

Ans 1

**TITLE: The People and the Government**

Whenever one people forces to break the political bonds with another and assumes an independent status as a separate nation, they should declare the causes of such a separation. All men are created equal and possess certain inalienable rights: life, liberty and the pursuit of happiness. Governments are created by people to protect these rights. If Government fails to secure these, the people have right to change that Government. Prudence requires that long established governments should not be changed for trivial issues. Only when constant abuses and usurpations threaten to bring them under despotism, then such a government should be thrown off to secure the future well beings.

**Mankind:** All people as a group or Group of People

**Inalienable:** Not transferable to another.

**Usurpation:** To seize and hold (a position, office) by force

**Despotism :** Unlimited power or authority.

(11+4=15)

Ans 2

**A) Change the Voice**

- (a) His proposal was rejected and he was laughed at.
- (b) Honey is sweet when (it is ) tasted.
- (c) Must he be helped by me?
- (d) Your answer must be written on both sides. (1\*4=4)

**(B) Idioms:-**

- (a) **By fits & starts:-** Irregularly  
Work done by fits & starts never completes in time.
- (b) **Warp and Woof** : Essential part of a thing  
Elections are warp and woof of a democratic country.
- (c) **To cut a sorry figure** : to give a poor show  
The organiser cut a sorry figure in meeting for not giving proper feedback to the chief guest.
- (d) **Toil and Moll** : Hard labour  
It requires too much of toil and moll to secure first position. (1\*4=4)

**(C) Punctuation**

Reena said to the servant, "What have you been doing since morning?" The Servant said, " Madam, I have been walking the dog." Reena Said, "Go at once to the kitchen." " What have I to do there?" the servant asked. (3)

**(D) Narration**

- (a) Sumit told his father that he wanted to go abroad after he finished his studies here.
- (b) Ram told me that he could teach me.
- (c) The servant wanted to know if he should lay the table then.
- (d) The teacher asked to hurry up. (4)

3 (a)

## Public Notice

Disciplinary proceedings were initiated against Mr. A S/o Mr. B Date of birth \_\_\_\_\_ O/o SDO City Sub- Division PSPCL Sangrur. Mr. A was charge sheeted vide Memo no. 732 dt.11.05.2016 by Addl S.E. Op Division Sangrur for wilfully absenting himself from duty. He was informed accordingly and registered notices from the concerned office were sent to his last given address a number of times but the notices were returned undelivered by postal authorities.

It is clear from the above that employee is not receiving the charge sheet and notices wilfully. He has been remaining absent since 08.01.2016.

Through, this publication Mr. A who is now residing abroad/India/Punjab/Patiala is directed to appear before the under signed within 30 days from the date of Publication of this notice, failing which it will be presumed that he has nothing to say in the matter and his services will be terminated as per instructions of department.

-sd-  
Add. S.E.  
Operation Division  
PSPCL, Sangrur.

(7)

(b)

## PUNJAB STATE POWER CORPORATION LIMITED

Office of City Sub Division, Sangrur.

To

Senior Executive Engineer  
Operation Division PSPCL,  
Sangrur.

Memo No. \_\_\_\_\_

Dated \_\_\_\_\_

Sub : Shortage of Staff

Sir,

In this regard it is stated that more than half of the posts of this office including Revenue Accountant are vacant in this office. There are 2 ledger keepers and 1 cashier against the sanctioned posts of 6 and 3 respectively. UDC Revenue is looking after the work of Revenue Accountant. Resultantly he can't certify the correctness of CCR Book.

A big difficulty is faced in collection and remittance of cash into Bank account of PSPCL. Similarly consumers problems relating to billing are not taken care in a time bound manner.

Keeping in view the above position, you are requested to take up the matter of Staff shortage with higher authorities for posting of Revenue Accountant along with minimum two ledger keepers and one cashier in the Sub division Office. This will solve this problem to a great extent.

Sub Division Officer  
City Sub Division,  
PSPCL, Sangrur.

(7)

Model solution SAS-2/28/2016/P-5

4

(C) Er. (Name Of Officer)  
Superintending Engineer

DO No.....  
Distribution Circle : Patiala  
Date....

**Sub: Maintenance of 11KV feeders, stop theft of energy and reducing the Defaulting Amount**

My Dear.....

During checking of various Sub Stations and Complaint centres, the undersigned has observed that there are no. of complaints of frequent breakdown of 11KV feeders. It seems that feeders are not maintained properly. To ensure uninterrupted supply to consumers necessary steps should be taken to maintain the feeders and transformers. Adequate steps should also be taken to stop theft of energy. In this regard, a Special Task Force Cell shall be set up in each sub division under your division for surprise check of load at the premises of the consumers.

As a commercial organisation, it is imperative that every effort shall be made by the field Officers/Officials to see that each and every consumer shall make the payment of energy bills as and when the payment becomes due. Necessary steps shall be taken by the staff concerned so that dues do not accumulate and the arrear shall not become bad debts/time barred.

With best wishes

Yours Sincerely

(Name of Officer)

Er.( Name of Officer)  
Sr Xen DS Division

(6)

4. A.

- (a) Spell Check
- (b) Rows 1048576 & Columns 16384
- (c) F7
- (d) Ctrl +D
- (e) Ctrl +M

(1\*5=5)

4. B.

- a) USB : Universal Serial Bus
- b) CDMA : Code Division Multiple Access
- c) DVD : Digital Versatile Disc
- d) GPRS : General Packet Radio Service
- e) XML : Extensible Mark-up Language

(1\*5=5)

4. C Types of Tally ERP 9 vouchers include

- i) **Contra Voucher-> (F4)** : It indicates the transfer of funds from bank account to the cash account or cash account to bank account, or one bank to another bank account
- ii) **Payment Voucher-> (F5)** : It describes payment histories like payment of salary or office rental
- iii) **Receipt Voucher-> (F6)** : This voucher describes any transaction that involves the receipt like payment made to the bank
- iv) **Journal Voucher-> (F7)** : It includes the expenses to maintain the business or company running like expenses made after marketing
- v) **Sales Voucher-> (F8)** : This voucher describes the sales made, it displays the sale invoice
- vi) **Purchase Voucher->(F9)** : Entry in this voucher is made when any item is purchase for running the business
- vii) **Reversing Journals-> (F10)** : It is special journal entry that is automatically reversed after the date of the journal
- viii) **Memo Voucher -> Ctrl+F10:** Entry in this voucher is made to display the unknown expense at that moment of time and can be converted to actual sale voucher, or it can also be deleted.

(10)

4.D.

- a)  $(130)_{10} = (202)_8$
- b)  $(123)_8 = (83)_{10}$
- c)  $(1693)_{10} = (69D)_{16}$
- d)  $(AF5)_{16} = (2805)_{10}$
- e)  $(F7DC)_{16} = (1111011111011100)_2$

(1\*5=5)

5 A. The different types of views in power points are as follows :

- i) Slide View
- ii) Outline View
- iii) Slide Sorter View
- iv) Notes View

A file in power point can be saved in .pptx extension which is an XML-enabled file format, by default.

5 B. **Subscript** is character(s) that are half the height of a standard character and printed lower than the rest of the text. Below is an example of subscript text, which shows "Subscript Text" half way below the bottom line of the "Normal Text."

Normal Text <sub>Subscript Text</sub>

To subscript text in Microsoft Word, highlight the text you want to subscript and click the font option and then select the subscript button.

5 C. **Hyphenating in MS Word**

Hyphenation is the process of adding hyphens to words at the beginning of lines so the hyphenated part will fit at the end of the previous line. The hyphens are inserted between syllables in a word. Word can automatically hyphenate your document for you, or you can use the hyphenation tool to manually hyphenate your document.

5 D.

(a) **PROM and EPROM**

**PROM (Programmable read only memory)**

It is a memory chip on which data can be written only once. Once a program has been written onto a PROM, it remains there forever. Unlike main memory, PROMs retain their contents when the computer is turned off.

**EPROM (Erasable and Programmable ROM)**

It is a type of memory that can be erased and reprogrammed, as the name implies, it is possible to erase information stored in an EPROM chip and the chip can be reprogrammed to store new information. The EPROM can be erased by exposing it to Ultra Violet (UV) light.

(b) **ASCII CODE**

The American standard code for information interchange (ASCII) is the most common format for transfer files in computer and on the internet. It was a 7 bit binary code to represent alphabetic, numeric or special character with in computers.

It allows 128 different characters. Each letter or symbol is assigned a number from 0 to 127. ASCII was developed by American National standard Institute. (ANSI)

#### **EBCDIC CODE:**

BCD Codes are not sufficient to represent different characters in a computer system because of limited number of bits. So a new coding scheme Extended Binary Coded Decimal Interchange Code (EBCDIC Code) is used. It is a standard code that uses 8 bits to process each of up to 256 alpha numeric characters. EBCDIC was first developed by IBM and is a method used by computer to represent letters, numbers or other symbols in a binary language.

#### **(c) Multiprogramming**

In a multiprogramming system there are one or more programs loaded in main memory which are ready to execute. Only one program at a time is able to get the CPU for executing its instructions (i.e., there is at most one process running on the system) while all the others are waiting their turn. The main idea of multiprogramming is to maximize the use of CPU time.

#### **Multiprocessing**

Multiprocessing Systems sometimes refers to executing multiple processes (programs) at the same time. a system can be both multi programmed by having multiple programs running at the same time and multiprocessing by having more than one physical processor. In fact, multiprocessing refers to the *hardware* (i.e., the CPU units) rather than the *software* (i.e., running processes)

#### **(d) System Software**

System Software is a set programmes that controls the operations of a computer and devices attached with the computers. It creates links between user and computer as well as control the execution of application programme. System Software is the important part without this no link can be created between user and computer.

#### **Application software:**

A Set of Programmes used to solve particular problems of user through computer is called Application Software. It is also known as Application package. The application packages are also available in market on CDs. These are used by user who does not know the computer programming. Some examples are Word Processing Software, Spread Sheet Software etc.

(e) STATIC AND DYNAMIC WEBSITES

Static Websites	Dynamic websites
Static websites contain fixed number of pages.	Dynamic websites can create webpage dynamically.
Theme of website and content of webpage are fixed.	Webpage design and content may change on run time.
Static websites load quickly on client browser because it has only some mark-up contents.	Dynamic sites take some time to load on client browser because it processes the request server side and create contents dynamically.
Static sites never use database connectivity.	Dynamic sites deal with database and generate the contents dynamically using database queries.

(3\*5=15)



**SAS Part-II**  
**Paper 6<sup>th</sup>**  
**Accounts and Auditing**

1(a) Explain the principles of Accounting on which these comments are based:-

- i) Going Concern Concept assumed that a business unit has a reasonable expectation of continuing business at a profit for an indefinite period of time.
- ii) Money Measurement Concept states that accounting records only those transactions which can be expressed in terms of money.
- iii) Cost Concept which means that an asset is recorded in the books at the price paid to acquire it. Since no profit is involved in the transaction it is adjusted against purchase instead of treating the same as sales by following this concept.
- iv) Realization Concept states that revenue is considered as being earned on the date at which it is realized.
- v) Matching Concept is based on accounting period concept i.e. determination of profit of a particular accounting period by matching revenue/income with expenses.

1(b) Pass necessary entries to make the following adjustments at 31<sup>st</sup> March 2016.

Particulars	Dr.	Amount	Dr.	Amount	Cr.
i) Depreciation A/C					
To Depreciation Reserve A/c		7,25,000			7,25,000
(Depreciation charged on asset for the year 2015-16.)					
ii) Prepaid insurance premium A/C					
To Insurance Premium A/C		15,00,000			15,00,000
(Insurance premium Paid on 31.12.2015 for one year adjusted being prepaid for 9 months.)					
iii) Unused Stationery Stock					
To Stationary A/C		1,00,000			1,00,000

(Unused Stationery as on 31.12.2016 adjusted.)

iv)	Interest A/c	Dr.	41,66,667	
	To Outstanding Interest A/C			41,66,667

(Interest accrued but not due from 16.01.2016 to 30.03.2016 adjusted.)

v)	Machinery A/C	Dr.	7,50,000	
	Loss on exchange of Machinery A/C	Dr.	20,000	
	To supplier's A/C			7,70,000

(Exchange of old machinery with new one adjusted)

Working Note :

Detail of Depreciation

5% on Machinery of Rs. 1 crore	= 5,00,000
10% on Furniture of Rs. 10 lacs	= 1,00,000
2.5% on Building of Rs. 50 lacs	= 1,25,000
	<u>7,25,000</u>

1(c) 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 trail 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 trail 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 trail balance.

2(a) Ans

		Rs.	Rs.
i	Bank Account Dr. To 7.5% Cumulative preference share capital A/c. To share premium account (issue of 6,000 shares of Rs. 10/- each at a premium of Rs. 2.5/- per share.)	75,000	60,000 15,000
ii	Redeemable preference share capital account Dr. Premium on redemption of share account Dr. To Redeemable preference shareholder's account (Redemption of 12,000 redeemable preference shares of Rs. 10/- each at a premium of Rs. 1/- per share)	1,20,000 12,000	1,32,000
iii	Redeemable preference shareholder's account Dr. To Bank account (Payment to redeemable preference shareholders)	1,32,000	1,32,000
iv	Share premium account Dr. To Premium on redemption of shares account (Transfer of premium on redemption of shares account to share premium account)	12,000	12,000
v	General Reserve account Dr. To Capital redemption reserve account (Transfer of divisible profits used for the redemption of preference shares to capital redemption reserve account)	60,000	60,000
vi	Equity share final call account Dr. To Equity share capital account (Final call at Rs.2/- per share due on 40,000 equity shares)	80,000	80,000
vii	Capital reserve account Dr. General reserve account Dr. To equity share final call account (Capitalization of reserves by making the partly called equity shares fully paid shares)	17,000 63,000	80,000

viii	Capital redemption reserve account	Dr.	60,000	1,00,000
	General reserve account	Dr.	40,000	
	To Bonus to share holders account (Declaration of fully paid bonus shares of Rs. 10/- each to equity shareholders in the ratio of one bonus share for every four shares)			
ix	Bonus to shareholders account	Dr.	1,00,000	1,00,000
	To Equity share capital account (issue of equity share in payment of bonus to share holders)			

Working Notes:-

(i) Redemption of redeemable preference shares is financed by the proceeds of fresh issue to extent of Rs., 60,000 therefore, the remaining amount Rs. 60,000 (Rs. 1,20,000- Rs. 60,000) has been transferred to capital redemption reserve account.

(ii) Capitalization of profits by making the partly paid shares fully paid is not allowed out of capital redemption reserve account. Therefore, this has been done out of capital reserve and general reserve.

(iii) Capital redemption reserve account can be used only for issuing fully paid bonus shares. It has, therefore, been used for this purpose.

2(b) Ans:

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

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

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Model solution SAS-2/5-8/2016/P6

3(a) Answer

a) Proprietor's Funds

Cost of Goods Sold/ Proprietor's Funds = 2/1

Proprietor's Funds = Rs. 480000/2

= Rs. 240000

b) Fixed Asset

Cost of Goods Sold/Fixed Asset = 4/1

Fixed Asset = Rs. 480000/4

= Rs. 120000

c) Closing debtors

Debtors at the end are outstanding for 2 months of sales

i.e. Rs. 600000/12\*2

Debtors = Rs. 100000

d) Closing Creditors

Closing creditors are for 73 days i.e. 1/5<sup>th</sup> of annual purchase

i.e. Rs. 490000/5

Creditors = Rs. 98,000

e) Closing Stock

Inventory Turnover = Cost of Goods sold/Avg. Inventory = 6

480000/Avg. Inventory = 6

Average inventory = Rs. 80000

Let opening stock = Rs. a

Closing stock = a + 10000

Average inventory = (a + a + 10000)/2 = 80000

i.e. 2a + 10000 = 160000

i.e. 2a = 150000

i.e. a = 75000

Opening stock = Rs. 75000

Closing stock = 75000 + 10000 = Rs. 85000

f) Share Capital

Proprietor's Funds = Share Capital + Reserve & Surplus

$$240000 = \text{share capital} + 40000$$

$$\text{Share Capital} = 240000 - 40000$$

$$= \text{Rs. } 200000$$

g) Cash and Bank Balance

Proprietors' Funds + Creditors = Fixed Assets + Inventory + debtors +

Cash and Bank balance

$$240000 + 98000 = 120000 + 85000 + 100000 + \text{Cash and Bank Balance}$$

$$\text{Cash and Bank Balance} = 338000 - 305000$$

$$= \text{Rs. } 33000$$

Working Notes :

$$1) \text{ Sales} = \text{Gross Profit} / \text{Gross Profit Ratio} = 120000 / 20 \times 100 = 600000$$

$$2) \text{ Cost of Goods Sold} = \text{Sales} - \text{Gross Profit} = 600000 - 120000 = 480000$$

$$3) \text{ Purchases} = \text{Cost of goods sold} + \text{excess of closing stock over opening} \\ = 480000 + 10000 = 490000$$

3(b) Answer

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

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

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

4(a) Answer

"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 necessary 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 necessary or a legal requirement but still audit of accounts may provide valuable information regarding misappropriation, frauds etc.

4(b) Answer

The following system of internal check may be adopted to have a check on purchases :-

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

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## Model solution SAS-2/5-8/2016/P-6

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.



5(a) Answer

The internal Audit Programme in connection with Plant and Machinery and Tools and dies may be on the following lines:-

i) Internal Control Aspects:

The following may be incorporated in the audit programme to check the internal control aspects:-

- a) Maintaining separate register for hired assets, leased asset and jointly owned assets.
- b) Maintaining register of fixed assets and reconciling to physical inspection of fixed asset and to nominal ledger.
- c) All movements of assets are accurately recorded.
- d) Authorization be obtained for- 1) declaring a fixed assets scrapped 2) Selling a fixed asset.
- e) Check whether additions to fixed asset register are verified and checked by authorized person.
- f) Proper recording of all additions and disposal
- g) Examining procedure for the purchase of new fixed assets, including written authority, work order, voucher and other relevant evidence.
- h) Regular review of adequate security arrangements.
- i) Periodic inspection of assets is done or not.
- j) Regular review of insurance cover requirements over fixed assets.

ii) Assets Register: To review the registers and records of plant. Machinery etc. showing clearly the date of purchase of assets, cost price, location depreciation charged etc.

- iii) Cost Report and Journal Register: To review the cost relating to each plant and machinery and to verify items which have been capitalized.
- iv) Code Register: To see that each item of plant and machinery has been given a distinct code number to facilitate identification and verify the maintenance of code, Register.
- v) Physical Verification: To see physical verification has been conducted at frequent intervals.
- vi) Movement Register: To verify (a) whether a Movement Register for movable equipments and (b) log books in case of vehicles etc. are being maintained properly.
- vii) Assets Disposal Register: To review whether assets have been disposed off after proper technical and financial advice and sales/disposal/retirement etc. of these assets are governed by authorization, sales memos or other appropriate documents.
- viii) Spare Parts Register: To examine the maintenance of a separate register of tools, spare parts for each plant and machinery.
- ix) Review of Maintenance: To scrutinize the programme for an actual periodical servicing and overhauling of machines and to examine the extent of utilization of maintenance department services.
- x) Review of Obsolescence: To scrutinize whether expert's opinion have been obtained from time to time to ensure purchase of technically most useful efficient and advanced machinery after a thorough study.
- xi) Review of R&D: To review R&D activity and ascertain the extent of its relevance to the operations of the organization, maintenance of machinery.

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

5(b) Answer

The following system of internal check may be adopted to have a check on losses of cash sale proceeds:

Aspect	Control Points
Division of work	<ol style="list-style-type: none"><li>1. There should be a separate sales man for each section, counter or department.</li><li>2. Every Salesman should be assigned a staff code number.</li><li>3. There must be complete segregation of responsibilities of salesman, the cashier and the Accountant.</li><li>4. Salesman should not-(a) handle cash or (b) have access to Cash Book.</li><li>5. Similarly, Cashier should not handle any sales.</li></ol>
Sales Procedure initiation	<ol style="list-style-type: none"><li>1. Salesman dealing with customer should issue cash bill in triplicate, indicating his staff code.</li><li>2. Original plus one copy shall be handed over to the customer.</li><li>3. One copy shall be retained by the salesman or may be sent alongwith the goods, directly to the delivery counter.</li></ol>
Cash Payment at Counter	<ol style="list-style-type: none"><li>1. All payments by customer shall be made only at the Cash Counter.</li><li>2. Salesmen should not be allowed to receive any payment from customers.</li><li>3. There should be a clear and visible notice in the showroom, which reads "Pay at Cash Counter only."</li><li>4. Customer should present both copies of the cash bill to the cashier along with the payment.</li><li>5. The cashier should check the bills, receive the payment, and stamp the same as "Paid". The Original Bill-cum-Receipt should be handed over to customer.</li></ol>

Model solution SAS-2/S-8/2016/P-6

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	6. No payment (e.g. for Petty Cash Expenses etc.) shall be made by the Cashier directly from the cash collections of the day.
Delivery of goods	<ol style="list-style-type: none"><li>1. Goods shall be delivered only at the Delivery Counter.</li><li>2. The customer shall present the original cash bill marked "PAID" to the clerk at the delivery counter.</li><li>3. Upon actual delivery of the goods, delivery clerk shall stamp the bill as "DELIVERED".</li><li>4. The Gate-Keeper or Security In-Charge shall check whether the goods taken out have been paid for.</li></ol>
MIS Reporting	<ol style="list-style-type: none"><li>1. Each Salesman shall report the total daily sales made by him, based on the chit book maintained or based on the carbon copy of cash bills issued to the customer.</li><li>2. The Cashier shall prepare a scroll of receipts based on carbon copies of bills issued to the customer.</li><li>3. At the end of the day, the Accountant shall trace all sales into the Cashier's Receipt Book thus reconciling the cash collected for the day.</li><li>4. A report reconciling the sales of each Salesman and cash collections shall be given to the general manger or Officer-in-Charge.</li></ol>

Model Solution

Answer Paper-7<sup>th</sup> – SAS-11 Session 8/2016

**Answer 1(a)**

- a) Fixed Medical allowance is fully Taxable in case of all types of employees.
- b) Expenses met by employer in connection with accident--
  - i. Rs. 15,000/- will be exempted out of Rs. 20,000/- paid to private hospital and Rs. 5000/- will be taxable.
  - ii. Rs. 50,000/- Reimbursed on a/c of treatment in approved hospital is fully exempted.
- c)
  - i. Expenses on Travelling of employee and his attendant is fully exempted if gross total income of the employee does not exceed Rs. 200,000/- P.a. In this case Gross income of employee is more than Rs.200,000/-. So Expenses on travelling of the employee is fully Taxable.
  - ii. Operation fee of 50,000/- and expenses of medicines and hospitalization Rs. 80,000/- (total 130,000/-) are exempted upto the amount permitted by R.B.I. In this case Rs. 100,000/- is permitted by R.B.I shall be exempted and balance Rs. 30,000/- will be Taxable
- d) Medical treatment expenses reimbursed by employee -
  - i. on the treatment of grandfather is fully taxable as grandfather does not fall in the category of employee's family.
  - ii. Reimbursement of expenses on wife's illness are fully exempted.
  - iii. Reimbursement of expenses on brother's illness are fully exempted
- Had the treatment not taken from the approved hospitals reimbursement would have been exempted only up to Rs. 15000/- in a year. This limit of Rs. 15,000/- applies in case of employee and his all employees members of the family put together.
- e) Medical insurance premium paid by employee on the medical Insurance policy of employee and his family is fully exempted.

**Ans. Q. No-1 –B**

- 1) Old News paper sold --goods
- 2) Lottery Tickets - Auctionable claim not goods
- 3) Stock and share -Not goods
- 4) Computer Soft Ware --Goods
- 5) Standing Trees - When sold as as part of land -not goods  
but when agreed to severed from land for sale -goods.
- 6) Electric Energy Charges- kept out of preview of CST

Model SolutionAnswer Paper-7<sup>th</sup> - SAS11 Session 8/2016**Answer Question no. 2(A)****Annual leave with wages**

The Factories Act provides for Annual leave with wages according to certain rules. The provisions are explained below:-

**Annual Leave with Wages.** Sections 78 to 84 provide for the grant of a certain period of leave with wages to workmen.

Every worker who has worked for a period of 240 days or more in a factory during a calendar year shall be allowed during the subsequent calendar year, leave with wages for a number of days calculated at the rate of

(i) if an adult, one day for every twenty days of work performed by him during the previous calendar year;

(ii) if a child, one day for every fifteen days of work performed by him during the previous calendar year.

**Rules regarding the Annual Leave are below :**

When counting the number of days of work performed by a worker, the following are to be included: (a) days of lay-off, (b) maternity leave to a female worker, not exceeding twelve weeks, and (c) the leave earned in the previous year. But the worker shall *not* earn leave for these days.

The leave admissible under the aforesaid rule shall be exclusive of all holidays whether occurring during or at either end of the period of leave.

A worker whose service commences otherwise than on the first day of January shall be entitled to leave with wages at the rate laid down above if he has worked for two-thirds of the total number of days in the remainder of the calendar year.

If a worker is discharged or dismissed from service or quits his employment or is superannuated or dies while in service, during the course of the calendar year, he or his heir

or nominee, as the case may be, shall be entitled, to wages in lieu of the quantum of leave to which he was entitled immediately before his discharge, dismissal, quitting of employment, superannuation or death

In calculating the leave period, fraction of leave for half a day or more shall be treated as one day and fractions of less amount shall be omitted.

Leave earned, but not taken, can be carried forward to a succeeding year subject to a limit of thirty days in the case of an adult and forty days in the case of a child. But earned leave not allowed because of any Scheme for leave in operation, can be carried forward without limit.

Application for leave must be submitted to the manager not less than 15 days before the date of commencement of leave. In the case of public utility service it must be made not less than 30 days before such date. If a worker becomes ill and wants to avail himself of the annual leave during the period of illness, he shall be granted leave even though the application is not made before the period specified above.

The State Government may exempt a factory from the operation of the above rules if it is satisfied that its own leave rules provide benefits (the totality - of benefits) which are not less favourable to the workers than the statutory leave rules.

Where by virtue of any award, agreement (including settlement) or contract of service the worker is entitled to a longer period of leave than that provided by the aforesaid rules, he will be entitled such longer leave.

The rules contained in these sections do not apply to railway Factory administered by the Government which are governed by leave rules approved by the Central Government.

If an award, agreement (including settlement) or contract of Service provides for a longer annual leave with wages than provided in these rules, the quantum of leave, which the worker shall be entitled to, shall be in accordance with such award, agreement or contract of service, but in relation to matters not provided for in such award, agreement or contract of service or matters which are provided for less favorably therein, the provisions of sections 79 to 82, so far as may be, shall apply

**Wages during Leave Period.** For the period of leave allowed to a worker according to rules, he shall be paid at a rate equal to the daily average of his total full-time earnings for the days on which he actually worked during the month immediately preceding his leave. The average

rate is to be calculated, exclusive of any overtime and bonus, but inclusive of dearness allowance and the cash equivalent of the advantage accruing through the concessional sale to the worker of food-grains and other articles. The cash equivalent, referred to above, is to be computed according to the method used when calculating the extra wages payable -for overtime work.

If the employment of a worker who is entitled to leave is terminated by the occupier of the factory before he has taken the entire leave to which he is entitled, he must be paid wages for the leave period not taken and such wages must be paid before the expiry of the second working day after such termination. Similarly, if the worker quits his service after having applied for and obtained leave, he must be paid wages (or the leave period and such wages must be paid on or before the next pay day.

A worker who has been allowed leave for not less than four days in the case of an adult and five days in the case of a child, shall before his leave begins, be paid the wages due for the period of leave allowed.

Wages -for the leave period, if not paid by an employer, shall be recoverable as delayed wages under the provisions of the Payment of Wages Act,

#### Answer Question no. 2(b)

##### Constitution of employees state insurance corporation—

members, namely : — [(a) a Chairman to be [appointed] by the Central Government

(b) a Vice-Chairman to be [appointed] by the Central Government ;

(c) not more than five persons to be [appointed] by the Central Government

(d) one person each representing each of the [States] in which this Act is in force] to be [appointed] by the State Government concerned ;

(e) one person to be [appointed] by the Central Government to represent the [Union territories] ;

(f) [ten] persons representing employers to be [appointed] by the Central Government in consultation with such organizations of employers as may be recognized for the purpose by the Central Government ;

(g) [ten] persons representing employees to be [appointed] by the Central Government in consultation with such organizations of employees as may be recognized for the purpose by the Central Government



(h) two persons representing the medical profession to be [appointed] by the Central Government in consultation with such organizations of medical practitioners as may be recognized for the purpose by the Central Government ;

[(i) three members of Parliament of whom two shall be members of the House of the People (Lok Sabha) and one shall be a member of the Council of States (Rajya Sabha) elected respectively by the members of the House of the People and the members of the Council of States ;

and (j) the Director-General of the Corporation, ex-officio.]

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Model Solution

Answer Paper-7<sup>th</sup> - SAS11 Session 8/2016

Answer Question no. 3(a)

**Free Consent**

According to Section 13, "two or more persons are said to have consented when they agree upon the same thing in the same sense (Consensus-ad-Idem). Consequently, when parties to a contract make some fundamental error as to the nature of the transaction, or as to the person dealt with or as to the subject-matter of the agreement, it cannot be said that they have agreed upon the same thing in the same sense. And if they do not agree in the same sense, there cannot be consent. A contract cannot arise in the absence of consent.

If two persons enter into an apparent contract concerning a particular person or ship, and it turns out that each of them, misled by similarity of the name, had a different person or ship in his mind, no contract would exist between them as they were not ad idem, i.e, of the same mind. Again, ambiguity in the terms of an agreement, or an error as to the nature of any transaction or as to the subject-matter of any agreement may prevent the formation of any contract on the ground of absence of consent.

**Coercion**

It involves the physical force or threat.

The aggrieved party is compelled to make the contract against its will.

It involves committing or threatening to commit an act forbidden by Indian Penal Code or detaining or threatening to detain property unlawfully.

It is not necessary that there must be some sort of relationship between the parties.

Coercion need not proceed from the promisor not need it be directed against the promisor.

The contract is voidable at the option of the party whose consent has been obtained by the coercion or enforce it in a modified form.

In case of coercion where the contract is rescinded by the aggrieved party, as per Section 54, any benefit received has to be restored back to the other party.

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Model Solution

SAS-2/5-2/2016/P-7

Answer Question no. 3(b)

Two or more person are said to consent when they agree upon the same thing in the same sense. Consent is said to be free when it is not caused by

(1) coercion, as defined in section

(2) undue influence, as defined in section

(3) fraud, as defined in section

(4) misrepresentation, as defined in section

(5) mistake, subject to the provisions of section 20, 21, and 22.

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

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

**Undue influence** (1) A contract is said to be induced by "undue influence" where the relations subsisting between the parties are such that one of the parties is in a position to dominate the will of the other and uses that position to obtain an unfair advantage over the other.

(2) In particular and without prejudice to the generally of the foregoing principle, a person is deemed to be in a position to dominate the will of another - (a) where he holds a real or apparent authority over the other, or where he stands in a fiduciary relation to the other; or (b) where he makes a contract with a person whose mental capacity is temporarily or permanently affected by reason of age, illness, or mental or bodily distress.

(3) Where a person who is in a position to dominate the will of another, enters into a contract with him, and the transaction appears, on the face of it or on the evidence adduced, to be unconscionable, the burden of proving that such contract was not induced by undue influence shall be upon the person in a position to dominate the will of the other.

**"Fraud"** means and includes any of the following acts committed by a party to a contract, or with his connivance, or by his agents, with intent to deceive another party thereto his agent, or to induce him to enter into the contract;

- (1) the suggestion as a fact, of that which is not true, by one who does not believe it to be true
- (2) the active concealment of a fact by one having knowledge or belief of the fact;
- (3) a promise made without any intention of performing it;
- (4) any other act fitted to deceive;
- (5) any such act or omission as the law specially declares to be fraudulent.

"Misrepresentation" means and includes

- (1) the positive assertion, in a manner not warranted by the information of the person making it, of that which is not true, though he believes it to be true

: (2) any breach of duty which, without an intent to deceive, gains an advantage to the person committing it, or anyone claiming under him; by misleading another to his prejudice, or to the prejudice of any one claiming under him;

(3) causing, however innocently, a party to an agreement, to make a mistake as to the substance of the thing which is subject of the agreement: When consent to an agreement is caused by coercion, fraud or misrepresentation, the agreement is a contract voidable at the option of the party whose consent was so caused. A party to contract, whose consent was caused by fraud or misrepresentation, may, if he thinks fit, insist that the contract shall be performed, and that he shall be put on the position in which he would have been if the representations made had been true.

Exception : If such consent was caused by misrepresentation or by silence, fraudulent within the meaning of section 17, the contract, nevertheless, is not voidable, if the party whose consent was so caused had the means of discovering the truth with ordinary diligence. Explanation : A fraud or misrepresentation which did not cause the consent to a contract of the party on whom such fraud was practised, or to whom such misrepresentation was made, does not render a contract voidable. 1. Power to set aside contract induced by undue influence - When consent to an agreement is caused by undue influence, the agreement is a contract voidable at the option of the party whose consent was so caused. Any such contract may be set aside either absolutely or, if the party who was entitled to avoid it has received any benefit thereunder, upon such terms and conditions as to the Court may seem just. 20.

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Model Solution

Answer Paper-7<sup>th</sup> - SAS11 Session 8/2016

Q.No.4 (a)

- 1) A company <sup>can</sup> on petition under section 272, be wound up by the Tribunal-
- a) If the company is unable to pay <sup>its</sup> ~~debits~~ <sup>debts</sup>
  - b) If the company has, by special resolution, resolved that the company be wound up by the Tribunal.
  - c) If the company has acted against the interest of sovereignty and integrity of India, the security of state, friendly relations with foreign states, Public order, decency or morality.
  - d) If the Tribunal has ordered the winding up of company under Chapter XIX (Sick Industrial company not likely to become viable)
  - e) If on application made by the registrar or any other person, authorized by the Central Govt. by notification under this Act, The Tribunal is of the opinion that effects of the company have been conducted in the fraudulent manner or the company was formed for fraudulent on unlawful purpose or the person concerned in the formation or management of its affairs have been guilty of fraud, misfeasance, or mis-conduct in connection there with and ~~that~~ <sup>it is</sup> proper that company be wound up.
  - f) If the company has made default in filling with registrar its financial statements is annual relation for immediate proceeding <sup>with Central Govt</sup> ~~non-conductive~~ financial years.
  - g) If the Tribunal consider it just and equitable that company be wound up.

Answer-

Q.No.4 (b)

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

continue -

Q.No.4 (b) Object of Producer Company

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

Benefits to members

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

Every member shall on the share capital. Contributed, receive only a limited return. However every such member may be allotted bonus share.

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Model Solution

Answer Paper-7<sup>th</sup> - SAS11 Session 8/2016

**Answer 5(a)**

I. Goods include all materials articles, commodities and all other kind of moveable property, but does not include newspaper auction able claims, stocks, shares and securities.

II. Appropriate state means

- i. in relation to a dealer who has one or more places of business situated in the same state, that state;
- ii. in relation of a dealer who has places of business situated in different states, every such state with respect to the place or places of business situated within its territory.

**Answer 5(b)**

Wages includes any privilege or benefit which is capable of being estimated in money. The definition excludes the followings items from wages 1) a travelling allowance a value of any travelling concession , 2) a contribution paid by the employee of an employee towards any pension or provident fund, or 3) a sum paid to an employee to cover any special expenses entailed on him by the nature of his employment.

It includes:-

- I. Extra wages for over time, bonus and other inducement in shape of payment for idle time, free meals, allowances for grain and clothing, free or cheap housing.
- II. Dearness allowance, share of profit or bonus under a profit sharing scheme and amenities of free quarter as well as free water.
- III. Outstation allowance,
- IV. Food allowance and overseas allowance.
- V. Maternity benefit payable to woman delivery a child.

**Answer 5(c)**

c) Objects of Annual General Meeting

An Annual General meeting is an important meeting of protecting the interest of the shareholders. It is only at the Annual General meeting of a company that the shareholder can exercise control over the affairs of the company.

The Board of Directors place Accounts for Consideration approval and adoption by shareholders in AGM.

Shareholders Exercise Control over the management by re-electing or refusing to elect the Directors.

The Auditors of the company are also replaced or re-appointed by the shareholders in the AGM.

Dividend proposed by the director is declared in the AGM.

All other matters that require approval of shareholders are discussed as 'Special Business' in the AGM.

## Draft Notice of Annual General Meeting

Notice of AGM - Year -----(Name of Company)

Notice is hereby given that the (No. of Meeting) Annual General Meeting of the members of the (Company Name) will be held on (Day of Meeting), (Date of Meeting), 2 at (Time of Meeting) at (Venue of Meeting), to transact the following businesses:

### ORDINARY BUSINESS:

#### 1. To Consider and adopt:

To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution

**RESOLVED THAT** the Audited Balance Sheet & Profit & statement of Profit and Loss Account and Cash Flow Statement for the financial year ended March 31, --- along with the Auditor's Report and the Directors' Report as circulated to the shareholders and laid before the meeting, be received, considered and adopted.

#### 2. To declare the final dividend on equity shares for the financial year ended March ---

3. To appoint a Director in place of Mr. (Name of Director) (DIN: ), who retires by rotation and being eligible, offers himself for re-appointment.

#### 4. Ratification of Auditor:

To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution:

**"RESOLVED that** pursuant to the provisions of Section 139 and all other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed there under, as amended from time to time, the Company hereby ratifies the appointment of (Auditor Name), Chartered Accountants (Firm Registration No \_\_\_\_\_), as Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the next AGM of the Company to be held in the year ---- at such remuneration plus service tax, out-of-pocket



travelling and living expenses, etc., as may be mutually agreed between the Board of Directors of the Company and the Auditors."

**SPECIAL BUSINESS:**

Event Based Compliance

Place: ( ) Dated: (Date of Notice)

**NOTES:**

1. An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 relating to the Special Business to be transacted at the Annual General Meeting in respect of Item no (Item no of special business) is annexed hereto and forms part of notice.
2. A MEMBER ENTITLED TO ATTEND AND VOTES IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL ON HIS/HER BEHALF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Pursuant to Section 105 of the Companies Act, 2013, "a person can act as a Proxy on behalf of not more than fifty members holding in aggregate, not more than ten percent of the total share Capital of Company may appoint a single person as Proxy, who shall not act as a Proxy for any other Member. The instrument of Proxy, in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not later than 48 hours (Sunday is included in computation of 48 hours) before the commencement of the Meeting. A Proxy Form is annexed to this report. Proxies submitted on behalf of limited companies, societies, etc., must be supported by an appropriate resolution/authority, as applicable.
3. The Final Dividend for the financial year ended -----, as recommended by the Board, if approved at the AGM, will be paid on or after (Day),(Date),----- to those Members whose name appears in the Register of Members of the Company as on the book closure dates.
4. Pursuant to Section 101 and Section 136 of the Companies Act, 2013 read with relevant Rules made there under, companies can serve Annual Reports and other communications through electronic mode to those Members who have registered their email address either with the Company or with the Depository Participant(s). Members who have not registered their email address with the Company can now register the same by submitting a duly filled-in 'E-communication Registration Form available on the website of Company (Website address of company) to M/s( ) or Investor Service Department of the Company. Members holding shares in demat form are requested to register their email address with the Depository Participant(s) only.

Members of the Company who have registered their email address are also entitled to receive such communication in physical form, upon request.

5. The Notice of AGM, Annual Report and Attendance Slip are being sent in electronic mode to Members whose email address are registered with the Company or the Depository Participant(s), unless the Members have registered their request for the hard copy of the same. Physical copy of the Notice of AGM, Annual Report and Attendance Slip are being sent to those Members who have not registered their email address with the Company or Depository Participant(s). Members who have received the Notice of AGM, Annual Report and Attendance Slip in electronic mode are requested to print the Attendance Slip at the Registration Counter at the AGM.

Paper-VIII

SAS Part-II Works and Management Accounts

Ques no. 1

Comparative Profitability Statement			
	Alternative I 20,000 Units Rs.	Alternative II 25,000 Units Rs.	Alternative III 20,000+10,000 Units Rs.
(i) Sales (20,000x100); (20,000x100+10,000x90)	20,00,000	25,00,000	29,00,000
(ii) Variable cost:			
Direct material (Rs.33 per Unit)		8,25,000	9,90,000
Direct Labour (Rs. 25 per Unit)	6,60,000	6,25,000	7,50,000
Variable overhead (Rs. 10 per Unit)	5,00,000	2,50,000	3,00,000
	2,00,000		
	13,60,000	17,00,000	20,40,000
(iii) Contribution [(i)-(ii)]	6,40,000	8,00,000	8,60,000
(iv) Fixed Cost:			
Existing			
20,000x20=4,00,000x110/100	4,40,000	4,40,000	4,40,000
Increased administrative charges	-	-	60,000
Sales promotion expenses	-	50,000	-
Depreciation on new equipment	-	-	1,50,000
	4,40,000	4,90,000	6,50,000
(v) Profit [(iii)-(iv)]	2,00,000	3,10,000	2,10,000

**Comments:** As the profit is highest under Alternative II, the concern should increase the sales to 25,000 units to utilise the existing full capacity.

- Model Solution SAS-4/2-8/2016/P-8
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- a) (i) 10.1 & 10.2  
(ii) 10.401  
(iii) 10.211  
(iv) 10.102  
(v) 16.3
- b) Deposit works which are executed at the cost of other parties are of two types:-
- 1) When after completion these works shall be the property of the agency that met its cost-these shall be treated as Deposit works.
  - 2) Which after completion become the property of the Board who shall be liable to maintain, repair and augment these works. These are treated as Contributory works. These are not treated as deposit works even though the cost of these works is borne by the consumers/other agencies.
  - 3) While departmental charges @ 27.5% are levied on the expenditure on deposit works only 16% charges are recoverable on contribution works.
  - 4) Deposit received and expenditure incurred on deposit works shall be credited/debited to account code 47.305 where as the deposits against contributory works shall go to account code 47.309 but the expenditure shall be booked to account code 14- Work in Progress.
  - 5) After the deposit work is completed the excess of receipt over expenditure shall be refunded to the party while excess of expenditure over deposit shall be recovered whereas expenditure on contributory work shall be transferred to group head 10- Fixed Assets & amount outstanding under account code 47.309 shall be transferred to account code 55.1- Consumers' contribution towards cost of capital assets.
- c) Accounting procedure for deposit works:-
- (i) Amount of preliminary survey charges when recovered should be credited to 'Other Income' Account Code- 62.930
  - (ii) The deposit paid by the party towards Deposit Works should be credited to account code-47.305 'Receipts for deposit works'.
  - (iii) (a) As and when the materials are issued it should be debited to account code-47.305 Labour charges or salaries etc. of employees specifically appointed or posted to do such deposit work exclusively or other expenses shall be allocated from Group Head 75.76 etc. to account code - 47.305. Departmental charges shall be levied monthly by debit to the Account code 47.305 per contra credit to Account code-62.9.
  - (b) Any excess over deposit amount shall be deposited to account 28.865. Per contra credit to Account Code 47.305.
  - (iv) Any excess over deposit amount shall be debited to account 28.865 per contra credited to account code 47.305.
  - (v) The details of expenditure shall be recorded and watched through the Register of works.
  - (vi) On completion of work, where the same is to become an asset of the Board, the final cost shall be adjusted as under:-
  - (a) The amount standing on the debit side of the account code 47.305 shall be transferred to Group Head- 10 (Fixed Asset). Through J.V.
  - (b) The amount to credit side of 47.305 shall be transferred to account code 55.3 grants towards cost of Capital Assets through J.V.

- (vii) In case the work after completion is not to become asset of the Corporation, no adjustment from account code 47.305 is to be made.
- (viii) Where the deposit has been received for shifting of line etc. and no additional material is required, the deposits received for shifting the line shall be credited to account code-47.305. The expenditure shall be booked to the natural head of account of expenses. After completion of the work comparison of expenditure including departmental charges to be recovered, shall be made with the deposit received and if there is any excess over deposit amount the same shall be recovered from the party concerned. In such cases, the amount of the deposit outstanding under account code 47.305 shall be cleared by crediting to code 62.930 – other incomes.
- (ix) Unspent balance of deposit may be refunded to the depositor after proper scrutiny. It should be seen that saving is not due to the fact that (i) work has been done by regular Estt. Or (ii) dismantled materials have been issued on lesser rates or without value.

## Ques no. 3

- a) Job Costing: Under this method costs are collected and accumulated for each job, work order or project separately. Each job can be separately identified; so it becomes essential to analyse the cost according to each job. A job card is prepared for each job for cost accumulation. The method is applicable to printers, machine tool manufacturers, foundries and general engineering workshops.
- b) Marginal Costing: It is the ascertainment of marginal cost by differentiating between fixed and variable cost. It is used to ascertain the effect of changes in volume or type of output on profit. In this technique of costing only variable costs are charged to operations, processes or products, leaving all indirect costs to be written off against profits in the period in which they arise.
- c) VED analysis: VED-Vital, essential and desirable –analysis is used primarily for control of spare parts, the spare parts can be divided into three categories:- Vital, essential and desirable. Keeping in view the criticality to production. The spares, the stock out of which even for a short time will stop production for quite sometimes and where the cost of stock out is very high, are known as vital spares. The spares, the absence of which can't be tolerated for more than a few hours or a day and cost of lost production is high and which are essential for the production to company, are known as essential spares. The desirable spares are those spares which are needed but their absence for even a week or so will not lead to stoppage of production. VED analysis is made to get the effective results as VED analysis items based on their criticality to production.
- d) Capital Budgeting is the process of evaluating and selecting long term investments that are inline with the goal of investor's wealth maximisation. The capital budgeting decisions are important, crucial and critical business decisions due to substantial expenditure involved; long period for the recovery of benefits, irreversibility of decisions and the complexity involved in capital investment decisions.
- e) Payback period of an investment is the length of time required for the cumulative total net cash flows from the investment to equal the total initial cash outlays.

$$\text{Payback period} = \frac{\text{Total Initial capital investment}}{\text{Annual expected after Tax (net cash flow)}}$$

Ques no. 4

Cash Budget for the months from Jan to April 2016				
Details	January	February	March	April
<b>Receipts:</b>				
Balance b/d	15,000	18,985	28,795	30,975
Cash realised from debtors	30,000	35,000	25,000	30,000
<b>Cash available (A)</b>	<b>45,000</b>	<b>53,985</b>	<b>53,795</b>	<b>60,975</b>
<b>Payments:</b>				
Payments for creditors (for purchase)	15,000	20,000	15,000	20,000
wages	3,200	2,500	3,000	2,400
Manufacturing Expenses	1,225	990	1,050	1,100
Administrative Expenses	1,040	1,100	1,150	1,220
Selling expenses	550	600	620	570
Payment of Dividend				10,000
Purchase of Plant	5,000			
Instalments of Building Loan			2,000	2,000
<b>Total Payments (B)</b>	<b>26,015</b>	<b>25,190</b>	<b>22,820</b>	<b>37,290</b>
<b>Closing Balance (A-B)</b>	<b>18,985</b>	<b>28,795</b>	<b>30,975</b>	<b>23,685</b>

## Ques no. 5

- (a) Net present value: The net present value method uses a specified discount rate to bring all subsequent net cash inflows after the initial investment to their present values (the time of the initial investment or year 0)

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

**Difference between NPV and IRR:** NPV and IRR differ in the sense that the results regarding the choice of an asset under certain circumstances are mutually contradictory under two methods. In case of mutually exclusive investment projects, in certain situations, they may give contradictory results such that if the NPV method finds one proposal acceptable, IRR favours another. The different ranking given by the NPV and IRR methods could be due to size disparity problems, time disparity problem and unequal expected lives.

The Net present value is expressed in financial values whereas internal rate of return is expressed in percentage terms.

In the NPV cash flows are assumed to be reinvested at cost of capital rate. In IRR reinvestment is assumed to be made at IRR rates.

- (b) As per PSERC (Terms and conditions for Determination of Tariff Regulations, 2005)

- (i) Following components of income shall be treated as non tariff income for the generating company or licensee (s) as applicable:-

- Meter/metering equipment/service line rentals
- Service Charges
- Customer charges
- Revenue from late payment surcharge
- Miscellaneous receipts
- Incentives from CGS's
- Miscellaneous charges (except PLEC charges)
- Interest on staff loan and advances
- Interest on advances to suppliers
- Income from trading
- Income from staff welfare activities
- Excess found on physical verification
- Interest on investments, fixed and call deposits and bank balances
- Net recovery from penalty on coal liaison agents
- Prior period income
- Income from open access charges i.e. application fee, cross subsidy surcharge, additional surcharge, transmission and/or wheeling charges, scheduling charges etc.

- (ii) Force Majeure event means event beyond the reasonable control of the generating company or the licensee, including, but not limited to earthquake, cyclone, flood, storm, war, terrorist attack, civil commotion or other similar occurrence that lead to any act that would involve a breach of relevant laws or Regulations.

- (iii) Open Access Customer means a customer permitted by the commission to receive supply of electricity from a person other than distribution licensee of his area of supply, or a generating company (including captive generating plant) or a licensee who has availed or intends to avail of Open access.