

Que. 1

A.

Make a précis of following passage and give an appropriate title:

8

Summary or Précis

If we lead an active life facing dangers, we will less fear death. People, who lead a lazy and peaceful life, are the most afraid of death. The most sensible way of getting rid of the fear of death is to value life properly. If we do not give unnecessary importance to our life, we will not feel the pang of death.

Suitable Title: The fear of death

2

1. People who spend much time sitting and studying are the most afraid of death, because they lead a peaceful life and want no change. 1

2. The most sensible way of getting rid of the fear of death is to value life properly. We should know that our hold upon life is very risky and that we may die any moment. 1

3. From this passage, we learn that Dr. Johnson was afraid of death. He led a peaceful life and wanted no change. He was fond of tea. 1

4.

a. Precarious Tenure — Uncertain period, life 1

b. Inordinate fear — Unreasonable fear, fear of death 1

1.B. What is the flow of activities to connect sealed PC & make it work? 5

Unpack

First, take the monitor, CPU, and all of the other parts out of their boxes. Make sure you set aside any manuals or documentation included in the boxes. You may need to refer to this documentation later. After unpacking the computer, you should have at the minimum power cords, monitor, CPU, mouse and keyboard.

Position the computer

Set the computer monitor on the desk and put the CPU next to the desk. Place the mouse and keyboard that came with the computer on the desk, in front of the monitor.

Connect all cables

Monitor

The monitor data cable will plug into the CPU in only one place. Most monitors use a DVI, VGA, or HDMI connector and plug into the corresponding port on the back of the CPU. After connecting the data cable to the computer, connect the power cable from the monitor to the electric point.

Keyboard and mouse

The keyboard and mouse usually connect to the computer with the same type of connector, being either a PS/2 or USB connector. These connectors are usually found at the back of the computer.

CPU power cord

For the computer, find the power cord and plug one end into the back of the computer itself (only one end will fit). Plug the other end of the power cord into a power outlet. We highly recommend both the computer and monitor be powered through a surge protector. You may consider using a UPS to help protect your computer.

Internet

Finally, if you are using a wired Internet connection, connect the category 5 Ethernet cable to the back of the computer. If you are planning on using Wi-Fi to connect to the Internet, only a Wi-Fi router needs to be in range of the computer.

Turn the computer on

You can now turn the computer on and allow it to load up into Windows. You may need to complete a few final steps of the Windows operating system setup. Follow the steps on the screen to complete this and Windows should then load fully.

Connect printer and other peripherals

If you have a printer, or other computer peripherals like scanner, speakers, start installing the drivers for each of the devices after the computer is running properly.

Now, the computer is ready to be used.

Que. 2

A.

Write a public notice for VDS of load for DS, NRS categories, quoting its brief features.

PUNJAB STATE POWER CORPORATION LIMITED
 (Regd. Office PSEB Head Office, The Mall, Patiala-147001)
 CIN: U40109PB2010SGC033813, Website: www.pspcl.in
Office of the Chief Engineer/Commercial

Date: 04.02.2020

Public Notice

Subject: Introduction of VDS scheme for load extension of DS/NRS category consumers

As per demands of various consumers and Associations, Punjab State Electricity Regulatory Commission has allowed PSPCL to introduce Voluntary Disclosure Scheme (VDS) for load extension of DS/NRS category consumers. Accordingly, PSPCL is pleased to launch VDS scheme w.e.f. 04.02.2020. VDS is applicable to all DS consumers with sanctioned load up to 50KW & NRS consumers with load up to 20KW. DS/NRS consumers will be allowed to extend their load under VDS up to 100% of their existing load. The total connected load shall be computed as specified in the ESIM. For detailed terms and conditions of VDS, consumers may visit PSPCL web site or local PSPCL office. The validity of the VDS will be for three months (up to 04.05.2020).

After closure of the scheme, on detection of any unauthorized load, consumers shall be liable for the payment of load surcharge as specified in the relevant "Schedule of Tariff" for the respective category. So, consumers are requested to avail this opportunity and get their load regularized without any penalty and at half rates of service connection charges.

-sd-
**CE/Commercial,
 PSPCL, Patiala**

B.

Write a letter to various service providers, requesting them to submit an EOI document, relating to online collection of electricity bills, quoting various requirements and brief terms of PSPCL. 5

PUNJAB STATE POWER CORPORATION LIMITED
 (Regd. Office PSEB Head Office, The Mall, Patiala-147001)
 CIN: U40109PB2010SGC033813, Telefax: 0175-2201258
 E-mail: cao-revenue@pspcl.in Website: www.pspcl.in
Office of the CAO Revenue

To

SBI, The Mall, Patiala
HDFC, Leela Bhavan, Patiala
M/s IndiaIdeas Pvt. Ltd., New Delhi
M/s One97 Communications Ltd., New Delhi
Memo No. 510-513 /101/CR/

Date: 04.02.2020**Sub: EOI for Collection of Electricity Bills through online modes**

PSPCL is a leading electricity corporation in India and operating its generation and distribution business through-out Punjab. We are having around 90 lac consumers, with total monthly revenue collection of around Rs. 2000 Crores (excluding tariff compensation). Presently, payments on account of electricity bills are received at PSPCL cash counters, vendors' outlets like Sewa Kendras and Common Service Centres.

In order to enhance the modes of payment, PSPCL intends to allow its consumers digital facilities and to make bill payments through Net Banking, Debit Cards, Credit Cards, UPI, Mobile Wallets, RTGS/NEFT etc.

PSPCL requests you to submit proposal containing clear terms like transaction charges, fund settlement time, initial set up cost, time line etc. Initially, the proposed facility will be extended to Domestic and Commercial consumers only (the approximate total potential of the consumers will be around 40 lacs per month, with monthly revenue of about Rs. 800 Crores), which may subsequently be extended to other categories of the consumers too.

It is requested to submit the proposal in a sealed envelope on the subject, covering all the requirements, addressed to CAO/Revenue, Flat No. 9, PSEB Officers' Flats, near Railway Crossing No. 23, PSPCL, Patiala, by 1500 Hours on or before 04.03.2020.

-sd-
CAO/Revenue,
PSPCL, Patiala.

C.

Send a letter from CFO to all Sr. Xens, directing them to properly book revenue in different account heads.

5

PUNJAB STATE POWER CORPORATION LIMITED
 (Regd. Office PSEB Head Office, The Mall, Patiala-147001)
 CIN: U40109PB2010SGC033813, Telefax: 0175-2201260
 E-mail: cfo@pspcl.in Website: www.pspcl.in
Office of the Chief Financial Officer

To

All Sr. Xens (DS) in PSPCL.

Memo No. 801-905 /145/CFO/

Date: 04.02.2020

Sub: - Proper Booking of Revenue in Correct Account Heads

Electricity bills raised by PSPCL to different categories of consumers include various components like SOP, ED, DSSF, IDF, Municipal Tax, Cow Cess and other applicable surcharges/rebates etc. Proper Account Heads have been prescribed for each of such elements. But, it has been observed that in monthly accounts, proper classification in relevant Account Heads is not being carried out. It results in inappropriate variations in amount assessed & realized and further various reports prepared by taking such data, may not portray the complete and correct depiction of the state of affairs.

It is therefore, requested that DA and Divisional Officer must cross check the amount of assessment and realization of energy charges, duties/surcharges etc. with the relevant record and relevant Account Heads, while submitting the monthly account to the WAD section.

In case your office encounters any difficulty in getting proper reports/summaries of assessment and realisation under relevant account heads, then the matter may be taken up with the office of EIC/Commercial (Non-SAP) and EIC/IT (SAP), under intimation to this office immediately.

Meticulous compliance of the instructions must be ensured.

**CFO,
PSPCL, Patiala.**

Que. 3

A. Give meaning of idioms and make sentences:

5

- a) Get your act together- Behave properly
The official was asked to **get his act together** if he wanted to keep his post.
- b) In hot water- Be in trouble
The company has already been in **hot water** over high prices this year.
- c) I've got your number- To say you can't be fooled since you have them figured out
You can't fool me; you know I've **got your number**.
- d) Mumbo jumbo- To call something total nonsense
She couldn't understand the text, it sounded like **mumbo - jumbo**
- e) Second to none- The best
The group has a reputation that is **second to none** in the building industry.

B. Change to indirect speech:

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- a) Rahul asked me if I had seen the cricket match on TV the previous night.
- b) James told his mother that he was leaving for New York the next day.
- c) I asked him why he didn't work hard.
- d) He exclaimed that it was a hot day.
- e) The priest urged them to be quiet and to listen to his words.

C. Change the voice:

5

- a) Arabic is spoken in Egypt.
- b) Can he be relied on?
- c) By whom are you taught English?
- d) Let not the poor be insulted.
- e) I am interested in it.

D) What is hard drive and computer hardware? Mention any 6 components of a computer, being used in an office. 2+3

A **computer hard disk drive (HDD)** is a non-volatile memory hardware device that controls the positioning, reading and writing of the hard disk, which furnishes data storage. Hard disk drives are commonly used as the main storage device in a computer. HDDs often store operating system, software programs and other files, and can be found in desktop computers, mobile devices, consumer electronics and enterprise storage arrays in data centers. Introduced by IBM in 1956, HDDs were the dominant secondary storage device for general-purpose computers beginning in the early 1960s. The primary characteristics of an HDD are its capacity and performance. Capacity is specified in unit prefixes corresponding to powers of 1000: a 1-terabyte (TB) drive has a capacity of 1,000 gigabytes (GB; where 1 gigabyte = 1 billion bytes).

Computer hardware is the collection of physical parts of a computer system. This includes the computer case, monitor, keyboard, and mouse. It also includes all the parts inside the computer case, such as the hard disk drive, motherboard, video card, and many others. Computer hardware is what you can physically touch.

Some hardware components being used in office are Central Processing Unit, Monitor, Keyboard/Mouse, Printers, Scanners, CD-ROM/ DVD drives, External hard drives.

Que. 4

A.

Write the various uses of computers in the office. Is it a boon or a bane in office?

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Computer use is prevalent in many workplaces, and some companies may find functioning without them virtually impossible. As a result, computers have become an important part of how companies conduct business as well as how workers perform their job tasks. In today's world, the use of computers and information technology is only limited by imagination. New and varied uses are being found on a daily basis. From managing the launch of a space shuttle to preparing accounting statements, these machines have transformed every space they have touched. Computers play an equally important role in today's offices. Some of the key activities where these are used include: 1. Electronic Mail (e-mail) 2. Word Processing 3. Spreadsheet analysis 4. Knowledge management 5. Accounting & Record keeping 6. Management Information System (MIS) 7. Communication 8. Internet 9. Organizing and Scheduling 10. Electronic Commerce

Computer considered as Machinery God, is an electronic device that reduces human laborious effort. In this 21st century, computer can be known by the name of next human brain. The invention of computer made human life much easier, faster and comfortable. Computer is regarded as one of the greatest achievements made by Scientist till now. Computer, an electronic device, which has made life easier and comfortable, is today surrounded with many questions of threats. Whether Computers are helping us or creating problem to us is matter of discussion. This is a topic to be put forward in the mass discussion.

The use of computer has lowered human labour lots and lots. The work which required much time before can now be done simply within fraction of seconds. This is one of the main cons of computers. Sitting in an office and controlling world has now become possible due to discovery of computers. Communication has become possible due to internet. Information can be easily gained through internet. Globalization has become possible due to computers.

Computers are used in each and every sector. But one thing that must be kept in mind is its negative aspect too.

Computer hackers are the main cause for its negativity. Online robbery has become possible. Hackers are actively involved in cyber crime. Piracy has become so frequent that business organization has to face heavy loss. Important file and data's can be

easily stolen which might be foundation of a country? There is no physical work, only mental work is performed.

Despite of its negative aspect, the invention of computer can be considered as boon to us as its advantages outcomes disadvantages. Also, if used properly then computer are boon or else it is curse for entire mankind. Boon or curse depends on the hand of person using it. Nothing is perfect but the use of computer and the works performed by it is no doubt a perfect. It has proven to the fact that nothing is impossible. Even in the word impossible there is I'm possible.

Can you imagine the world without computers? It would be like the life 100 years back. Would you accept that life?

Before going to office we can check the mails and also reply them instantly. There is no need for physical mail, paperwork and delays. In the office computers help us to connect with the various locations and discuss with them any problem at a time through videoconferencing.

Look at the railway or flight reservations. No more agonizing pain of standing in queues for hours. Today you can book any ticket of any flight in the world at the click of a button. Even hotels booking can be done online.

Computers also help in data logging, data backup and easy data transfer. Complicated mathematical and statistical problems can be solved in few seconds.

Computers thus have saved our precious time, energy, space and improved the living standards and life of mankind.

So Computer is a boon to mankind.....

B.

How bank reconciliations (being prepared in PSPCL) can be prepared using computer software?
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Bank reconciliation is one thing that companies cannot function without nowadays, mainly because there is hardly a business that does not interact with financial institutions. While bank reconciliation is needed and wanted in order to assure control and healthy finances, it is also tedious to a level that often discourages and leaves officials drowned in details that obscure the original intent of the whole process. It is a daily routine for thousands of companies and people around the world and a heavily regulated reality for a number of financial institutions and organizations.

In PSPCL, we prepare 2 types of bank reconciliation. One for funds collections, its deposit and fund transfer (at sub division level). The other one is for disbursements (at DDO level). Bank reconciliation happens when we compare our record of collections, deposits, transfers and disbursements against the record our bank has. Bank reconciliation, by definition, is supposed to be straightforward. It is simply the process of matching the transactional data coming from a bank statement with the relevant internal data (retrieved from the cash account). The aim is to verify that each transaction in the bank statement is consistent and comparable to the internal records as presented in the division's or sub-division's cash accounts.

Today, we prefer to do our banking online, whether from a home or office computer, or on our web-enabled smartphone. The paradigm shift to online banking was made possible by a few basic factors: technological advances that give users secure 24/7 access to their finances, online banking services' ability to provide stellar customer service, and the fact those users like the feeling of being in control.

Bank reconciliation can be a trying work. Switching between documents and comparing numbers isn't everyone's cup of tea. There can be an alternative. Software will speed things up hugely.

If we have hundreds of transactions in a month, it's great for business, but it can be overwhelming to match the balance in the bank with that in our accounting ledger. Today, accounting soft wares can fetch transactions from our bank, categorize them based on custom rules, and reconcile them in bulk, pruning the time and effort spent on manual tracking.

We can securely connect with bank, pull a list of transactions, removes duplicate entries, and pushes them into our accounting software. The transactions appear with date, amount, description, and the name of the payer and the payee. Bank feeds are a boon for business owners and accountants: - no more manual data entry, less probability of error, up-to-date transaction lists, and more hours to focus on work.

Best Matches include only the transactions that are on the same date and with the same amount as the uncategorized transaction selected.

Possible Matches include all the transactions that were recorded within the last specified days before the statement date.

No matter how we do bank reconciliation, we'll come across mystery transactions from time to time. There will be amounts that appear in one set of records but not the other. Don't let it panic us. This is why we're doing bank reconciliation, and there's often a straightforward explanation.

After all, any obstacle in bank reconciliation can get its relevant solution – provided we are equipped with the proper tools and knowledge.

We must reconcile our bank to check for frauds and to avoid errors. Mistakes, intentional or unintentional, can attract serious action.

With the right software to be customized as per our specific requirements, we can do bank reconciliation very easily. And we can easily match our deposits with bank credits, fund transfers with head office credits. Similarly all debits can be matched. Further, all disbursements of divisional cash books can be tallied with bank debits of DDO bank accounts. All mismatched entries on bank side & cash book side will be carry forwarded to next month and will again be tallied automatically.

Que. 5

A.

Write down any 10 computer applications being used in PSPCL offices and their brief benefits. 10.

- 1.) Funds Management Information System (FMIS)
- 2.) Automatic Meter Reading (AMR)
- 3.) Employees Salary Management
- 4.) Management Information System For Thermals
- 5.) Employees I-Card
- 6.) Compilation of Accounts (PSTCL)
- 7.) Court Case Management Information System (CCMIS)
- 8.) Pension Audit Package
- 9.) GPF Package
- 10.) Other Payments Package
- 11.) U-Cheque Management System
- 12.) Employees Data (HR)
- 13.) Employees Pension Management
- 14.) Cadre Strength
- 15.) Compilation of Accounts (PSPCL)
- 16.) Integrated Budget Management Solution (IBMS)
- 17.) e-Payment And B2B
- 18.) Bank Guarantee Management
- 19.) JV Package
- 20.) GST Information System

benefits to be taken !

B. Explain the uses of following in Excel?

10

a) Dollar Sign

The dollar sign fixes the reference to a given cell, so that it remains unchanged no matter where the formula moves. In other words, using \$ in cell references allows you to copy the formula in Excel without changing references. There are three ways cell location can be fixed.

1. The Column position
2. The Row position
3. Both column and row positions which is the same as fixing a specific cell.

To set the fixed-point add a Dollar sign (\$) in front part of the cell reference that you want to fix, for example: `= $A1`, `= A$1`, `= A1`

b) Concatenate

The CONCATENATE function allows combining text from different cells into one cell. We can use it to combine the text in column A and column B to create a combined name in a new column. Before we start writing the function, we'll need to insert a new column in our spreadsheet for this data. In the current version of Excel, we can use the new **CONCAT** function instead of CONCATENATE. The two functions work the same way.

Writing the function: Suppose, we want to combine the text in cells A2 and B2

`=CONCATENATE(B2, A2)`

c) Look Up

Use the LOOKUP function to look up a value in a one-column or one-row range, and retrieve a value from the same position in another one-column or one-row range. The lookup function has two forms, vector and array. LOOKUP has default behaviors that make it useful when solving certain problems (i.e. retrieve approximate matched value instead of position, find the value in the last non-empty cell in a row or column. LOOKUP Function is better than VLOOKUP, as it's less restrictive in its use. It was only introduced by Microsoft in 2016.

d) Macros

A *Macro* is a piece of programming code that runs in *Excel*. It is a programming language that *Excel* uses to record our steps as we perform. A Microsoft Office is simply Visual Basic for Applications (VBA) code saved inside a document. We can apply style and formatting, create entirely new documents, manipulate data and text etc. with a macro. It is one of the powerful, but seldom used functions of Excel are the ability to very easily create automated tasks and custom logic within macros. Macros provide an ideal way to save time on predictable, repetitive tasks as well as standardize document formats.

Model Solution to Question-1st:-

(a):-

Trading and P&L Account

Particulars	Details	Amount(Rs.)	Particulars	Detail	Amount(Rs.)
To Stock	55000		By Sales		293500
Less Stationary	(-)180	54820			
To Purchases	192500		By Stock	80000	
Less Stationary	(-)300	192200	Less stationary	(-)80	79920
To Wages		12500			
To Carriage Inward		4000			
To Gross Profit		109900			
		373420			373420
Particulars	Details	Amount(Rs.)	Particulars	Detail	Amount(Rs.)
To Insurence		3500	By Gross profit		109900
To Carriage Inward		4000	By discount		200
To Interest		3500	By commission on consignment		4000
To Trade expenses	3450	1200			
Less stationary	(-)2250				
To Rent & Taxes		12750			
To stationary		2450			
To loss on sale of furniture		300			
To provision of doubtful debt		7655			
To Net profit		78745			
		114100			114100

BALANCE SHEET

Particulars	Details	Amt(Rs.)	Particulars	Detail	Amt(Rs.)
Creditors		93250	Cash in Hand & Bank		42250
Bills payable		18500	Bills receivable		21700
Consigner Account		12500	Debtors(incl. Bankrupt amount)	150300	142645
			Less provision	7655	
Capital	89500	167545	Furniture	6000	4700
Less drawing:-			Less Book value of furniture sold	1300	
Goods	500				
Stationary	200				
Add profit	78745				
			Stationary stock		80
			Stock in trade		79920
			Suspense		500
		291795			291795

Notes:-

1.	Stationary:-	In the beginning:-	180
		Add purchases (cash-2250+credit-300)	2550
		Less in Hand	80
		Stationary Consumed	2650
		Consumed by proprietor	200
		Consumed in business	2450
2.	Loss on furniture:-	Furniture in beginning	1300
		Less sale proceeds	1000
		Loss	300
3.	Provision for doubtful debts:-	Debtors as per TB	150000
		Add dishonored bills	800
		Less goods for proprietor	500
		Less due from Bankrupt	200
		Debtors	150100

Provision: -	@5% on 150100	7505
	Add due from Bankrupt@75paisa /rupee	150
	Total provision	7655

4. Consigner Account:-

To P&L a/c Commission on sale	4000	By Balance as per TB	40000
Expenses for consignment	8000	By sale of consignment goods	64500
Cash paid	80000		
Balance	12500		
	104500		104500

(b) Journal entries:-

Particulars	Dr.(Rs.)	Cr(Rs.)
Share Capital A/C Dr	140	
To forfeited shares A/C (20x5)		100
To Share first call A/C(20x2)		40
(Being 20 shares forfeited for non-payment of first call of Rs.2)		
Bank A/c (15x8) Dr	120	
To Share capital A/C(15x7)		105
To Securities Premium Reserve A/c (15x1)		15
(Being 15 forfeited shares reissued as Rs.7 per share paid -up for Rs.8 per share)		

Model Solution to Question-2nd:-

(a) In the Journal of Mr. M

	Particulars	Dr	Cr
1(a)	Motor Car Account Dr To P&L Adjustment A/C	150000	150000
1(b)	P&L Adjustment A/C To Motor Car A/C	15000	15000
2(a)	Raghu's Account Pandit's Account To Suspense Account	40000 60000	100000
2(b)	P&L Adjustment A/C To Provision for discount on Creditors a/c To provision for doubtful debts a/c To provision for discount on debtors a/c	5920	400 4000 1520
3(a)	Machinery Account To capital account	250000	250000
3(b)	To P&L Adjustment A/C(Dep) To Machinery Account	12500	12500
3(C)	To P&L Adjustment A/C(Interest) To Capital Account	3750	3750

(b) Following cost statements are required to be prepared by Company under Cost Accounting record rules:-

1. Statement showing the cost of utilities like water collection, water treatment, ash handling plants, effluent treatment etc.
2. Statement showing the cost of procurement of coal, lignite, gas, naphtha, fuel oil, or any other primary or secondary conventional or non-conventional fuel.
3. Statement showing the Cost of generation of Power (Thermal or Hydroelectric or Gas Turbine or Atomic or Wind or Solar, etc.)
4. Statement showing the cost of Transmission or Distribution
5. Statement showing the cost of supply (consumer servicing and billing, etc.)
6. Statement showing Activity-wise Capital Cost of Plant and Machinery or Equipment relating Electricity Activity and other common services or activities
7. Statement showing Allocation and Apportionment of Total Expenses and Income of the Company
8. Statement showing Apportionment of Overheads
9. Statement of Profit Reconciliation (for the company as a whole)

Model Solution to Question-3rd:-

(a)

1. On 1.4.2019 there is balance of Rs.200000 in machinery account being in Book Value.
2. On 30.6.2019 Machinery of Book Value Rs.100000 is sold for Rs.60000 and the loss on sale Rs.40000 is debited to P&L account. The sum of Rs.40000 also includes the depreciation on the asset sold from 1.4.2019 to date of sale 30.6.2019.
3. On 30.9.2019 Machinery purchased from M/S B for Rs.70000
4. On 31.12.2019 Depreciation provided as under:-

On Rs.100000 for 9 months @10%:-	Rs.7500
On Rs.70000 for 3 months @10%:-	Rs.1750

- (b) For verification of plant & Machinery Auditor should commence the process of verification by obtaining the schedule of plant & Machinery certified by the company. Plant Register is also maintained in companies to keep a detailed record of P&M such as Name/Description of machines, number/code number of machinery, name of supplier, location of plant, date of installation, purchase price, Expected life of machinery, rate of depreciation and method thereof, Amount of depreciation, Repair information such as date, cost etc.

The auditor should verify the asset by comparing the schedule with the plant register. The machinery purchased during the year should be vouched by reference to the invoices and the relevant vouchers. In case some machinery is sold out, it should be seen that necessary entries have been passed at proper places and profit or loss arising out of sale is duly recorded.

Where P&M are acquired under hire-purchase agreement, the auditor should examine the relevant agreement to ascertain mode of payment, amount of each installment, number of installments, when the title will pass. The hire purchase price usually includes interest but only the net cash purchase price is to be capitalized and interest to be charged to revenue account. Depreciation should be charged to the entire cost price of the asset and not merely with respect to paid amounts.

For verification with regard to imported machinery the auditor should look into the agreement with the foreign supplier to note the terms & conditions, the import license covering the imported plant, copy of invoice, documents relating to customs duty, permission of reserve Bank of India etc. should be examined

- (c) The company Auditor's Report order should include the following matters on which the Auditor is required to report mandatorily:-
- A. Fixed Assets
 - B. Inventory
 - C. Loans give by company
 - D. Loan to Directors and investment by company
 - E. Deposits
 - F. Cost records
 - G. Statutory dues
 - H. Repayment of loans
 - I. The utilization of funds
 - J. Reporting of Frauds
 - K. Approval of Managerial Remuneration
 - L. Nidhi Company
 - M. Related party transactions
 - N. Private placement of preferential issues
 - O. Non-cash transactions
 - P. Registration under RBI Act.

Model Solution to Question-4th:-

- (a) As per AS-12 Government grant related to specific fixed asset should be presented in the Balance sheet by showing the grant as a deduction from the gross value of the asset concerned in arriving at their book value. Therefore 90% of Rs.500 lacs should be shown as addition to the fixed asset due to this transaction. AS-12 alternatively prescribed that the government grant related to the depreciable asset may be treated as deferred income which should be recognized in the profit & loss statement over the useful life of assets i.e such grant should be allocated to income over the period and in the proportion in which depreciation on those assets be charged.
- (b) While vouching the wages sheet the following points should be kept in mind by Auditor:-
- Names of workers included in the wages sheet should be compared with worker's register as it helps in locating the dummy workers and workers who have left the company.
 - Wages paid and calculated for the various months should be compared. If the wages of a particular month differ from the preceding month the auditor should look into the reasons for the difference.
 - At random checking of wages calculation should be made.
 - Auditor should see the proper record is maintained for unpaid wages.
 - Deductions for any advance taken by the worker should also be verified.
 - Deductions made from the wages should be entered in the proper account.
 - Special attention should be given to the payments made to casual workers.

(c) A good system of Internal Check with regard to purchases will prevent the following types of irregularities, errors and frauds:-

1. Fictitious purchase:- Fictitious purchase may be recorded in the purchase book and the payment withdrawn may be misappropriated.
2. Double payment:- Some invoices may be recorded twice and double payment made may be misappropriated.
3. Artificial inflation in profits:- Goods purchased may not be entered in that period so as to inflate profits.
4. Artificial reduction in profit:- Goods not received in one period may be entered as purchases so as to show profits less than actual.

(d) As per AS-16 Following conditions should be satisfied for capitalization of borrowing costs :-

1. Those borrowing costs, which are directly attributable to the acquisition, construction or production of qualifying assets, are eligible for capitalization. Directly attributable costs are those costs that would have been avoided if the expenditure on the qualifying assets had not been made.
2. Qualifying assets will give future economic benefit to the enterprise and the cost can be measured reliably.

Model Solution to Question-5th:-

(a)

$$\text{Gross profit} = \text{Rs.} 300000 \times 25/100 = \text{Rs.} 75000$$

Cost of Goods Sold:- Sales- Gross profit

$$\text{Rs.} 300000 - 75000 = \text{Rs.} 225000$$

$$\begin{aligned} \text{Stock Turnover Ratio: -} & \quad \frac{\text{Cost of Goods Sold}}{\text{Average Stock}} \\ 5 & = \frac{225000}{\text{Average Stock}} \end{aligned}$$

$$\text{Average stock} = \frac{225000}{5} = \text{Rs.} 45000$$

$$\text{Let Opening Stock} = X$$

$$\text{Then Closing Stock} = X + 10000$$

$$\begin{aligned} \text{Average Stock} & = \frac{X + (X+10000)}{2} \\ 45000 & = \frac{X + (X+10000)}{2} \end{aligned}$$

$$45000 \times 2 = X + (X + 10000)$$

$$90000 - 10000 = 2X$$

$$80000 = 2X$$

$$40000 = X$$

$$\text{Opening Stock} = \text{Rs.} 40000$$

$$\text{Closing Stock} = \text{Rs.} 40000 + 10000 = \text{Rs.} 50000$$

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}} = 0.75$$

$$\text{Quick Assets} = 0.75 \times 40000 = \text{Rs.} 30000$$

$$\begin{aligned} \text{Current Assets} & = \text{Closing stock} + \text{Quick Assets} \\ & = 50000 + 30000 \\ & = \text{Rs.} 80000 \end{aligned}$$

(b) Calculation of adjusted balance of Cash Book:-

Particulars	Amount(Rs.)	particulars	Amount(Rs.)
To Adj. of under casting	25000	By Balance b/f	40000
To Balance c/d	29000	By cheques issued - erroneously entered in cash column	10000
		By Commission and other charges	4000
	54000		54000

Bank Reconciliation statement

Particulars	Amount (Rs.)
Adjusted balance as per cash book Cr	29000
Add Un credited Cheques	13000
Less un presented Cheques	72000
Balance as per pass book (in favor).	30000

(C) **Convention of Prudence** :- Convention of conservatism also known as doctrine of prudence. This is the policy of playing safe. It takes into consideration all prospective losses but leaves all prospective profits. This should be recognized by exercising prudence in financial statements. This policy tends to understate rather than overstate net assets and net income, and therefore lead companies to "play safe".

Health Measures and Safety Provisions as per Factories Act, 1948

- Section 11: Cleanliness in every factory
- Section 12: Disposal of effluents and wastes
- Section 13: Ventilation and Temperature
- Section 14: Dust and Fume
- Section 15: Artificial Humidification
- Section 16: Overcrowding
- Section 17: Lighting
- Section 18: Drinking Water

Section 11: Cleanliness in Every Factory: Under Section 11, every factory need to keep itself clean and free from effluvia arising from any drain, privy or other nuisance, and in particular-

- Accumulation of dirt and refuse should be removed daily by any effective method from the floors of workrooms and from staircases and passages and disposed of in a suitable and efficient manner.
- In case the floor is subject to become wet during the working time, then they should take proper drainage process or steps.
- Clean the worker's floor every week with proper disinfectant or any other effective method of cleaning.
- Paint or repaint walls, ceilings, and staircases of the factory once in every 5 years.
- Repaint the walls once in every 3 years in case of washable water paints.
- Paint and varnish all doors and window-frames and other wooden or metallic framework and shutters at least once in a period of 5 years.

Section 12: Disposal of Effluents and Wastes: Under this section following things should be considered:

- (a) It is necessary for the factories to arrange proper and effective waste treatment and its disposal.
- (b) The State Government may make rules prescribing the arrangements for the disposal and treatment of waste and effluents.

Section 13: Ventilation and Temperature: This section states:

- Effective and suitable provisions should be made in every factory for securing and maintaining in every workroom proper ventilation by circulation of fresh air. It also involves providing an adequate temperature at the workplace. For this, they should select the material of the walls accordingly.
- The State Government may prescribe a standard of adequate ventilation and reasonable temperature for any factory or class or description of factories.
- Lastly, if it appears to the Chief Inspector that excessively high temperature in any factory can be reduced by the adoption of suitable measures, he can order them to use such a method.

Section 14: Dust and Fume: This section states that:

- If dust and fume release in the manufacturing process of a factory then they should take effective measures to prevent its inhalation and accumulation in the workplace. For this, they should use proper exhaust appliances in the workplace.
- In any factory, no stationary internal combustion engine shall be operated unless the exhaust is conducted into the open air.

Section 15: Artificial Humidification: In respect of all factories in which the humidity of the air artificially increases, the State Government may make rules,-

- Firstly, prescribing standards of humidification;
- Secondly, regulating the methods used for artificially increasing the humidity of the air;
- Directing tests for determining the humidity of the air for correct carrying out and recording.
- Lastly, prescribing methods for securing adequate ventilation and cooling of the air in the workrooms.

Section 16: Overcrowding: This section states:

- Firstly, no room in any factory shall be overcrowded to an extent injurious to the health of the workers employed therein.
- Secondly, a factory built after the commencement of this Act at least 14.2 cubic meters of space for every worker employed therein, and for the purposes of this subsection, no account shall be taken of any space which is more than 4.2 meters above the level of the floor of the room.

- If the Chief Inspector by order in writing, may or may not post a notice specifying the maximum number of workers who may be employed in the room.

Section 17: Lighting: This section states:

Firstly, there should be proper lighting in all the places of the factory from where the workers of the factory pass.

In every factory, effective provision shall, so far as is practicable, be made for the prevention of-

- glare, either directly from a source of light or by reflection from a smooth or polished surface;
- the formation of shadows to such an extent as to cause eye-strain or the risk of accident to any worker.

Section 18: Drinking Water: This section states that in every factory, there should be proper arrangements for a sufficient supply of wholesome drinking water and shall be legibly marked as "drinking water".

Section 19: Latrines and Urinals: This section states that every factory should make arrangements of latrine and urinals for the employees and the rules are laid down by the State Government in this behalf.

Section 20: Spittoons: There should be a sufficient number of spittoons in the factories for the employees and they should be in clean and hygienic condition.

Answer to the Q.NO. 1(B)

Total disablement Total disablement can also be classified as temporary total disablement and permanent total disablement. "Total disablement" means, such disablement whether of a temporary or permanent nature, which incapacitates an employee for all work which he was capable of performing at the time of accident resulting in such disablement. Provided further that permanent total disablement shall be deemed to result from every injury specified in Part I of Schedule I or similarly total disablement shall result from any combination of injuries specified in Part II of Schedule I, where the aggregate percentage of loss of earning capacity, as specified in the said Part II against these injuries amount to one hundred per cent or more. [Section 2(1)(I)]

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Answer to the Q.NO. 1(C)

"Family" means all or any of the following relatives of an insured person, namely:—

- a. a spouse ;
- b. a minor legitimate or adopted child dependent upon the insured person ;
- c. a child who is wholly dependent on the earnings of the insured person and who is
 - i. receiving education, till he or she attains the age of twenty-one years,
 - ii. an unmarried daughter ;
- d. a child who is infirm by reason of any physical or mental abnormality or injury and is wholly dependent on the earnings of the insured person, so long as the infirmity continues ;
- e. dependant parents, whose income from all sources does not exceed such income as may be prescribed by the Central Government ;
- f. in case the insured person is unmarried and his or her parents are not alive, a minor brother or sister wholly dependant upon the earnings of the insured person

Answer to Q. No 2(a)

As per Section 149(1) the following classes of companies are required to appoint at least one Woman Director-

- (i) Every listed company;
- (ii) Every other public company having –
 - Paid-up share capital of 100 crore rupees or more; or
 - Turnover of 300 crore rupees or more.

For appointment of Women Director, paid up share capital or turnover, as the case may be, as on the last date of latest audited financial statements has to be taken into account.

The Companies which were incorporated under the **Companies Act 1956** and companies which were covered by Section 149 (1) were provided with the time limit to comply with such provisions within a period of 6 months from the date of its incorporation. Further as per interpretation other existing Companies were required to appoint Women Director within a period of 1 year as mentioned under Section 149(2).

In case of any intermittent vacancy of woman director the same has to be filled-up by the Board at the earliest but not later than immediate next Board meeting or three months from the date of such vacancy whichever is later.

Answer to Q. No 2(b)

Quorum- Section 103 states that Quorum means the minimum number of members/directors to be present at the meeting in order to hold the valid meeting.

Minimum Quorum for General Meeting of Public Company-

- Five members personally present if the number of members as on the date of meeting is not more than one thousand.
- Fifteen members personally present if the number of members as on the date of meeting is more than one thousand but up to five thousand
- Thirty members personally present if the number of members as on the date of the meeting exceeds five thousand
- Minimum Quorum for General Meeting of Private Company is two members personally present.

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If Quorum is not present within half an hour, the meeting should be adjourned. The adjourned meeting shall be called on same day in the next week at the same time and place, or to such other date and such other time and place as the Board may determine. the company shall give not less than three days notice to the members either individually or by publishing an advertisement in the newspapers.

Answer to Q. No. 2 (C)

Minutes Book- Section- 118 of Companies Act 2013: Every company shall keep Minutes of all Board and Committee Meetings in a Minutes Book. Minutes kept in accordance with the provisions of the Act evidence the proceedings recorded therein. Minutes help in understanding the deliberations and decisions taken at the Meeting.

PROCEDURE OF MAINTENANCE OF MINUTES BOOK:

- Minutes shall be recorded in books maintained for that purpose.
- A distinct Minutes Book shall be maintained for Meetings of the Board and each of its Committees.
- A company may maintain its Minutes in physical or in electronic form with Timestamp.
- Minutes shall not be pasted or attached to the Minutes Book, or tampered with in any manner.
- The pages of the Minutes Books shall be consecutively numbered.
- Binding of Minutes: If maintained in loose-leaf form, shall be bound periodically depending on the size and volume and coinciding with one or more financial years of the company.
- Minutes of the Board Meeting shall be kept at the Registered Office of the company or at such other place as may be approved by the Board.

Answer to Q. No. 2 (d)

E-governance, expands to electronic governance, is the integration of Information and Communication Technology (ICT) in all the processes, with the aim of enhancing government ability to address the needs of the general public. The basic purpose of e-governance is to simplify processes for all, i.e. government, citizens, businesses, etc. at National, State and local levels. In other words, it is the use of electronic means, to promote good governance. It connotes the implementation of information technology in the

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government processes and functions so as to cause simple, moral, accountable and transparent governance. It entails the access and delivery of government services, dissemination of information, communication in a quick and efficient manner. The models of E-Governance are:

- G2G (Government to Government)
- G2C (Government to Citizen)
- G2B (Government to Business)
- G2E (Government to Employees)

Answer to the Q.NO 3(A)

ENDORSEMENT

Section 15 of the Act provides that a promissory note, bill of exchange or a cheque can be transferred by making an endorsement either on the instrument or on a separate paper annexed thereto. The word 'endorsement' ordinarily means anything written or printed upon the back of a deed. 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. No particular form of words is necessary for an endorsement. The person who effects an endorsement is called an 'endorser', and the person to whom negotiable instrument is transferred by endorsement is called the 'endorsee'.

TYPES OF ENDORSEMENTS

An endorsement may be-

- (1) Blank or general.
- (2) Special or full.
- (3) Partial.
- (4) Restrictive.
- (5) Conditional.

BLANK OR GENERAL ENDORSEMENT (SECS. 16 AND 54)

It is an endorsement when the endorser merely signs on the instrument without mentioning the name of the person in whose favour the endorsement is made. Endorsement in blank specifies no endorsee. It simply consists of the signature of the endorser. A negotiable instrument even though payable to order becomes a bearer instrument if endorsed in blank. Then it is transferable by mere delivery. An endorsement in blank may be followed by an endorsement in full. A negotiable instrument, though originally made or drawn payable to order, may be endorsed in blank and delivered to any person and the effect of such an endorsement and delivery is to convert the instrument payable to bearer in the same manner as if the instrument were originally made or drawn payable to bearer. (Section 54)

SPECIAL OR FULL ENDORSEMENT (SEC. 16)

When the endorsement contains not only the signature of the endorser but also the name of the person in whose favour the endorsement is made, then it is an endorsement in full. Thus, when endorsement is made by writing the words "Pay to A or A's order," followed by the signature of the endorser, it is an endorsement in full. In such an endorsement, it is only the endorsee who can transfer the instrument.

Conversion of endorsement in blank into endorsement in full: When a person receives a negotiable instrument in blank, he may without signing his own name, convert the blank endorsement into an endorsement in full by writing above the endorser's signature a direction to pay

to or to the order of himself or some other person. In such a case the person is not liable as an endorser on the bill. In other words, the person transferring such an instrument does not incur all the liabilities of an endorser. (Section 49)

PARTIAL ENDORSEMENT (SEC. 56)

A partial endorsement is one which purports to transfer to the endorsee a part only of the amount payable on the instrument. Such an endorsement does not operate as a negotiation of the instrument. Thus, a bill for ₹ 1000 is payable to A. A endorses it in favour of B for ₹ 500 and to C for the remaining ₹ 500. The endorsement is partial and invalid. No right of action arises under a partial endorsement. But endorsee may acquire a lien on the instrument and authority to collect the amount for which endorsement is made.

RESTRICTIVE ENDORSEMENT (SEC. 50)

The endorsement of an instrument may contain terms making it restrictive. Restrictive endorsement is one which either by express words restricts or prohibits the further negotiation of a bill or which expresses that it is not a complete and unconditional transfer of the instrument but is a mere authority to the endorsee to deal with bill as directed by such endorsement.

It is an endorsement which does one of the following three things :

- (a) prohibits the further negotiation of the bill, e.g., where the endorsement is "Pay to AB only."
- (b) constitutes the endorsee the agent of the endorser for a special purpose.
- (c) vests the title in the endorsee in trust for the use of some other person.

CONDITIONAL OR QUALIFIED ENDORSEMENT

It is open to the endorser to annex some condition to his own liability on the endorsement. An endorsement where the endorsee limits or negatives his liability by putting some condition in the instrument is called a conditional endorsement. A condition imposed by the endorser may be a condition precedent or a condition subsequent. An endorsement which says that the amount will become payable if the endorsee attains majority embodies a condition precedent. A conditional endorsement unlike the restrictive endorsement does not affect the negotiability of the instrument. It is also some times called qualified endorsement.

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Answer to the Q.NO 3(B)

HOLDER IN DUE COURSE (SEC. 9)

Section 9 of the Act provides that, "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 the bearer, or the payee or indorsee thereof, if payable to the 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." Thus, a holder in due course is a person who has obtained the possession of a negotiable instrument for consideration in good faith without any notice of defect in the title of the person from whom he has taken it.

ESSENTIALS OF A PERSON CLAIMING TO BE A HOLDER IN DUE COURSE

- (1) The person must have acquired the possession of the instrument for valuable consideration.
- (2) The person must have obtained the possession before the amount mentioned therein became payable.
- (3) The person is a possessor of the instrument if it is a bearer instrument.
- (4) The person is the payee or indorsee if payable to order.
- (5) The person has taken the delivery of the instrument in good faith without the knowledge of any defect in the title of the person from whom he has taken its possession.
- (6) The instrument should be complete on the face of it.

Answer to the Q.NO 3(C)

BASIS FOR COMPARISON	FRAUD	MISREPRESENTATION
Meaning	A deceptive act done intentionally by one party in order to influence the other party to enter into the contract is known as Fraud.	The representation of a misstatement, made innocently, which persuades other party to enter into the contract, is known as misrepresentation.
Defined in	Section 2 (17) of the Indian Contract Act, 1872	Section 2 (18) of the Indian Contract Act, 1872
Purpose to deceive the other party	The purpose of the contract to deceive the other party.	The purpose of the contract is not to deceive the other party.

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BASIS FOR COMPARISON	FRAUD	MISREPRESENTATION
Variation in extent of truth	In a fraud, the party making the representation knows that the statement is not true.	In misrepresentation, the party making the representation believes the statement made by him is true, which subsequently turned out as false.
Claim	The aggrieved party has the right to claim for damages.	The aggrieved party has no right to sue the other party for damages.
Voidable	The contract is voidable even if the truth can be discovered in normal diligence.	The contract is not voidable if the truth can be discovered in normal diligence.

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Answer to Q No. 4(a)

Periodicity of Annual General Meeting: As per Section 96 of the Companies Act, 2013,

- Every Company other than one person Company must hold a general meeting in each year apart from other meetings as Annual General Meeting (AGM).
- Every Company has to set up a managing Committee to run its smooth working of managerial works.
- Every Company, apart from one person Company (OPC) must have to hold in addition to other meetings, by giving a notice about the meeting, not more than 15 months in between the date of AGM to the next. A Company may hold its first AGM within the period of 9 months from closing of its first financial year otherwise in other cases within the period of 6 months.

As per the above, if a company holds its meeting, then it has no need to call an AGM in the year of its incorporation. However, the registrar may extend the period within any AGM (not being the first AGM) shall be held, not exceeding 3 months under section 96(1).

Answer to Q No. 4(b)

Deductions under House Property u/s 24:

Standard Deduction – Standard Deduction is 30% of the Net Annual Value calculated above. This 30% deduction is allowed even when your actual expenditure on the property is higher or lower. Therefore, this deduction is irrespective of the actual expenditure you may have incurred on insurance, repairs, electricity, water supply etc. For a self occupied house property, since the Annual Value is Nil, the standard deduction is also zero on such a property.

Deduction of Interest on Home Loan for the property – Section 24b of income tax act allows deduction of interest on home loan from the taxable income. Such loan should be taken for purchase or construction or repair or reconstruction of house property. Such deduction is allowed on accrual basis, not on paid basis. In other words, the interest payable for the year is allowed as deduction whether such interest is actually paid or not. The maximum amount of deduction is as below:

- In Let Out Property/Deemed to be Let Out – Rs. 2 lakh

- Self Occupied House (SOP) – Rs. 2 Lakh

In the following cases, the above limit of Rs 2,00,000 for SOP shall be reduced to Rs. 30,000

- Loan borrowed before 01-04-1999 for any purpose related to house property.
- Loan borrowed after 01-04-1999 for any purpose other than construction or acquisition.
- If construction/acquisition is not completed within 5 years from the end of the financial year in which capital was borrowed.

Answer to Q No. 4(c)

Sustainable development: Sustainable development is a broad concept that balances the need for economic growth with environmental protection and social equity. It is a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations. Sustainable development is a broad concept and it combines economics, social justice, environmental science and management, business management, politics and law.

Sustainable Development indicates development that meets the needs of the present generation without compromising with the ability of the future generations to meet their needs. The principle behind it is to foster such development through technological and social activities which meets the needs of the current generations, but at the same time ensures that the needs of the future generation are not impaired. For example, natural energy resources, like Coal and Petroleum etc., should be prudently used avoiding wastage so that the future generation can inherit these energy resources for their survival also.

Answer to Q No. 4(d)

No Consideration No Contract: Consideration is an integral part of a contract. As per Section 10 and Section 25 of the Indian Contract Act, 1872, consideration is essential in a valid contract. Hence, a contract can be enforced only if there is a consideration. While

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considerations are integral to a contract, but the Indian Contract Act, 1872 has listed some exceptions whereby an agreement made without consideration will not be void.

Exceptions to the 'No Consideration No Contract' Rule

1. Natural Love and Affection: If an agreement is in writing and registered between two parties in close relation (like blood relatives or spouse), based on natural love and affection, then such an agreement is enforceable even without consideration.

2. Past Voluntary Services: If a person has done a voluntary service in the past and the beneficiary promises to pay at a later date, then the contract is binding provided:

- The service was rendered voluntarily in the past
- It was rendered to the promisor
- The promisor was in existence when the voluntary service was done
- The promisor showed his willingness to compensate the voluntary service

3. Promise to pay a Time-Barred Debt: If a person makes a promise in writing signed by him or his authorized agent about paying a time-barred debt, then it is valid despite there being no consideration. The promise can be made to pay the debt wholly or in part.

4. Creation of an Agency: According to section 185 of the Indian Contract Act, 1872, no consideration is necessary to create an agency.

5. Gifts: The rule of no consideration no contract does not apply to gifts. Explanation (1) to Section 25 of the Indian Contract Act, 1872 states that the rule of an agreement without consideration being void does not apply to gifts made by a donor and accepted by a donee.

6. Bailment: Section 148 of the Indian Contract Act, 1872, defines bailment as the delivery of goods from one person to another for some purpose. This delivery is made upon a contract that post accomplishment of the purpose, the goods will either be returned or disposed of, according to the directions of the person delivering them. No consideration is required to affect a contract of bailment.

7. Charity: If a person undertakes a liability on the promise of another to contribute to charity, then the contract is valid. In this case, the no consideration no contract rule does not apply.

Computation of Taxable Income of Mr Rohit for the AY 2019-20

Sr No	Particulars	Rs	Rs
A	Income Under the Head Salary		
1	Basic Pay	300000	
2	Dearness Allowance	60000	
3	Bonus	20000	
4	Salary in lieu of past leave	15000	
5	Entertainment Allowance	18000	
6	Conveyance Expenditure	Nil	
7	Gardner (Bieng house owned by employer)	Nil	
8	Clib Bill	7200	
	Employer Contribution to RPF	43680	
9	Less: Exempted 12% of Salary	-40320	3360
10	Transport Allowance		18000
	Concessional Rent Accomodation	37400	
11	Add Cost of Furniture	35000	
	Less: Rent Charged from Employee	-36000	36400
12	Gross Salary		477960
13	Less Standard Deduction u/s 16	-40000	
A	Income Under the Head Salary		437960
B	Income Under the Head House Property		
1	Annual Rental Value	96000	
2	Less Local Taxes Paid	Nil	
3	Net Annual Value	96000	
4	Less Standard Deduction (30% of NAV)	-28800	
B	Income Under the Head House Property		67200
C	Gross Total Income		505160
D	Less Deduction U/s 80C		
	RPF	43680	
	PPF	24000	
	ELSS	20000	
	LIC	47000	134680
E	Taxable Income		370480

Ans. 1

<u>Cash Outflows:</u>		Rs.
Cost of New Project		1,00,000
Additional Working Capital required in the form of inventories and receivables		50,000
Total Cash Outlays		<u>1,50,000</u>
		Rs.
Annual Sales		1,00,000
Less: Annual Cash Expenses	30,000	
Annual Depreciation (1,00,000 ÷ 5)	<u>20,000</u>	
		50,000
		<u>50,000</u>
Less: Tax @ 50%		25,000
Annual Earnings after tax		<u>25,000</u>
Add back Depreciation		20,000
Annual Net Cash Inflows		<u>45,000</u>

Net Cash Inflows shall be Rs. 45,000 per annum. In the fifth year additional Rs. 50,000 will be released from working capital and hence inflows in the 5th year shall be Rs. 45,000 + 50,000 = Rs. 95,000.

Calculation of NEW PRESENT VALUE

Year	Cash Inflows Rs.	Discount Factor@ 10%	Present values
1- 4	45,000	3.170	1,42,650
5	95,000	0.621	58,995
			<u>2,01,645</u>
		Less: Cash Outlay	1,50,000
		Net Present Value	<u>51,645</u>

CALCULATION OF INTERNAL RATE OF RETURN

As the net present values @ 10 per cent discount factor is Rs. 51,645. We try a higher rate of discount, say 20 percent and 22 percent.

Year	Cash Inflows Rs.	Discount Factor @ 20%	Present values at 20% Rs.	Dis. Factor @ 22%	P.V at 22% Rs.
1-4	45,000	2.58846	1,16,481	2.4936	1,12,212
5	95,000	0.402	38,190	0.370	35,150
			1,54,671		1,47,362
		Less: Cash Outlay	1,50,000		1,50,000
		Net Present Value	<u>4,671</u>		<u>-2,638</u>

$$\text{Hence, I.R.R} = 20\% + \left(\frac{4,671}{4,671 + 2,638} \times 2 \right) \%$$

$$= 20\% + \left(\frac{4,671}{7,309} \times 2 \right) \%$$

$$= 20\% + 1.278\%$$

$$= 21.27\%$$

or

$$= 21.28\%$$

OR

The following solution can also be taken as alternative solution if it is made on the basis of P.V factor table provided in Examination, which is also correct.

Calculation of NEW PRESENT VALUE

Year	Cash Inflows Rs.	Discount Factor @ 10%	Present values
1- 4	45,000	3.169	1,42,605
5	95,000	0.621	58,995
			2,01,600
		Less: Cash Outlay	1,50,000
		Net Present Value	<u>51,600</u>

CALCULATION OF INTERNAL RATE OF RETURN

As the net present values @ 10 per cent discount factor is Rs. 51,600. We try a higher rate of discount, say 20 percent and 22 percent.

Year	Cash Inflows Rs.	Discount Factor @ 20%	Present values at 20% Rs.	Dis. Factor @ 22%	P.V at 22% Rs.
1-4	45,000	2.588	1,16,460	2.494	1,12,230
5	95,000	0.402	38,190	0.370	35,150
			1,54,650		1,47,380
		Less: Cash Outlay	1,50,000		1,50,000
		Net Present Value	<u>4,650</u>		<u>-2,620</u>

$$\text{Hence, I.R.R} = 20\% + \left(\frac{4650}{4,650 + 2,620} \times 2 \right) \%$$

$$= 20\% + \left(\frac{4650}{7270} \times 2 \right) \%$$

$$= 20\% + 1.279\%$$

$$= 21.27\%$$

or

$$= 21.28\%$$

Ans. 1(b)

"Operation and Maintenance Expenses" or "O&M Expenses" means the expenditure incurred on operation and maintenance of the generating plant or the transmission system or the distribution system, as the case may be, including part thereof, and includes the following expenditure:

- Repair and Maintenance (R & M) Expenses;
- Administration and General (A & G) Expenses;
- Employee Cost (EC)

4) Model sol. of SAs-II / S-2 / 2020 / P-8
Ans. 2(a)

(i) Economic order quantity

A (Annual requirement or Component 'X')	= 4,000 units per month x 12 months
	= 48,000 units
C (Purchase cost p.u)	= Rs. 20
O (Ordering cost per order)	= Rs. 120
i (Holding cost)	= 10% per annum

$$E.O.Q = \frac{\sqrt{2AO}}{C_i} = \frac{\sqrt{2 \times 48,000 \text{ units} \times \text{Rs.} 120}}{10\% \text{ of Rs.} 20} = 2,400 \text{ units}$$

(ii) Extra cost incurred by the company;

(A) Total cost when order size is equal 4,000 units;

Total cost = Total ordering cost + Total carrying cost

$$= \frac{A}{Q} \times O + \frac{1}{2} Q (C_i)$$

$$= \left(\frac{48,000 \text{ units}}{4,000} \times \text{Rs.} 120 \right) + \left(\frac{1}{2} \times 4,000 \text{ units} \times 10\% \times \text{Rs.} 20 \right)$$

$$= \text{Rs.} 1,440 + \text{Rs.} 4,000 = \text{Rs.} 5,440$$

(B) Total cost when order size is equal EOQ i. e 2,400 units:

$$\text{Total cost} = \left(\frac{48,000 \text{ units}}{2,400 \text{ units}} \times \text{Rs.} 120 \right) + \left(\frac{1}{2} \times 2,400 \text{ units} \times 10\% \times \text{Rs.} 20 \right)$$

$$= \text{Rs.} 2,400 + \text{Rs.} 2,400 = \text{Rs.} 4,800$$

Extra cost that the company has to incur = (A) - (B) = Rs. 5,440 - Rs. 4,800 = Rs. 640

(iii) Minimum carrying cost:

Carrying cost depends upon the size of the order. It will be minimum on the least order size. (In this part of the question the two order sizes are 2,400 units and 4,000 units. Here 2,400 units is the least of the two order sizes. At this order size carrying cost will be minimum.)

The minimum carrying cost in this case can be computed as under:

$$\text{Minimum carrying cost} = \frac{1}{2} \times 2,400 \text{ units} \times 10\% \times \text{Rs.} 20 = \text{Rs.} 2,400.$$

Ans. 2(b)

(i) Re-Order Level :- This level lies between minimum and the maximum levels in such a way that before the material ordered is received into the stores, there is sufficient quantity on hand to cover both normal and abnormal consumption

situations. In other words, it is the level at which fresh order should be placed for replenishment of stock.

Re-Order Level = Maximum re-order period x Maximum Usage

or

= Minimum level + (Average rate of consumption x Average time to obtain fresh supplies).

- (ii) **Operating Costing:-** Operating Costing is a method of ascertaining costs of providing or operating a service. This method of costing is applied by those undertakings which provide services rather than production of commodities. The emphasis under operating costing is on the ascertainment of cost of services rather than on the cost of manufacturing a product. This costing method is usually made use of transport companies, gas and water works departments, electricity supply companies, canteens, hospitals, theatres, schools etc.

CIMA (London) defined operating costing as "that form of operation costing which applies where standardised services are rendered either by an undertaking or by a service cost centre within an undertaking."

Ans. 3 Calculation of relative costs of three proposals and total cost per km and their ranking

	per annum (Rs.)	I Use of company's car per km. (Rs.)	II Use of own car per km. (Rs.)	III Use of hired car per km. (Rs.)
Reimbursement Cost		--	10.00	9.00*
Fixed cost:				
Insurance	1,200	0.06	0.06	--
Taxes	800	0.04	--	0.04
Depreciation (Rs. 6,00,000 - Rs. 80,000) ÷ 5 years	1,04,000	5.20	--	--
Running and Maintenance Cost:				
Petrol	--	6.00	--	6.00
Repair and Maintenance	--	0.20	--	--
Tyre		0.12		0.12
Total cost per km	--	11.62	10.06	15.16
Cost for 20,000 km		2,32,400	2,01,200	3,03,200
Ranking of proposals		II	I	III

*(Rs. 1,80,000 ÷ 20,000 km.) = Rs. 9 per km

The Second alternative i.e., use of own car by the executive and reimbursement of expenses by the company is the best alternative from company's point of view.

Ans. 4(a)

	Account Head
(i) Computer time hire cost	- 76.154
(ii) Amount receivable from state govt against Pani Bachao, Paise Kamao Scheme.	- 28.624
(iii) Sewak Machine hire charges	- 76.194
(iv) Directors Sitting Fee	- 76.171
(v) Certification and Filling Charges	- 76.128

Ans. 4(b)

Variable Cost	% age of sales
Direct Materials	33.6
Direct Labour	28.4
Factory Overhead	11.6
Distribution expenses	3.3
General and Administrative expenses	<u>1.1</u>
	<u>78.0</u>

Contribution = Sales – Variable Cost

$$= 100 - 78 = 22 \% \text{ of sales}$$

$$P/V \text{ Ratio} = \frac{\text{Contribution}}{\text{Sales}} = \frac{22}{100} = 22 \%$$

(i) Break – even sales volume

$$= \frac{\text{Fixed Costs (i.e shut-down cost)}}{P/V \text{ ratio}}$$

$$= \frac{1,66,700 + 63,400 + 99,900}{\frac{22}{100}}$$

$$= 3,30,000 \times \frac{100}{22}$$

$$= \text{Rs. } 15,00,000.$$

(ii) Profit at the budgeted sales of Rs. 20,00,000

Contribution = Sales × P/V Ratio

$$\text{Contribution} = 20,00,000 \times \frac{22}{100} = \text{Rs. } 4,40,000$$

$$\text{Contribution} = \text{Fixed Costs} + \text{Profit}$$

$$\text{Profit} = \text{Contribution} - \text{Fixed Costs}$$

$$\text{Profit} = 4,40,000 - 3,30,000 = \text{Rs. } 1,10,000$$

- (iii) (a) Profit if actual sales drop by $12\frac{1}{2}\%$ over budgeted sales

	Rs.
Budgeted Sales	20,00,000
Less: $12\frac{1}{2}\%$ drop of sales	2,50,000
Actual Sales	<u>17,50,000</u>

$$\begin{aligned} \text{Contribution at 17,50,000 of sales} &= 17,50,000 \times \frac{22}{100} \\ &= \text{Rs. } 3,85,000 \end{aligned}$$

$$\begin{aligned} \text{Profit} &= \text{Contribution} - \text{Fixed Costs} \\ &= \text{Rs. } 3,85,000 - 3,30,000 \\ &= \text{Rs. } 55,000. \end{aligned}$$

- (b) Profit if actual sales increase by 10% over budgeted sales

	Rs.
Budgeted Sales	20,00,000
Add: 10% Increase of sales	2,00,000
Actual Sales	<u>22,00,000</u>

$$\begin{aligned} \text{Contribution at 22,00,000 of sales} &= 22,00,000 \times \frac{22}{100} \\ &= \text{Rs. } 4,84,000 \end{aligned}$$

$$\begin{aligned} \text{Profit} &= \text{Contribution} - \text{Fixed Costs} \\ &= \text{Rs. } 4,84,000 - 3,30,000 = \text{Rs. } 1,54,000 \end{aligned}$$

- (iv) Sales to generate a profit of Rs. 2,20,000

$$\begin{aligned} &= \frac{\text{Fixed Costs} + \text{Desired Profit}}{\text{P/V ratio}} \\ &= \frac{3,30,000 + 2,20,000}{\frac{22}{100}} \\ &= 5,50,000 \times \frac{100}{22} \\ &= \text{Rs. } 25,00,000. \end{aligned}$$

Ans. 5

Financial (Cash) Budget for Three Months
(April to June 2018)

Particulars	April	May	June	Total
	Rs.	Rs.	Rs.	Rs.
1. Opening Balance	6,000	3,950	3,000	12,950
2. Receipts:				
Sales/ Debtors (See W.N-1)	14,650	15,650	16,650	46,950
Dividend from investments	---	---	1,000	1,000
Advance against sale of vehicle	---	---	9,000	9,000
Total Receipts (2)	14,650	15,650	26,650	56,950
3. Payments:-				
Creditors for Materials (After 2 months)	9,600	9,000	9,200	27,800
Wages (See W.N - 2)	3,150	3,500	3,900	10,550
Overhead (See W.N - 3)	1,950	2,100	2,250	6,300
Capital Expenditure— Installment of Plant and Machinery	2,000	2,000	2,000	6,000
Dividend on Pref. Shares—	---	---	10,000	10,000
Income Tax (Advance)	---	---	2,000	2,000
Total Payments (3)	16,700	16,600	29,350	62,650
4. Surplus/ (Deficit)(2-3)	(2,050)	(950)	(2,700)	(5,700)
Closing Balance (1-4)	3,950	3,000	300	7,250

Working Notes:

1. Sales/ Debtors Collection:-

Particulars	February	March	April	May	June
Total Sales	14,000	15,000	16,000	17,000	18,000
Cash Sales(10%) (A)	1400	1500	1600	1700	1800
Credit Sales	12600	13500	14400	15300	16200
Collection from Debtors	---	6300	6300	6750	7200
(50% of the credit sales collected in next month and balance in the following month)	---	---	6750	7200	7650
Total Collections from Debtors (B)	---	6300	13050	13950	14850
Total (A + B)	1400	7800	14650	15650	16650

2. Payments of Wages:-

Particulars	February	March	April	May	June
Total Wages	3000	3000	3200	3600	4000
3/4 of wages (to be paid in same month) (A)	2250	2250	2400	2700	3000
1/4 of wages (to be paid in next month)	750	750	800	900	1000
(B)	---	750	750	800	900
Total payment of wages (A+B)	2250	3000	3150	3500	3900

3. Payments of Overheads:-

Particulars	February	March	April	May	June
Total Overheads	1700	1900	2000	2200	2300
1/2 of overheads (to be paid in same month) (A)	850	950	1000	1100	1150
1/2 of overheads (to be paid in next month)	850	950	1000	1100	1150
(B)	---	850	950	1000	1100
Total overheads payment (A+B)	850	1800	1950	2100	2250