sale during the month

Finished goods inventory as on 01.05.2015	125
Cost of goods manufactured	1650
Goods Available for sale during the month	1775

6 Finished goods inventory as on 31.05.2015

Goods Available for sale during the month	1775
Cost of goods sold	1700
Finished goods inventory as on 31.05.2015	75

(b)

Operating Costing

Operating costing which applies where standardised services are provided either by an undertaking or by a service cost centre within an undertaking. The costs incurred in providing a service are called operating costs and the method used for computing such costs is called operating costing. In PSPCL operating costing is applied in thermal plants for generation of electricity which is sold to consumers. The system is also applied in PSPCL for running of departmental construction facilities(machinery), vehicles etc to provide in house services.

Job/Batch Costing

It is the basic costing method applicable where the work consists of separate contracts, jobs or batches. Thus job/batch costing falls under the broad category of specific order costing. In PSPCL job costing is applied to ascertain the cost of departmentally executed capital works, repair of power transformers in own workshops etc. The batch costing is applied in PCC pole manufacturing, repair of DS transformers etc.

Question No 4

(a) The technique of marginal costing is helpful to deal with such cases of produce or buy. Under this technique costs are classified into fixed and variable. PSPCL has to bear the fixed costs of own power stations and long term power suppliers under power purchase agreement whether it runs its own plants or go for purchase of power under PPAs. However comparison of variable costs i.e. fuel costs for own thermal plants and energy charges for power purchased helps in taking decision to go for generation or purchase of power.

To sell power to the consumers by offering discounts PSPCL have to keep in mind the selling of power should not be less than the variable cost of power generated or purchased.

(b)

Budgeted Units (No)	1500000
Variable cost Rs. Per unit	14
Fixed cost Rs. Per unit	2
Selling price Rs. Per Unit	$(14+2)*100/(100-20)=20/$
Contribution Rs. Per Unit	6
Total Fixed Cost Rs.	$150000*2=300000/$
Break even point Units No	$300000/6=50000$
Profit volume ratio %	$6/20*100=30\%$

©

In the Annual Revenue Requirements being filed by PSPCL with PSERC the following technical and financial are submitted for consideration by the commission to determine the ARR for the year for tariff determination.

Technical data

Category wise metered sales and unmetered sales(Mus)

Transmission & Distribution Losses (Mus & %age)

Total energy requirements(Mus)

Source wise own generation from thermal hydel and common pool plants with gross generation(Mus), auxiliary consumption(Mus & %age) and net generation. Mus).

Source wise power purchase in Mus

Consumption parameters i.e. coal consumption and oil consumption per kwh for thermal generation. Transit loss for coal. Total quantity of coal & oil required in MTs & KLs for coal & oil respectively.

Financial Data

Price of Coal per MT and oil per KL with total amount of fuel costs for actual/projected generation in thermal plants.

Cost of power purchase per kwh and total amount with break up in fixed cost and energy charges. Transmission charges payable to PGCIL & PSTCL separately

Repairs & Maintenance costs with operating expenses on lubricants, cost of water etc.

Employees costs indicating terminal liabilities separately

Administration & General expenses, depreciation, interest charges on working capital loans and long term loans for capital expenditure.

Annual plan indicating function wise/scheme wise capital outlay

Return on equity.

Details of Non-tariff income

After scrutinising ARR submitted by the company the commission determines the Annual Revenue Requirements by applying its laid down parameters in the PSERC determination of tariff regulations. The Commission determine the sales by applying CAGR, allows fuel costs based on allowable heat rate, energy requirements are calculated by determining sales and %age T&D losses. Various para-metres such Whole sale Price Index for R&M, Employees costs & A&G expenses, estimated amount of fixed assets for depreciation, interest on working capital loans on normative basis and interest on long term loans keeping in view the capital outlay approved. Return on equity on the equity contribution by GOP.

Tariff rates for various categories are determined in line with provisions of the Act, national tariff policy and commission's own regulations.

Question No 5

(a) Cash Budget

This budget gives an estimate of the anticipated receipts and payments of cash during the budget period. Every factor which affects the receipts and payments of cash is taken into account in the preparation of this budget.

Determinants considered while preparing monthly cash budget

Cash Receipts

The collection from consumers for sale of power, Electricity duty, Octrio, security deposits service connection charges, deposit for works etc main source of cash receipts in PSPCL. The amount to be remitted by field offices and credited to main account of the company are estimated based previous year's same month as well as current year' previous month data leaving room for abnormal receipt due to any particular reasons. Similarly amount to be received from Government of Punjab for tariff compensation in lieu of free AP and concessional DS supply is considered. Expected Receipt of long term loans from REC/PFC for capital expenditure funding mainly comes is another source of cash receipt. Cash gap is estimated to be funded by raising working capital loans from bank/FIs.

Cash Payments

PSPCL's monthly cash payments consists of payments to power suppliers, fuel costs, repair & mtc. Establishment expenses, administration expenses, interest and principal repayments of loans. PSPCL deposits electricity and octrio collected on behalf of GOP/local bodies with them. This is another payment item.

(b)

Pay back period

It is expressed in years which it takes to make the cash inflows from a capital investment project equal the cash outflows. This method specifies the recovery time, by accumulation of the cash inflows year by year until the cash inflows equal to the amount of the original investment.

Net Present value Method

The method considered the discounted value of cash inflow and cash outflow to appraise the investment. The method discounts the net cash flows from the investment by the minimum required rate of return, and deducts the initial investment to give the yield from the funds invested. If yield is positive the project is acceptable. If it is negative the project is unable to pay for itself and is thus unacceptable.

Internal Rate of Return Method

Internal rate of return is a percentage discount rate used in capital investment appraisals which brings the cost of a project and its future cash inflows into equality. The IRR is defined as the rate at which the net present value is zero.

Distinguish between net present value and internal rate of return methods

Both methods are discounted cash flow methods of evaluation of capital projects because they take into consideration the magnitude and the timing of expected earning in each period of project's life. The internal rate of return is the discount rate that equates the present value of initial cost of the investment with the present value of expected net cash inflows. The present value method on the other hand, discounts expected cash flows at a required rate of return commonly known as cut off rate and advocates the acceptance of the project if the discounted cash inflows are more than the discounted cash outflows.

For making a choice between two projects competing for the funds at the disposal of a concern the net present value method can give a better choice because it can give better idea of ranking of the projects. The basic presumption behind discounting cash flow methods is that cash inflows must be reinvested to yield the discounting rate. It is easy to make reinvestment of funds at the cut off rate than at the IRR which is usually higher than the cut off rate. Hence the net present value method being based at a cut off rate is more reliable in ranking two or more projects than the IRR.