

Q1 a) It must be our aim in all our arrangements, to so raise the minds of the natives that, when our connection ceases, they may be able to govern themselves than when we found them. At present we have too little experience and knowledge of the natives to adopt any one method of carrying out the principle; but we can give them a higher opinion of themselves by placing more confidence in them, by employing them in important situations, and by making them eligible for almost every office under government.

b) Title : Training India for Self- Government.

c) Endeavor- Making Efforts

d) Ascendency - Command or Dominance

e) Acquainted – having Knowledge

Q.2 Fill in the Blanks

i) Since

ii) with

iii) by or beside

b) Idioms

i) To eat humble pie :To apologize Humbly

ii) To play fast and loose: To say One thing & does another

iii) To sit on the fence: Halting between two opinions

iv) To read between lines: Having hidden or unexpected meaning

c) Change Voice

i) We admire the Brave.- The Brave are admired. or The Brave are admired by us.

ii) He pretended to be a Baron. - It was pretended by him that he was a Baron.

iii) I saw him opening the box.- He was seen opening the box

d) Change the narration:

i) " Where do you live?" asked the stranger. The stranger enquired where I lived.

ii) He said to him, "Please wait here till I return." - He requested him to wait there till he returned.

iii) She said, " Bravo! You have done well. - She applauded him saying, saying that he had done well.

e) Write the correct Sentence to the given incorrect sentence:

- i) The passenger train will leave as soon as the main train will arrive.- Will arrive should be replaced by arrives.
- ii) I have been waiting for you since two hours. - Since should be replaced by for
- iii) He came to my place and asked me can you open this knot without much effort. - Instead of can u it should be if I can

Q. 3 Define the following ( Attempt any five):

- i) Filtering. : If your worksheet contains a lot of content, it can be difficult to find information quickly. **Filters** can be used to **narrow down** the data in your worksheet, allowing you to view only the information that you need. Filters are **cumulative**, which means that you can apply **multiple filters** to help narrow down your results
- ii) Spreadsheet : A **spreadsheet** is an interactive computer application program for organization and analysis of data in tabular form. Spreadsheets developed as computerized simulations of paper accounting worksheets. The program operates on data represented as cells of an array, organized in rows and columns. Each cell of the array is a model-view-controller element that can contain either numeric or text data, or the results of formulas that automatically calculate and display a value based on the contents of other cells.
- iii) Formatting. : By formatting we mean getting the disc ready for its first use. It also means deleting all the data on the disc most of which can be recovered with special tools. **OR** Formatting in MS Excel/MS Word means to give specific sizes, fonts, effects to the data or tables as per the requirements of the document or spreadsheet.
- iv) Slide Show : A **slide show** is a presentation of a series of still images on a projection screen or electronic display device, typically in a prearranged sequence. Each image is usually displayed for at least a few seconds, and sometimes for several minutes, before it is replaced by the next image. The changes may be automatic and at regular intervals or they may be manually controlled by a presenter or the viewer. Slide shows originally consisted of a series of individual photographic slides projected onto a screen with a slide projector.

v) Design Template: A PowerPoint template is a pattern or blueprint of a slide or group of slides. They are the Prepared designs that you can apply to presentation slides that include organizational patterns, formatting, and color schemes. Templates can contain layouts, theme colors, theme fonts, theme effects, background styles, and even content.

You can create your own custom templates and store them, reuse them, and share them with others.

vi) CD Drive : A CD drive is considered an integral part of today's computer hardware. The basic task of the CD drive is to install software onto the computer, but with available technology, they can be used for several other tasks as well. A CD drive can perform a variety of tasks. With the advent of writeable and rewriteable compact disk technology, users could use the drive to back up important data or entire hard drives. The drive also can be used for listening to or copying music files including MP3s.

3 b)

- i) Select the rows & columns which are showing the details to be displayed in the chart. Go to the Insert Menu & Then Select Chart. In the Chart Menu select Chart type as Bar Chart. Chart will be displayed in the spreadsheet. Adjust the ranges of the chart if necessary by clicking on the horizontal or Vertical Ranges separately.
- ii) When you find out that the words are getting cut during printing the problem lies with the Margins. You have to adjust the margins of document to get all the text in the printable area of paper. For this you have to click on the Margin box which can be reached in two ways. First is Select file then click print preview & then click Margin. Second way is Select page layout & then select margin. Once reaching the margin section Horizontal & vertical Margins can be easily adjusted to get your data in the printable section of paper.
- iii) To add Name on top & page number on bottom of the file , Sachin has to use the Header & Footer option. Go to the Insert Menu & then click on the sub menu Header & footer. When you select the option, a thin line creates two sections on the page one on the top side & one on the bottomside. Click in the top section to add your college name. Click in the bottom section to add Page number. Select on the page number option & the method in which you want to get the page number displayed for e.g. page no.1 , Page 1 of 10 etc. Save the changes and the needful is done.

- iv) To change the appearance of a slide in the slideshow, Seema has to use the Animation option. Select on the Slide Transition option in which different methods of slide appearance are listed. Select the relevant option in which she wants the slide to appear. Repeat the process on all slides to add different appearance effects on each slide.
- v) Select that particular slide for which you want to change the design template. Select the required design of template from the design menu and the design shall be applied. Repeat it for other slides in case you want different designs on different slides.
- vi) To correct the name of the company you have to use the FIND & REPLACE option. Press Ctrl +F to open the Find & replace Menu. Select replace section. In replace section two boxes are there. One is Find what & replace with. In find what type Krishna Alloys & in Replace with box type Krishna Metals. Then Select Replace All to change all the names in one click.

3 c) To get the necessary task done Filtering option shall come into play.

First select the table displaying the details & select Sort & Filter option from the Editing section.

Click on the drop arrow that has appeared after applying filter. Select the Select number option & choose option " greater than or equal to " and put the value of passing marks in this column. This will display the list of passed students only. Select the columns & the lower section of sheet will display the count.

Find percentage of passed students by applying formula= count of passed students/total students \* 100

For failed students:

Click on the drop arrow that has appeared after applying filter. Select the Select number option & choose option " less than " and put the value of passing marks in this column. This will display the list of failed students only. Select the columns & the lower section of sheet will display the count.

Find percentage of failed students by applying formula= count of failed students/total students \* 100

3 d) Answer the following

- i) In mathematics and computer science, **hexadecimal** (also **base 16**, or **hex**) is a positional numeral system with a radix, or base, of 16. It uses sixteen distinct symbols,

most often the symbols 0-9 to represent values zero to nine, and A, B, C, D, E, F (or alternatively a-f) to represent values ten to fifteen. Each hexadecimal digit represents four binary digits (bits)

For example, the hexadecimal number 2AF3 is equal, in decimal, to  $(2 \times 16^3) + (10 \times 16^2) + (15 \times 16^1) + (3 \times 16^0)$ , or 10995.

ii) Analog Computers are different from digital computers in a manner that they can perform numerous mathematical operations simultaneously.

In analog computers the data varies continuously while in digital the data flows in discrete form

Analog Computers are used for measuring temperature pressure etc while digital ones are used for measuring data which varies with time or weight etc.

iii) The Difference between system software and application software is that, system software can run independently of the application software, while application software cannot run without the presence of the system software. System software gets installed when the operating system is installed on the computer, while application software is installed according to the requirements of the user.

System software consists of programs designed to help the use of computer by the user while application software consists of number of programs designed to perform specific user applications.

iv) The two biggest advantages of a computerized accounting system are **speed** and **accuracy**. When using a manual accounting system, each step in the accounting cycle must be performed by hand. For example, if a business pays their electric bill, a check has to be written, an entry must be recorded into the check register, and the transaction has to be posted to the respective ledgers: in this case, a debit to the electric company's ledger account and a credit to cash. This process would need to be repeated for every transaction a business makes. If the business is small and makes only a few transactions a month, it would not be much of a problem. But for other businesses, there could be thousands of transactions, and it could take both a large amount of time and a substantial staff to keep up.

With a computerized accounting system, the steps described above are completed with one entry. The journal entries for cash and the electric company are automatically posted to their respective ledgers. What could take several minutes manually takes only seconds with a computerized accounting system. Also, because only one entry needs to be made with a computerized system, the likelihood of an incorrect entry is greatly reduced.

Another advantage is the **ease of producing end of period reports**. With a manual system, each general ledger entry would have to be posted to the financial statements by hand. With a computerized accounting system, each computerized transaction is automatically posted to both the general journal and the respective ledgers, which makes producing balance sheets, trial balances, and end of period financial reports as simple as selecting the desired report from the menu.

Other advantages to using computerized accounting are:

- **Instant access to accounting information.** Because each entered transaction is automatically posted to its respective account, all account information is always up-to-date.
- **Easy document production.** Purchase orders, debit memos, sales receipts, sales invoices, inventory lists and others can be printed in moments.
- **Staff motivation.** Accounting and bookkeeping departments should run more smoothly and be more efficient with computerized accounting software. There will be less time spent on compiling reports.
- **Legibility.** Computerized accounting software eliminates the need to decipher poor or odd handwriting, eliminating much of the possibility of error due to misreading a hand-written line item.
- **Ability for taxes to be computed automatically.** This makes paying quarterly or annual taxes easier since the computerized system will keep a running total of all taxes owed.

#### v) There are two basic types of RAM :

(i) Dynamic Ram

(ii) Static RAM

Dynamic RAM : loses its stored information in a very short time (for milli sec.) even when power supply is on. D-RAM's are cheaper & lower.

Similar to a microprocessor chip is an Integrated Circuit (IC) made of millions of transistors and capacitors.

Static RAM uses a completely different technology. S-RAM retains stored information only as long as the power supply is on. Static RAM's are costlier and consume more power. They have higher speed than D-RAMs. They store information in Hip-Hope.

**Some other RAMs are :**

(a) **EDO (Extended Data Output) RAM** : In an EDO RAMs, any memory location can be accessed. Stores 256 bytes of data information into latches. The latches hold next 256 bytes of information so that in most programs, which are sequentially executed, the data are available without wait states.

(b) **SDRAM (Synchronous DRAMS)**, SGRAMs (Synchronous Graphic RAMs) These RAM chips use the same clock rate as CPU uses. They transfer data when the CPU expects them to be ready.

(c) **DDR-SDRAM (Double Data Rate – SDRAM)** : This RAM transfers data on both edges of the clock. Therefore the transfer rate of the data becomes doubles.

vi) COPY CON is internal command while EDIT is an external command.

The purpose of COPYCON is to create a file. The file created by this command cannot be modified. If user will try to modify the contents of the file using COPYCON it will display file already exists. Overwrite? So user cannot edit the contents of file using this command. While EDIT command is used to create or modify contents of existing file. Using this command user can display multiple lines & move within displayed text box both vertically & horizontally.

3 e)

Number	Divided by 2	Remainder
235928	117964	0
117964	58982	0
58982	29491	0
29491	14745.5	1
14745	7372.5	1
7372	3686	0
3686	1843	0
1843	921.5	1
921	460.5	1

460	230	0
230	115	0
115	57.5	1
57	28.5	1
28	14	0
14	7	0
7	3.5	1
3	1.5	1
		1

ii) First write binary equivalent of  $(BAD)_{16}$  by writing four digit binary equivalent of B, A & D from Hexa Decimal System

$$(BAD)_{16} = 1011\ 1010\ 1101$$

Now convert 101110101101 into decimal as follows

number (a)	multiplier (b)	a x b
1	2048	2048
0	1024	0
1	512	512
1	256	256
1	128	128
0	64	0
1	32	32
0	16	0
1	8	8
1	4	4
0	2	0
1	1	1
	sum	2989

iii) Write the four digit equivalent in binary system of the Hex number AB.CD

$$A = 1010$$

$$B = 1011$$

$$C = 1100$$



D = 1101

the number becomes 10101011.11001101

Now start pairing the number in sets of three by moving from decimal point right to left for digits before decimal & left to right for digits after decimal. Add additional zeroes if set is not getting complete.

010 101 011. 110 011 010

Write the octal equivalent of three digit set to find the final number

010 101 011. 110 011 010

2 5 3 . 6 3 2 = 253.632

iv) Convert the number into binary by replacing the individual digits by its four digit binary equivalent

2 = 0010

A = 1010

0 = 0000

F = 1111

The number becomes 0010101000001111

Convert to decimal as follows

Number	Hexa Equivalent (a)	Multiplier(b)	a x b
2	0	32768	0
	0	16384	0
	1	8192	8192
	0	4096	0
A	1	2048	2048
	0	1024	0
	1	512	512
	0	256	0

0	0	128	0
	0	64	0
	0	32	0
	0	16	0
F	1	8	8
	1	4	4
	1	2	2
	1	1	1
		sum	10767

Final number is 10767

v) Convert the number into binary by replacing the individual digits by its three digit binary equivalent

1 = 001

4 = 100

3 = 011

1 = 001

The number becomes 001100011001

Convert to decimal as follows

Number	octal Equivalent (a)	Multiplier(b)	a x b
1	0	2048	0
	0	1024	0
	1	512	512
4	1	256	256
	0	128	0
	0	64	0
3	0	32	0
	1	16	16
	1	8	8
1	0	4	0

	0	2	0
	1	1	1
	sum		793

Final number is 793

vi) To convert number into hexa decimal make sets of four digits starting from right & moving towards left. Additional zeroes can be added on left side if pairs are not getting completed

0010 0011 1101 0001

Write Hexa decimal equivalent of individual pairs to form final number.

0010 0011 1101 0001

2 3 D 1

Final number is 23D1

Q4 a)

The letter is as follows.

SE/P&M, Bathinda

Phone No. :

Fax No.:

DO No.:-

To,

1. Er. Balwinder Singh ASE/P&M-1
2. Er. Joga Singh Sr. XEN/P&M-2
3. Er. Mohan Lal Sr. XENP&M-3
4. Er. Kirann Kumar ASE/P&M-4
5. Er. Balwant Singh ASE/ P&M -4

Sub: - Poor Maintenance of Substation Equipments & non returning of Scrap to the stores.

SAs-II S-2/14 P-2 12/

During my visit to your substation it has been observed that the substation equipment is not being properly maintained as per norms fixed by the powercom. A lot of scrap is also lying in the yard. Please take immediate steps for returning the scrap to the concerned store & send the maintenance schedule to the undersigned.

Matter Most urgent.

Regards,

-Sd-

(Er. Surinder Kumar)

b)

PUNJAB STATE POWER CORPORATION LIMITED

From

Additional SE/Operation

Operation Division Nabha

To

Er. Suresh Chandra AE (Code No. 11035)

Operation Sub Division Nabha

Memo. No. .... Dated.....

Sub: Non Controlling of theft

The flying squad Patiala during his visit has detected large scale theft in your subdivision. The report of flying squad reveals that there is 25% theft in your area. It seems you are not carrying out surprise checking to control the theft and your involvement cannot be ruled out. You are required to explain your position within three days that why not a strict action should be taken against you for not controlling theft in your area.

-Sd-----

ASE / DS Nabha

## PUNJAB STATE POWER CORPORATION LIMITED

Memo. No. .... Dated.....

WTD Case

The memo consists of 2 No. pages.

Confidential

Subject :- Advance Increments to Ram lal JE/DS City Sub Division Phagwara.

1. Sh. Ram Lal JE/DS City Sub Division Phagwara has done a commendable work by doing the reengineering of his area. He has reduced the feeder lengths and have reduced distribution losses by doing proper load distribution of each transformer. He reduced breakdown period & enhanced reliability of supply. As such he is recommended for two advance increments.

Financial Liabilities.

Basic Pay of JE – 14000/-

2 increments @ 3% - Rs. 840/-

DA@8% - Rs. 672/-

Total Monthly Amount =  $840 + 672 = \text{Rs. } 1512/-$ Yearly Liability =  $1512 \times 12 = \text{Rs. } 18144/-$ 

2. Opinion of Director Distribution: Director Distribution approved the proposal for placing it before WTD.
3. Opinion of Director/ Finance- Director/ Finance has seen the memorandum
4. Opinion of Legal Section-No legal opinion required in this case
5. Competency - The competency lies with WTDs

Decision required:

To grant two advance increments to Sh. Ram LAL JE/DS Phagwara.

---Sd---

CE/Operation/North

Q.5 a) The material is liable to be rejected and if accepted , penalty @ 0.5% of the cost of undelivered material per week of delay or part thereof not exceeding maximum limit of 10% of the cost of complete unit of undelivered material.

There will be a slack period of one month, without any penalty. Delay beyond slack period will attract penalty for the entire period including slack period.

b) i) Upto a limit of 10% of the original under value of next lower competent authority

ii) WTD.

c) 100% payment of contract value prorata for each consignment of operationally complete equipment dispatched after approval of Inspecting authority/ test certificate along with 100% sales tax, ED & other statutory levies as per contract shall be paid within 45 days against receipted challans and Bank guarantee of 5% amount for a period of 3 months.

d) 7.5 % of the net value of the work (deducting cost of material supplied by Powercom) Interest will be charged at Basic rate of SBI + 4.5% at reducing amount of the advance.

ANS .Q 1:

**Trading and Profit and Loss Account of Sham for the  
year ending on 31st March, 2013**

Dr

Cr

Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Opening Stock	14,600	By Sales	1,19,060
To Purchases	1,03,620	Less: Sales return	<u>2,100</u>
Less : Purchase returns	2,910		1,16,960
Plant and Machinery	<u>1,000</u>	Add: Unrecorded sale	<u>2,000</u>
To Wages	2,400	By Closing Stock	17,300
Less: Installation charges	1,200	By Good destroyed by fire	1,000
To Gross Profit	<u>21,750</u>		
	<u>1,37,260</u>		<u>1,37,260</u>
To General expenses	2,000	By Gross Profit b/d	21,750
To Rent and Taxes	3,200		
Add: Out Standing Rent	<u>400</u>		
	3,600		
Less: Prepaid rates	<u>800</u>		
To Bad Debt W/off	1,720		
New provision	1,600		
Less Old provision	<u>1,050</u>		
To Depreciation on Plant and machinery	1,005		
To Loss by fire	1,000		
To net profit transferred to capital A/c	<u>12,675</u>		
	<u>21,750</u>		<u>21,750</u>

## Balance Sheet

As at 31<sup>st</sup> March, 2013

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capital	42,500	Plant and Machinery	9,500
Add: Net profit	<u>12,675</u>	Add: Purchased	1,000
	55,175	Installation charges	<u>1,200</u>
Less : Drawings	<u>7,100</u>		11,700
Bank overdraft	1,200	Less : Depreciation	<u>1,005</u>
Creditors	10,000	S. Debtors	3,000
Outstanding rent	400	Add: Unrecorded Sales	<u>2,000</u>
			32,000
		Less Provision for Bad Debts	<u>1,600</u>
		Closing Stock	17,300
		Cash in hand	480
		Rates paid in advance	800
	<u>59,675</u>		<u>59,675</u>

## Working Notes:

## 1. Depreciation on Plant and Machinery

Depreciation on Rs.9,500 @ 10% for one year

Rs.  
950

Add: Depreciation on Rs.1,000+ 1,200 installation charges for 3 months i.e.

$$2,200 \times \frac{10}{100} \times \frac{3}{12}$$

$$\frac{55}{1005}$$

## 2. Provision for Bad Debts:

Sundry debtors as per Trial Balance

30,000

Add ; Unrecorded credit sales

$$\frac{2,000}{32,000}$$

5% on Rs.32,000

$$\frac{1,600}{}$$



ANS, Q 2(a) :

Bank Reconciliation Statement as on 31<sup>st</sup> March, 2013

	Particulars		Rs.
	Balance as per pass book		12,040
Add:	Receipt side of cash book overcast	2,000	
Add:	Cheques deposited but not cleared	7,520	
Add:	Discount allowed wrongly entered in bank		
	Column (receipt side) instead of discount column	220	9740
			21,780
Less:	Cheques issued but not presented for payment	10,460	
Less:	Credit note received but not entered in the cash book	580	11,040
	Balance as per cash book		10,740

2(b)

## Journal

Date	Particulars	L.F.	Debit Amount	Credit Amount
i)	Suspense A/c Dr. To Profit and Loss Adjustment A/c (Being the total of a page of the purchase book Rs.4,539 wrongly carried forward as Rs,4,593 now rectified)		54	54
ii)	Profit and Loss Adjustment A/c Dr. Customer's A/c Dr. To Suspense A/c (Being a sale of Rs.573 entered in the sales books as Rs.753 and posted to the credit of the customer, now rectified)		180 1,326	1,506
iii)	Suspense A/c Dr. To Profit and Loss Adjustment A/c (Being the return to a creditor wrongly entered in return inwards book, the creditors account being correctly posted, now rectified)		1020	1020

iv)	Suspense A/c To Sham To Ganapati (Being cash received from Sham wrongly debited to Ganapati, now rectified)	Dr.		1,240	620 620
v)	Profit and Loss Adjustment A/c To Capital A/c (Being the net effect of the errors committed in the previous period in respect of profits and losses transferred to capital account)	Dr.		894	894

ANS .Q 3(a):

## Journal Entries

			Rs.	Rs.
2009				
April 1	Bank A/c Dr.		9,50,000	
	Discount on Debentures A/c		50,000	
	To 6% Debentures A/c Dr. (Issue of 1,000 6% debentures of Rs.1,000 each at Rs 950)			10,00,000
April 1	Debentures issue Expenses A/c Dr.		3,000	
	To Bank A/c (Expenses incurred on the issue of debentures)			3,000
2010				
Mar. 31	Profit & Loss A/c Dr.		13,000	
	To Debenture issue Expenses A/c To Discount on Debentures A/c (Being the debentures issue expenses and discount on debentures written off)			3,000 10,000
Mar.31	Interest on Debentures A/c Dr.		60,000	
	To Bank A/c (Interest due on debentures for one year paid)			60,000
2011,				
Mar.31	Interest on Debentures A/c Dr.		60,000	
	To Bank A/c (Interest due on debentures due for one year paid)			60,000
Mar.31	Profit & Loss A/c Dr.		10,000	
	To Discount on Debentures A/c (Discount on debentures written off)			10,000
2012				
Mar.31	Interest on Debentures A/c Dr.		60,000	
	To Bank A/c (Interest on debentures due for one year paid)			60,000
Mar.31	Profit & Loss A/c Dr.		10,000	
	To Discount on Debentures A/c (Discount on debentures written off)			10,000
Mar.31	6% Debentures A/c Dr.		50,000	
	To Bank A/c (Redemption of debentures worth Rs.50,000 by drawing at par)			50,000
2013				
Mar.31	6% Debentures A/c Dr.		50,000	
	To Profit on Redemption of Debentures A/c To Bank A/c (For the purchases of 50 debentures in the market at Rs.980 plus Rs.100 for expenses)			900 49,100

Mar.31	Interest on Debentures A/c	Dr.	57,000	57,000
	To Bank A/c (Interest @ 6% on Rs.9,50,000 debentures for one year)			
Mar.31	Profit on Redemption of Debentures A/c	Dr.	900	
	Profit and Loss A/c	Dr.	10,000	
	To Discount on Debentures A/c (For writing off Rs.10,000 out of debentures discount and also utilization of profit for the same purpose)			10,900

3 (b):

Closing stock is that part of the goods purchased or manufactured which is left unsold at the end of the accounting period. Generally, the closing stock does not appear in the trial balance. The reason is simple. Closing stock is not an account. Its amount is not ascertained from any ledger accounts but is calculated from the physical verification of the goods unsold on the closing date. In most cases, it is brought into accounts at the time of preparing Trading Account.

The term 'cost of goods sold', in short, indicates;

Opening stock + Purchases - Closing Stock

Hence, when cost of goods sold is stated in the balances, it indicates that opening stock has already been added to purchases and the closing stock has been deducted from purchases. It is also called 'adjusted purchases'. In such a case, opening stock will not appear in the trial balance. But the closing stock will appear in the trial balance because it has been adjusted with the purchases. It is no longer an item outside the trial balance.

ANS .Q 4 (a):

(a) Liquid Ratio:

Liquid Assets = Current Assets-Stock-Prepaid Expenses= 1,00,000-7000-3000=Rs.90,000

$$\text{Liquid Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}} = \frac{90,000}{60,000} = 1.5 : 1$$

(b) Gross Profit Ratio:

Net purchases= Net Sales x 80% = Rs.4,00,000 x 80% = 3,20,000

Cost of Goods Sold = Opening Stock + Net Purchases + Direct Expenses- Closing Stock

Cost of Goods Sold= 10,000+3,20,000+20,000-7,000=Rs.3,43,000

Gross Profit = Net Sales-Cost of Goods Sold=Rs.4,00,000-Rs.3,43,000 = Rs.57,000

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100 = \frac{57,000}{4,00,000} \times 100 = 14.25\%$$

(c) Debt Equity Ratio:

Debt = 9% Debentures + Long term loan from bank = 4,00,000+ 1,50,000=Rs.5,50,000

Equity = Equity Share Capital + 8% Preference Share Capital = 8,00,000+3,00,000=Rs.11,00,000

$$\text{Debt Equity Ratio} = \frac{\text{Debt}}{\text{Equity}} = \frac{5,50,000}{11,00,000} = 1:2 \text{ or } 0.5 : 1$$

4(b)

"Auditing begins, where accountancy ends". After the accountant has completed his work an auditor is invited to verify the work done by accountant .It is not the duty of auditor to prepare the accounts. He is concerned with critical examination and verification of accounts prepared by others. Auditor is an independent person appointed specifically for the purpose of certification of work done by others. Auditing presupposes the existence of completed financial statements prepared by the accountant .After completing his work, auditor has to submit a report of the fact whether or not profit and loss account and balance sheet exhibit true and fair position of the business.

An auditor must be a competent person, well versed in various accounting system and principles. As per the provisions of Companies Act, he must be qualified Chartered Accountant. Audit report must be prepared only after the auditor has checked and verified thoroughly various accounting records.

An accountant cannot perform the function of an auditor. He cannot certify the financial statements as correct and present true and fair view. Auditing is always based on accountancy. There is clear cut demarcation between the two. No doubt accounting is necessity but without auditing accounting statements do not find much recognition, so auditing is still more important. It may be in case of small business where accounts are maintained in crude form and control is exercised by the owners themselves, auditing may not be necessity or a legal requirement but still audit of accounts may provide valuable information regarding misappropriation, frauds etc.

ANS .Q 5(a):

'Auditor should keep in mind the following points in regard to risk of errors, frauds or manipulation while vouching the receipts:

- (a) False particulars of cash deposited in bank may be entered in counterfoils of pay-in-slips.
- (b) Cash received may not be entered in cash book particularly bad debts recovered, sale of assets, over payments to creditors etc.
- (c) Duplicate receipts may show sum less than the original receipts.
- (d) Cheques received from customer may be deposited in bank without being entered in cash book and later on an equivalent amount may be withdrawn.
- (e) Incorrect totaling of cash book and thereafter false bank statements may be prepared.
- (f) Overstatement of discount allowed and excess cash received may be misappropriated.
- (g) Debtors may be shown as bad, cash received there from may be misappropriated.
- (h) Cash sales may be shown credit sales to fictitious parties and amount received may be misappropriated.
- (i) Cash in hand may include personal cheques without any intention to deposit these cheques into bank for collection.
- (j) Cheques received may be credited to suspense account and then later on cash may be withdrawn and misappropriated.

The vouching of cash receipts will depend to a large extent on the strength of internal control system in existence. Test checks can be applied to the audit of cash receipts if internal control system is satisfactory and adequate. Auditor may check a few receipts at random if everything is found to be in order; he may presume that all other receipts recorded are correct. The auditor should keep in mind that there are more chances of fraud where cash is received. Cash receipts may be totally omitted. Where client maintains rough cash book or daily diary, receipts appearing in daily diary should be compared with those appearing in cash book. Receipts which may be recorded in rough cash book may altogether be omitted from cash book. It should be seen that cash received on a date is recorded in the cash book on the same date. The auditor should see that a proper method is used to deposit cash into bank. A proper record of pay in slips is maintained. The receipts must be issued when cash is received. All the receipts must be serially numbered. Either counterfoils or carbon copies of receipts must be maintained. Only competent officer should be authorized to sign the receipts. Unused receipts must be kept in the custody of senior officer.

5 (b):

1. *Requisition.* The procedure for issuing purchase requisitions should be specified. The head of the department, who is in the need of goods, should fill in a requisition slip duly signed and then should send it to the purchases department. The details about the quantity, quality and the time by which the goods must be supplied be clearly mentioned in the requisition slip.

2. *Enquiry.* Purchases department makes an enquiry about the terms and conditions of purchases from different suppliers. For this purpose tenders are generally invited. But, who shall open and accept the tenders, should be clearly specified. As a rule, the lowest tender should be accepted and accordingly a decision be taken.

3. *Purchase Order.* The Purchase department places orders which should be recorded in the purchases order book. Four copies of purchase order should be prepared. One copy will be sent to the vendor, second to the store department, third to the accounting department and fourth one will be retained by the purchase department itself. A responsible officer should review the purchase order, before signing by the authorized person or director.

4. *Receipt of Goods.* On receipt of goods, the purchase department should properly inspect them, and after an entry in the goods inward (Receipt) book, the same should be sent to the stores. Concerned department should be informed about the receipt of the goods.

5. *Making the Payments.* The purchase department should thoroughly check the invoices and send the same to accounting department for payment. The accounting department should compare the invoice with the purchase order and Incoming Inspection Report and should also verify the calculations.

The Accounts Department should enter the invoice in the purchase book. Only responsible official should draw cheque for the payment of invoice. At the time of signing, a signing authority must verify that correct payment is made. If some portions of the goods are returned to the supplier, a proper entry must be made in the purchase return book. A credit note to that effect must be obtained from the supplier and the accounts section must adjust the payment accordingly.



A good system of internal check with regard to purchase will prevent the following types of irregularities, errors and frauds.

- i) *Fictitious purchase.* Fictitious purchases may be recorded in the purchase book and the payments withdrawn may be misappropriated.
- ii) *Double payments.* Some invoices may be recorded twice and double payment made may be misappropriated.
- iii) *Artificial inflation in profit.* Goods purchased may not be entered in that period so as to inflate profits.
- iv) *Artificial reduction in profit.* Goods not received in one period may be entered as purchases so as to show profits less than the actual.

1.

**THE WORKING HOURS OF ADULTS**

**Weekly Hours.** No adult worker shall be required or allowed to work in a factory for more than forty-eight hours in any week. Sec. 51.

**Daily Hours.** No adult worker shall be required or allowed to work in a factory for more than nine hours in any working day. The daily maximum may be exceeded with the previous approval of the Chief Inspector, to facilitate change of shifts.- Sec. 54.

**Intervals for Rest.** The periods of work of adult workers in a factory each day shall be so fixed that no period shall exceed five hours and that no worker shall work for more than five hours before he has had an interval for rest of at least half an hour. The State Government or the Chief Inspector may, by order in writing, and for reasons stated therein, increase the work period to six.-Sec. 55.

**Spread over.** The periods of work of an adult worker in a factory shall be arranged that inclusive of his intervals for rest under section 55, they shall not spread-over more than ten and half hours in any day. The Chief Inspector may for specified reasons increase the spreadover up to twelve hours.-Sec. 56.

**Night Shifts.** Where a worker in a factory works on a shift which extends beyond midnight, (a) his weekly holiday and compensatory holiday means a period of holiday for 24 consecutive hours beginning when his shift ends, and (b) the following day for him shall be deemed to be the period of 24 hours beginning when such shift ends and the hours he has worked after midnight shall be counted in the previous day.-sec. 57

**Overlapping Shifts.** Work shall not be carried on in any factory by means of a system of shifts so arranged that more than one relay of workers is engaged in work of the same kind at the same time. The State Government or the Chief

Inspector may grant exemption from this rule.-Sec. 58.

**Double Employment.** No adult worker shall be required or allowed to work in any factory on any day on which he has already been working in any other factory, save in such circumstances as may be prescribed.-Sec. 60.

**Notice of Periods of Work.** There must be displayed in every factory a notice showing periods of work of adults, classification of workers in groups according to nature of their work, shifts and relays etc. Change made in the system of work must be notified to the Inspector before change. The manager of every factory must maintain a Register of Adult Workers showing the name of each worker, the nature of his work, the group in which he is included, the relay in which he is allotted etc. The hours of work of an adult worker- must correspond with the notice referred to above and the Register.- Sections 61, 62, 63.

No adult worker shall be required or allowed to work in any factory unless his name and other particulars have been entered in the register of adult workers.-Sec. 62 (1A) added by the Factories (Amendment) Act, 1976.

**Exemptions.** By sections 64 and 65, the State Government has been given power to exempt for limited periods certain factories from compliance with some of the provisions relating to hours of work and employment. Such exemptions are necessary in special cases, for example in the case of workers engaged in urgent repairs or in preparatory and complementary work. In some industries work of an intermittent character and the enforcement of all the rules stated above will create hardship. The nature of the work in certain industries requires exceptional treatment, e.g., workers engaged in engine rooms and boilers or in the printing of newspapers. The State Government may exempt persons holding positions of supervision and management or in confidential positions in a factory from the operation of the rules regarding working hours (except the rule against the employment of women at night).

**Confidential Position.** The State Government may empower the Chief Inspector to declare a person other than any person defined by such rules, as a person holding position of supervision or management or employed in .a. confidential position in a factory, if, -the Chief Inspector is of opinion that he can be employed.

If any such person does not get more than Rs. 750 p.m. as wages. he will be entitled to extra wages for overtime work.-Sec. 64(1). add-d by The Factories (Amendment) Act, 1976.

**Hours and Spreadover.** Any exemption granted under Sec. 65 (2) shall be subject to the following conditions, namely :

- (i) the total Lumber of hours of work in any day shall not exceed twelve ;
- (ii) the spread over. inclusive of intervals for rest, shall not exceed thirteen hours in any one day ;
- (iii) the total number of hours of work in any week. including overtime, shall not exceed sixty ;
- (iv) no worker shall be allowed to work overtime, for more than seven days at a stretch and the total number of hours of overtime work in any quarter shall not exceed seventy five-Sec. 65(3), Factories (Amendment) Act, 1976.

**Quarter.** This is a period of three consecutive months beginning on the 1st January, the 1st of April, the 1st of July or the 1st of October.-Sec. 64.

2. a.

### Amount of compensation

(1) Subject to the provisions of this Act, the amount of compensation shall be as follows, namely:--

(a) where death results an amount equal to forty per cent. of the monthly wages of the deceased workman multiplied by the relevant factor; or an amount of twenty thousand rupees, whichever is more;

(b) Where permanent total an amount equal to fifty per cent. of the monthly wages of the injured workman multiplied by the relevant factor; or an amount of twenty- four thousand rupees, whichever is more; Explanation I.-- For the purposes of clause (a) and clause (b), "relevant factor", in relation to a workman means the factor specified in the second column of Schedule IV against the entry in the first column of that Schedule specifying the number of years which are the same as the completed years of the age of the workman on his last birthday immediately preceding the date on which the compensation fell due; Explanation II.-- Where the monthly wages of a workman exceed one thousand rupees, his monthly wages for the purposes of clause (a) and clause (b) shall be deemed to be one thousand rupees only,

(c) Where permanent partial

(i) in the case of an injury disablement results from specified in Part II of Schedule the injury I, such percentage of the compensation which would have been payable in the case of permanent total disablement as is specified therein as being the percentage of the loss of earning capacity caused by that injury, and

(ii) in the case of an injury not specified in Schedule I, such percentage of the compensation payable in the case of permanent total disablement as is proportionate to the loss of earning capacity (as assessed by the qualified medical practitioner) permanently caused by the injury; Explanation I.-- Where more injuries than one are caused by the same accident, the amount of compensation payable under this head shall be aggregated but not so in any case as to exceed the amount which would have been payable if permanent total disablement had resulted from the injuries; Explanation II.-- In assessing the loss of earning capacity for the purposes of sub- clause (ii), the qualified medical practitioner shall

have due regard to the percentages of loss of earning capacity in relation to different injuries specified in Schedule I;

(d) Where temporary disable- a half- monthly payment of the ment, whether total or sum equivalent to twenty- five partial result from the per cent. of monthly wages of injury the workman, to be paid in accor- dance with the provisions of sub- section 2.

(2) The half- monthly payment referred to in clause (d) of sub- section (1) shall be payable on the sixteenth day--

(i) from the date of disablement where such disablement lasts for a period of twenty- eight days or more, or

(ii) after the expiry of a waiting period of three days from the date of disablement where such disablement lasts for a period of less than twenty- eight days; and thereafter half- monthly during the disablement or during a period of five years, whichever period is shorter: Provided that--

(a) there shall be deducted from any lump sum or half- monthly payments to which the workman is entitled the amount of any payment or allowance which the workman has received from the employer by way of compensation during the period of disablement prior to the receipt of such lump sum or of the first half- monthly payment, as the case may be; and

(b) no half- monthly payment shall in any case exceed the amount, if any, by which half the amount of the monthly wages of the workman before the accident exceeds half the amount of such wages which he is earning after the accident. Explanation.-- Any payment or allowance which the workman has received from the employer towards his medical treatment shall not be deemed to be a payment or allowance received by him by way of compensation within the meaning of clause (a) of the proviso.

(3) On the ceasing of the disablement before the date on which any half- monthly payment falls due, there shall be payable in respect of that half- month a sum proportionate to the duration of the disablement in that half- month.]

**2.b.****Appointment of arbitrators.**

1. A person of any nationality may be an arbitrator, unless otherwise agreed by the parties.
2. Subject to sub-section (6), the parties are free to agree on a procedure for appointing the arbitrator or arbitrators.
3. Failing any agreement referred to in sub-section (2), in an arbitration with three arbitrators, each party shall appoint one arbitrator, and the two appointed arbitrators, shall appoint the third arbitrator who shall act as the presiding arbitrator.
4. If the appointment procedure in sub-section (3) applies and-
  - a. a party fails to appoint an arbitrator within thirty days from the receipt of a request to do so from the other party; or
  - b. the two appointed arbitrators fail to agree on the third arbitrator within thirty days from the date of their appointment, the appointment shall be made upon request of a party, by the chief justice or any person or institution designated by him.
5. Failing any agreement referred to in sub-section (2), in an arbitration with a sole arbitrator if the parties fail to agree on the arbitrator within thirty days from receipt of a request by one party from the other party to so agree the appointment shall be made, upon request of a party, by the Chief Justice of any person or institution designated by him.
6. Where, under an appointment procedure agreed upon by the parties,-
  - a. a party fails to act as required under that procedure; or
  - b. the parties, or the two appointed arbitrators, fail to reach an agreement expected of them under that procedure; or

- c. a person, including an institution, fails to perform any function entrusted him or it under that procedure, a party may request the Chief Justice or any person or institution designated by him take the necessary measure, unless the agreement on the appointment procedure provides other means for securing the appointment.
7. A decision on a matter entrusted by sub-section (4) or sub-section (5) or sub-section (6) to the Chief Justice or the person or institution designated by him is final.
8. The Chief Justice or the person or institution designated by him, in appointing arbitrator, shall have due regard to-
- a. any qualifications required of the arbitrator by the agreement of the parties and
  - b. other considerations as are likely to secure the appointment of an independent, and impartial arbitrator.



3.a.

**ESSENTIALS OF A VALID CONTRACT**

According to Section 10, "All agreements are contracts if they are made by the free consent of the parties competent to contract, for a lawful consideration and with a lawful object and are not hereby expressly declared to be void."

The analysis of the provisions of Section 10 shows that a valid contract must have the following essential elements:

1. **Proper Offer and Acceptance** There must be at least two parties- one making the offer and the other accepting it. Such offer any acceptance must be valid. An offer to be valid must fulfil certain conditions, such as it must intend to create legal relations, its term, must be certain and unambiguous, it must be communicated to the person to whom it is made, etc. An acceptance to be valid must folds certain conditions, such as it must be absolute and unqualified, it must be made in the prescribed manner, it must be communicated by an authorised person before the offer lapses.
2. **Intention to Create Legal Relationship** There must be an intention among the parties to create a legal relationship. In case of social or domestic agreements, the usual presumption is that the parties do not intend to create legal relationship but in commercial or business agreements, the usual presumption is that the parties intend to create legal relationship unless otherwise agreed upon.
3. **Capacity of Parties** The parties to an agreement must be competent to contract. In other words, they must be capable of entering into a contract. According to Section 11 of Indian Contract Act, 1872. "every person is competent to contract who is of the age of majority according to the law to which he is subject and who is of sound mind and is not disqualified from contracting by any law to which he is subject."
4. **Lawful Consideration** An agreement must be supported by lawful consideration. Consideration means something in return. According to Section 23 of the Indian Contract Act, 1872, "**the consideration is considered lawful unless it is forbidden by law or is fraudulent or involves or implies injury to the person or property of another or is immoral or is opposed to public policy.**"
5. **Free Consent** There must be free consent of the parties to the contract. According to Section 14, "Consent is said to be free when it is not caused by (i)

coercion, (ii) undue influence, (iii) fraud, (iv) misrepresentation, or (v) mistake". If the consent of the parties is not free, then no valid contract comes into existence.

**6. Lawful Object** The object of an agreement must be lawful. According to Section 23 of the Indian Contract Act, 1872, "the object is considered lawful unless it is forbidden by law or is fraudulent or involves or implies injury to the person or property of another or is immoral or is opposed to public policy."

**7. Agreement not Expressly Declared Void** The agreement must not have been expressly declared void under the provisions of Sections 24 to 30 of the Indian Contract Act, 1872. Under these provisions, agreement in restraint of marriage, agreement in restraint of legal proceedings, agreement in restraint of trade and agreement by way of wager have been expressly declared void.

**8. Certainty of Meaning** The terms of the agreement must be certain and unambiguous. According to Section 29 of the Indian Contract Act, 1872, "agreements the meaning of which is not certain or capable of being made certain are void." Example: X a dealer in different types of oils agreed to sell 100 tonnes of oil to Y. This agreement is void on the ground of uncertainty because it is not clear what kind of oil is intended to be sold. If, however, the meaning of the agreement could be made certain from the circumstances of the case, it will be treated as a valid contract.

**9. Possibility of Performance** The terms of the agreement must be such as are capable of performance. According to Section 56, "an agreement to do an impossible act is void."

**10. Legal Formalities** The agreement must comply with the necessary formalities as to writing, registration, stamping etc. if any required in order to make it enforceable by law.

3.b.

**Dishonor 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 honor 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 six 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 v. Sankaran Vaidhyan Balan, AIR 1999

4. a.

**"Works contract"** includes any agreement for carrying out, for cash, deferred payment or other valuable consideration, building, construction, manufacturing, processing, fabrication, erection, installation, fitting out, improvement, modification, repairs or commissioning of any movable or immovable property; As per the scheme of Punjab Value Added Tax Act, 2005 every contractee except individual and HUF not registered under VAT is under an obligation to deduct 5% while making the payment to the contractor if the amount exceeds Rs. 5 Lacs in a single contract payable for transfer of property of goods in pursuance of works contract. Beside this contractee is under an obligation to furnish particulars of contract along with VAT 25 within 30 days of contract before the Designated Officer. Further contractee is under an obligation to make an application for Tax Deduction Number within 30 days of his liability to deduct tax in Form VAT 26 after obtaining the Tax Deduction Number contractee shall deposit such tax within 15 days from the close of each month Further Contractee is to furnish a monthly statement in Form VAT 27 within 15 days after deposit of tax. The contractee will issue certificate in Form 28 to the Contractor for the amount deducted and deposited in the Govt. Treasury. Here it is pertinent to point out if contractee failed to deduct or deposit tax then he is to pay penalty equal to the amount of such tax in addition to the simple interest @1.5% per month of such tax.

That Contractor who is awarded with the contract is under an obligation to obtain Registration in State of Punjab so that he may avail the benefit of Tax Deducted by the Contractee here it is pertinent to point out that there are different parameters for calculation of tax liability in case of works contract qua for the reason if contractor maintains the account books then he can avail ITC on the purchase of goods within the state of Punjab and liable to pay tax on the rates mentioned in different schedules after claiming the deduction prescribed under Rule 15(4) of Punjab Value Added Tax Rules, 2005 but if Contractor has not maintained account to determine the correct value of goods then he is liable to pay tax at the rate of 12.5% on the total consideration received or receivable subject to the deductions specified in table attached to Rule 15(6) of the Punjab Value Added Tax Rules, 2005. here it is worthwhile to mention that under these circumstances contractor is not eligible to claim ITC and shall not be eligible to issue VAT Invoice

4. b.

**CST is the Central Sales Tax for interstate sales of goods applicable throughout India.** The rate at which the sales tax is collected for interstate sales of goods is called as CST rate.

**The CST rate was reduced from 4% to 3% with effect from 1st, April 2007.** The rate was reduced by 1% in the year 2008. In 2008 the Central Sales Tax rate was 2%. The Ministry of Finance notified it on 30th May, 2008. The rate came into effect from 1st June, 2008. The inter state sales of goods in the year 2008 was done at 2% CST rate.

The net main effect of the amendments is as follows:-

1. The rate of CST on inter-State sale to registered dealers (against Form-C) shall stand reduced from 4% to 3% or the rate of VAT applicable in the State of the selling dealer, whichever is lower. **(Present rate of CST is 2 %)**
2. The rate of CST on inter-State sale other than sale to registered dealers shall be the rate of VAT applicable in the State of the selling dealer.
3. The rate of CST on inter-State sale to Government Departments shall also be the rate of VAT applicable in the State of the selling dealer, indicated at (b) above. The facility of inter-State purchases by Government Departments against Form-D stands withdrawn.

5. a.

Since the inception of the Service Tax provisions (w.e.f. 1-7-1994), much water has flowed not only in the shape of continuous and torrential amendments effected by the Legislature but also judicial pronouncements. It may be recalled that the Service Tax provisions were introduced in 1994 Budget for the first time in India. At its inception only three services, i.e., Stock Broker Services, Telephone Services and General Insurance Business Services, were brought under Service Tax net and a meagre rate of 5% was fixed as Service Tax. From time to time number of taxable services goes on increasing and also the rate of Service Tax. The main purpose to enact service tax was to cover this vast unexplored area of tax revenue.

The charging section of the Finance Act, 1994, Section 66B provides that service tax should be levied on all services except the services which are specified in Section 66D of the said Act. As per Section 66D of the Financial Act, 1994, Negative list of Service Tax for 2013-14 is given here which is revised as per latest budget. There are currently 17 heads of Services which are given in the "negative list". This Negative list of service tax is very important because every activity not covered under this list is chargeable to Service Tax.

1. Services by Government or a local authority excluding the following services to the extent they are not covered elsewhere:
  1. services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Government;
  2. services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport;
  3. transport of goods or passengers; or
  4. Support services, other than services covered under clauses (i) to (iii) above, provided to business entities.
2. Services by the Reserve bank of India;
3. Services by a foreign diplomatic mission located in India.
4. Services relating to agriculture or agricultural produce
5. Trading of goods.
6. Any process amounting to manufacture or production of goods.
7. Selling of space or time slots for advertisements other than advertisements broadcast by radio or television.
8. Service by way of access to a road or a bridge on payment of toll charges.
9. Betting, gambling or lottery.
10. Admission to entertainment events or access to amusement facilities.

11. Transmission or distribution of electricity by an electricity transmission or distribution utility.
12. Services by way of –
  1. Pre-school education and education up to higher secondary school or equivalent;
  2. Education as a part of a curriculum for obtaining a qualification recognized by law;
  3. Education as a part of an approved vocational education course.
13. Services by way of renting of residential dwelling for use as residence;
14. Services by way of –
  1. extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount;
  2. inter-se sale or purchase of foreign currency amongst banks or authorized dealers of foreign exchange or amongst banks and such dealers;
15. Service of transportation of passengers, with or without accompanied belongings
16. Services by way of transportation of goods
17. Funeral, burial, crematorium or mortuary services including transportation of the deceased.
18. Vocational courses offered by institutes affiliated to the State Council of Vocational Training
19. Testing activities in relation to agriculture and agricultural produce.

5.b.

The term perquisite has not been given a comprehensive and specific definition in the Income Tax Act or in the rules. The Income Tax Act merely states that a perquisite will include certain specified items. In general terms, the word perquisite indicates a personal advantage to the employee.

The Income Tax Act defines a perquisite under section 17(2) of the Income Tax Act by giving an inclusive definition of the term perquisite. This clause comprises of eight sub-clauses followed by two provisos, and they deal with the following perquisites:

1. Value of rent-free accommodation provided to the assessee by his employer.
2. Value of any concession in respect of rent respecting any accommodation provided to the assessee by his employer.
3. The value of any benefit or amenity granted or provided free of cost or at a concessional rate to employee directors; or to employees who have substantial interest and certain specified employees with some exceptions.
4. Sums paid by the employer in respect of any obligation which, but for such obligation, would have been payable by the assessee.
5. Sums payable by the employer to effect an assurance on the life of the assessee-employee or to effect a contract for an annuity.
6. W.E.F assessment year 2010-11, value of securities / sweat equity shares allotted or transferred by the employer or former employer to the employee.
7. W.E.F assessment year 2010-11 a contribution made by an employer to an approved superannuation fund to the extent it exceeds Rs 1 lakh.
8. Value of any other fringe benefit or amenity as may be prescribed.
9. The first proviso states that certain medical benefits are not treated as perquisites in certain specific situations.

What falls under the eight sub clauses are covered under the definition of the term perquisites. Further medical benefits stated under first proviso to section 17(2) are not perquisites and thus not taxable.



**Model Solution of SAS Part-II(Session-2/2014) conducted during 8.2.2014 to 11.2.2014****Answer Q. No. 1**

- (A) (i) **Cost Center:-** A cost centre is the smallest segment of activity or area or responsibility for which costs are accumulated. Typically cost centers are departments but in some instances, a department may contain several cost centers. These cost centers are the departments or sub-departments of an organization with reference to which cost is collected for cost ascertainment and cost control. For example, although an assembly department may be supervised by one foreman, it may contain several assembly lines. Sometimes each assembly line is regarded as a separate cost centre with its own assistant foreman. A cost centre can be a location i.e. an area such as department, storeyard or sales area or an item of equipment e.g. lathe machine, delivery vehicle or a person e.g. salesman, foreman.

The determination of a suitable cost centre is very important for ascertainment and control of cost. The manager incharge of a cost centre is held responsible for control of cost of his cost centre. It enables the accumulation of all such costs at one place for which a common base of recovery may be used.

(ii) **Perpetual Inventory System:** The Perpetual Inventory System may be defined as "a system of records maintained by the controlling department, which reflects the physical movements of stocks and their current balance." Bin cards and the stores ledger help the management in maintaining this system as they make a record of the physical movements of the stock on the receipts and issues of the materials and also reflect the balance in the stores. Thus, it is a system of ascertaining balance after every receipt and issue of materials through stock records to facilitate regular checking and to avoid closing down the firm for stocktaking. To ensure the accuracy of perpetual inventory records (i.e. bin card and stores ledger), physical verification of the stores is made by a programme of continuous stocktaking. It is possible that the balance of stock shown by bin cards or stores ledger may differ from the actual balance stock as ascertained by physical verification. It may be due to the avoidable and unavoidable causes such as clerical mistakes, pilferage and thefts, carelessness in material handling, shrinkage and evaporation.

(iii) **Stock Control through ABC Analysis:** Manufacturing organizations find it useful to divide materials into three categories for the purpose of exercising selective control on materials. An analysis of the material costs will show that a smaller percentage of items of materials in the stores may contribute to a large percentage of the value of consumption and on the other hand, a large percentage of items may represent a smaller percentage of the value of items consumed. Between these two extremes will fall those items the percentage number of which is more or less equal to their value of consumption. Items falling in the first category are treated as "A" items, of the second category as "B" items and items of the third category are taken as "C" items. Such an analysis of material is known as ABC analysis. This technique of stock control is also known as stock control according to value method or Always Better Control method. Thus, under this technique of material control, materials are listed in "A", "B" and "C" categories in descending order based on money value of consumption.

The significance of this analysis is that a very close control is exercised over the items of "A" group which account for a high percentage of costs while less stringent control is adequate for category "B" and very little control would suffice for category "C" items

**Model Solution of SAS Part-II(Session-2/2014) conducted during 8.2.2014 to 11.2.2014****(iv) Internal Rate of Return:**

The internal rate of return for an investment proposal is the discount rate that equates the present value of initial cost of the investment with the present value of the expected net cash flows.

Mathematically, it is represented by that rate,  $r$ , such that:

$$A_0 = \frac{A_1}{(1+r)^1} + \frac{A_2}{(1+r)^2} + \dots + \frac{A_n}{(1+r)^n}$$

$A_0$  = initial outlay at time 0.

$A_1, A_2, \dots, A_n$  = stream of future net cash flows.

The value of  $r$  (internal rate of return) can be calculated either by means of computer or by the manual method and the value so obtained is compared with a required rate of return, known also as the cut off rate. If the internal rate of return is more than the required rate of return, the project is accepted, if not, it should be rejected. What is the required rate of return? Generally the required rate of return is the concern's cost of capital and the cost of capital is the rate of return on a project that will leave unchanged the market price of shares. Thus, cost of capital is the required rate of return needed to justify the use of capital.

If there are number of alternative proposals, the internal rates of all alternatives should be compared and the alternative which gives the maximum internal rate should be selected as the most profitable one.

**(v) Administrative Approval and Technical Sanction:**

**Administrative Approval:**-The formal acceptance by the Administrative Authority concerned of the proposal for incurring any expenditure or to undertake a work.

**Technical Sanction:**-The order of the Competent Authority sanctioning a properly detailed estimate of the cost of a work of construction or repair proposed to be carried out.

**(1-B) The objective to write off Small and Low Value items:-**The objective of such write off is to avoid accounting work on capitalization, depreciation and adjustment on sale, transfer scrapping etc. of items which are not material in value. Full cost of such items will be debited to the accounts under this main head.

**(1-C) The relevance of Escalation Clause provided in contracts:-**When a contract is likely to take long time to complete or even to commence and the price is fixed, the contractor would like to protect his interest against a high rise in the prices of materials, wage rates etc. This he does through what is called an "escalation clause" which states the increase in the contract price for a given increase in the price of inputs. For example, it may state that if the price of steel goes up by 10%, the contract price will increase by 1.5%.

**Model Solution of SAS Part-II(Session-2/2014) conducted during 8.2.2014 to 11.2.2014****Q, No.2 (A) Fill up the blanks:-**

- (a) The difference between actual sales & break even sales is called margin of safety.  
 (b) When Marginal Cost is used, only variable costs are charged to products.  
 (c) Profit volume graph is an improvement over the break even chart because it shows the relationship of profit to volume of sales.  
 (d) Marginal cost is the aggregate of prime cost plus variable overheads.

(B) **Angle of Incidence:-** This is the angle formed at the break even point at which the sales line cuts the total cost line. This angle indicates rate at which profits are being made. Large angle of incidence is an indication that profits are being made at a high rate. On the other hand, a small angle indicates a low rate of profit and suggests that variable costs form the major part of cost of production. A large angle of incidence with a high margin of safety indicates the most favourable position of a business and even the existence of monopoly conditions.

**(C) Cost Volume Profit Analysis:-**

The term 'break even analysis' is interpreted in the narrower as well as broader sense. Used in its narrower sense. It is concerned with finding out the break even point i.e. level of activity where the total cost equals total selling price. Used in its broader sense, it means that system of analysis which determines the probable profit at any level of production. The break even analysis establishes the relationship of costs, volume and profit ; so this analysis is also known as "Cost Volume Profit Analysis".

**(D)**

$$\begin{aligned} \text{Sales} &= \text{Variable cost for 10,000 units} + \text{Fixed cost} - \text{Loss} \\ &= \text{Rs. } 100 \times 10,000 + \text{Rs. } 6,00,000 - \text{Rs. } 1,00,000 = \text{Rs. } 15,00,000. \end{aligned}$$

	<u>Per unit</u>	<u>Total</u> <u>Rs.</u>
Sales	150	15,00,000
Less : Variable cost	<u>100</u>	<u>10,00,000</u>
Contribution	50	5,00,000
Less : Fixed Cost	<u>60</u>	<u>6,00,000</u>
Loss	<u>10</u>	<u>1,00,000</u>

- (a) Contribution per unit = Rs. 50 – Rs. 10 = Rs. 40.

$$\begin{aligned} \text{Break even point} &= \frac{\text{Rs. } 6,00,000}{\text{Rs. } 40} \\ &= 15,000 \text{ units OR} \\ &= 15,000 \times 150 = \text{Rs. } 22,50,000. \end{aligned}$$

Model Solution of SAS Part-II(Session-2/2014) conducted during 8.2.2014 to 11.2.2014

- (b) Reduced contribution per unit with 10% reduction in price  
 = Rs. 50 - 10% of Rs. 150  
 = Rs. 50 - Rs. 15 = Rs. 35.

Sales volume to earn profit of Rs. 1, 00,000

$$\begin{aligned}
 &= \frac{\text{F.C.} + \text{Profit}}{\text{Contribution per unit}} \\
 &= \frac{\text{Rs. 6,00,000} + \text{Rs. 1,00,000}}{\text{Rs. 35}} \\
 &= 20,000 \text{ units or } 20,000 \times \text{Rs. 135} \\
 &= \text{Rs. 27,00,000.}
 \end{aligned}$$

- (c) Contribution per unit = Rs. 50

$$\begin{aligned}
 \text{Sales Volume} &= \frac{\text{Required Profit} + \text{F.C.} + \text{Additional Expenses}}{\text{Contribution per unit}} \\
 &= \frac{\text{Rs. 1,00,000} + \text{Rs. 6,00,000} + \text{Rs. 50,000}}{\text{Rs. 50}} \\
 &= \frac{\text{Rs. 7,50,000}}{\text{Rs. 50}} = 15,000 \text{ units or } = 15,000 \times \text{Rs. 150} \\
 &= \text{Rs. 22,50,000.}
 \end{aligned}$$

**Model Solution of SAS Part-II(Session-2/2014) conducted during 8.2.2014 to 11.2.2014**

**Question( 3 A) Answer : Purpose of maintaining IWR.**

IWR is maintained to maintain the accounts of all Capital Electrical and Civil Works. When it was initially introduced in 1972, it was introduced only for major Electrical Capital Works but in the year 1985, its usage was also started for major capital civil works. At present, account of all electrical and civil capital major works executed in various sub-divisions of PSPCL are maintained by JE's in IWR.

**Various Parts of IWR:**

IWR is maintained in six parts which are explained as under:-

**Part-I :** In part-1, the account of all principal items of material is maintained. Month-wise quantity/value accounts of major material drawn by JE from store is maintained in this part. The estimated quantity of material to be used on the work is also indicated in this part. At the end of Part-1, there is an abstract bringing out component wise expenditure incurred during the month, total expenditure incurred during the month and progressive expenditure upto the end of the month. The material drawn from store is shown in this part and transferred to part-IV.

**Part-II** Part-II is the account of petty items drawn from store and items purchased from the market. As in part-I, month-wise quantity/value of petty material is indicated in this part. The material so indicated is transferred to Part-IV. The expenditure shown in this part is also transferred to part-I.

**Part-III.** This part is maintained to account for the expenditure incurred on labour deployed on work. The bills of labour are posted in this part. While passing the bills of labour, the progress made by labour is strictly kept in view. The expenditure shown in this part is also transferred to Part-I.

**Part-IV:-**In part-IV, the material used in the execution of work is shown. The measurement of material used is recorded by the JE & check measured by the SDO. The quantity of all major items used in the work is checked by the SDO physically at site.

**Part-V:-** This part indicate the material dismantled from the work during execution. The material dismantled or used on the same work is transferred to part-IV.

**Part-VI:-** The inspection note of various officers who are required to inspect the execution of work are recorded in this part and discrepancies noticed during inspection are shown, thereafter the action taken by the JE/SDO on such inspection notes is indicated by the respective officer/official so that the compliance of observation of Inspecting Officer is ensured during the next inspection.

**Model Solution of SAS Part-II(Session-2/2014) conducted during 8.2.2014 to 11.2.2014**

3(B) :-

Sr. No.	Debit	Credit
i)	Supplier/Contractors Material Control Account- Capital/O&M	Material Issued to Contractors Account.
ii)	Supplier/Contractor Material Control Account- Capital/O&M	Material issued to Contractors Account.
iii)	Material returned by Contractor Account.	Supplier/Contractor material Control Account-Capital/O&M.
iv)	Respective Revenue Account Head/Capital Works-in-Progress Account.	Material Issues Capital/O&M.
v)	Scrap Capital/O&M	Respective Revenue Account Head/Capital Works-in-Progress Account

**(C) Head of accounts as per PSPCL Unit of Account.**

(i)	Furniture & Fixtures- Rest/Guest Houses and Field Hostels	10.802
(ii)	Office building	10.211
(iii)	Computers	10.904
(iv)	Rates & Taxes	76.102
(v)	Small & Low Value items written off	77.610

**Model Solution of SAS Part-II(Session-2/2014) conducted during 8.2.2014 to 11.2.2014****Q.No.4(A )(i)-Answer:- Difference between Budget Forecast**

Budget and forecast both refer to the anticipated actions and events in a specified future period but still there are wide differences between the two as given below:

Sr.No.	Budget	Forecast
1.	It relates to planned events i.e. the policy and programme to be followed in a future period under planned conditions.	It is concerned with probable events likely to happen under anticipated conditions during a specified period of time.
2.	It is usually planned separately for each accounting period.	It may cover a long period or years.
3.	It comprises the whole business unit. Sectional budgets are coordinated into a logical whole.	It may cover a limited function or activity of business as sales forecast.
4.	Budget is a tool of control as it represents actions which can be shaped according to will to suit conditions which may or may not happen.	It does not connote any sense of control as forecast is merely a statement of future events.
5.	The process of budget starts where forecast ends and converts it into a budget.	The function of forecast ends with the forecast of likely events.
6.	It is made in respect of those spheres which are related to business or industry.	It is made in several other spheres which may not be connected with the budgeting process.

**Q.No.4(A )(ii)-Budget Manual**

Budget Manual may be defined as " a document schedule or booklet which sets out, inter alia, the responsibilities of the persons engaged in the routine of and the forms and records required for budgetary control". Thus, it is a written document which guides the executives in preparing various budgets. Budgets are to be drawn keeping in view the objectives of the organization given in the budget manual. Responsibility and functions of each executive in regard to budgeting are written down in the budget manual to avoid any duplication or overlapping of responsibilities. Steps and the methods for developing various budgets and the method of reporting performance against the budget are written down in the budget manual. In short, it is a written document which gives everything relating to the preparation and execution of various budgets. It should be clear and there should be no ambiguity in it. The manual is divided into separate sections so that each manager can be issued only that section appropriate to his work and responsibilities.

**Model Solution of SAS Part-II(Session-2/2014) conducted during 8.2.2014 to 11.2.2014****Q.No.4(A )(iii)-Answer:-****Limiting Factor and its roll in budget:-**

The limiting factor is " the factor in the activities of an undertaking which at a particular point in time or over a period will limit the volume of output". In relation to budgeting, it is known as the principal budget factor. It is the governing factor which is a major constraint on all the operational activities of the organization. So this factor is taken into consideration to determine whether the budgets are capable of attainment. It is essential to locate the key factor before the preparation of budgets because it influences almost all budgets. The key factor may be any one of the following:-

- Is there sufficient demand for the product?
- Will a required quality and quantity of materials be available?
- Is the required type of labour available?
- Is the plant capacity sufficient to cope up with the expected sales?
- Is cash position sufficient to finance the expected volume of sales?

The budget relating to the Key Factor should be prepared first and the other budget should be prepared in the light of principal budget factor. All budgets should be co-ordinated keeping in view the principal budget factor if the budgetary control is to achieve the desired results.

**Q.No.4(B )(Answer):-****FLEXIBLE BUDGET AND OVERHEAD RATES**

Items	50% capacity	60% capacity	70% capacity
Variable overheads:	Rs.	Rs.	Rs.
Indirect material	5000	6000	7000
Indirect Labour	15000	18000	21000
<b>Semi Variable Overhead:</b>			
Electricity	27000	30000	33000
Repairs & Maintenance	2900	3000	3100
<b>Fixed Overhead:</b>			
Depreciation	16500	16500	16500
Insurance	4500	4500	4500
Salaries	15000	15000	15000
<b>Total Overheads</b>	<b>85900</b>	<b>93000</b>	<b>110100</b>
<b>Estimated Direct Labour Hours</b>	<b>155000</b>	<b>186000</b>	<b>217100</b>
<b>Overhead Rate</b>	<b>Rs.0.55</b>	<b>Rs. 0.50</b>	<b>Rs. 0.46</b>



**Model Solution of SAS Part-II(Session-2/2014) conducted during 8.2.2014 to 11.2.2014****Question No.5(A)-Answer**

Supply cum erection works (Turn Key jobs) for which a lump-sum contract is given is defined as a contract for complete work, which a contractor agrees to execute with all its contingencies in accordance with drawing and specification for a fixed sum subject to such conditions as may be laid down by the PSPCL. These refer to those contracts which include erection/installation of the equipment supplied.

The procedure for the passing of supplier's bill for running payments will be similar to that described in Chapter XIV 'work undertaken by Contractors' with the only differences being that :

- (i) instead of the relevant work being debited, the contract in progress account(Account Code 15.1) will be debited and ;
- (ii) The measurement Book(Form CE-23) will be substituted by a certificate issued by a responsible officer(not below the rank of SDO) certifying that by a superficial or general measurement or by some other suitable method laid down by the PSPCL(which should be specified), that he has satisfied himself that the value of the work done is not less than a specified amount in conformity with the contract agreement and that with the exception of authorized additions and alterations, work has been done according to the prescribed drawing and specifications. Detailed measurements must invariably be taken in respect of additions and alterations.

**5(B) Economic Ordering Quantity**

The total costs of a material usually consist of :

Total acquisition cost + total ordering cost + total carrying cost

Total acquisition cost through buying is usually unaffected irrespective of the quantity of material ordered at one time unless quantity discounts are available. For example whether total annual requirements of a material of 10,000 units are purchased at Rs. 10 per unit in fifty orders of 200 units each or in 10 orders of 1,000 units each, total acquisition cost will be Rs. 1,00,000( i.e.10,000 units @ Rs. 10) under each alternative if no quantity discounts are available. Thus, when acquisition cost of a material remains the same, they are irrelevant and are often excluded while deciding the quantity of a material to be ordered at one time. The only costs to be taken care of are ordering costs and carrying costs.

The quantity of material to be ordered at one time is known as Economic Ordering Quantity. This quantity is fixed in such a manner as to minimize the cost of ordering and carrying the stock.

Model Solution of SAS Part-II(Session-2/2014) conducted during 8.2.2014 to 11.2.2014

5(C)Answer:-

The formula for the calculation of the economic order quantity is :-

$$E.O.Q. = \sqrt{\frac{2CO}{I}}$$

where C= Annual requirement of material in rupees i.e. Rs. 1,20,000.

O = Cost of placing one order i.e. Rs. 60.

I = Carrying cost i.e. 10%

$$\begin{aligned} \text{Therefore, } EOQ &= \sqrt{\frac{2 \times 1,20,000 \times 60}{10}} \\ &= \sqrt{\frac{2 \times 1,20,000 \times 60 \times 100}{10}} \\ &= \sqrt{14,40,00,000} = \text{Rs. } 12,000. \end{aligned}$$