

Paper V

**PUNJAB STATE POWER CORPORATION LIMITED**

**DEPARTMENTAL ACCOUNT EXAMINATION- 2019 (Category- SAS Part  
II)**

**Paper- V-Drafting and Computer Knowledge  
(Solution)**

Model Sol. of SAS-II | S-2/2019 P-V

**Q.1 Make a précis of the following passage in about one-third of its length. Suggest an appropriate title for the passage.**

It is physically impossible for a well-educated, intellectual, or brave man to make money the chief object of his thoughts just as it is for him to make his dinner the principal object of them. All healthy people like their dinners, but their dinner is not the main object of their lives. So all healthy minded people like making money ought to like it and enjoy the sensation of winning it; it is something better than money.

A good soldier, for instance, mainly wishes to do his fighting well. He is glad of his pay—very properly so and justly grumbles when you keep him ten years without it—till, his main mission of life is to win battles, not to be paid for winning them. So of clergymen. The clergyman's object is essentially baptize and preach not to be paid for preaching. So of doctors. They like fees no doubt—ought to like them; yet if they are brave and well-educated the entire object to their lives is not fees. They on the whole, desire to cure the sick; and if they are good doctors and the choice were fairly to them, would rather cure their patient and lose their fee than kill him and get it. And so with all the other brave and rightly trained men: their work is first, their fee second—very important always; but still second.

(Words: 232)

**Soln:**

**Title: Money is not everything / Money making is not the principal aim of life/ Money and conscience (either of the three or any other title that fits the précis)**

Money-making is a common attraction in life. But it cannot be the principal aim of well educated, cultured and brave man. A brave soldier prizes honour and victory more than his pay. A good clergyman is more interested in the moral welfare of his people than his returns. A good doctor values the care of his patient far more than his fees. Thus with all the well-educated, intellectual persons, their work is first, money next.

(Words: 75)

**Q.2 a)** It has been mandated by PSPCL Management to link fingerprints, photos, Aadhar Cards and Passport details of all employees in HR database within one month. Prepare a letter to all HODs conveying the same and requesting them to direct all employees under them to get their data updated by visiting the computer centre established in IT department for the same. Ensure that the letter is delivered both by email as well as by post.

**Soln:**

Punjab State Power Corporation Limited

To

All HODs across PSPCL

By post  
&  
email

Memo no:

Dated:

Subject: Linking employee details in HR Database

Ref: Decision of the management of PSPCL to link fingerprints, photos, Aadhar Cards and Passport details of all employees in HR database within one month (copy attached)

With reference to above decision of the PSPCL management, it is requested to direct all employees working under your organization/ department to get their details updated in HR database by visiting computer centre established in IT Department of PSPCL. It may kindly be noted that the activity need to be completed within one month and all employees should ensure meticulous compliance of the same.

Matter most urgent.

Sign

Xxxx (Name of post)

Stamp

b) Prepare an agenda for the BODs of PSPCL requesting decision to make dress code compulsory for the all the employees of PSPCL. Take average cost of dress (male/ female) as Rs. 3000 per year incl. all taxes (with charges to be shared between employees and company in equal proportions) and number of employees as 50,000. Clearly bring out the merits and demerits of the same as well as the financial impact of the same on the company.

Soln:

Punjab State Power Corporation Limited  
<o/o HOD>

Agenda No.

Dated:

**Confidential**  
**BOD's Case**

Total Pages: -

**Subject: Making dress code compulsory for all the employees of PSPCL**

**1.0 Background**

PSPCL is an esteemed organization and has become a corporation since 2010. Any corporate organization has a formal dress code for all its employees and PSPCL needs to have a dress code of its own.

**2.0 Proposal**

In order to promote corporate culture, to enable its employees to increase productivity in this competitive era, and to strengthen the image of the organization, it is proposed to make dress code compulsory for all its employees. This will provide the following benefits:

- a) It will provide advertisement for PSPCL and will strengthen its image in the market
- b) It will bring a sense of identity, belongingness and unity to the employees
- c) It will provide professional image to the employees
- d) It provides an effective first impression to the customers and increases their confidence in the company
- e) It provides a sense of equality to employees as it brings people from all backgrounds on the same platform
- f) It increases productivity as employees develop a professional mindset

There are certain challenges to address (disadvantages):

- a) Poorly designed dresses lead to discomfort and hence dress needs to be properly designed
- b) The dress code needs to be specific in order to address confusion and wearing of improper dress to work
- c) Some employees may feel they are losing their uniqueness and may not accept the change. The change management needs to be addressed.
- d) The religious sentiments need to be addressed and dress code needs to be flexible enough to accommodate this challenge

As above, it is proposed to implement a dress code compulsorily for employees with the following features:

- a) All employees (male/ female) will wear formal dress for official work
- b) All HODs must ensure compliance of the same for employees working under their administrative control

- c) The amount to be paid by PSPCL will be reimbursed after the employee submit a proof of purchase of dress and certify wearing of the same for official use.
- d) Each employee is entitled for purchase of formal dress and reimbursement thereof once each year.

### 3.0 Value of Proposal :-

The value of proposal is calculated as under:-

a) No. of employees	=		50,000
b) Total Cost per dress (incl. all taxes)	=	Rs.	3,000
c) PSPCL share (50%)	=	Rs.	1,500
d) Total cost to PSPCL (a) x (c)	=	Rs.	7,50,00,000 (Rs. 7.5 Cr.)

The value of the proposal comes out to be around Rs. 7.5 Cr. (inclusive of taxes) for PSPCL annually.

### 4.0 Budget Provision :-

The expenditure shall be incurred from the budget provision placed at the disposal of xxxx (HOD concerned) for the year xxx (relevant Financial year) under capital head.

### 5.0 Views of Legal Section

Comments of Legal Section are not required as no point of Law is involved in this case.

### 6.0 Views of Finance Section

The views of Finance Section are not required as the case pertains to a principal decision / The views of Finance Section are reproduced as under: xxxxx (Either of the two)

### 7.0 Competency

The case falls under the competency of the committee of the BODs of PSPCL being a policy decision.

### 8.0 Comments of Director/ xxxx (concerned Director-in-charge)

Director/xxxx has seen and approved the draft agenda for submission before the committee of BODs of PSPCL.

### 9.0 Declaration

All material information likely to influence the decision has been truly and fairly brought out in the Agenda and that no such information has been withheld. Also, there is no willful default in compliance of applicable standard operating procedure (SOPs) and Laws.

### 10.0 Decision Required

The BOD's of PSPCL are requested to consider the above proposal and pass the following resolution:

**RESOLVED THAT** the dress code is hereby made compulsory for all the employees of PSPCL with the following features:

- a) All employees (male/ female) will wear formal dress for official work
- b) All HODs must ensure compliance of the same for employees working under their administrative control
- c) The amount to be paid by PSPCL will be reimbursed after the employee submit a proof of purchase of dress and certify wearing of the same for official use.

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- d) Each employee is entitled for purchase of formal dress and reimbursement thereof once each year.

**FURTHER RESOLVED THAT** the expenses for the dress shall be shared between PSPCL and concerned employee in equal proportions.

xxxx (concerned HOD)  
PSPCL.

**Q.3 Answer the following questions:**

- i) Hurray! France has won the world cup.
- ii) The lion was killed by the hunter.
- iii) His grandmother looked after him.
- iv) Mr. David said/ told that he wanted to meet my parents.
- v) She asked when they could have dinner.
- vi) The last time I saw him he was walking down/on the road.
- vii) It was difficult to sleep during the flight.
- viii) I am going to visit/ will be visiting Niagra Falls next weekend/ I had visited Niagra Falls last weekend.
- ix) She is married to a dentist.
- x) I have been here for three months.
- xi) Write the meaning of following idioms and phrases:
  - Speak of the devil: Means that the person you're just talking about actually turns up at that moment.
  - When pigs fly : Something that will never happen
  - Once in a blue moon: An event that happens rarely/ infrequently
  - To kill two birds with one stone: To solve two problems at once
  - A piece of cake: Something very easy

Q.4 a) Answer the following in brief:

i) Difference between System Software and Application Software

Ans:

Sr. No.	System Software	Application Software
1	It is general purpose software used to operate computer hardware.	It is specific purpose software used for performing a specific task.
2	It can run independently and provides platform to run application software	It cannot run independently and requires system software to run
3	It is installed on the computer when the operating system is installed	It is installed as per user requirements
4	The user does not interact with the system software because it works in the background	The user interacts with the application software
5	Eg. Compiler, assembler, driver, debugger etc.	e.g. Word processor, web browser, media player, MS excel etc.

ii) Steps in Boot Sequence of a computer

Ans: The steps in the boot sequence of a computer are as follows:

- Power Up: When the user turns power on, the Central processor executes the start-up program stored in the ROM.
- Power on self-test (POST): In this step the computer checks all the hardware connected to it including ROM and the secondary storage devices.
- Finding Boot Device: After POST, the boot process searches for the device having BIOS on it and loads the input/ output system, which provides rules for communication between CPU and other devices connected to the computer.
- Load the operating system: Now the boot process loads the OS from the RAM and any instructions specific to the particular operating system are executed.  
Now the computer is ready to be used.

iii) Difference between primary memory and secondary memory

Sr. No.	Primary Memory	Secondary Memory
1	It is the main memory of a computer where information and data is stored temporarily	It is external memory where information and data can be stored permanently
2	Data and information can be directly accessed by processing unit	Data and information cannot be directly accessed by processing unit
3	It is a volatile memory and hence faster than secondary memory	It is a non-volatile memory and hence slower than primary memory
4	Data and information is stored in semiconductor chips which are costlier	Data and information is stored in magnetic disk, tape and optical disk which are cheaper
5	It is categorized into RAM and Cache Memory	They are permanent storage devices like hard disks, flash drives, CD, DVD and floppy disk

## iv) Explain the following computer specification:

AMD A8 Pro- 7600B, Base Frequency 3.1 GHz, Turbo Core 3.8 GHz, 3 MB Cache, 8 GB (1x8GB)  
1600 MHz DDR3L RAM with 16 GB Expandability, 500 GB Serial ATA HDD

Soln:

The meaning of the specification is as under:

- AMD A8 Pro- 7600B: Processor/ chip of the computer
- Base Frequency 3.1 GHz: Normal processor speed
- Turbo Core 3.8 GHz: Specifies that computer has multiple cores with turbo boost feature and the maximum processor speed attainable is 3.8 GHz
- 3 MB Cache: Specifies Size of Cache Memory
- 8 GB (1x8GB) 1600 MHz DDR3L RAM with 16 GB Expandability: Specifies type and size of RAM. It means there is currently one RAM slot containing 8GB DDR3L RAM. The speed of RAM is 1600 MHz. Further, the motherboard has capacity for RAM to be expanded to 16GB.
- 500 GB Serial ATA HDD: Specifies that the HDD is of 500GB capacity and is serial ATA type.

## v) Give full form of the following abbreviations:

- RAM: Random Access Memory
- ROM: Read Only Memory
- DOS: Disk Operating System
- BIOS: Basic Input Output System

## b) Write the values of the in decimal number system:

i)  $(1001)_2$  (Binary to decimal)

$$\text{Ans: } 1 \times 2^3 + 0 \times 2^2 + 0 \times 2^1 + 1 \times 2^0 = 8 + 0 + 0 + 1 = 9$$

ii)  $(FF0)_{16}$  (hexa decimal to decimal)

$$\text{Ans: } 15 \times 16^2 + 15 \times 16^1 + 0 \times 16^0 = 3840 + 240 + 0 = 4040$$

iii)  $(101)_8$  (Octal to decimal)

$$\text{Ans: } 1 \times 8^2 + 0 \times 8^1 + 1 \times 8^0 = 64 + 0 + 1 = 65$$

iv)  $(0.101)_2$  (Binary to decimal)

$$\text{Ans: } 1 \times 2^{-1} + 0 \times 2^{-2} + 1 \times 2^{-3} = 0.5 + 0 + 0.125 = 0.625$$

v)  $(101)_2 + (011)_2$  (Binary to decimal)

$$\text{Ans: } 1 \times 2^2 + 0 \times 2^1 + 1 \times 2^0 = 4 + 0 + 1 = 5$$

$$0 \times 2^2 + 1 \times 2^1 + 1 \times 2^0 = 0 + 2 + 1 = 3$$

$$\text{Total: } 5 + 3 = 8$$

Q.5 a) Write short notes on the following:

i. Drop cap feature in MS Word

Ans: It is a feature available in the Insert Tab of MS Word. It helps to insert a large initial letter that drops below the first line of a paragraph. It is used usually at the beginning of a section/ chapter of a book.

ii. Excel PMT function

Ans: it is a financial function that returns the periodic payment of a loan. It has the following syntax:

PMT (rate, nper, pv, [fv], [type]),

where:

Rate = Interest rate for the loan.

Nper = Total number of payments for the loan.

Pv = Present value; also known as the principal.

Fv is optional. It is the future value, or the balance that you want to have left after the last payment. If fv is omitted, the fv is assumed to be zero.

Type is optional. If omitted, it is assumed to be zero, and payments are due at the end of the period. Use 1 in this argument if payments are due at the beginning of the period.

iii. Macros in Excel

Ans: A macro is an action or a set of actions that are done to automate tasks or to do repeated actions. They can be run as many times as required. A macro can be run by clicking the Macros command on the Developer tab on the ribbon. Thus, it carries out the task in a single click and saves time and increases the speed of execution of the task.

iv. Clipboard

Ans: The clipboard is a section of RAM where the computer stores copied data. This data can be text, an image, a file, or any other type of data. It is placed in the clipboard whenever we use the "Copy" command. Data from the clipboard can be pasted into a document or program using the "Paste" command.

v. Hyperlink

Ans: A hyperlink is a link (text/ image/ icon) that we can click on to jump to a new document or a new section within the current document. Hyperlinks are found in nearly all Web pages, in certain documents and even for mailing.

vi. Difference between Header and Footer

Ans:

Sr. No.	Header	Footer
1	It is at the top of a page	It is at the bottom of a page
2	It is above the main text	It is below the main text

3	Usually contains information like title and author's name	Usually contains page numbers
4	Do not include footnotes	Includes footnotes

vii. Slide Transition in Power Point

Ans: A slide transition is the visual effect that occurs when we move from one slide to the next during a presentation. We can control the speed, add sound, and customize the look of transition effects etc.

viii. Name the various features available in Insert tab of MS Word

Ans: (Mention any four and mention either tab name or word within bracket)

- Pages (Cover Page/ Blank Page/ Page Break)
- Tables
- Illustrations (Picture/ Clip Art/ Shapes/ Chart/ Screenshot)
- Links (Hyperlink/ Bookmark/ Cross-Reference)
- Header and Footer (Header/ Footer/ Page No.)
- Text (Text Box/ Quick Parts/ Word Art/ Drop Cap/ Signature Line/ Date and Time/ Object)
- Symbols (Equation/ Symbol)

ix. Template

Ans: It is a blueprint with the format to be used for a document / web page/ presentation/ programming. It can be used to get the basic format and then can be customized according to the requirement of the user. It simplifies and speeds up the work.

x. Name four most commonly used Punjabi fonts in MS Word

Ans: (Mention any four)

- Assees
- Ravi
- Anmol Lipi
- Gurmukhi
- Gurbani Akhar
- Amr Lipi

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### b) Write Keyboard Short cut keys for the following functions:

- i. Selecting the complete text of the word document:  
Ctrl + A
- ii. Opening a new blank document in MS Word:  
Ctrl + N
- iii. Closing the opened window:  
Alt + F4
- iv. Minimizing all opened windows:  
Win + M / Win + D
- v. Selecting non sequential slides in Power Point:  
Ctrl + slides to be selected

Paper- 6

**Ans 1**

**(a) Calculation of missing figures:**

1. Proposed dividend : 40% of the paid-up capital

$$= \frac{5,00,000 \times 40}{100} = \text{Rs. } 2,00,000.$$

2. Transfer to general reserve is equal to proposed dividend, so it is

$$= \text{Rs. } 2,00,000$$

3. Profits carried forward : 10% of the proposed dividend

$$= \frac{2,00,000 \times 10}{100} = \text{Rs. } 20,000.$$

4. Net profit during the year is calculated as the balancing figure of profit and loss appropriation account, with the above figures.

**PROFIT AND LOSS APPROPRIATION A/C**

	Rs.		Rs.
To Proposed Dividend	2,00,000	By Balance b/f	70,000
To transfer to General Reserve	2,00,000	By Net Profit after tax (Balancing Figure)	3,50,000
To Balance c/f	20,000		
	4,20,000		4,20,000

5. Provision for taxation : 5% of profits

$$= \frac{3,50,000 \times 5}{100} = \text{Rs. } 18,421.$$

6. Gross profit has been calculated as the balancing figure of profit and loss account.

**PROFIT AND LOSS ACCOUNT**

	Rs.		Rs.
To Office and Other Expenses	3,70,000	By Gross Profit (Balancing Figures)	7,18,421
To Interest on Debentures	30,000	By Commission	50,000
To Provision for Taxation	18,421		
To Net Profit	3,50,000		
	7,68,421		7,68,421

7. Sales: As gross profit ratio is 60% of sales, so

$$\text{Sales} = \frac{7,18,421 \times 100}{60} = \text{Rs. } 11,97,368$$

8. Closing Stock is 25% of sales, so it is

$$= \frac{11,97,368 \times 25}{100} = \text{Rs. } 2,99,342$$

9. Purchases have been calculated as balancing figure on trading account.

	Rs.		Rs.
To Opening Stock	3,50,000	By Sales	11,97,368
To purchases (Balancing Figure)	3,40,789	By Closing Stock	2,99,342
To Other Expenses	87,500		
To Gross Profit	7,18,421		
	14,96,710		14,96,710

10. Balance to the credit of general reserve in the beginning : Twice the amount transferred to general reserve from the current profits

$$= \text{Rs. } 2,00,000 \times 2 = \text{Rs. } 4,00,000$$

11. 10% Debentures : As the rate of interest is 10% and interest on debentures is given to be Rs. 30,000,

$$\text{So, Amount of Debentures} = \frac{30,000 \times 100}{10} = \text{Rs. } 3,00,000$$

10

12. Current liabilities : As the ratio of current liabilities to debentures is 2 : 1, so it is

$$= 3,00,000 \times 2 = \text{Rs. } 6,00,000$$

13. Current assets : As the current ratio is given to be 2 : 1, so :

$$= \text{Current assets} = 6,00,000 \times 2 = \text{Rs. } 12,00,000$$

14. Sundry Debtors = Current Assets - Stock - Bank

$$= 12,00,000 - 2,99,342 - 62,500$$

$$= \text{Rs. } 8,38,158$$

### TRADING AND PROFIT AND LOSS ACCOUNT

(for the year ended 31.03.2012)

	Rs.		Rs.
To Opening Stock	3,50,000	By Sales	11,97,368
To purchases	3,40,789	By Closing Stock	2,99,342
To Other Expenses	87,500		
To Gross Profit	7,18,421		
	14,96,710		14,96,710
To Office and Other Expenses	3,70,000	By Gross Profit	7,18,421
To Interest on Debentures	30,000	By Commission	50,000
To Provision for Taxation	18,421		
To Net Profit	3,50,000		
	7,68,421		7,68,421

To Proposed Dividend	2,00,000	By Balance b/f	70,000
To Transfer to General Reserve	2,00,000	By Net Profit for the	3,50,000
To Balance carried to Balance Sheet	20,000	year	
	4,20,000		4,20,000

**BALANCE SHEET OF XYZ LTD.**

(as at 31.03.2012)

Liabilities	Rs.	Assets	Rs.
Paid-up capital	5,00,000	Plant & Machinery and Other	8,20,000
General Reserve :		Fixed Assets (Balancing Figure)	
Balance at the beginning of the year	4,00,000	Stock	2,99,342
Add : Proposed Addition	2,00,000	Debtors	8,38,158
Profit and Loss Appropriation	20,000	Bank	62,500
10% Debentures	3,00,000		
Current Liabilities	6,00,000		
	20,20,000		20,20,000

Ans. 2(a)

Journal		Rs.	Rs.
Bank A/c	Dr	2,25,000	
To Share Application A/c			2,25,000
(Being Application money received on 75,000 shares)			
Share Application A/c	Dr	2,25,000	
To Share Capital A/c			1,50,000
To Share Allotment A/c			75,000
(Being Application money adjusted on 50,000 shares)			
Share Allotment A/c	Dr	2,00,000	
To Share Capital A/c			2,00,000
(Being Allotment money due on 50,000 shares)			
Bank A/c	Dr	1,21,400	
To Share Allotment A/c			1,21,400
(Being Allotment money received)(See W. Note 1)			
Share Capital A/c	Dr	8,400	
To Share Allotment A/c			3,600
To Share Forfeiture A/c			4,800
(Being 1200 shares forfeited for non-payment of allotment money)			
Share First and Final Call A/c	Dr	1,46,400	
To Share Capital A/c			1,46,400
(Being First and final call due on 48,800 shares)			
Bank A/c	Dr	1,45,200	
To Share First & Final Call A/c			1,45,200
(Being First and final call money received on 48,400 shares)(See W. Note 2)			
Share Capital A/c	Dr	4,000	
To Share First & Final Call A/c			1,200
To Share Forfeiture A/c			2,800
(Being 400 shares forfeited for non-payment of allotment money)			
Bank A/c	Dr	8,000	
Share Forfeiture A/c	Dr	2,000	
To Share Capital A/c			10,000
(Being Re-issue of 1,000 shares @ Rs. 8 per share as fully paid-up)			

Share Forfeiture A/c	Dr		3,200	
To Capital Reserve A/c				3,200
(Being Balance of share forfeited A/c of 1000 Reissued shares transferred - See W. Note 3)				

**Working Notes:**

Ans.  
Date  
31.12.1  
31.12

1	(A) Ramu have applied for $\frac{40000}{30000} \times 1200 = 1600$ shares Excess amount received from Ramu on application = 1600 shares - 1200 shares = 400 shares x Rs. 3 = Rs. 1,200	Rs. 4,800
	(B) Amount due from Ramu on allotment	4,800
	Less: Excess received from Ramu on application Adjusted	1,200
	Amount not received from Ramu on allotment	3,600
	(C) Total amount due on allotment: 50,000 shares x 4	2,00,000
	Less: Excess received on application adjusted	75,000
		1,25,000
	Less: Not received from Ramu on allotment	3,600
	Amount received on allotment	1,21,400

2 Calculation of No. of shares allotted to Shamu  
 $\frac{20000}{35000} \times 700 = 400$  shares  
 It means Shamu has not paid first and final call money on 400 shares  
 Amount received on 1<sup>st</sup> and final call  $48800 - 400 = 48400 \times 3 = 1,45,200$

3 Calculation of amount to be transferred to Capital Reserve:  
 Only 1,000 shares have been re-issued which include all the shares of Shamu. Hence all the 400 shares of Shamu and only 600 shares of Ramu have been re-issued.

Share forfeiture A/c of 400 shares of Ramu		Rs. 2,800
Share forfeiture A/c of 600 shares of Shamu = $\frac{Rs.4800}{1200 \text{ shares}} \times 600$ shares		2,400
Total share forfeited amount of 1000 re-issued shares		5,200
Less: Loss on re-issue of 1000 shares @ Rs. 2 each		2,000
Balance Transferred to Capital Reserve		3,200



**Ans. 3(a)** The following are the main principles of an effective internal check system:

- (i) Clearly and precisely define the authorities, duties and responsibilities of the staff.
- (ii) The work should be divided amongst the staff depending on their capacity as well as capability. Ensures that there is no overlapping or duplication of work at any level.
- (iii) Division of work should be such that no single individual is allowed to perform any work single handed from beginning to end.
- (iv) Regular rotation of employees should be followed. This would ensure not only the prevention of errors and frauds but also broaden their work experience. The enterprise can also consider granting leaves to the employees at regular intervals. This would ensure that the fraud or error committed by any one could be detected by his substitute during the leave period.
- (v) Instruction manuals should be clear. The employees should be given clear cut instructions so that the work can be performed in a timely and efficient manner.
- (vi) There should be self balancing system of accounting providing for control of subsidiary ledgers through an account in the general ledger.
- (vii) Perpetual system of maintaining inventory should be implemented so as to ensure continuous accountability.
- (viii) Use of mechanical and electronic equipment such as cash registers, calculators, computers, etc. should be encouraged.
- (ix) Vouchers should be filed systematically. These should be dated, serially numbered and signed by the appropriate official.
- (x) Cash receipts should be deposited into the bank on daily basis.
- (xi) Correspondence with debtors and creditors should be under the charge of a responsible person.
- (xii) Verification and valuation of stock, sales, payment of wages, fixed assets etc. should be under strict vigilance and control.

Last but not the least, the system of internal check operating in the enterprise should be evaluated and reviewed on periodic basis. This will ensure the effectiveness of internal check system on a continuous basis.

**Ans. 3(b)**

Books of S.Kumar

Journal

Date	Particulars	Dr.		Cr.
		L.F	Amount (Rs.)	Amount (Rs.)
31.12.15	(i) Suspense A/c ..... Dr. To Sales A/c {Being Sales Account under credited, now rectified}		18	18

31.12.15	(ii) Purchase A/c ..... Dr. To Suspense A/c [Being Total of Purchase day Book undercast by Rs. 400 , now rectified]	400	400
31.12.15	(iii) Suspense A/c ..... Dr. To discount (Allowed) A/c To discount received A/c [Being Cash discount of Rs. 150 received from a creditor wrongly debited to discount Account, now rectified]	300	150 150

Suspense A/c

Dr.			Cr.		
Date	Particulars	Amount	Date	Particulars	Amount
31.12.2015	To Balance brought (Opening balance) (Balancing figure)	82	31.12.2015	By Purchases A/c	400
31.12.2015	To Sales	18			
31.12.2015	To Discount (Allowed) A/c	150			
31.12.2015	To Discount received A/c	150			
		400			400

Ans. 3(c)

Corrected Trial Balance

Particulars	Debit(Rs.)	Credit(Rs.)
Total as per Trial Balance (as given)	1,66,590	42,470
Opening stock understand (15,900 – 15,600)	+300	-
Repairing being credit balance, but shown as debit balance	-61,780	+ 61,780
Rent & Taxes understated (4,640 – 4,400)	-240	-
Sundry Creditors understated (6,270 – 5,900)	-	+370
Sundry Debtors overstated (7,310 – 7,060)	-250	-
<b>Total</b>	<b>1,04,620</b>	<b>1,04,620</b>

Ans. 3(d) An efficient internal control system should provide the following

- For proper division of functional responsibilities;
- For proper authorization and assignment of duties to perform and record the transactions;
- For adoption of proper practices for adherence with management policies;
- For proper review and authorization of all transactions before they are recorded in the books; and
- Safeguard of all business assets;
- Proper internal checks; and
- Proper internal audit system.

Ans. 3(e)

Particulars	Rs.
(a) Interest upto 31.03.2013 (40,00,000 x 9% x 10/12 months)	3,00,000
(b) Less: interest relating to pre-operative period to be capitalized [3,00,000 x 7/10]	2,10,000
Amount to be charged to P & L A/c [3,00,000 x 3/10]	90,000

Ans. 4(a) The following stated defects would disqualify a voucher from being appropriate evidence:

1. If the date of voucher does not correspond with the date of payment entered in the Cash Book, the auditor may refuse to accept it as an old voucher may have been used to conceal misappropriation.
2. If the voucher is not passed by the authorized personnel in the organization.
3. The amount of the voucher differ in words and figures.
4. The nature of payment in the voucher does not relate to the business.
5. The amount of voucher does not tally with the amount entered in the Cash Book.
6. The voucher is in the name of an employee/director, and not in the name of the client's company.

Ans. 4(b) Internal Audit:

ICAI describes Internal Audit as "an independent management function, which involves a continuous and critical appraisal of the functioning of entity with a view to suggest improvements thereto and to add value and strengthen the overall governance mechanism of the entity, including the entity's strategic risk management and internal control system. Internal Audit, therefore, provides assurance that there is transparency in reporting, a part of good governance".

Internal Audit being an independent appraisal function ensures objectivity and consultation which enhances the value and improves an organization's operations. It not only includes matters related to finance but also critical appraisal of the policies and procedures of the company.

Ans. 4(c) Advantages of Internal Control System

- (i) Efficiency, effectiveness and economy: A good internal control system ensures that the resources are utilized only for their intended purposes and helps to overcome the risk associated with the misuse of organization's funds and other resources.
- (ii) Prevention of errors and irregularities: it prevents errors and irregularities by detecting them in a timely manner, thereby promoting reliable and accurate accounting records.
- (iii) Safeguard from irregularities or misappropriations.
- (iv) Employees' satisfaction : it protects the interests of interests of employees by segregation of duties and delegation of responsibilities.

Ans. 4(d) Techniques for evaluation of Internal Control System:

- **Narrative Record:** It is a complete and exhaustive description of the system. It is appropriate in circumstances where a formal control system is lacking, like in the case of small businesses. Gaps in the control system are difficult to identify using a narrative record.
- **Check List:** It is a series of instructions that a member of the audit staff is required to follow. They have to be signed/initialled by the audit assistant as proof for having followed the instructions given. A specific statement is required for every weakness area.
- **Flow Chart:** It is a pictorial representation of the internal control system depicting its various elements such as operations, processes and controls, which help in giving a concise and comprehensive view of the organization's working to the auditor. A complete flow chart would depict the process of raising documents, personnel involved in doing so, the flow of documents through various departments, maintenance of records, flow of goods and consideration, and dealing with results. The internal control evaluations process becomes easier through a flow chart as a broad picture of all the controls involved can be gauged in a glimpse.

Internal Control Questionnaire: This is the most widely used method for collecting information regarding the internal control system and involves asking questions to various people at different levels in the organization. The questionnaire is in a pre-designed format to ensure collection of complete and all relevant information. The questions are formed in a manner that would facilitate obtaining full information through answers in "Yes" or "No".

**Ans. 4(e) Role of an auditor in verification of Imported Plant & Machinery**

- The Auditor should examine the directors Minute Book for the resolution passed authorizing the purchases.
- The Auditor should check the RBI's permission and the import License.
- The Auditor should examine the agreement with the foreign supplier, particularly check the terms of payment, interest rates and the basis of deferred payment.
- The Auditor should vouch the bills & receipts relating to purchases, customs duty payment, clearing & shipping charge, insurance premium etc.

The Auditor should check the entries made in the books of account.

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In the books of Ram Ltd.

Machinery Account

Cr.

Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
01.01.2015	To, Balance b/d	9,72,000	01.07.2015	By, Depreciation A/c [W.N.2]	3,240
			01.07.2015	By, Bank A/c - Sale	45,000
			01.07.2015	By, Loss on sale of Machine A/c (W.N.3)	16,560
01.07.2012	To Bank A/c	1,58,000	31.12.15	By, Profit & Loss Adjustment A/c adjusted (Difference of Depreciation adjusted) (See W.N.4):	11,200
	(1,50,000 + 8,000)		31.12.15	By, Depreciation A/c:	
				- For the year 2015 (on 11, 20,000)	1,12,000
			31.12.15	- For ½ year (on 1,58,000)	7,900
			31.12.15	By, Balance c/d :	
				-M <sub>1</sub> (9,07,200-1,12,000-11200)= 7,84,000	
				-M <sub>2</sub> (6,48,000-3240-45,000-1650) Nil	
				-M <sub>3</sub> (1,58,000 - 7,900) =150100	934100
		11,30,000			11,30,000

Working Notes :

(1) Machine purchased on 1<sup>st</sup> January, 2013 for Rs. 80,000 shows the balance of Rs. 64,800 on 1<sup>st</sup> January 2015 as follows:

	Rs.
Purchase price (1 Jan 2013)	80,000
Less : Depreciation for 2013 as per Diminishing Balance Method	8,000
	72,000
Less: Depreciation for 2014 as per Diminishing Balance Method	7,200
Balance as on Jan. 1, 2015	64,800

(2) On second machine (original purchase price Rs. 80,000), depreciation at 10% p.a. on Rs. 64,800 for 6 months, viz, Rs. 3,240 has been charged to the machine on July 1 2015 i.e., on date of sale.

	Rs.
(3) Loss on sale of (ii) machine has been computed as under :	
Balance of the machine as on 1.1.2015	64,800
Less: Depreciation for 6 months up to date of sale	3,240
Balance on date of sale	61,560
Less: Sale proceeds	45,000
Loss on sale	16,560

(4) At 10% depreciation on Diminishing Balance Method:

If balance of machinery in the beginning of the year is  
Depreciation for the year is

Balance of Machinery at the end of the year

By using the formula, original cost of asset on 1<sup>st</sup> January 2013 will be calculated as follows:

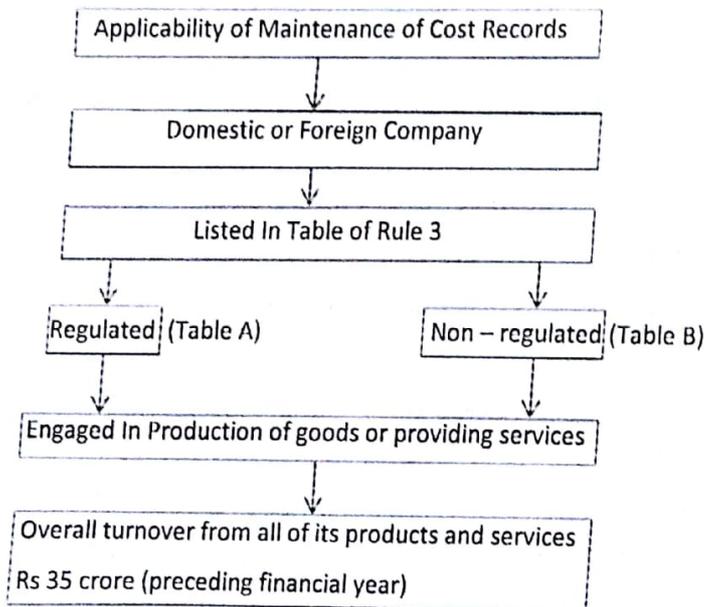
	Rs.
Balance as on 1 <sup>st</sup> January 2015	9,72,000
Balance as on 1 <sup>st</sup> January 2014 is $9,72,000 \times 10/9 =$	10,80,000
Balance as on 1 <sup>st</sup> January 2013 is $10,80,000 \times 10/9 =$	12,00,000

This balance, Rs. 12,00,000 is composed of 2 machines, one of Rs. 11,20,000 and another of Rs. 80,000 which was sold on 1 July 2015.

Difference of Depreciation adjusted due to Retrospective Effect:-

	Rs.
Depreciation at 10% p.a. on Straight Line Method on Rs. 11,20,000	<u>1,12,000</u>
Total Depreciation for 2013 and 2014 (Rs. 1,12,000 x 2) as per Straight Line method	2,24,000
Total Depreciation charged for 2013 and 2014 on Diminishing Balance Method (1,12,000 + 1,00,800)	2,12,800
Difference of Depreciation to be charged in 2015 due to change from Diminishing Balance Method to Straight Line Method	<u>11,200</u>

**Ans. 5(b) Application of Cost Records [Rules 3]**



- (i) The Rules have classified sectors/ industries under Regulated and Non-Regulated sectors. The sectors/industries covered under Table A of the Rules are under the Regulated Sector and sectors/industries covered under Table B are under the Non-Regulated Sector.
- (ii) For the purposes of sub-section (1) of section 148 of the Act, the class of companies, including foreign companies defined in clause (42) of section 2 of the Act engaged in the production of the goods or providing services, specified in the Table A & B of Rule 3 having an overall turnover from all its products

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and services of rupees thirty five crore or more during the immediately preceding financial year, shall be required to maintain cost accounting records.

**Ans. 5(c) Applicability for Cost Audit [Rule 4]**

- (1) Every company specified in item (A) i.e. Table A of rule 3 shall get its cost records audited in accordance with these rules if the overall annual turnover of the company from all its products and services during the immediately preceding financial year is rupees fifty crore or more and the aggregate turnover of the individual product or products or service or services for which cost records are required to be maintained under rule 3 is rupees twenty five crore or more.
- (2) Every company specified in item (B) i.e. Table B of rule 3 shall get its records audited in accordance with these rules if the overall annual turnover of the company from all its products and services during the immediately preceding financial year is rupees one hundred crore or more and the aggregate turnover of the individual product or products or service or services for which cost records are required to be maintained under rule 3 is rupees thirty five crore or more.
- (3) The requirement for cost audit under these rules shall not apply to a company which is covered in rule 3, and –
  - (i) Whose revenue from exports, in foreign exchange, exceed, seventy five per cent of its total revenue; or
  - (ii) Which is operating from a special economic zone.”

1 a) What are the provisions of the Act about the grant of annual leave to the workers?

The main provisions of the Act about the grant of annual leave with wages are as follows:

- a) A worker must be allowed in every calendar year annual leave with wages at the rate of 1 day for every 20 days of work performed by him during the previous calendar year provided that he has worked for 240 days or more in the previous calendar year .
- b) In the case for a child worker the annual leave with wages is to be allowed on the same basis as above but at the rate of 1 day for every 15 days of work performed.
- c) Leave can be accumulated up to 30 days in the case of an adult and 40 days in the case of a child.
- d) The leave admissible will be exclusive of holidays occurring during or at either end of the leave period.
- e) Wages for leave allowed must be paid before the leave period begins.
- f) In the case of a worker who is discharged or dismissed from service or quits his employment or is superannuated or dies while in service, he or his heir or nominee must be paid wages in lieu of annual leave . In such cases the annual leave is to be calculated at the same rates as above but irrespective of the fact that the worker has worked for 240 days or not.

(10 Marks)

1 (b) Who are the dependents of the deceased workman?

"Dependent" means any of the following relatives of a deceased workman, namely:-

A widow, a minor (legitimate or adopted) son and unmarried (legitimate or adopted) daughter, or a widowed mothers and

If wholly dependent on the earnings of the workman at the time of his death, a son or a daughter who has attained the age of 18 years and who is infirm

If wholly or in part dependent on the earnings of the workman at the time of his death,

A widower,

A parent other than a widowed mother,

A minor illegitimate son, an unmarried illegitimate daughter or a daughter (legitimate or illegitimate or adopted) if married and minor or if widowed and minor,

A minor brother or an unmarried sister or a widowed sister if a minor,  
A widowed daughter-in-law,  
A minor child of a pre-deceased son  
A minor child of a pre-deceased daughter where no parent of the child is alive,  
or a paternal grandparent if no parent of the workman is alive.)

(5 Marks)

1 (C)

Employer's liability for compensation(1) if personal injury is caused to a workman by accident arising out of and in the course of his employment, his employer shall be liable to pay compensation in accordance with the provisions of this chapter :

Provided that the employer shall not be so liable—

- (a) In respect of any injury which does not result in the total or partial disablement of the workman for a period exceeding 3\*(three) days.
- (b) In respect of any 4\*( injury not resulting in death, caused by) an accident which is directly attributable to
  - (i) The workman having been at the time thereof under the influence of drink or drugs, or
  - (ii) The willful disobedience of the workman to an order expressly given, or to a rule expressly framed, for the purpose of securing the safety of workmen, or
  - (iii) The willful removal or disregard by the workman of any safety guard or other device which he knew to have been provided for the purpose of securing the safety of workmen 5\*\*

(5 Marks)

2 (a)

Dishonour of cheque for insufficiency of funds in the accounts.

Sec 138, where any cheque drawn by a person on an account maintained by him with a banker for payment of any amount of money to another person from out of that account for the discharge, in whole or in part, of any debt or other liability is returned by the bank unpaid, either because of the amount of money standing to the credit of that account is insufficient to honour the cheque or that it exceeds the amount arranged to be paid from that account by an agreement made with that bank, such person shall be deemed to have committed an offence and shall without prejudice to any other provisions of this Act be punished with imprisonment for a term which may extend to one year, or with fine which may extend to twice the amount of the cheque or with both.

PROVIDED That nothing contained in this section shall apply unless

- a) The cheque has been presented to the bank within a period of three months from the date on which it is drawn or within the period of its validity, whichever is earlier.
- b) The payee or the holder in due course of the cheque, as the case may be, makes a demand for the payment of the said amount of money by giving a notice in writing to the drawer of the cheque, within fifteen days of the receipt of information by him from the bank regarding the return of the cheque as unpaid and
- c) The drawer of such cheque fails to make the payment of the said amount of money to the payee or, as the case may be, to the holder in due course of the cheque within fifteen days of the receipt of the said notice.

Explanation: For the purpose of this section, "debt or other liability" means a legally enforceable debt or other liability.

Comment: As the signature in the cheque is admitted to be that of the accused the presumption envisaged in Section 118 of the Act can legally be inferred that the cheque was made or drawn for consideration on the date which the cheque bears. Section 139 of the Act enjoins on the Court to presume that the holder of the cheque received it for the discharge of any debt or liability. The burden was on the accused to rebut the aforesaid presumption K Bhaskaran, Appellant Sankaran Vaidhyan Balan AIR -1999

(8 Marks)

2(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 .

(6 Marks)

2 (C)

The word endorsement in its literal sense means 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 endorsement 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
- 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 work 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 .

(6 Marks)

3(a)

Computation of salary income for the assessment year 2016-17	
Basic Salary Rs 15,000 p.m	1,80,000
D.A (enters)	54,000
C.C.A @ Rs 1,500 p.m	18,000
Contribution to R.P.F over 12% of employee's salary (46,800-28080)	18,720
H.RA (see Note)	17,400
Car Park (taxable @ Rs 1,800 p.m +Driver Rs.900 P.m) x 12 Months	32,400
Ration bill paid b employer	20,000
Purchases made through credit card provided by company –Taxable	15,000
Advance salary equal to 2 month's salary	30,000
Health Cub facility –Taxable	7,000
Air ticket for private journey provided by employer – Taxable	<u>3,000</u>
Gross Salary	3,95,520
Deductions 16	<u>Nil</u>
Salary income	<u>3,95,520</u>

**Working Notes:-**

1) House Rent Allowance

Least of following three amount shall be exempted

- i) Actual HRA received = 24000
  - ii) 40% of employee salary of (180000+54000)= 93600
  - iii) Rent Paid -10% of employee salary (30000-23400)= 6600
- Taxable HRA = 24000-6600= 17400

2) The facility of car, Health club, Free ticket for private journey and purchases made through credit cards etc. are taxable as perks in the hand of employee.

(10 Marks)

3(b)

How is advance tax calculated and paid?

Advance Tax is to be calculated on the basis of expected tax liability of the year. Advance tax is to be paid in installments as given below:

- a) In case of all the assesses ( other than the eligible assesses as referred to in section 44 AD ):
  - i)Up to 15 per cent - on or before 15<sup>th</sup> June
  - ii)Up to 45 per cent – On or before 15<sup>th</sup> September.

iii) Up to 75 percent-On or before 15<sup>th</sup> December.

iv) Up to 100 per cent –on or before 15<sup>th</sup> March

b) In case of eligible assesses as referred to in Section 44 AD

Up to 100 per cent –on or before 15<sup>th</sup> March

**Note:** - Any advance tax paid on or before 31<sup>st</sup> day of March shall also be treated as paid during the same financial year .

The deposit of advance tax is made through challan ITNS 280 by ticking the relevant column i.e. advance tax.

(5 Marks)

3(C)

What is Form 26 AS ?

A taxpayer may pay tax in any of the following forms:

Tax Deducted at Source (TDS)

Tax collected at Source (TCS)

Advance tax or self assessment tax or payment of tax on regular assessment. The Income tax Department maintains a database of the total tax paid by a taxpayer (i.e. the tax credit in the account of a taxpayer) Form 26 AS is an annual statement maintained under Rule 31 AB of the I-T Rules disclosing the details of tax credit in a tax-payer's his account as per the database of the I-T Department .

In other words Form 26 AS will reflect the details of tax credit appearing against in the permanent Account Number (PAN) of the taxpayer as per the database of the I-T Department . The tax credit will cover TDS ,TCS and tax paid by the taxpayer in other forms like advance tax, self assessment tax, etc. The I-T Department will generally allow a taxpayer to claim the credit of taxes as reflected in his form 26 AS.

(5 Marks)

4(A)

Producer company means a body corporate having objects or activities specified in section 581 B and registered as producer company under this . The main object of bringing producer company is to provide opportunity to co-operate sector to corporatize itself so that it can invite greater investment and modernize itself .

#### **Objective of Producer company**

- a) Production , harvesting, procurement and marketing of primly producer of its members.
- b) Processing produce of its members.
- c) Manufacture sale or supply of equipments and consumable to its members .
- d) Provide education on material assistance principles to it members and others.
- e) Rendering technical services consulting services and all other activities the promotion of the interest of its members.
- f) Generation transmission and distribution of power revitalization of land and water resources their use conservation and communication relatable to primly produce .
- g) Insurance of producer or their primly produce .
- h) Promoting techniques of mutuality and mutual assistance .
- i) Welfare measure or facilities for the benefits of members as may be decided by Board .
- j) Any other activity , ancieely or incidental to any of the activities referred to in clause (a) to (i) or other activity which may promote the principles of mutuality and mutual assistance amongst the member in any other manner .
- k) Financing of procurement, processing marketing or other activities specified in clause(a) to (i) which include extending of credit facilities or any other financial services to its members .

#### **Benefits to members**

Subjects to the provision made in the articles every ,member shall initially revive only such value the produce or product pooled and supplies as the Board of produce company may determine and the withheld price may e disburses later in cash or kind on by allotment of equally shares, in proportion to the produce supplied to the producer company during the financial year to such extent and in such manner and subject to such conditions as may be decided by the Board .

Every member shall on the share capital contributed, receive only a limited return. However every such member may be allotted bonus share .  
(8 Marks)

4(b)

- 1) Winding Up is first stage where assets/liabilities are realized/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 .

(6 Marks)

4(C)

The AGM is a formal part of a company financial year . Its purpose is to allow the board to present the year's results, discuss the outlook for the coming year, present the formal , audited accounts and to have the final dividend and directors emoluments approved by shareholders, Shareholder approval is signalled by the passing of resolutions in which shareholders vote in proportion to their holdings . It is usual for the board to make a recommendation and then seek approval of that recommendation by shareholders. The dividend per share, for example is recommended by the board but only paid after approval by the shareholders at the AGM Institutional shareholders may employ proxy voting if they are unable to attend in person .

#### **Extraordinary General Meetings (EGMs)**

Extraordinary meetings are called when issues need to be discussed and approved that cannot wait until the next AGM. A full year can be a very long time . In some business environments when events necessitate substantial change or a major threat, an EGM is sometimes called Management may want a shareholder mandate for a particular strategic move, such as for a merger or acquisition. Other major issues that might threaten shareholder value may also lead to an EGM such as a "Whistleblower" disclosing information that might undermine shareholders confidence in the board of directors.

(6 Marks)

5( a)

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 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 of 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 .

(5 Marks)

5(b)

### Appointment of arbitrators

Section 11 contains provisions regarding the appointment of arbitrator. It provides as under:

- (i) A person of any nationality may be an arbitrator, unless otherwise agreed by the parties ( section 11(1)
- (ii) The parties are free to agree on a procedure for appointment of an arbitrator or arbitrators ( Section 11(2)

Generally the parties to the dispute select the arbitrator or arbitrators by mutual consent. If either of the appointed arbitrators neglects or refuses to act or is incapable of acting or dies, the parties may by mutual consent appoint to new arbitrator in his place. The parties to an arbitration agreement may also agree to the appointment of arbitrator or arbitrators by some third party designated in the agreement.

- (iii) Presiding arbitrator. Failing any agreement on a procedure, in an arbitration with three arbitrators each party shall appoint one arbitrator and the two appointed arbitrator shall appoint the third arbitrator who shall act as the presiding arbitrator ( sec 11) (3)

It may be noted that the presiding arbitrator has not been given any special power and he acts as arbitrator like any other arbitrator.

(5 Marks)

5(C)

### What precautions should be taken while filing Income tax return?

Following is the list of some important steps/points/precautions that need to be kept in mind while filing I-T return

First and foremost, file I-T return on or before the due date. Tax payers should avoid the practice of filing belated return. Following are the consequences of delay in filing I-T return

Loss (other than house property loss) cannot be carried forward

Levy of interest under Section 234 A

Penalty of Rs 5,000 under Section 271 F Can be levied.

Budget 2017 Proposes .....

Exemptions/deductions under Section 10A, section 10 B, 80 –IAB, 80-IB, 80-IC, 80-ID and 80-IE are not available.

Belated return cannot be revised under Section 139 (5) However w.e.f. . 1.04.17, I-T return for the Assessment year 2017-18 and onwards filed under Section 139 (I) or Section 139(4) can also be revised.

Tax payer should download form 26 AS and should check actual TDS /TCS/tax paid, if any discrepancy is observed then suitable action should be taken to correct it.

Compile and carefully study the documents to be used while filing I-T return, like bank statement/Passbook, interest certificate, investment proofs for which deductions is to be claimed, books of account and balance sheet and P/L A/c( if applicable) etc No documents are to be attached along with I-T return.

The taxpayer should identify the correct return form applicable in his case.

The taxpayer should carefully provide all the information in the return form.

Confirm the calculation of total income, deductions (if any), interest (if any) tax liability/refund etc

If any tax is payable as per I-T return, then the same should be paid before filing I-T return otherwise the return would be treated as a defective one .

Ensure that other details like PAN, address, e-mail address, bank account details, etc, are correct.

After filling and confirming all the I-T return details, one can proceed with filing I-T return.

In case return is filed electronically without digital signature and without electronic verification code, do not forget to post the acknowledgement of filing I-T return to CPC Bangalore .

(5 Marks)

5(D)

The Ministry of corporate affair, Government of India replaced the Companies Act 1956 with Companies Act 2013 by notification in the official Gazette, in the sixty-Fourth Year of the Republic of India .

**Appointment of directors**

- (1) Where no provisions made in the articles of a company for the appointment of the first director, the subscribers to the memorandum who are individuals shall be deemed to be the first directors of the company until the directors are duly appointed and in case of a One person company an individual being member shall be deemed to be its first director until the director or directors are duly appointed by the member in accordance with the provisions of this section .
- (2) Save as otherwise expressly provided in this Act, Every director shall be appointed by the company in general meeting.
- (3) No person shall be appointed as a director of a company unless he has been allotted the Director Identification Number under section 154
- (4) Every person proposed to be appointed as a director by the company in general meeting or otherwise shall furnish his Director Identification Number and a declaration that he is not disqualified to become a director under this Act.
- (5) A person appointed as a director shall not act as a director unless he gives his consent to hold the office as director and such consent has been filed with the Registrar within thirty days of his appointment in such manner as may be prescribed provided that in the case of appointment of an independent director in the general meeting, an explanatory statement for such appointment annexed to the notice for the general meeting shall include a statement that in the opinion of the Board he fulfills the conditions specified in this Act for such an appointment .

**Removal of directors-**

A company may, by ordinary resolution remove a director, not being a director appointed by the Tribunal under section 242 before the expiry of the period of his office after giving him a reasonable opportunity of being heard.

Provided that nothing contained in this sub-section shall apply where the company has availed itself of the option given to it under section 174 to appoint not less than two thirds of the total number of directors according to the principle of proportional representation.

(2) A special notice shall be required of any resolution, to remove a director under this section, or to appoint somebody in place of a director so removed at the meeting at which he is removed.

(3) On receipt of notice of a resolution to remove a director under this section the company shall forthwith send a copy thereof to the director concerned and the director, whether or not he is a member of the company shall be entitled to be heard on the resolution at the meeting.

(4) Where notice has been given of a resolution to remove a director under this section and the director concerned makes with respect thereto representation in writing to the company and requests its notification to members of the company the company shall, if the time permits it to do so –

a) in any notice of the resolution given to members of the company state the fact of the representation having been made and

b) send a copy of the representation to every member of the company to whom notice of the meeting is sent 9 whether before or after receipt of the representation by the company)

and if a copy of the representation is not sent as aforesaid due to insufficient time or for the company's default, the director may without prejudice to his right to be heard orally require that the representation shall be read out at the meeting.

Provided that copy of the representation need not be sent out and the representation need not be read out at the meeting if, on the application either of the company or of any other person who claims to be aggrieved the Tribunal is satisfied that the rights conferred by this sub-section are being abused to secure needless publicity for defamatory matter and the Tribunal may order the company's costs on the application to be paid in whole or in part by the director notwithstanding that he is not a party to it.

(5 Marks)

**MODEL SOLUTION**  
**SAS PART-2 EXAMINATION**  
**SESSION -2/2019**  
**PAPER -VIII ( WORKS AND MANAGEMENT ACCOUNTING)**  
**QUESTION NO.1**

Paper - 8<sup>th</sup>

**(A)**

The Sub divisional officer should scrutinize the entries in measurement book relating to the description and quantities of work or supplies and check the calculation of content or area arithmetically before preparing the bill of a contractor. The bill should then be prepared from the measurement entries in the form applicable to the case. The rates allowed should be entered by sub divisional officer either in the abstract of measurement or the bill itself. Full rates as per agreement, catalogue, indent, or other order should be allowed only if the quantity of work done or supplies made is up to the stipulated specification. When the work or supplies fall short of that standard, only such a fraction of the full rate should be allowed as is considered reasonable.

Before signing the bill, the Sub Divisional Officer should compare the quantities in the bill with those recorded in the measurement book and see that all the rates are correctly entered and that all calculation have been checked arithmetically. When the bill is on a running account it should be compared with the previous bill. Memorandum of payments should then be made up, any recoveries which should be made on account of the work or on other accounts being shown therein. If the sub divisional officer is competent to pay the bill she should then record a formal pay order specifying, both in words and figures, only the net amount payable though the payee should be required to acknowledge in his acquittance the gross amount payable inclusive the recoveries made from the bill.

When a bill is prepared for the work done or supplies measured, every page containing detailed measurements, must be in variably scored out by a diagonal red ink line, and when the payment is made an endorsement must be made, in red ink on the abstract of measurements giving a reference to the number and date of the voucher of payment. This will avoid double payment on a claim on the same account.

**(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.

2

**MODEL SOLUTION**  
**SAS PART-2 EXAMINATION**  
**SESSION -2/2019**  
**PAPER -VIII (WORKS AND MANAGEMENT ACCOUNTING)**  
**QUESTION NO.2**

(A)

**Revised Technical Sanction**

Revised estimate should be prepared when the sanctioned estimate is likely to be exceeded by more than 5 % due to increase in rates or any other causes except when supplementary estimate will be required

**Revised Administrative Approval:**

Revised Administrative approval is required when modification of the proposal originally approved, if likely to necessitate eventual submission of revised estimate, to the material deviation from the original proposal even though the cost of the same may possibly covered by savings on other items and to cases where the detailed estimates when prepared exceed the amount administratively approved by more than 5% and also in cases in which it becomes apparent, during the execution of works, when the amount administratively approved will be exceeded by more than 10.25% or the amount of technical sanction will be exceeded by more than 5 % owing to increase of rates or other causes.

(B)

The following components of income shall be treated as non tariff income for the licensee:

1. Meter/metering equipment/service line rentals
2. Service charges
3. Customer charges
4. Revenue from late payment surcharge
5. Recovery for theft and pilferage of energy
6. Miscellaneous receipts
7. Incentives from CGS's
8. Miscellaneous charges (except PLEC charges)
9. Interest on staff loans and advances
10. Interest on advances to suppliers
11. Income from trading
12. Income from staff welfare activities
13. Excess found on physical verification
14. Interest on investments, fixed and call deposits and bank balances
15. Net recovery from penalty on coal liaison agents
16. Prior period income

**MODEL SOLUTION**  
**SAS PART-2 EXAMINATION**  
**SESSION -2/2019**  
**PAPER -VIII ( WORKS AND MANAGEMENT ACCOUNTING)**  
**QUESTION NO.3**

- (A) The action of the Executive Engineer is not correct. Check measurements and payments for work when the check measurements recorded by a SDO reveals difference exceeding 2% in the case of original work, the whole work should be measured by SDO himself and payment made thereon. The case should also be referred to higher authorities for action against the subordinate
- (B) The authority granted by a sanction to an estimate is strictly limited by the precise objects for which the estimate was intended to provide. Accordingly it is not permissible to apply without the sanction of the competent authority any anticipated or actual savings whether due to abandonment of a part of work or any other cause, on a sanctioned estimate on a definite project, to carry out additional work not contemplated in the original project or fairly contingent on its actual execution. It follows therefore, that any anticipated or actual savings should be surrendered forthwith and no effort should be made to utilise them on any other item of work without the sanction of the competent authority.
- (C) Payments for all work done otherwise than daily labour or on lump sum contract are made on the basis of measurements recorded in the measurement books. The action of the CE in authorizing payments on the basis of quantities given in the estimate of work in therefore, not in order.
- (D) In case of work done departmentally the SDO should first check 25% of measurements in respect of works costing more than Rs. 2000/- and 50% of measurements in respect of works costing more than 5000/-. However in case of Electrical works executed departmentally, in case of sub division have up to 6000 connections, SDO should check all entries relating to Industrial connection and also where main and sub main are laid. In case of General and Commercial consumers 20% of service lines including all service lines have length more than 30 metres. In the sub division having more than 6000 connections, SDO should check 50 % of the entries relating to industrial connection and main and sub mains.

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**PAPER -VIII ( WORKS AND MANAGEMENT ACCOUNTING)**  
**QUESTION NO.4**

**(A)**

The following assumptions will be considered while computing EOQ:

1. Annual consumption or demand for an item is known. Consumption is uniform and evenly distributed throughout the year.
2. EOQ analysis assumes that as soon as the order is placed the goods are received immediately. EOQ technique assumes that lead time is not existent. Hence, there is no need of safety stock.
3. Full inventory is consumed when the replenishment comes.
4. Ordering costs and carrying costs can be estimated.
5. Quantity discounts are non-existent.

**(B)**

The working capital for distribution business shall be the sum of one month requirement for meeting:

- i. Power purchase cost.
- ii. Employees cost.
- iii. Administration & general expenses and
- iv. R&M expenses as already being allowed.

The rate of interest on working capital shall be equal to the short term Prime Lending Rate of State Bank of India of the relevant year. The interest on working capital shall be payable on normative basis notwithstanding that the generating company / licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan amount worked out on the normative figures.

**(C)** The Aggregate Revenue Requirement of the licensee shall comprise of the following:

- a. Fuel Cost for own generation, if applicable
- b. Cost of Power Purchase, if any
- c. Operation and Maintenance Expenses
- d. Depreciation, including Advance Against Depreciation
- e. Interest and Cost of Finance
- f. Income Tax
- g. Provision for Bad & Doubtful Debts
- h. Other Expenses
- i. Return on Equity

**(D)**

Budgetary control is not a fool-proof tool and it has following limitations.

- a. Since an effective budgetary programme reveals the performance of employees, there may not be wholehearted co-operation from inefficient employees for budgetary programmes.
- b. Budgets are based on estimates and hence the effectiveness of budgetary control depends on the accuracy with which the estimates are made about the future.
- c. Conditions and circumstances under which an enterprise functions are not static and hence, budgetary control to be effective must be so flexible as to suit the requirements of any change in the circumstances. But it is very difficult to attain flexibility in budget making.
- d. Budgetary control will not be effective if no arrangements are made for proper supervision and administration.
- e. Budgeting is only one of the tools of management. But often budgeting is taken as a substitute for management rather than as a tool of management. This may result in harmful consequences for the business.

- f. Budgetary control programme is very cumbersome and time consuming process.
- g. The manager is discouraged from undertaking activities for which provision was not been made in the budget, but which are otherwise useful for the enterprise. Thus, the managers are discouraged from taking initiative.

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**PAPER -VIII ( WORKS AND MANAGEMENT ACCOUNTING)**  
**QUESTION NO. 5**

(A) Account codes in which the following will be accounted for :

<b>Account Head</b>	<b>Account code</b>
a) Claim for Loss /Damage to Materials	28.72
b) Liability to Collieries	40.2
c) Deposits for Electrification of Villages	47.1
d) Income from Investment.	62.22
e) Loan from Banks	50.3

(B)

These accounts shall include the cost of overhead and underground conductors leading from a point where wires leave the last pole of the overhead system of the distribution box or manhole or the top or the pole of the distribution line to the point of connection with the customers outlet or wiring.

Items included are

1. Brackets , bearer /suspension wire , conduit etc
2. Cable , wires , insulations etc
3. Pavement disturbed including cutting and replacing pavement, pavement base and side walks
4. Service switches, cables and boxes etc.