

Ans. 1 (a) Bharat ratna Dr. APJ Abdul Kalam was the eleventh president of India. He was popularly known as people's President. Earlier, he worked as an engineer with DRDO and ISRO and was awarded Bharat Ratna in 1997 for his contribution. He is also known as missile man of India. He played a pivotal role in India's Pokharan -II nuclear test in 1998. He is a professor at Anna University(Chennai) and is the only surviving former president of India.

Kalam's father was a devout muslim but was a good friend of Hindu Religious leaders. Kalam mentions in his biography that he started his career as a newspaper vendor. The house Kalam was born in was still to be found on the Mosque Street in Raameshwaram. Kalam grew up in an intimate relationship with nature, as is described in his various biographies. He learnt the power of water from the cyclonic storm in 1964.

Kalam is vegetarian and teetotalarian. He has written many motivational books and poem books, and has been awarded honorary doctorate by Carnegie Mellon University.

II)

- a) India's Highest Civilian Honor is Bharat Ratna
- b) Dr. Kalam Worked as Engineer with ISRO and DRDO before becoming the PRESIDENT of India
- c) Dr. Kalam started his career as a Newspaper Vendor
- d) He received an honorary doctorate from Carnegie Mellon University

- b) (0) Given (1) struck (2) dealt (3) felt
(4) suggested (5) letting

Ans 2(a)

- i) The boy asked why he was lying on the road in that manner.
- ii) The teacher asked that how many of them thought the answer was correct.
- iii) She said that she was shocked at his disgraceful behavior.
- iv) Megha asked him if that was his book.
- v) Surinder said that it was a surprise for all of them.

2(b)

- I. Under
- II. At
- III. Since
- IV. At
- V. On

- 2(c) (i) Imperest :- An imperest is a standing advance of a fixed sum of money given to an individual to enable him to make certain classes of disbursements which may be entrusted to his charge by the Divisional officer or SDO and should invariably be discontinued when the necessity has passed away.

Temporary Advance : - Temp. Advance shall be allowed against passed vouchers where cash payments have been allowed by the board and for payment to Railway authorities against RR etc.

ii)

Deposit Work	Contributory Work
The work which will remain the property of agency for whom the work is undertaken.	The work which become the property of the corporation and will be maintained as such by the corporation.
Departmental Charges - 27.5%	16%

iii)

Major Work	Minor Work
The works where estimated cost is more than one lac.	The works whose estimated cost is less than one lac.

2(d)

Administrative Approval:- The formal acceptance to the design by competent authority is known as administrative approval. In other words the formal acceptance by administrative authority concerned of the purpose for incurring any expenditure in the Board or to undertake a work.

Technical Sanction:- The order of competent authority sanctioning a properly detailed estimate of the cost of work of construction or repair proposed to be carried out is known as technical sanction.

Ans 2(e) Since all the 6 firms have quoted same rate as such it is evident that they have pooled together while submitting the Tenders and resulting into pooling of rate.

Under the situation it must be ensured that various conditions laid down in EIC/MM, Patiala memo No.32558/Regulation/PO-C dated 26.11.2002 such as the Tender documents should not be issued and tenders be not received by the official less than the rank of Superintendent or Head Clerk in case of Divisions, the time of receipt of tender should not normally be fixed later than 11.30 a.m., splitup of rates, discounts etc, regarding pooling of rates by Bidders have been strictly followed at the time of issue of Tender.

Under the circumstances following action can be taken by the purchaser:-

- 1) Updated rates against previous orders can be compared with the rates now quoted and if the difference is not much than negotiations can be held in case the items urgently required and it is not possible to wait for re-tendering.
- 2) An up dated rate can be worked out and the same with reasonable increase if felt necessary can be offered to the Bidders for acceptance.
- 3) In case the above two measures are not successful then Tenders are to be scraped and re-tendering to be done.

Ans 3 (a) A worksheet is a single spreadsheet page and a workbook is a collection of all the worksheets in a single file. A workbook contains worksheets, in the same way that a book contains pages. A workbook consists of one or more worksheets. For example, if there is one sheet is table with information and another sheet is with a pie chart it would be a workbook. On the other hand, a worksheet is *one* spreadsheet in Excel that one is working on.

Ans 3(b) Filtering is a quick and easy way to find and work with a subset of data in a range. A filtered range displays only the rows that meet the criteria you specify for a column. Microsoft Excel provides two commands for filtering ranges: AutoFilter and Advanced Filter.

Unlike sorting, filtering does not rearrange a range. Filtering temporarily hides rows you do not want displayed. When Excel filters rows, you can edit, format, chart, and print your range subset without rearranging or moving it.

Use the Select **Visible Cells** Command to select only the filtered cells.

Ans 3 (C) Computers are made of the following basic components:

1. Cabinet with following hardware inside:

(a) Power Supply

(b) Motherboard - This is where the core components of your computer reside which are listed below :

I Microprocessor - This is the brain of your computer. It performs commands and instructions and controls the operation of the computer.

II Memory - The RAM in your system is mounted on the motherboard. This is memory that must be powered on to retain its contents.

(c) Hard disk drive(s) - This is where your files are permanently stored on your computer. Also, normally, operating system is installed here.

- (d) CD-ROM drive(s)
 - (e) Floppy drive(s) - A floppy is a small disk storage device.
 - (f) Other possible file storage devices include DVD devices, Tape backup devices, and some others.
2. Monitor - This device which operates like a TV set lets the user see how the computer is responding to their commands.
 3. Keyboard - This is where the user enters text commands into the computer.
 4. Mouse - A point and click interface for entering commands which works well in graphical environments.

Three Output Devices

Monitor, Printer and Speakers are three output devices.

Three Input Devices

Keyboard, Mouse and CD-Drive are three input devices.

Ans. 3(d) In MS EXCEL If numerical values are to be added then, =ADD (value1,value2) is used. If text is to be added then =CONCATENATE (text1,text2) will be used.

Ans 3(e) Virus: - A malicious software which enters the computer forcibly and corrupts the operating system and other software.

Windows: - It is the operating system used in computers. It acts as interface between user and the hardware.

Software: - These are the applications that perform various functions on a computers. For eg. MSWORD, EXCEL etc.

Ctrl + C :- This command is used to copy a file, folder or text in windows.

Ctrl + P :- This command is used to paste a file, folder or text in windows.

- Ans 4(a)** Microsoft PowerPoint is the software used to make presentations. A template is a pattern or blueprint of a slide or group of slides that you save as a .potx file. 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.
- 4(b)** A **slide show** is a display of a series of chosen pictures, which is done for artistic or instructional purposes. Slide shows are conducted by a presenter using an apparatus, such as a carousel slide projector, an overhead projector or in more recent years, a computer running presentation software like MS Power Point. F5 key on the keyboard is the shortcut for Slideshow in MS Power Point
- 4 (c)** A **website** (also written **Web site**^[1] or simply **site**^[2]) is a collection of related web pages containing images, videos or other digital assets. A web site is hosted on at least one web server, accessible via a network such as the Internet or a private local area network through an Internet address also called URL.
Website of PSPCL is www.pspcl.in
- 4(d)** A **printer** is a peripheral device which produces a text and/or graphics of documents stored in electronic form, usually on physical print media such as paper or transparencies. Many printers are primarily used as local peripherals, and are attached by a printer cable or, in most newer printers, a USB cable to a computer which serves as a document source. Some printers, commonly known as **network printers**, have built-in network interfaces, typically wireless and/or Ethernet based, and can serve as a hard copy device for any user on the network. Three most commonly used printer types are:-
Ink-jets(bubble-jets) printers spray ionized tiny drops of ink onto a page to create an image.
Laser printers operate by shining a laser beam to produce an image on a drum
(Dot-matrix) printers use a set of closely spaced pins and a ribbon to print letters or other characters on a page. These printers actually impact the page to print a character, much like a typewriter.
- 4(e)** Word is word processing application that is used to write documents like letters or essays where text formatting is very essential to provide a printable document that can be read very easily. Excel, on the other hand, is a spreadsheet application where you can input data in tables in the pattern you choose. From the table, you can deduce or calculate how the information is related to each other and you can even create graphs to visually represent the said relationship.
- 4(f)** the pen drive is a portable USB flash memory device that can be used to quickly transfer audio, video, and data files from the hard drive of one computer to another.

SAS-II/s-a/11/P-II

Ans 5(a)

Er. AB Singh



Director/Distribution

PSPCL, The Mall, Patiala

Phone: 222222222

Fax: 333333333

D.O. No _____

Dated _____

Subject: High T&D losses in Border Zone

My Dear Er. CC Singh

With respect to the subject cited matter, it may be informed that your zone has high T&D losses of 27% which is a matter of great concern. Please prepare a report mentioning the reasons for such a high percentage of losses along with the proposals to reduce them. It may be mentioned that losses of all other zones are below 20%. So you should make all efforts and bring down the losses of your zone to lower levels. Guidelines issued by Government of India (GoI) stipulate that T&D losses in each State should not be more than 16%. Every 1% reduction in the T&D loss levels is equivalent to additional revenues of about Rs. 120 crores to the Corporation. As you know management has already decided to take strict action against those officers who fail to reduce the T&D losses in their respective areas. So you should also warn the officer under you that strict action could be taken against them if they are unable to meet their stipulated targets.

Please treat this matter as very urgent.

Yours Sincerely

(Er. AB Singh)

Er. CC Singh
Chief Engineer/Border Zone
PSPCL Amritsar

Ans 5(b) NOTICE INVITING TENDER

FOR PRESS**PUNJAB STATE POWER CORPORATION LTD**

OFFICE OF THE CHIEF ENGINEER/MM, PSPCL, PATIALA

TENDER NOTICE

TENDER ENQUIRY NO. MQP-100

Tender cost: Rs.2500/-

Tender Notice: Sealed tenders are invited in duplicate for 100000 Nos 8 Meter long PCC Poles.

- i) Last date & time for download of tender documents from PSPCL Website: 27-4-2011(11 A.M.)
 - ii) Last date & time for receipt of tender: 30-4-2011(10:30 AM)
 - iii) Date & time for opening of tender: 30-4-2011(11 AM)
- Detailed NIT may downloaded (from POWERCOM's Website (www.pspcl.in))

Sd/-

Purchase Officer/Poles,
PSPCL Patiala.**FOR WEBSITE**

1	Address Details of issuing authority	Purchase Officer/Poles, PSPCL Patiala
2	Tender Enquiry No.	MQP-100
3	Scope/Short Description	8 Meter long PCC Poles
4	Quantity	100000
5	Downloading of Specification/Tender Documents from PSPCL website	27-4-2011(11 A.M.)
6	Date & time up to which tenders shall be received	30-4-2011(10:30 AM)
7	Date & time of opening of tenders	30-4-2011(11 AM)
8	Mode of Tendering	e-tendering
9	Cost of Specification	2500
10	Tender specification can only be downloaded from PSPCL website https://pspccl.nprocure.com and no hard copy of the same will be issued by this office.	
11	Contact person	AO/CPC

Ans 5(c) Tender Value = 20% of 100000 * 2000 = 40000000

Earnest Money = 2% of Tender value = 800000 which more than 1 Lac.

Therefore Earnest Money = 1 Lakh.

However, in the following two cases no earnest money deposit is required:-

- a) Public Sector undertakings fully owned by Pb. Govt./Central Govt./Other State Govts. Supplying material directly through units owned by the provided that a certificate of Govt. Ownership may be submitted. M/s BHEL Government of India Undertaking is also exempted from the payment of Earnest money deposit.
- b) Suppliers having permanent earnest money deposit of Rs 10 Lac with the MM Organisation.

Q.No.1

Trading and profit and loss account of Rastogi Ltd.

Model Solution
SAS-II 5-2/2011 P-VI

①

As on December 31, 2009.

Particulars	Amount	Particulars	Amount
To opening stock	12,500	By sales	40,000
To purchases	34,500	(+) sales not entered	3,000
(-) machinery	500	In sales book	-----
Purchased	-----	By closing stock	3,000
To wages	5,000	By Gross Loss	5,500
	<u>51,500</u>		<u>51,500</u>
To Gross Loss	5,500		
To Salaries	750	By Discount	500
To Rent	495	By Net Loss	12,133
To Discounts	700		
To General Expenses	1,705		
Including insurance			
To Bad debts	483		
To Provision for income tax	<u>3,000</u>		
	<u>12,633</u>		<u>12,633</u>

Profit and loss Appropriation Account

Particular	Amount	Particular	Amount
To Dividend Paid	900	By Balance b/d	1,503
(+) Provision for dividend	100	To Balance carried to	13,630
To Reserve Fund	2,000	Balance sheet	
To Net Loss(after tax)b/d	12,133		
	<u>15,133</u>		<u>15,133</u>

Model SolutionSAS-II

5-2/2011

Paper-VI

(2)

Balance Sheet of Rastogi Ltd.

As on December 31, 2009

Liabilities	Amount	Assets	Amounts
<u>Share Capital</u>		<u>Fixed Assets</u>	
Authorized Capital		Machinery 2,900	
Issued and Paid up Capital		(+) Machinery Purchased 500	3,400
1000 shares of Rs. 10/- each fully paid up	10,000	<u>Investments</u>	
<u>Reserve and surplus</u>		<u>Current Assets</u>	
Reserves 11,550		Closing Stock	3,000
(+) Reserve Fund 2,000	13,550	Debtors 3,750	
		(+) Sale not entered in the sales book 3,000	6,750
<u>Secured Loans</u>		Cash in hand	1,620
<u>Unsecured Loans</u>		<u>Loan and Advances</u>	
<u>Current Liabilities</u>		<u>Misc. expenses and expenditure</u>	
Creditors		Profit and loss Appropriation A/C	13,630
Provision for dividend 1,000	1,750		
(-) Dividend paid 900			
Unpaid dividend	100		
<u>Provisions</u>			
Provisions For Income tax	3,000		
	28,400		28,400

Q.2

Journal entries in the book of Company

Date	Particulars	L.F.	Dr. Amount	Cr. Amount
	Bank a/c Dr. To Share Application a/c (Being application money received on 12000 Shares @ Rs.3/- per share)		36,000	36,000
	Share Application a/c Dr. To Share capital a/c To Share Allotment a/c (Being transfer of application money to share capital a/c on 10,000 shares and balance to allotment a/c)		36,000	30,000 6,000
	Share Allotment a/c Dr. To Share capital a/c To Security premium a/c (Being money due on allotment @ Rs.4/- per share including Rs.1/- on account of secured premium)		40,000	30,000 10,000
	Bank a/c Dr. To Share Allotment a/c (Being money received on share allotment - see Note - 1)		33,660	33,660
	Share first and final call a/c Dr. To Share capital a/c (Being money due on call on 10,000 shares @ Rs.4/- per share)		40,000	40,000
	Bank a/c Dr. To Share first and final call a/c (Being call money received on 9700 shares)		38,800	38,800
	Share capital a/c Dr. Security premium a/c (see note-2) Dr. To Share Allotment a/c To Share first and final call a/c To Share forfeited a/c (see note-3)		3,000 100	340 1,200 1,560

(Being forfeiture of 300 shares)			
Bank a/c	Dr.	1,350	
Share forfeited a/c	Dr.	150	
To Share capital a/c			1,500
(Being re-issue of 150 forfeited shares)			
Share forfeited a/c	Dr.	510	
To capital reserve a/c			510
(being profit on forfeiture and re-issue of 150 forfeited shares transferred)			

WORKING NOTES NO. 1

Amount to be received on share allotment i.e. $10,000 \times 4$ 40,000

(-) Default on allotment $10,000 \times 120 - 100 \times 4$ 400

Share allotted = 12000

(-) excess app. Money on excess shares received

$120 - 100 - 20 \times 3$ -60 340

39,660

(-) Amount received with application 6,000

Amount received on application 33,660

WORKING NOTES NO. 2

Security premium has been debited only with Rs. 100/- relating to A's shares because premium money has not been received on these shares.

Share Allotted $10,000 \times 120 - 100$

12,000

(It is assumed that security premium is received with allotment amount @ Rs. 1/-)

Security premium not received = $100 \times 1 - 100/-$ Rs.

WORKING NOTES NO. 3

A has paid Rs. 3/- per shares on 120 shares	360/-
B has paid Rs.(3+3) per shares on 200 shares	1200/-
	1560/-

WORKING NOTES NO. 4

Transfer to capital reserve

Money paid by A (120x3)	= 360/-
Money paid by B (50x(3+3))	= 300/-
(Because whole of A's shares i.e.100 shares	660/- (share forfeited a/c)
And 50 shares of B are re-issued)	
(-) Discount on issue of shares	<u>150/-</u>
Transfer to Capital Reserve a/c	<u>510/-</u>

Q.3(A) Bank reconciliation statement of Mr. M.D. Dass of Calcutta

As on 31st October, 2009

Item	Amount	Amount
Balance as per cash book (Cr.)		18,900
<u>ADD</u>		
i) Payment directly made by bank on standing instruction	390	
ii) Cheque issued and encashed but treated in cash book as deposited	1,640	
iii) Cheque deposited but not yet collected by bank	1,080	3,110
		22,010
<u>LESS</u>		
i) Cheque issued from personal account wrongly credited to this account in cash book		
ii) Wrong credit given by bank in pass book	700	
iii) Cheque of Rs. 700/- deposited into bank but debited in cash book as Rs. 70/- only	340	
iv) Cheque issued but yet not presented for payment	630	
Balance as per pass book (Dr.)	790	2,460
		19,550

Model solution

7

SAS-II S-2/2011 Paper-VI

Q.3 (B)

PLANT A/C

Particular	Dr.	Particular	Cr.
To Bank a/c	25600	By Deprecation a/c	6,400
		By Balance c/d	<u>19,200</u>
	<u>25,600</u>		<u>25,600</u>
To Balance b/d	19,200	By Deprecation a/c	4,800
		By Balance c/d	<u>14,400</u>
	<u>19,200</u>		<u>19,200</u>
To Balance b/d	14,400	By Deprecation a/c	3,600
		By Balance c/d	<u>10,800</u>
	<u>14,400</u>		<u>14,400</u>
To Balance b/d	10,800	By Deprecation a/c	2,700
		By Balance c/d	<u>8,100</u>
	<u>10,800</u>		<u>10,800</u>

Journal of Mr. Rajesh Khanna

Rectification Entries

Date	Particulars	L.F.	Debit	Credit
	Typewriter a/c Dr. To office expenses (Being purchase of typewriter wrongly debited to office expenses a/c corrected)		300	300
	Furniture a/c Dr. To purchase a/c To Cash a/c (Being material and wages used for making furniture not recorded previously now recorded)		790	650 140
	S. Banerjee a/c Dr. To Purchase a/c (Being goods purchased but not yet received entries reversed)		200	200
	Supplier a/c Dr. To Suspense a/c (Being supplies a/c credit with Rs. 310/- instead of Rs. 130/- now corrected)		180	180
	Suspense a/c Dr. To K.Dalal a/c To Sales a/c (Being cash sale debited in K. Dalal's a/c instead of crediting sales a/c now corrected)		160	80 80

Q.4(B) The way of verification of some of the important liabilities are as under:-

1) Share Capital:-

It is not a liability in the strict sense of word. It is known as internal liability. The auditor is required to verify it so as to certify the correctness of balance sheet.

It is only in the first year an auditor of a company is required to carry out thorough checking in this respect. In subsequent year, however, he is to merely to check the figure with the last balance sheet except the amount of fresh calls made or fresh shares issued by the company. He should pay special attention to the calls in arrears which must be verified. Where share certificate have been cancelled, these should be examined.

In case shares are issued to the vendors or promoters the auditor should examine the contract entered into with the vendors or the promoters. He should ensure that the requirement of Company Act 1956, Memorandum of Association and Article of Association have been properly complied with.

2) Reserve and Surplus :

The auditor has to examine the amount of reserve and surplus by comparing them with profit and loss appropriation account. He should examine the nature of reserves created and should see that the same is used for that very purpose.

3) Loans:

The auditor should examine the borrowing powers of the company; loans may be secured or unsecured. He should examine the loan agreement in order to ascertain the term of loan, amount of loan, period and nature of loan, etc. with the permission of the client he should confirm the balances of the loan (unpaid) directly from the creditor of the company. In case of secured loans, the auditor of the firm should examine the Mortgage deed to ascertain the nature of the charge created, i.e., whether the same is floating charge or fixed charge.

If the loan consists of Debentures, the auditor has to see that the Debenture have been properly issued according to the provision of the Company Act.

4) Creditor: The auditor should examine the schedule of creditor and purchase or bought ledger to ascertain the amount of creditors. He should check a reasonable number of creditors accounts thoroughly with reference to their entries, postings and calculations. He should see that all the goods purchased during the year are recorded in the books. He should check a reasonable number of transactions with gate-keeper's registers. He should pay special attention to the entries made either in the beginning or at the end of the year to check the fictitious entries in this respect being passed by the employees of the undertaking.

5) Contingent Liabilities: Contingent liability is a liability which may or may not arise. It necessary to disclose such liabilities by way of foot notes. Example of contingent liabilities are:-

- Bills Receivable Discounted
- Liabilities arising out of litigation in respect of trademarks, copyrights, etc.
- Payment of call money expected to be demanded by the company.

It is an important point to note that the contingent liabilities do not form part of the Balance Sheet and, therefore, if he fails to verify them properly he will not be held responsible.

Q.5 (A)(i) Sales are the most important source of revenue in a business. In most of the cases, it is the only source of revenue. It is, therefore, necessary to enforce a system of internal check regarding sale. The system of internal check regarding sales should take care of the following:-

- a) The cashier should have no control over the sale ledger or any book of prime entries relating thereto.
- b) The sales ledger clerks should not check their own work.
- c) The Total Debtors Accounts are prepared and these should also not be under the control of the Sale Ledger Clerk.
- d) Proper preparation of the monthly statements should be made.
- e) There should be proper arrangements for collection of overdue accounts.
- f) There should be proper regulations for passing credit notes for returns, allowances and empties.

Q5 (A)(ii) The procedure of vouching the cash transactions is as under:-

- 1) Cash received should be acknowledged with a printed receipt. The receipt should have a counter-foil or carbon copy attached to it. The cashier should sign the cash receipt. Such receipt should be serially numbered and unused receipt books should be kept under lock and key with some responsible officer. Spoilt receipt should be cancelled and should not be detached from the counter-foil.
- 2) Letters containing drafts, cheques etc. should be opened in the presence of some responsible officer and should be crossed if not already crossed.
- 3) Cash received during the day should be banked the same day or on the following morning.
- 4) To avoid the chances of fraud the use of cash register or automatic tilt should be made. Such devices ensure automatic collection of the cash and a receipt is issued only when the amount has been deposited in the tilt.
- 5) Cashier should be asked to prepare a bank reconciliation statement frequently.
- 6) For petty cash payments, imprest system of petty cash book should be adopted. Petty cash book should be frequently examined.
- 7) In case of out going cheques it should be necessary to cross them as "Not Negotiable". Before such cheques are signed they should be produced before a responsible officer along with the accounts of the payee, who shall certify that the payment is in order.
- 8) In respect of receipt from cash sales, the auditor should ensure that there is a proper internal check system is in operation in cash sales department.

There are two important possibilities in respect of cash transactions, they are misappropriation of cash by the employees for their personal purposes and embezzlement of cash by recording fictitious transactions. Hence, company auditor has to check thoroughly and accordingly he should devise and suggest the effective internal check system, so that in the forthcoming years such malpractices are minimized.

Q.5(B) We agree that accountancy is a necessary but do not agree that auditing is a luxury for a business. Auditing is a luxury for a very small business but in a large business auditing is a necessity. Therefore in support of our opinion we are giving following reasons:-

Reason in support of Accountancy is necessity

- a) Unwritten transactions can not be remembered for a long time by an average businessman since he has numerous business transactions.
- b) It is necessary for a business to know the correct trading result which the written records can only furnish.
- c) To know the financial position of the business on a given date, accounting is must.
- d) In order to have a comparative study between to periods as also between various firms, it is necessary to have written accounting record.
- e) Written records of business transaction are must in order to know the debtors and creditors of the business.
- f) Valuation of goodwill is facilitated by written accounting records.
- g) Written accounting records are a source of evidence in a law suit.
- h) To measure the efficiency and growth of business, written record is needed.
- i) Written record furnish a basis for calculation of taxes to be paid to various authorities like income tax and sales tax.
- j) Since accounting record give an idea about the financial position of a business, loans and licences can be secured easily.

Auditing may be luxury on the basis of the following arguments from the view point of an ordinary businessman:-

- a) The remuneration charged by the auditor is an unnecessary waste of funds.
- b) Too many formalities attached to auditing create difficulties for an average businessman.
- c) The businessman feels that Auditing means waste of time and obstruction in routine work of the Accountant and his subordinates.
- d) Audit is not a fool-proof method of detecting errors and frauds. Hence audit may be considered useless.

The above arguments and fear are illusory in nature and they are based upon the limited knowledge about the utility and importance of auditing. It may be true that elaborate "Auditing is a Luxury for a very small business having few transactions" and where the owner runs the whole show himself. In the large business having many transactions auditing is necessary. The need for auditing is even greater in business where all the owners as in the case of Joint Stock Company or a cooperative society do not take active part in the management. Similarly auditing has become a necessity for trust, public corporations, Government Departments. Considering the need for auditing, the Government have made it compulsory for these organizations to get their accounts audited every year.

Q-I

a) wages

SAS-II/S-211/P-7

Wages include any privilege or benefit, which is capable of being estimated in money. The term, however, doesn't include!

i) T.A.

ii) Contribution paid by employer for any pension or P.F.

iii) leave carried over to next year

'The wages' has been upheld to include dearness allowance, overtime pay, bonus, a share in profits, amenities like free quarter, free water etc. Wages also includes food allowance, outstation allowance, night out allowance, maternity benefit, gratuity etc.

Wages doesn't include the value of annual leave with wages unless encashment thereof is allowed under the terms of employment.

Q 1)

SAS-II/S-2/11/Paper-7

b)

Partial Disablement

Sec. 2(1Xg) defines partial disablement. It refers to reduction in earning capacity of the workman, It may be of two kinds :-

i) Temporary Partial Disablement :-

where earning capacity of a workman is reduced in relation to the employment, in which he was engaged at the time of accident.

ii) Permanent Partial Disablement :-

means reduction of earning capacity of a workman in respect of every employment, which he was capable of ~~being~~ undertaking at the time of accident.

Q 1 Dependent.

CSE-2/5-2/11/Paper-7

Q) Sec. 2(1) (d) of the Act defines dependent. Dependent of a workman are divided in 3 categories:-

i) a widow, a minor legitimate son and unmarried legitimate daughter, or a widowed mother

ii) a son or a daughter, who has attained the age of 18 yrs + who is infirm (mentally weak)

iii) in the 3rd Category are included the following persons provided they ^{were} ~~are~~ wholly or in part dependent on the earnings of the workman at the time of his death:-

- A) a widower B) a parent other than a widowed mother C) a minor illegitimate son D) an unmarried illegitimate daughter,
- E) a daughter whether legitimate or illegitimate, if married and minor, or if widowed and minor F) a minor brother or an unmarried sister or widowed sister if ~~unmarried~~ ^{minor},
- G) widowed daughter in law H) a minor child of a pre-deceased son I) a minor child of a pre-deceased daughter, where no parent of the child are alive
- J) a paternal grand parent, if no parent of the workman is alive,

Q1

d)

In order to prove that accident 'arose out of employment', following conditions must be present:-

- i) Accident or injury must have resulted from some risk inherent in the employment before the accident occurred.
- ii) At the time of injury, the workman must have engaged in the business of the employer or in furthering that business and was not doing something for his own benefit.

'In the course of employment' refers to the period of employment and the place of work. It means during the currency of employment, In order to succeed in his claim, he must show that he was doing something in discharge of a duty to his employer, directly or indirectly imposed upon him by his contract of service.

Q-2

SAS-II/s-2/11/P-7

a) ESI Act, provides for 6 types of benefits to which the insured persons, their dependents or certain other persons are entitled. These benefits are!

- i) Sickness benefit
- ii) Maternity benefit
- iii) Disablement benefit
- iv) Dependents' benefit
- v) Medical benefit
- vi) Funeral expenses.

All these benefits except the medical benefits are monetary benefits.

Q-2

b)

The Act has been brought on the statute for the following purposes:

- i) to provide for prevention, control and abatement of air pollution,
- ii) to establish Boards for carrying out the purposes given in (i) and
- iii) to confer, on and assign to, such Boards powers and functions relating thereto.

2

SAS-II / C-211 / P-7

(c) A cheque is a bill of exchange, which is a) drawn upon a specified banker and b) payable on demand. (Sec-6)

essential characteristics:

- i) in writing
- ii) express order to pay
- iii) definite + unconditional order
- iv) signed by drawer
- v) order to pay certain sum
- vi) order to pay money only
- vii) drawer, drawee + payee must be certain
- viii) drawn upon a specified banker
- ix) payable on demand

Liability of Drawee (Sec-31)

The drawee (i.e. paying banker) must compensate the drawer for any loss or damage caused by non-payment if the following 3 conditions are fulfilled:-

- i) sufficient funds in a/c
- ii) funds are properly applicable to such payment
- iii) drawee is required to pay the cheque

The drawee is liable to the drawer and not to any other person.

Liability of Drawer (Sec-138)

On dishonour of cheque, the drawer is punishable with imprisonment for a term not exceeding 1 year, or with fine not exceeding twice the amount of a cheque or with both.

3
a)Meaning.

SAS-II / S-2/11 / Paper-7

Acc. to Sec. 2(h) of Indian Contract Act, 1872, "An agreement enforceable by law is a contract."

Contract = An agreement + enforceability of an agreement.

DifferenceAgreement

- i) offer + its acceptance constitute an agreement
- ii) An agreement may or may not create a legal obligation
- iii) every agreement need not be a contract
- iv) Agreement is not binding

Contract

- i) Agreement + its enforceability constitute a contract
- ii) necessarily creates a legal obligation
- iii) All contracts are necessarily agreements
- iv) Contract is binding.

Essentials

- i) Proper offer + its proper acceptance
- ii) Intention to create legal relationship
- iii) Free consent
- iv) Capacity to contract
- v) Lawful consideration
- vi) Lawful object
- vii) Agreement not expressly declared void
- viii) Terms must be certain
- ix) Terms must be capable of performance
- x) All legal formalities must be complied

3(b)

Acc. to Sec. 10, Consideration is one of the essential elements of a contract. Acc. to Sec. 25, an agreement made without consideration is void. But a gratuitous promise shall be enforceable by law, if the promisee on the faith of such promise suffered a liability, as suffering of detriment forms a valid consideration.

Exceptions

- A) Agreement made on a/c of natural love and affection (Sec-25(1)) - it is valid if:
 - i) it is expressed in writing
 - ii) it is registered under the law
 - iii) it is made on a/c of love + affection
 - iv) it is between parties standing in near relation to each other.
- B) Promise to compensate (Sec-25(2)) - it is valid if
 - i) it is a promise to compensate
 - ii) the person to be compensated has already done something voluntarily or has done something which the promisor was legally bound to do.
- C) Promise to pay Time Barred debt (Sec-25(3))
- D) Completed Gift
- E) Agency (Sec 185) No consideration is necessary to create an agency.

Q 4)

SAS-II/5-2/11/Paper 7

- a) Perquisites are the benefits or amenities in cash or in kind, or in money or money's worth, provided by employer to employee, whether free of cost or at concessional rates. The main feature is that the employee should have a right to it and it should not be a mere voluntary or contingent payment.

Sec 17(2) of I-Tax Act, 1961, gives an inclusive definition of perquisite. It includes:-

- i) value of rent free accommodation provided,
- ii) value of any concession in the matter of rent respecting any accommodation provided,
- iii) value of any benefit or annuity granted or provided, free of cost or at concessional rate to specified employees
- iv) any sum paid by the employer in respect of any obligation of the employee
- v) any ~~sum~~ premium payable by the employer to effect an insurance on the life of the assessee or to effect a contract for an annuity.

4(b)

Service sector contributes about 50% of GDP in our economy. So far, services were outside the tax net. A beginning was made in 1994 to impose tax on services, vide Finance Act, 1994.

It was introduced from 1.7.1994, with first rate being 5% and latest rate is 10%.

Central Excise Deptt. has been entrusted to look after the administration of the service tax.

4(c)

16. VAT Act was implemented w.e.f 1.4.2005.

Yes, VAT ~~was~~ applicable to erstwhile

PSEs and now-a-days PSPCL.
various VAT rates are,

Sch A - Tax free goods

Sch B - 5%.

Sch C - 1%.

Sch D - 4%.

Sch E - 20%.

Sch F - goods taxable at specified

Sch F - 12.5%.

Q-
5a) ^{SAs-II/s.2/III/P.7} CST - Act provides for formulation of principles for determining inter-state, intra state and sales in the course of export / import. It also provides for levy, collection + distribution of taxes and provides for declaration of certain goods to be of special importance.

Sale outside the state is interstate sale. where both buyer + seller are from the same state, it is intra state sale. Entry 92 A of list I (Union list) empowers Central Govt. to impose tax on Inter state sales. Entry 54 of list II (State list) empowers State Govts to impose tax on intra state sales.

The liability to pay CST is on the dealer, whether or not he collects it from the buyer.

CST in each state is administered by the local sales tax authorities of the State.

CST is collected by the state, where movement of goods commences.

SAS-II/5.2/11/P-7

Q
5
b) One of the basic conditions of inter state sale is that there should be a sale. If a manufacturer sends goods to his branch in other state, it is not a 'sale', as you can't sell to yourself. Here, movement of goods takes place from one state to other, but it is not an inter-state sale and won't attract any CST.

Since, stock transfers are usually resorted to avoid CST liability, Sec-6A of CST Act provides that when a dealer claims that transfer of goods outside state is not a sale, he has to prove that interstate transfer of goods is not a sale. For this purpose he has to produce a declaration from branch from other state in prescribed form (F).

Answer to Paper VIII (Works & Management Accounting) SAS Part II**Q1(a)**

Ans. **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.

Q1(b)

Ans. The accounting policies relating to retirement, scrapping, obsolescence and sale of assets are laid down in the following paragraphs: -

Cost of Retirement, Scrapping, sale of assets

- 1) All costs incurred on retirement, scrapping and sale of assets shall be charged to revenue account in the year in which the costs are incurred. Some examples of such costs are Building/civil works demolition costs, Plant decommissioning costs, site restoration costs, legal charges and stamp duty for transfer of title to the purchaser, freight etc. on delivery of sold assets/ scrape to the purchaser etc.
- 2) On retirement, scrapping and sale of assets, the cost of the asset and accumulated depreciation on it shall be withdrawn from the fixed asset and written down value transferred to Assets not in Use Account (GH-16).
- 3) In case scrapped asset for which no scrape/salvage value is realized, the written down value of such assets shall be charged to the Revenue Account for the year in which the scrapped assets are found unrealizable.
- 4) Gain or loss arising on sale of capital assets shall be treated as a revenue item. The gain shall be treated as a revenue item only to the extent of total depreciation charged on the sold asset. Gain in excess of the accumulated depreciation charge on the sold asset shall be treated as a capital gain and credited to Capital Reserve (GH 56.2). And loss on sale of capital asset shall be debited to the Revenue Account for the year in which the asset is sold.

Q1(c)

Ans

	Debit	Credit
i)	Supplier /Contractors Material Control Account-Capital /O&M	Material Issued to Contractors Account
ii)	Supplier /Contractors Material Control Account-Capital /O&M	Material Issued to Contractors Account
iii)	Material returned by Contractor Account	Supplier /Contractors 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

Q2(a)Ans. **Other Current Liabilities****Schedule -28**

Sr No	Particulars	A/c Code	This Year Rs.	Previous Year Rs.
1	Liability to railway for coal receipts	40.1		
2	Liability on a/c of grade difference of coal	40.2		
3	Unpaid coal bills	40.7		
4	Other fuel related liabilities	Other sub A/c under 40		
5	Liability for purchase of power	41.1 & 41.2		
6	Liability for capital supplies/ works	42.1 to 42.3		
7	Liability for O&M supplies/ works	43.1 to 43.3		
8	Staff related liabilities and provisions	44.1 to 44.4		
9	Deposits and retentions from suppliers and contractors (Net of deposits received in form of investments)	46.1 & 28.930		
10	Electricity Duty and Other Payables to Govt.	46.3		
11	Liability for expenses	46.4		
12	Amount owing to licensee	46.6		
13	Accrued / Unclaimed amounts relating to borrowings	46.7		
14	Provision for income tax	46.8		
15	Other Liabilities and Provisions	46.9		
16	Sub Total			
17	Deposits for Electrification Service Connections etc.	47		
18	Total			

Q2(b)

- Ans. i) 56.1
 ii) 62.710
 iii) 65.8
 iv) 71.218
 v) 27.207
 vi) 27.107

Q2(c)

Ans. JE Stores enter losses in transit, shortages, breakages, damages, and rejects etc. of material received from suppliers in Defective Goods Receipt Note, Rejected Goods Register, and RR/GR Register on noticing the same. In cases where supplier is not at fault, record the facts on Goods Receipt Note/ Defective Goods Receipt Note stating the party from whom the recovery to be made. Prepare Defective Goods Receipt Note for defective material/ shortage and supply one copy of Defective Goods Receipt Note to Purchase section, Supplier, CE/S&D in case of central stores organization and accounts section in case of Thermal Projects.

Follow up the entries in the Defective Goods Receipt Note, Rejected Goods Register.

Return the rejected goods to supplier or carrying out the necessary repairs at supplier's premises. And sending rectified material to boards/PSPCL stores.

Lodging the claim therefore with the appropriate agency Viz. Railways/ Transporter, Insurer, Carting Contractor or any other person responsible for loss.

Enter the particulars of claim lodged with any of above parties in the Rejected Goods Register and supply a copy of claim lodged to payment cell/ accounting unit.

In the case of shortage/ damages is due the fault of any party other than supplier the Bill passing section prepare voucher for the full amount without making any deduction for shortages etc., but the party at fault shall be Debited for the claims recoverable from them.

In cases where the supplier is at fault, no accounting entry is required to be passed for shortages etc. as the suppliers account is credited only to the extent of quantity accepted. Shortages, rejects etc. when cleared GRN shall be made and supplementary bill passed.

Upon settlement and recovery of claim prepare cash receipt voucher if recovery is made in cash and JV if amount is to be adjusted against payments due.

Upon settlement/ rejection of claim bill passing section intimate the same to SDO Stores and posts the amount in relent sub ledger/ Creditors Ledger.

On receipt of information from bill section JE Stores enter particulars of claims/ settlement/ rejection in Defective Goods Receipt Note, Rejected Goods Register, and RR/GR Register.

Q3 (a)

Ans. Zero base budgeting is not based on the incremental approach and previous year figures are not adopted as a base. Zero is taken as a base as the name goes. Taking Zero as a base, a budget is developed on the basis of likely activities for the future period. In Zero base budgeting, funds required for any activity for the next budget period should be obtained by presenting a convincing case. Funds will not be available as a matter of course. . Zero base budgeting tries to help the management answer the questions. . Zero base budgeting tries to overcome the weaknesses of conventional budgeting especially in the areas government expenditure and in business for expenditure for service departments.

Q3 (b)

Ans. Computation of Most Economical Purchase Level

Annual Requirement (U)	Ordering Quantity (Q)	Price Per Tonne (C)	Cost of Purchase (UxC)	Cost of Order (U/QxP) P=Cost Per Order i.e. Rs.1200/-	Cost of Stock Holding (QxIxC) I= Holding Cost i.e. 20%	Total Cost 4+5+6
1	2	3	4	5	6	7
Units	Units	Rs.	Rs.	Rs.	Rs.	Rs.
5000 Tonnes	400 Tonnes	1200	5000x1200 =6000000	5000/400x1200 =15000	400/2x20/100x1200 =48000	6063000
	500 Tonnes	1180	5000x1180 =5900000	5000/500x1200 =12000	500/2x20/100x1180 =59000	5971000
	1000 Tonnes	1160	5000x1160 =5800000	5000/1000x1200 =6000	1000/2x20/100x1160 =116000	5922000
	2000 Tonnes	1140	5000x1140 =5700000	5000/2000x1200 =3000	2000/2x20/100x1140 =228000	5931000
	3000 Tonnes	1120	5000x1120 =5600000	5000/3000x1200 =2000	3000/2x20/100x1120 =336000	5938000

From the above we see that the minimum cost is Rs. 5922000/- when the order quantity is 1000 Tonnes. Therefore Most Economical Purchase Level is 1000 Tonnes.

Q4

Ans.

Flexible Budget

	60% capacity Rs. (Lacs)	75% capacity Rs. (Lacs)	90% capacity Rs. (Lacs)	100% capacity Rs. (Lacs)
<u>Variable Expenses</u>				
Material	26.04	32.55	39.06	43.40
Labour	24.48	30.60	36.72	40.80
Other Expenses	9.48	11.85	14.22	15.80
<u>Semi Variable Expenses</u>				
Maintenance And Repairs	3.50	3.85	4.20	4.20
Indirect Labour	7.90	8.69	9.48	9.48
Sales Department Salaries Etc.	3.80	4.18	4.56	4.56
Sundry Administrative Exp.	2.80	3.08	3.36	3.36
<u>Fixed Expenses</u>				
Wages And Salaries	9.50	9.50	9.50	9.50
Rent Rates and Taxes	6.60	6.60	6.60	6.60
Depreciation	7.40	7.40	7.40	7.40
Sundry Administrative Exp	6.50	6.50	6.50	6.50
Total Estimated Cost	108.00	124.80	141.60	151.60
Estimated Profit	12.00	25.20	38.40	48.40
Sales	120.00	150.00	180.00	200.00

Q5 (a)**Ans**

The internal rate of return of a project is that discount rate which equates the total present value of the cash inflows with the total initial cost. It is a rate at which the net present value becomes zero.

This can be mathematically depicted as:

$$\text{Present Value (P)} = E_1/(1+r)^1 + E_2/(1+r)^2 + E_3/(1+r)^3 + \dots + E_n/(1+r)^n$$

Where E_1, E_2, \dots, E_n are the cash inflows expected in the 1st, 2nd,nth, year respectively and r is the rate of return.

Internal Rate of Return=

Excess Present Value of lower Trail x Difference between Higher and Lower Discount rates
Excess Present Value of lower Trail + Short Present Value of Higher Trail

Q5 (b)**Ans****Statement of profitability**

	Existing Machine	New Machine
Units Produced Per Hour	12	18
Machine Hours Per Annum	2000	2000
Annual Units Production	24000	36000
Selling Price Per Unit	2	2
Annual Sales	48000	72000
Cost Per Annum		
Material Rs. 1 Per Unit	24000	36000
Wages Rs 1.25 Per Hour	2500	2500
Power		
Existing Machine Rs0.50 per Hour (2000x0.50)	1000	
New Machine Rs.2.00 Per Hour (2000x2)		4000
Indirect Material	3000	5000
Other Expenses	12000	15000
Depreciation (Cost/10 Years)	2500	5000
Interest (as per working note)	0	3750
Total Cost	45000	71250
Net Profit (Total Cost-Annual Sales)	3000	750
Cost Per Unit (Rs.)	45000/24000=1.87	71250/36000=1.98
Net Profit Per Unit (Rs.)	3000/24000=0.125	750/36000=0.021

On the basis of above results net profit, cost per unit and net profit per unit is more in respect of existing machine. So, the existing machine should not be replaced.

Working Note for interest Calculation

Calculation of interest on fresh outlay on the new machine	Rs.
Fresh cost of new machine	50000
Written Down Value of existing Machine (Cost-Depreciation)	
(25000-12500)	12500
Net Outlay	37500
Interest on Rs.37500@10%=Rs. 3750	