

Model Solution of 31/3/2020 - 1

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Q1. Do as directed:

A) Make a precis of the following passage in about 1/3rd words and give an appropriate title: (10+5=15)

What makes teaching online unique is that it uses the Internet, especially the World Wide Web, as the primary means of communication. Thus, when you teach online, you don't have to be someplace to teach. You don't have to lug your briefcase full of papers or your laptop to a classroom, stand at a lectern, scribble on a chalkboard, or grade papers in a stuffy room while your students take a test. You don't even have to sit in your office waiting for students to show up for conferences. You can hold "office hours" on weekends or at night after dinner.

You can do all this while living in a small town in Wyoming or a big city like Bangkok, even if you're working for a college whose administrative offices are located in Florida or Dubai. You can attend an important conference in Hawaii on the same day that you teach your class in New Jersey, longing on from your laptop via the local cafe's wireless hot spot or your hotel room's high-speed network.

Online learning offers more freedom for students as well. They can search for courses using the Web, scouring their institution or even the world for programs, classes and instructors that fit their needs. Having found an appropriate course, they can enrol and register, shop for their books, read articles, listen to lectures, submit their homework assignments, confer with their instructors, and receive their final grades – all online. They can assemble in virtual classrooms, joining other students from diverse geographical locales, forging bond and friendships not possible in conventional classrooms, which are usually limited to students from a specific geographical area.

(274 words)

Ans A) Title : Benefits of online teaching

Precis: Online teaching provides the freedom to both teachers and students as teachers need not be at a specific place to teach because they use the internet as the medium of communication, whereas, students can enrol, register, submit assignments and receive grades- all online. Students can choose an online course, as per their capacity, from an instructor who is located in a different geographical area and virtually meet students which would not have been possible in a conventional classroom. Even teacher's can teach students at the pleasure of their homes, so online teaching benefits all.

B) Give the meaning of the following words:

(1x5=5)

- i. Conventional- normal/standard/regular/common
- ii. Lug- carry/drag/pull/lift
- iii. Diverse- multiple/varied/mixed
- iv. Limited- restricted/confined/controlled
- v. Forging- form/build/create/establish

3

Q2 Do as directed

- a) Prepare a public notice from CE/HRD on PSPCL website and publication in national newspapers for the refund of application fee for the post of Stenotypist Advertised Vide CRA 293/19 (5x2=10 marks)



Punjab State Power Corporation Limited

Regd. Office PSEB Head Office, The Mall, Patiala-147001,
Website : www.pspcl.in Corporate Identity No. U40109PB2010SGC033813

**PUBLIC NOTICE FOR REFUND OF APPLICATION FEE FOR THE POST OF
STENOTYPIST ADVERTISED VIDE CRA 293/19.**

PSPCL vide corrigendum no.6 dated 05.12.2019 cancelled the recruitment for the post of Steno typist advertised vide CRA 293/19. It was mentioned in the corrigendum that fee will be refunded in due course of time. Now, it is informed to all the applicants who had applied against the post of Steno typist to ensure uploading of their bank account details in which the refund amount is to be credited, using the link <https://feerefsteno293.pspcl.in/>, which will be active w.e.f from **16.10.2023 to 04.11.2023 (20 days only)**. Applicants may also visit PSPCL website www.pspcl.in and click on **Recruitment tab** on website homepage and then click on - **Link for uploading bank account details for refund of application fee against the post of Steno typist advertised vide CRA 293/19.**

No further time extension after the last date will be given for filling the bank account details and no representation regarding the same will be entertained in future. For any query/issues faced in online filling of the information, the applicants may write an email at helpdesk-recruitment@pspcl.in. Applicants may keep visiting PSPCL website for further details.

Date: 13.10.2023


Chief Engineer/HRD
PSPCL, Patiala.

- b) Write a letter from Chief Engineer/IT to all employees regarding non sharing of SAP Ids and Passwords. (10 marks)

PSPCL Punjab State Power Corporation Limited

Regd. Office: SE/IT(O&S), PSPCL Head Office, The Mall Patiala-147001,
E-mail: se-it-os@pspcl.in, Website: www.pspcl.in

To

✓ All HoD's of DS Zones,
PSPCL, Patiala

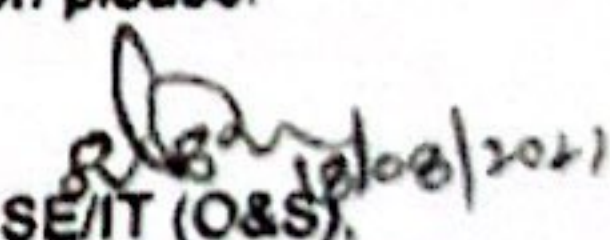
(via Website)

Memo No 4233 /DCM-17 Dated: 13.07.21

Subject: Regarding non sharing of SAP IDs/Passwords.

It is submitted that the SAP IDs or its passwords should not be shared within the office or with any employee/person. Sharing of IDs and passwords leads to misuse of these for doing frauds, wrongful/unauthorised transactions, etc. Thus, all users should use their own SAP ID and password for working in the SAP system without sharing it with anyone else. In case of misuse, the person sharing the ID/password shall be responsible for it. You are requested to guide the concerned officers under your control for compliance of the same. Further, for more information in this regard, kindly go through the ISMS-Password Policy available at PSPCL website (Home->IT News Letter-> IT Security-SOP-8)

This is for your information and further necessary action please.


SE/IT (O&S),
PSPCL, Patiala

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Q3. Do as directed

A) Correct the following sentences

(5x2=10 marks)

- i. Rahul went to school despite of having a fever.
Ans Rahul went to school despite having a fever.
- ii. I haven't seen Susan since six years.
Ans I haven't seen Susan for six years.
- iii. Our mathematics teacher is giving us too much tasks.
Ans Our mathematics teacher is giving us too many tasks.
- iv. My mother cooks rice yesterday.
Ans My mother cooked rice yesterday.
- v. He or Raju are guilty.
Ans He and Raju are guilty.

B) Give the meaning of the following idioms

(5x1=5 marks)

- i. Water Under The Bridge
Ans Past things that are not important anymore
- ii. Practice makes perfect
Ans Constant practice leads to improvement
- iii. Over the Moon
Ans Extreme happiness
- iv. Cut to the chase
Ans Getting to the point and leaving out all the non-essential information
- v. Piece of cake
Ans Very easy

C) Convert Active to passive

(5x1=5 marks)

- i. They called off the meeting.
Ans The meeting was called off.
- ii. His grandmother looked after him.
Ans He was looked after by his grandmother.
- iii. They will send him away to school.
Ans He will be sent away to school.
- iv. The hunter killed the lion.
Ans The lion was killed by the hunter.
- v. The watchman opens the door.
Ans The door is opened by the watchman.

Q4. Do as directed

A) Choose the correct option

(10x1=10 marks)

i. Which of the following features allow you to narrow down the data in your work sheet?

1. Merge Cells
2. Fill Handle
3. Filters

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1

2
3

4. Sorting

Ans Option 3

ii. The Wrap Text option is available in which group of the Home tab in MS-Excel 365?

1. Font
2. Cells
3. Alignment
4. Styles

Ans Option 3

iii. _____ in Microsoft Excel always begins with an equal to sign(=).

1. Numbers
2. Formulae
3. Text
4. Tables

Ans Option 2

iv. In MS Excel, to add numeric values in column D, from rows D10 to D15, the formula that should be used is :

1. =SUM (D10, D15)
2. =COUNT (D10, D15)
3. =SUM (D10:D15)
4. Options 1 and 3 are correct

Ans Option 3

v. What is the value of the following MS-Excel function?

=FLOOR(14, 4)

1. 10
2. 13
3. 14
4. 12

Ans Option 4

vi. Which of the following is not a valid function in MS Excel?

1. SUM()
2. COUNT()
3. SUBTRACT()
4. COUNTA()

Ans Option 3

vii. Which of the following is used to move an active cell to the first column on the current row?

1. Page up
2. Ctrl + Home
3. Page down
4. Home

Ans Option 4

viii. A Doughnut chart in Excel is similar to:

1. Bubble chart
2. Bar chart
3. Scatter chart
4. Pie chart

Ans Option 4

ix. it is acceptable to let long text flow into adjacent cell on a worksheet when

1. Data will be entered in the adjacent cells

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2. No data will be entered in the adjacent cells
3. There is no suitable abbreviation for the text
4. There is not time to format the text

Ans Option 2

x. What is the extension of a Microsoft Excel file?

1. sxcl
2. Xcl
3. Xlsx
4. Xlsm

Ans Option 3

B) Write Full forms of the following

(5x2=10 marks)

1. SSD - Solid State Drive
2. VGA - Video Graphics Array
3. USB - Universal Serial Bus
4. VIRUS - Vital information Resources under Siege
5. UPS - Uninterrupted Power Supply

Q5 Do as directed

A) Explain the following

(10x1=10 marks)

1. CPU-

CPU stands for the Central Processing Unit. It is the processing chip that serves as the "brains" of a device that interprets (or processes) the digital instructions provided by applications.

2. Bit-

Bit is an abbreviation for "binary digit," the smallest piece of information used by a computer. Each bit is either a 1 or a 0, which are the binary digits that make up computer language. Bits are literally the foundation upon which computer science is built. In modern computing, information is stored and processed at a scale that is orders of magnitude larger than individual bits. See the conversion rate below to better contextualize the size of a bit:

- 1 Byte = 8 bits
- 1 Kilobyte = 1,024 bytes
- 1 Megabyte = 1,024 kilobytes
- 1 Gigabyte = 1,024 megabytes

3. Secondary storage

Secondary storage refers to the long-term data storage options found in a device. This includes hard disk drives (HDD) and solid-state drives (SSD). When you save a file to your computer, it is sent to secondary storage.

4. ROM -

ROM stands for Read-Only Memory. This is memory that can only be read from and is not electronically modifiable after being manufactured.

Computers use ROM to store critical foundational information like start-up processes and software instructions.

5. Input/Output Devices (I/O Devices)

I/O devices refer to anything people use to input information to the computer or to take information out (output). For example, a keyboard and mouse are input devices. A printer is an output device.

6. Spam –

Spam is an irrelevant digital message that the computer may receive in bulk. In most situations, individuals often receive spam via e-mail, but they may also get it through phone calls, texts, and social media. For example, when there are multiple similar comments on a blog post, you may refer to it as spam. Spam can spread malware and trick a computer user into divulging personal information.

7. CAPTCHA –

CAPTCHA stands for Completely Automated Public Turing test to tell Computers and Humans Apart. It provides challenges that are easy for humans to complete but difficult for computers. For example, before accessing a website, CAPTCHA may ask you to identify the dog in a collage by clicking specific areas. Many websites use this tool to prevent computer bots from spamming registration systems and creating fake accounts. It's also helpful for preventing false comments on review sites and message boards.

8. Malware-

Malware is the short form of malicious software. It refers to any software that hackers design to interfere with a computer's normal functions. These programs gain access to steal an individual's personal information, encrypt files, or damage important data. There are many types of malware, and each has specific ways of infiltrating a computer to cause harm. The following are common types of malware:

- Worm: This self-replicating program affects a computer by spreading malicious codes to consume bandwidth and delete files.
- Adware: It displays advertisements on an individual's screen to collect personal information.
- Keyloggers: Hackers often develop this software to track the keystrokes on a keyboard and record them on a log.

9. World wide web and internet-

The world wide web (www) is an interconnection of public web pages individuals can access through the internet. It's a network of online content, such as videos and pictures, that you can access with a web browser. Many individuals often use the terms world wide web and internet interchangeably, but they differ in meaning. The internet is a connection that allows you to send e-mails and access the world wide web. The world wide web generally consists of these components:

- Hypertext markup language (HTML): This is the popular format for publishing web content.
- Uniform resource locator (URL): The URL is the address of a web page.
- Hypertext transfer protocol (HTTP): It's a set of instructions that govern how to transfer files over the web.

10. Graphical User Interface (GUI) -

A program that helps you more easily work with your operating system and application programs by providing pictures and visual clues to help you work. Windows is the GUI on PCs

B) What do the following commands do in MS Office (5x1=5 marks)

1. Ctrl + W = closes the current document/workbook
2. Ctrl + O = Open a workbook/document
3. Ctrl + B = Apply bold formatting.
4. Ctrl + F = search for text within a document
5. Alt + '=' = Sum Function

C) Convert the following: (5x1=5 marks)

1. Decimal number 43 into binary - 101011
2. Decimal number 63.35 into binary - 111111.01011
3. Decimal number 765 into hexadecimal- 2FD
4. Binary Number 01011001 into hexadecimal- 59
5. Hexadecimal number A2B to binary- 101000101011

Q. 1 Answer :

Forecast balance Sheet of A Company Ltd. as on 31st March, 2024

Liabilities	Rs.	Assets	Rs.
Share Capital : \		Fixed Assets :	
Equity 1,00,000		Cost 3,00,000	
14% Preference 50,000	1,50,000	Less Depreciation 1,02,500	1,97,500
Reserves & Surplus :		Current Assets :	
General Reserve 20,000		Stock in Trade 20,000	
Profit & Loss A/c 2,200		Sundry Debtors 50,000	
Secured Loans:		Cash at bank 14,900	
12% Debentures 55,000			
Current Liabilities & Provisions:			
Sundry Creditors 36,000			
Provision for Taxation 19,200			
Total	2,82,400	Total	2,82,400

Ratios :

a) Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{\text{Rs.84,900}}{\text{Rs.55,200}} = 1.54:1$

b) Fixed Assets/Net Worth Ratio = $\frac{\text{Net Fixed Assets}}{\text{Net Worth}}$

Net Fixed Assets = Rs.1,97,500

Net Worth = Equity Share Capital + General Reserve + Profit and Loss Account

= Rs. 1,00,000 + Rs.20,000 + Rs.2,200

= Rs.1,22,200

= $\frac{\text{Rs.1,97,500}}{\text{Rs. 1,22,200}} = 1.62:1$

c) Debt-equity Ratio = $\frac{\text{Long Term Loans}}{\text{Shareholder Funds + Long Term Loans}}$

Long term Loans = 12% Debentures + 14% Preference Share Capital

= Rs.55,000 + Rs.50,000

= Rs.1,05,000

Shareholders' Funds = Equity Share Capital + General Reserve + Profit and Loss Account

= Rs.1,00,000 + Rs.20,000 + Rs.2,200

= Rs.1,22,200

= $\frac{\text{Rs.1,05,000}}{\text{Rs.1,22,200 + Rs.1,05,000}}$

= $\frac{\text{Rs.1,05,000}}{\text{Rs.2,27,200}} = 0.46:1$

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Model Sol. of SAS Part-2 / S-02/24 / P-6

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Working Notes:

(1) Fixed Assets as on 31.03.2023 (Cost) = Rs.2,50,000
Addition on 01.04.2023 = Rs. 50,000
= Rs.3,00,000

(2) Sales = 3,00,000 x 1.5 = Rs.4,50,000

(3) Cost of goods sold = Material + Labour + Mfg. Exp. + Depreciation

i.e. (80% on Sales) = Rs.4,50,000 x 80%
= Rs.3,60,000

(4) Depreciation included in (3) above = 4,50,000 x 5 % = Rs.22,500

Hence, Total Depreciation upto 31.03.2024 = 80,000 + 22,500 = Rs.1,02,500

(5) Average Stock = $\frac{3,60,000}{14.4}$ = Rs.25,000

(6) Stock on 31.03.2024 = Rs.30,000 + 2(25,000 - 30,000) = Rs.20,000

(7) Debtors on 31.03.2024 = Rs.4,50,000 x 1/9 = Rs.50,000

(8) Creditors on 31.03.2024 : Material Consumed = 40% of Rs.4,50,000
= Rs.1,80,000

Creditors = 1/5 of Material Consumed = 1/5 x 1,80,000 = Rs.36,000

(9) Calculation of Bank Balance :

	<u>Bank A/c</u>		<u>Rs.</u>
	Rs.		Rs.
Opening Balance	10,000	Sundry Debtors -increase	10,000
Debtors	25,000	Creditors	14,000
Profit @ 15% on Sales before Depreciation	67,500	Interest on Debentures 12% on Rs.55,000	6,600
Stock - Decrease	10,000	Fixed Asset purchase	50,000
		Preference Dividend	7,000
		Equity Dividend	10,000
		Closing Balance	<u>14,900</u>
	<u>1,12,500</u>		<u>1,12,500</u>

(10) Calculation of Profit for the year :

	<u>Profit and Loss Account</u>		<u>Rs.</u>
	Rs.		Rs.
To Debenture Interest	6,600	By Profit before Interest & Income Tax	45,000
To Provision for Income Tax @ 50% $\frac{1}{2}(45,000 - 6,600)$	19,200		
To Preference Dividend	7,000		
To Equity Dividend	10,000		
To Balance c/d	<u>2,200</u>		
	<u>45,000</u>		<u>45,000</u>

Q. 2(a) Answer :

Journal Entries in the books of Exe Ltd.

			Rs. (Dr.)	Rs. (Cr.)
1.	Bank To Equity Share Application account (Application money received on 1,65,000 equity shares @Rs.2 per share)	Dr.	3,30,000	3,30,000
2	Equity Share Application Account Equity Share Allotment Account To Equity Share Capital Account (Application money @ Rs. 2 per share and allotment money @ Rs. 5 per share credited to equity share capital accounts on allotment of 60,000 equity share)	Dr. Dr.	1,20,000 3,00,000	4,20,000
3	Equity Share Application account To Equity Share Allotment account (Excess application money paid by applicants for 1,50,000 shares to whom only 50,000 shares were allotted being transferred from Equity Share Application Account to Equity Share Allotment Account)	Dr.	2,00,000	2,00,000
4	Equity Share Application Account To Bank (Refund of Application money on 5,000 Shares @Rs2 per Share)	Dr.	10,000	10,000
5	Bank To Equity Share Allotment Account (Receipt of Rs.50,000 of Allotment money from holders of 10,000 equity shares @5 per share and Rs.50,000 as the balance allotment money due from holders of 50,000 equity shares to whom allotment was made on pro rata basis)	Dr.	1,00,000	1,00,000
6	Equity Share First & Final Call Account To Equity Share Capital Account (First & Final Call due on 60,000 equity shares @Rs.3 per share)	Dr.	1,80,000	1,80,000
7	Bank To Equity Share First & Final Call Account (Receipt of First & Final call on 59,000 equity shares @ Rs.3per share)	Dr.	1,77,000	1,77,000

8	Call in Arrear Account To Equity Share First & Final Call Account (First and Final call money not received on 1,000 equity shares being transferred from Equity Share First & Final Call Account to call in Arrear Account)	Dr.	3,000	3,000
9	Equity Share Capital Account To Calls in Arrear Account To Forfeited Share Account (Forfeiture of 1,000 equity shares for non-payment of the first and final call @ Rs.3 per share, as per resolution of the Board of Directors)	Dr.	10,000	3,000 7,000
10	Bank Forfeited Share Account To Equity Share Capital Account (Reissue of 600 equity shares to Mr.A. @ Rs.8 per share, the loss @Rs.2 per share being debited to Forfeited Share Account)	Dr. Dr.	4,800 1,200	6,000
11	Forfeited Share Account To Capital Reserve (Profit on reissue of 600 shares transferred from Forfeited shares Account to Capital Reserve Calculation of Profit : Gain on forfeiture = Rs.7x600=Rs.4,200. Loss on reissue =Rs.2x600=Rs.1200. Net gain=Rs.4200-Rs.1200=Rs.3000)	Dr.	3,000	3,000
12	Bank To Equity Share Capital Account (Reissue of 100 share to Mr.B at par)	Dr.	1,000	1,000
13	Forfeited Share Account To Capital Reserve (Transfer from Forfeited Shares Account to Capital Reserve, the amount of Capital Profit earned on reissue of 100 forfeited shares at par)	Dr.	700	700
14	Bank To Equity Share Capital Account To Share Premium Account (Reissue of 300 equity shares to Mr.C @Rs. 11 per Share)	Dr.	3,300	3,000 300
15	Forfeited Shares Account To Capital Reserve (On reissues of the remaining shares, transfer of Forfeited Shares Account to Capital Reserve)	Dr.	2,100	2,100

Q. 2(b) Answer :

Journal Entries in the books of Cottage Ltd.

Year	Particulars	Rs. in Lakhs (Dr.)	Rs. in Lakhs (Cr.)
1	Machinery Account To Bank Account (Being machinery purchased)	75	75
	Bank Account To Machinery Account (Being grant received from the government reduced from the cost of machinery)	10	10
	Depreciation Account (W.N.1) To Machinery Account (Being depreciation charged on Straight Line method (SLM))	10	10
	Profit & Loss Account To Depreciation Account (Being depreciation transferred to Profit and Loss Account at the end of year 1)	10	10
3	Machinery Account To Bank Account (Being government grant on machinery partly refunded which increased the cost of fixed asset)	8	8
	Depreciation Account (W.N.2) To Machinery Account (Being depreciation charged on SLM on revised value of fixed asset prospectively)	12	12
	Profit & Loss Account To Depreciation Account (Being depreciation transferred to Profit and Loss Account at the end of year 3)	12	12

Working Notes :

1. Depreciation for year 1 :

Particulars	Rs. in Lakhs
Cost of the Machinery	75
Less: Government grant received	(10)
Net Value	65
Depreciation $(65-5)/6$	10

2. Depreciation for year 3 :

Particulars	Rs. in Lakhs
Cost of the Machinery	75
Less: Government grant received	(10)
Net Value	65
Less Depreciation for first two years	(20)
Net value after two years	45
Add Govt grant refundable	8
Value after grant refund	53
Depreciation for third year $(53-5)/4$	12

Q. 2(c) Answer :

According to AS 16 "Borrowing Costs", borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset. The amount of borrowing costs eligible for capitalization should be determined in accordance with this Standard. Other borrowing costs should be recognised as an expense in the period in which they are incurred.

The standard also states that to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset should be determined as the actual borrowing costs incurred on that borrowing during the period less any income on the temporary investment of those borrowings.

Thus, eligible borrowing cost on Loan of Dena bank to be capitalized:

$$= \text{Rs.}(60,00,000 \times 8\%) \times 10/12 - \text{Rs.}30,000$$

$$= \text{Rs.}(4,80,000) \times 10/12 - \text{Rs.}30,000$$

$$= \text{Rs.}4,00,000 - \text{Rs.} 30,000$$

$$= \text{Rs.}3,70,000$$

Loan	Particulars	Nature of assets	(a) Interest to be Capitalized (Rs.)	(b) Interest to be charged to Profit & Loss Account (Rs.)
Dena Bank	Construction of factory building	Qualifying Asset	3,70,000	(4,80,000-4,00,000) 80,000
Satluj Bank	Construction of factory building	Qualifying Asset	$(1,92,000 \times 14/20) \times 10/12$ = 1,12,000	$(1,92,000 \times 14/20) \times 2/12$ = 22,400
Satluj Bank	Working Capital	Not a Qualifying Asset	NIL	$(1,92,000 \times 6/20)$ = Rs.57,600
		Total	Rs.4,82,000	Rs.1,60,000

Note: Loan from Satluj bank is considered to be specific borrowings.

Q. 3(a) Answer :

Dr.		<u>Plant and Machinery Account</u>		Cr.	
2019 Apr-1	To Balance b/d To Bank	Rs. 1,95,150 29,500	2020 Mar-31	By Bank By Depreciation A/c (Note-2) By Balance c/d	Rs. 1,350 29,850 1,94,800
2020 Mar 31	To Profit and Loss A/c (Note-1)	1,350 2,26,000			2,26,000
2020 Apr-1	To Balance b/d To Bank To Profit and Loss A/c (Note-3)	1,94,800 18,000 100 2,12,900	2021 Mar-31	By Bank By Depreciation A/c (Note-4) By Balance c/d	1,500 29,950 1,81,450 2,12,900
2021 Apr-1	To Balance b/d	1,81,450			

Notes:

1.) The machinery in question having been purchased in 2004-05 must have been completely written off by 2013-14 and hence the proceeds of Rs.1350 in 2019-20 is profit-there being no book value the machinery in question.

2.) The Depreciation for 2019-20 is calculated as follow:-	Rs.
10% on machinery Purchased in 2010-11	1,700
10% on machinery Purchased in 2011-12 or later	25,200
10% on machinery Purchased in 2019-20	2,950
Total Depreciation for 2019-20	<u>29,850</u>

Machinery purchased in 2009-10 or earlier has already been completely written off. Hence no deprecation on it.

3.) The plant was purchased 2013-14 and therefore, by 2020-21 eight installments 2013-14 and 2020-21 inclusive) have been written off. Total amount written off is Rs.5600 (Rs.700 x 8 years) leaving a book value of Rs.1400. Against this, Rs.1500 has been realized. Hence the profit of Rs.100.

4.) The Depreciation for 2020-21 has been calculated as follows:-	Rs.
10% on machinery Purchased in 2011-12 or later	25,200
Including Rs.7,000 machinery sold in 2020-21	
10% on machinery Purchased in 2019-20	2,950
10% on machinery Purchased in 2020-21	1,800
Total Depreciation for 2020-21	<u>29,950</u>

Q. 3(b) Answer :

Bank Reconciliation Statement as on 30th September 2023 :

Items	Details Rs.	Amount Rs.
Overdraft as per Pass book		23,095
Add:		
(i) Cheques deposited in the bank but not recorded in the Cash book	105	
(ii) Cheques drawn but not presented for payment (15,075-9,074)	6,001	
(iii) Bank Charges recorded twice	30	
		6,136
		29,231
Less:		
(iv) Under –casting of cash book	1,000	
(v) Wrong carry forward in cash book (double the amount of error)	5,200	
(vi) License fee paid by bank on standing orders	250	
(vii) Cheque Recorded in cash book but not sent to bank for collection	1015	
(viii) Interest charged by bank on overdraft	1,400	
(ix) Cheques deposited but not yet collected by bank (1,500+Rs.2,050)	3,550	
(x) Bank Charges not recorded	45	
		(12,460)
Overdraft as per Cash book		16771

Q. 3(c) Answer :

As per Companies Act, 2013, only fully paid up Preference Shares can be redeemed by a company. Therefore it is assumed that final call on partly paid up Preference shares is demanded and received before proceeding with redemption of these shares.

Calculation of amount to be transferred to Capital Redemption Reserve :

	Rs.
1. Paid up value of Preference Share Capital	35,00,000
2. Final Call made on Preference Shares	<u>15,00,000</u>
(Rs.30 per share for 50,000 Shares)	
3. Total paid up value of Preference Shares to be redeemed	50,00,000
4. Less : Proceeds of Fresh issue of equity shares (Note-1)	
a.) Application money received	Rs.4,00,000
(Rs.20 each for 20,000 shares)	
b.) Allotment money received	<u>Rs.5,00,000</u>
(Rs.25 each for 20,000 shares)	
(Excluding premium)	<u>(9,00,000)</u>
5. Amount to be transferred to Capital Redemption Reserve	<u>41,00,000</u>

Journal Entry :

	Rs.
General Reserve A/c	Dr. 41,00,000
To Capital Redemption Reserve A/c	41,00,000

Note :

1. Amount received (Excluding premium) on fresh issue of shares till the date of redemption i.e. upto 31-03-2022 shall be considered for calculation of proceeds of fresh issue of shares. Thus balance first and final call received after 31-03-2022 has not been considered for calculation of amount to be transferred to CRR.

Q. 4(A) Answer :

BASIC PRINCIPLES GOVERNING AN AUDIT :

The basic principles, which govern the professional responsibilities of auditor, should be complied with whenever an audit is conducted. Various principal are explained as follows:

1. **Integrity objectivity and independence.** The auditor should be honest and sincere towards his work. He must maintain objectivity without any bias or prejudice. He must have impartial attitude, free from any interest while conducting an audit.
2. **Confidentiality.** The information acquired during an audit should be kept confidential. It shall not be disclosed to third party without permission from client or when he is legally or professional bound to do so.
3. **Skill and competence.** Audit work shall be conducted by the persons who have adequate training, experience and competence in auditing. They also need to be aware continuously of developments in accounting, auditing and statutory rules and regulations amended from time to time.
4. **Work Performed by others.** The auditor remains responsible for expressing his opinion on financial information even when he delegates audit work to assistants or used the work done by other auditors. He is permitted to rely on work done by others provided he exercises due skills and care and there is no reason not to place such reliance. In case another auditor has conducted branch audit who was appointed by the company, he must make reference thereof in his report.
5. **Documentation.** The auditor must prepare and preserve all the documents while conducting an audit. These may be used as evidence that audit was conducted as per the basic principles.
6. **Planning.** To conduct the audit in time and efficiently, the auditor should plan his work. The audit plan should cover :
 - (a) Client's accounting system, policies and internal control system.
 - (b) To what extent Internal Control System can be relied upon.

(c) Determining the audit procedure to be used

(d) Coordinating the audit work.

7. Audit evidence. The auditor should obtain sufficient appropriate evidence before conducting an audit. It should be obtained by substantive and compliance procedures. Substantive procedure will provide evidence of completeness, accuracy and validity of data produced by accounting system whereas compliance procedure will indicate whether internal control system is used as stated.

8. Accounting system and internal control. Management is responsible for maintaining an adequate accounting system and incorporating internal controls as per the requirement of business. On the basis of accounting system and internal controls used in the business, the auditor will determine the nature, timing and the extent of audit procedures to be applied.

9. Audit Conclusion and Reporting. The auditor should express his opinion on financial statements on the basis of his review and assessment of audit evidence and knowledge of business. It involves overall conclusion as to whether:-

(a) Financial information has been prepared using acceptable accounting policies, which have been applied consistently.

(b) Financial information complies with relevant regulation and statutory requirements

(c) There are adequate disclosures of all material matters relevant to the proper presentation of financial information, subject to statutory requirements, where applicable.

The audit report should be prepared expressing a clear opinion on financial information. The report should be prepared as per the term and contents prescribed by law, regulation or agreement. An unqualified report means that auditor is satisfied in all material reports of above. In case of qualified report, an adverse opinion is given regarding any or all of the above matters along with the reasons.

Q. 4(B) Answer :

Inherent Limitations of Internal Control :

There are certain inherent limitations of internal control which are as follows :-

- (a) Operation of the internal control system involves expenditure of time and money. Management's consideration that a control should be cost effective weakens the effectiveness of the internal control system.
- (b) Internal controls are concerned more with transactions of a routine nature, so unusual and irregular transactions may be overlooked by the internal control system.
- (c) The possibility for human error may weaken the internal control system.
- (d) Possible collusion between persons operating the internal control and the employees of the client-enterprise or outside parties may render the controls ineffective.
- (e) The possibility that a person responsible for exercising control could abuse his authority.
- (f) The possibility that changes in conditions may render the procedures ineffective and inadequate compliance with the procedure may deteriorate the system.
- (g) Manipulation by the management may defeat the objectives of internal control.

Q. 4(C) Answer :

As per Cost Accounting Records (Electricity Industry) Rules, 2011, Every company to which these rules apply, including their units and branches, in respect of each of its financial year, are required to keep cost records on regular basis in such manner so as to make it possible to calculate per unit cost of production or cost of operations, cost of sales and margin for each of its products and activities carried out at individual production units or locations for every financial year on monthly/quarterly/half-yearly/annual basis.

These cost records are required to be maintained in accordance with the generally accepted cost accounting principles and cost accounting standards issued by the Institute of Cost and Accountants of India, to the extent these are found to be relevant and applicable and variations, if any shall be clearly indicated and explained.

The cost records including statistical, quantitative and other records which enable the company to exercise, as far as possible, control over the various operations and costs with a view to achieve optimum economies in utilization of resources are required to be maintained.

Q. 4(D) Answer :

As per rule 6 of the Cost Accounting Records (Electricity Industry) Rules, 2011, Every company shall submit the compliance report referred to in rule 5 to the Central Government within a period of one hundred and eighty days from the close of the company's financial year to which the compliance report relates.

Q. 5(A) Answer :

(i) Salaries Payment: To what extent vouching of salaries paid be conducted will depend on the adequacy of internal control system for the payment of salaries. Auditor should see that salaries bill is prepared with the sanction of responsible officer. Further he should check attendance records, salary bill of earlier months and appointment letters of new employees. If there is an abnormal increase in salaries of a month over the salaries of previous month, he should inquire into the reasons for such change. In vouching the payment of salaries, following points are important :

- a.) Auditor should check salary register with entries made in cash book.
- b.) He should examine carefully alterations in the amount of deductions on account of fines, funds, loans, insurance etc.

(ii) Insurance Premium payment : The auditor should examine the following for the vouching of the insurance premium :

- (a) Insurance Policy or the cover note issued by the Insurance Company.
- (b) Insurance Policy in case the policies are more than one.
- (c) Insurance Policy receipts.

(iii) Payments to Creditors : Payment to creditors should be examined with the receipts issued by the creditors. Receipts should indicate the purpose for which the payment has been made. If the payment is made in full and final settlement of account, the balance should be accounted for as discount received. Where the payment is made in excess of the bill, either the excess payment is in advance or the payment is made by mistake, which should be recovered back from the creditor.

(iv) **Sale of Scrap** : The auditor should review the internal control system on scrap items like its generation, storing and disposal and verify that is followed at each stages.

The following points to be examined:-

- (a) Whether reasonable records are maintained for sale of scrap.
- (b) Examine the production and cost records for determining the extent of scrap that may arise during the given periods.
- (c) Sale of scrap should be compared with the corresponding sales in the last three years.
- (d) The rate of sale of scrap should be compared with the rates in the last year.
- (e) Bills of sale of scrap should be verified along with calculations.
- (f) There should be proper procedure to identify scrap and good materials shall not be mixed with it.

(18)

Model sol. of SAS Part-2/S-02/24/P-6

Q. 5(B) Answer :

ESSENTIAL CHARACTERISTICS/PRINCIPLES OF A GOOD SYSTEM OF INTERNAL CHECK :

1. **Responsibility.** Responsibility of each individual must be properly defined and fixed. The work of the business should be allocated amongst various clerks in such a manner that their duties and responsibilities are clearly and judiciously divided.
2. **Completion.** The work should be divided in such a way that no single person is allowed to complete the work solely by himself from the beginning to the end. However there should be no duplication of work.
3. **Rotation of employees.** A good system of internal check should not allow any person having custody of assets to have access to the books of account. A system of transfer or rotation of employees from one seat of work to another must be followed by the business.
4. **Automatic check.** A good system of internal check must provide for an automatic checking of the work of one clerk by the other.
5. **Reliance.** No clerk of the business should be relied upon too much.
6. **Safeguards.** Safeguards should be prescribed to keep un-used cheque books, files and securities etc.
7. **Supervision.** A strict supervision should be exercised to ensure that the prescribed internal checks and procedures are fully operative.
8. **Formal sanction.** No deviation should be allowed from the established procedures till it is formally sanctioned by the top official.
9. **Periodical review.** The systems of internal check should be reviewed from time to time to introduce improvements.

Q 1a) Define the following in short-

Answer

1. Implied Offer:-

This is an offer conducted through sign or acting. However, if the opposite party remains silent over the offer, the offer itself is not valid. An offer may be implied from the conduct of the parties or the circumstances of the case. E.g. when a transport company runs a bus on a particular route, there is an implied offer by the transport company to carry passengers for a certain fare. The acceptance of the offer is complete as soon as a passenger boards the bus.

2. Benefit Period:-

It means period corresponding to the contribution period. It must not exceed 6 consecutive months corresponding to the contribution period as may be specified in the regulation.

3. Forged Endorsement:-

This is so because the endorsee obtains title only through his endorsement. Thus, if an instrument is negotiated by means of a forged endorsement, the endorsee acquires no title even though he is a purchaser for value and in good faith, as the endorsement is a nullity. Forgery conveys no title.

4. Escrow:-

When a negotiable instrument is delivered conditionally or for a special purpose as a collateral security or for safe custody only, and not for the purpose of transferring absolutely property therein, it is called as escrow. As between immediate parties, when an instrument is delivered conditionally, there is no liability to pay unless the conditions agreed upon are fulfilled. The liability to pay in case of an escrow does not arise if the conditions agreed upon are not fulfilled, or the purpose for which the instrument was delivered is not satisfied. This, however, does not affect the rights of a holder in due course and the defence that the instrument was delivered conditionally as between immediate parties cannot be set up against a holder in due course.

5. Infrastructure Capital Company:-

As per Section 2(26A) of the Income Tax Act, 1961, unless the context otherwise requires, the term "infrastructure capital company" means such company which makes investments by way of acquiring shares or providing long-term finance to any enterprise or undertaking wholly engaged in the business referred to in sub-section (4) of section 80-IA or sub-section (1) of section 80-IAB or an undertaking developing and building a housing project referred to in sub-section (10) of section 80-IB or a project for constructing a hotel of not less than three-star category as classified by the Central Government or a project for constructing a hospital with at least one hundred beds for patients.

Que:- 1(b) State the provisions of factory Act 1948 with regard to Health and Safety of the workers.

Ans:-

HEALTH

Chapter III (Secs. 11 to 20) of the Act deals with the provisions ensuring the health of the workers in the conditions under which work is carried on in factories. These provisions are as follows :

1. Cleanliness (Sec. 11). (1) **Factory to be kept clean and free from effluvia and dirt.** Every factory shall be kept clean and free from effluvia arising from any drain, privy, or other nuisance. Accumulation of dirt and refuse shall be removed daily by some effective method. The floor of every work-room shall be cleaned at least once in every week by washing, using disinfectants, where necessary, or by some effective method.

(2) **Effective means of drainage.** Where a floor is liable to become wet in the course of any manufacturing process to such an extent as is capable of being drained, effective means of drainage shall be provided.

(3) **Use of disinfectants, etc., painting and varnishing.** Use of disinfectants, detergents, painting, repainting and varnishing, revarnishing, whitewashing or colourwashing shall be resorted to.

2. Disposal of wastes and effluents (Sec. 12). (1) **Treatment of wastes and effluents and their disposal.** Effective arrangements shall be made in every factory for the treatment of wastes and effluents due to the manufacturing process carried on therein, so as to render them innocuous, and for their disposal [Sec. 12 (1)].

(2) **Rules by the State Government prescribing arrangements.** The State Government may make rules prescribing the arrangements to be made in this regard. It may also require that such arrangements shall be approved by such authority as may be prescribed [Sec. 12 (2)].

3. Ventilation and temperature (Sec. 13). (1) **Maintenance of adequate ventilation and temperature.** Effective and suitable provision shall be made in every factory for securing and maintaining in every workroom—

- (a) adequate ventilation by the circulation of fresh air, and
- (b) such a temperature as will secure to workers therein reasonable conditions of comfort and prevent injury to health.

(2) **Process producing high temperature to be separated.** The walls and roofs shall be of such materials and so designed that the temperature shall not be exceeded but kept as low as practicable. The process which produces high temperatures shall be separated from the workroom, by insulating the hot parts or by other effective means [Sec. 13 (1)].

(3) **Standard of adequate ventilation and temperature to be prescribed provision of measuring instruments.** The State Government may prescribe a standard of adequate ventilation and reasonable temperature for any factory and direct that proper measuring instruments shall be provided and such records as may be prescribed shall be maintained [Sec. 13 (2)].

(4) **Prescription of measures by the State Government to reduce temperatures.** Where excessively high temperatures can be reduced by such methods as whitewashing, spraying, or insulating and screening outside walls or roofs or windows, or by raising the level of the roof or by insulating the roof, the State Government may prescribe such of these or other methods as shall be adopted in the factory [Sec. 13 (3)].

(5) **Service of notice by the Chief Inspector on the occupier to adopt measures for reduction of temperatures.** If it appears to the Chief Inspector that excessively high temperatures in any factory can be reduced by the adoption of suitable measures, he may serve on the occupier an order in writing specifying the measures which in his opinion should be adopted and requiring them to be carried out before a specified date [Sec. 13 (4)].

4. **Dust and fume (Sec. 14).** (1) **Measures for prevention of inhalation or accumulation of dust and fume.** Where dust or fume or impurity of such a nature as is likely to be injurious or offensive to the workers is given off as a result of the manufacturing process being carried on in a factory, effective measures shall be taken in the factory for prevention of inhalation or accumulation of dust and fumes in workrooms. If for such a purpose any exhaust appliance is necessary, it shall be applied as near as possible to the point of origin of the dust, fume or other impurity and such point shall be enclosed so far as possible [Sec. 14 (1)].

(2) **Exhaust for internal combustion engine.** A stationary internal combustion engine shall not be operated unless the exhaust is conducted into the open air. Other internal combustion engines shall not be operated in any room unless effective measures have been taken to prevent accumulation of fumes therefrom which are injurious [Sec. 14 (2)].

5. **Artificial humidification (Sec. 15).** (1) **Prescription of standards of humidification—ventilation and cooling of air.** In respect of all factories in which the humidity of the air is artificially increased, the State Government may make rules prescribing standards of humidification. It may also make rules regulating the methods used for artificially increasing the humidity of the air. It may further make rules prescribing methods to be adopted for securing adequate ventilation and cooling of the air in the workrooms [Sec. 15 (1)].

(2) **Water used for artificial humidification to be clean.** In any factory in which the humidity of the air is artificially increased, the water used for the purpose shall be taken from a public supply or other source of drinking water, or shall be effectively purified before it is so used [Sec. 15 (2)].

6. **Overcrowding (Sec. 16).** (1) **Overcrowding injurious to health of workers to be avoided.** There shall not be overcrowding in any room of the factory so as to be injurious to the health of the workers employed therein [Sec. 16 (1)].

(2) **9.9/14.2 cubic metres of space per worker.** There shall be at least 9.9 cubic metres (for the factories in existence at the time of the commencement of the Act) and 14.2 cubic metres (for the factories built after the commencement of the Act) of space for every worker. In calculating the space of 9.9 or 14.2 cubic metres, no account shall be taken of any space which is more than 4.2 metres above the level of the floor of the room [Sec. 16 (2)].

(3) **Notice of maximum of workers to be employed in a workroom.** If the Chief Inspector by order in writing so requires, there shall be posted in each workroom of the factory a

notice specifying the maximum number of workers who may be employed in the workroom [Sec. 16 (3)].

7. Lighting (Sec. 17). (1) **Sufficient and suitable lighting in every part of factory.** In every part of a factory where workers are working or passing there shall be provided and maintained sufficient and suitable lighting, natural or artificial, or both [Sec. 17 (1)].

(2) **Glazed windows and skylights to be kept clean.** All glazed windows and skylights used for the lighting of the workrooms shall be kept clean on both the inner and outer surfaces and free from obstruction [Sec. 17 (2)].

(3) **Measures for prevention of glare and formation of shadows.** Effective provision shall also be made for the prevention of (a) glare, either directly from a source of light or by reflection from a smooth or polished surface ; and (b) the formation of shadows to such an extent as to cause eye strain or the risk of accident to any worker [Sec. 17 (3)].

(4) **Prescription of standards of sufficient and suitable lighting.** The State Government may prescribe standards of sufficient and suitable lighting for factories or for any class or description of factories or for any manufacturing process [Sec. 17 (4)].

8. Drinking water (Sec. 18). (1) **Suitable points for wholesome drinking water.** In every factory, effective arrangements shall be made to provide and maintain at suitable points conveniently situated for all workers employed therein a sufficient supply of wholesome drinking water [Sec. 18 (1)].

(2) **Drinking points to be legibly marked and to be away from urinal, latrine, etc.** All points for supply of drinking water shall be legibly marked 'Drinking Water' in a language understood by a majority of the workers employed in the factory. Such points shall be situated beyond 6 metres of any washing place, urinal, latrine, spittoon, open drain carrying sullage or effluent or any other source of contamination unless shorter distance is approved in writing by the Chief Inspector [Sec. 18 (2)].

(3) **Cooling of drinking water where more than 250 workers employed.** In every factory wherein more than 250 workers are ordinarily employed, provision shall be made for cooling drinking water during hot weather by effective means and for distribution thereof [Sec. 18(3)].

9. Latrines and urinals (Sec. 19). (1) **Separate latrines and urinals for male and female workers conveniently situated and adequately lighted and ventilated.** In every factory, separate enclosed accommodation of latrines and urinals of prescribed types for male and female workers shall be provided for. Such accommodation shall be conveniently situated and accessible for workers at all times. It shall be adequately lighted and ventilated and maintained in a clean and sanitary condition. Sweepers shall also be employed for keeping clean latrines, urinals and washing places [Sec. 19 (1)].

(2) **Latrine and urinal accommodation to be of prescribed sanitary types—floors and walls to be glazed and their cleaning.** In factories wherein more than 250 workers are ordinarily employed (a) all latrine and urinal accommodations shall be of prescribed sanitary types ; (b) the floors and internal walls, up to a height of 90 centimetres, of the latrines and urinals and the sanitary blocks shall be laid in glazed tiles or otherwise finished to provide a smooth polished impervious surface ; (c) the sanitary pan of latrines and urinals shall be thoroughly washed and cleaned at least once in every 7 days with suitable detergents or disinfectants, or with both [Sec. 19 (2)].

10. Spittoons (Sec. 20). (1) **Sufficient number of spittoons.** In every factory, there shall be provided a sufficient number of spittoons in convenient places and they shall be maintained in a clean and hygienic condition [Sec. 20 (1)].

(2) **Display of notice of provision of spittoons.** No person shall spit within the premises of a factory except in the spittoons provided for the purpose. A notice containing the provisions relating to spittoons in the factory shall be prominently displayed at suitable places in the premises. The provisions relating to spitting anywhere except in the spittoons shall also be prominently displayed [Sec. 20 (3)].

(3) **Penalty.** Whoever spits in contravention of Sec. 20 (3) shall be punishable with fine not exceeding Rs. 5 [Sec. 20 (4)].

SAFETY

The safety provisions are absolute and obligatory in their character and the occupier of every factory is bound to follow them. They are contained in Chapter IV (Secs. 21 to 41).

1. Fencing of machinery (Sec. 21). (1) **Dangerous part of every machinery to be securely fenced.** In every factory, every dangerous part of every machinery shall be securely fenced by safeguards of substantial construction which shall be constantly maintained and kept in position while the parts of machinery they are fencing are in motion or in use.

Machineries covered by Sec. 21. The following machineries are covered by Sec. 21, viz.

- Every moving part of a prime mover, and every fly-wheel connected to a prime mover whether the prime mover or fly-wheel is in the engine house or not ;
- The headrace and tailrace of every water-wheel and water turbine ;
- Any part of a stock-bar which projects beyond the headstock of a lathe ;
- Every part of an electric generator, a motor or rotary convertor ;
- Every part of transmission machinery ; and
- Every dangerous part of any other machinery [Sec. 21 (1)].

(2) **Prescription of further precautions by State Government.** The State Government may by rules prescribe such further precautions as it may consider necessary in respect of any particular machinery or part thereof [Sec. 21 (2)].

2. Work on near machinery in motion (Sec. 22). (1) **Examination of machinery in motion by a trained adult male worker.** Where in any factory it becomes necessary to examine any part of machinery while the machinery is in motion, such examination shall be made only by a specially trained adult male worker wearing tight fitting clothing. The clothing shall be supplied by the occupier. The name of the person so engaged shall be entered in the prescribed register. Further he shall be furnished with a certificate of his appointment [Sec. 22 (1)].

(2) **Restriction on women and young persons.** No woman or young person shall be allowed to clean, lubricate or adjust any part of a machinery in motion if it would expose the woman or young person to risk of any injury from any moving part [Sec. 22 (2)].

3. Employment of young persons on dangerous machines (Sec. 23). (1) **Restriction on young persons to work on dangerous machines.** No young person shall be required or allowed to work on any machine to which this Section applies unless—(a) he has been fully instructed as to the dangers arising in connection with the machine and the precautions to be observed ; and (b) he has received sufficient training to work on the machine, or is under adequate supervision by a person who has a thorough knowledge and experience of the machine [Sec. 23 (1)].

(2) **Machines dangerous for young persons to be specified by the State Government.** The State Government shall specify machines which in its opinion are of such a dangerous character that young persons ought not to work at them unless the foregoing requirements are complied with [Sec. 23 (2)].

4. Striking gear and devices for cutting off power (Sec. 24). (1) **Suitable striking gear to be provided, maintained and used.** In every factory, suitable striking gear or other efficient mechanical appliance shall be provided and maintained and used to move driving belt to and from fast and loose pulleys which form part of transmission machinery. Driving belts when not in use shall not be allowed to rest or ride upon the shafting in motion [Sec. 24 (1)].

(2) **Locking device to prevent accidental starting of transmission machinery.** When a device, which can inadvertently shift from 'off' to 'on' position, is provided in a factory to cut off power, arrangements shall be provided for locking the device in safe position. This is to prevent accidental starting of the transmission machinery or other machines to which the device is fitted [Sec. 24 (3)].

5. Self-acting machines (Sec. 25). **Traversing part not allowed to run within a distance of 45 centimetres from any fixed structure.** No traversing part of a self-acting machine in any factory and no material carried thereon shall be allowed to run on its outward or inward traverse within a distance of 45 centimetres from any fixed structure which is not part of the machine. This provision shall apply only if the space over which the traversing part of the self-acting machine runs is a space over which any person is liable to pass, whether in the course of his employment or otherwise.

6. Casing of new machinery (Sec. 26). (1) **Casing to prevent danger.** All machinery driven by power and installed in any factory after 1st April, 1949, every set screw, bolt or key on any revolving shaft, spindle, wheel or pinion shall be so sunk, encased or otherwise effectively guarded as to prevent danger. Further, all spur, worm and other toothed or friction gearing not requiring frequent adjustments while in motion shall be completely encased unless it is safely situated [Sec. 26 (1)].

(2) **Penalty.** If any one sells or lets on hire either directly or as an agent, any machine which does not comply with the provisions of Sec. 26, he shall be punishable with imprisonment up to 3 months or with fine up to Rs. 500 or with both [Sec. 26 (2)].

7. Prohibition of employment of women and children near cotton-openers (Sec. 27). No woman or child shall be employed in any part of a factory for pressing cotton in which a cotton-opener is at work. If the feed-end of a cotton-opener is in a room separated from the delivery end by a partition extending to the roof or to a specified height, women and children may be employed on the side of the partition where the feed-end is situated.

8. Hoists and lifts (Sec. 28). (1) **Hoists and lifts to be of good mechanical construction and to be properly maintained and examined once in every 6 months.** In every factory every hoist and lift shall be of good mechanical construction, sound material, and adequate strength. Further it shall be sufficiently protected by enclosures fitted with gates. It shall also be properly maintained and shall be thoroughly examined by a competent person at least once in every 6 months. A register containing the prescribed particulars of every such examination shall be kept. The maximum safe working load shall also be plainly marked on every hoist or lift, and no load greater than such load shall be carried thereon. The cage of every hoist or lift used for carrying persons shall be fitted with a gate on each side from which access is afforded to a landing. The gate shall be fitted with interlocking or other efficient device to secure that the cage cannot be moved unless the gate is closed.

For the purposes of Sec. 28, no lifting machine or appliance shall be deemed to be a hoist or lift unless it has a platform or cage, the direction or movement of which is restricted by a guide or guides (Expl. to Sec. 28 added by the Amendment Act of 1987).

9. Lifting machines, chains, ropes and lifting tackles (Sec. 29). (1) **Cranes and lifting machines, etc. to be of good construction and to be examined once in every 12**

months. In every factory, cranes and other lifting machines (and every chain, rope and lift for the purpose of raising or lowering persons, goods or materials) shall be of good construction, sound material, adequate strength, free from defects and properly maintained. They shall be thoroughly examined by a competent person at least once in every 12 months. A register containing the prescribed particulars of every such examination shall be kept [Sec. 29 (1) (a)].

(2) Cranes and lifting machines not to be loaded beyond safe working load. The aforesaid machines shall not, except for the purpose of test, be loaded beyond the safe working load which shall be plainly marked thereon together with an identification mark and duly entered in the prescribed register. Where this is not practicable, a table showing the safe working loads of the aforesaid machinery in use shall be displayed in prominent positions on the premises [Sec. 29 (1) (b)].

(3) Crane not to approach within 6 metres of a place where any person is employed or working. If any person is employed or working on or near the wheel track of a travelling crane in any place where he would be liable to be struck by the crane, effective measures shall be taken to ensure that the crane does not approach within 6 metres of that place [Sec. 29 (1) (c)].

10. Revolving machinery (Sec. 30). (1) Notice of maximum safe working speed of grindstone or abrasive wheel, etc. to be kept near machine. In every factory in which the process of grinding is carried on, there shall be permanently kept near each machine a notice indicating (a) the maximum safe working peripheral speed of every grindstone or abrasive wheel, (b) the speed of the shaft or spindle upon which the wheel is mounted, and (c) the diameter of the pulley upon such shaft or spindle necessary to secure such safe working peripheral speed [Sec. 30 (1)].

(2) Speeds not to be exceeded. (a) The speeds indicated in notices under Sec. 30 (1) shall not be exceeded [Sec. 30 (2)].

(b) Effective measures shall be taken in every factory to ensure that the safe working peripheral speed of every revolving vessel, cage, basket, fly-wheel, pulley, disc or similar appliance driven by power is not exceeded [Sec. 30 (3)].

11. Pressure plant (Sec. 31). (1) Safe working pressure not to be exceeded. If in any factory any plant or any machinery or part thereof is operated at a pressure above atmospheric pressure, effective measures shall be taken to ensure that the safe working pressure is not exceeded [Sec. 31 (1)].

(2) Rule-making power of the State Government providing for examination and exemption. The State Government may make rules providing for the examination and testing of any plant or machinery and providing for additional safety measures [Sec. 31 (2)].

12. Floors, stairs and means of access (Sec. 32). In every factory—

(a) all floors, steps, stairs, passages and gangways shall be of sound construction and properly maintained. Further they shall be kept free from obstructions and substances likely to cause persons to slip and handrails shall be provided where necessary ;

(b) there shall, so far as is reasonably practicable, be provided and maintained safe means of access to every place at which any person is at any time required to work ; and

(c) when any person has to work at a height from where he is likely to fall, provision shall be made, so far as is reasonably practicable, by fencing or otherwise, to ensure the safety of the person so working. This restriction is not applicable if the place provides secure foothold and, where necessary, secure handhold.

13. Pits, sumps, openings in floors, etc (Sec. 33). (1) Pits, sumps, etc. to be securely covered or fenced. In every factory, pits, sumps, fixed vessels, tanks, openings in the ground or in the floor shall be securely covered or securely fenced [Sec. 33 (1)].

(2) **Exemption.** The State Government may, by order in writing, exempt any factory in respect of any vessel, sump, tank, pit or opening from compliance with the above provision [Sec. 33 (2)].

'Securely fencing a pit' means covering or fencing it in such a way that it ceases to be a source of danger to those who have occasion to go near there [State of Mysore v. Narayana Raghavendra, (1967) 2 L.L.J. 616].

14. Excessive weights (Sec. 34). (1) **Prohibition on lifting or carrying of excessive weights.** No person shall be employed in any factory to lift, carry or move any load so heavy as to be likely to cause him injury [Sec. 34 (1)].

(2) **Maximum weights to be lifted or carried to be prescribed.** The State Government may make rules prescribing the maximum weights which may be lifted, carried or moved by adult men, adult women, adolescents and children employed in factories or in any class or description of factories or in carrying on any specified process [Sec. 34 (2)].

15. Protection of eyes (Sec. 35). In every factory, screen or suitable goggles shall be provided for the protection of persons employed on, or in immediate vicinity of, mechanical or other processes which involve any danger or injury to the workers' eyesight. The risk of injury to the eyes may be from particles or fragments thrown off in the course of the process or by reason of exposure to excessive light.

16. Precautions against dangerous fumes (Sec. 36). (1) **Prohibition on entry into any chamber, tank, vat, pit, pipe, etc. where any gas, fume etc. is present.** No person shall be required or allowed to enter any chamber, tank, vat, pit, pipe, flue or other confined space in any factory in which any gas, fume, vapour or dust is likely to be present to such an extent as to involve risk to persons being overcome thereby, unless it is provided with a manhole of adequate size or other effective means of egress [Sec. 36 (1)].

(2) **Practicable measures to be taken for removal of gas, fume, etc.** No person shall be required or allowed to enter any confined space as is referred to in Sec. 36 (1), until all practicable measures have been taken to remove any gas, fume, vapour or dust, which may be present so as to bring its level within the permissible limits and to prevent any ingress of such gas, fume, vapour or dust and unless—

(a) a certificate in writing has been given by a competent person, based on a test, carried out by himself that the space is reasonably free from dangerous gas, fume, vapour or dust; or

(b) such person is wearing suitable breathing apparatus and a belt securely attached to a rope, the free end of which is held by a person outside the confined space [Sec. 36 (2)].

17. Precautions regarding the use of portable electric light (Sec. 36-A). No portable electric light or any other electric appliance of voltage exceeding 24 volts shall be permitted for use inside any chamber, tank, vat, pit, flue or other confined space in a factory, unless adequate safety devices are provided. If any inflammable gas, fume or dust is likely to be present in such chamber, tank, vat, pit, flue or other confined space, no lamp or light other than that of flame-proof construction shall be permitted to be used in the factory.

18. Precautions against explosive or inflammable dust, gas, etc. (Sec. 37). (1) **Practicable measures to prevent explosion on ignition of gas, fume etc.** When in any factory any manufacturing process produces dust, gas, fume or vapour which is likely to explode on ignition, all practicable measures shall be taken to prevent any such explosion by—

(a) effective enclosure of the plant or machinery used in the process,

(b) removal or prevention of the accumulation of such dust, gas, fume or vapour, and

(c) exclusion or effective enclosure of all possible sources of ignition [Sec. 37 (1)].

(2) **Provision of chokes, vents, etc.** When the plant or machinery cannot withstand probable pressure which an explosion would produce, all practicable measures shall be taken to restrict the spread any effects of the explosion. This shall be done by the provision in the plant or machinery of chokes, baffles, vents or other effective appliances [Sec. 37 (2)].

(3) **Special measures where explosive or inflammable gas or vapour is under pressure greater than atmospheric pressure.** Where any part of the plant or machinery in a factory contains an explosive or inflammable gas or vapour under pressure greater than atmospheric pressure, that part shall not be opened unless special measures prescribed for that purpose are taken [Sec. 37 (3)]. These measures are as follows :

(a) The flow of gas or vapour shall be effectively stopped by a stop-valve or other means ;

(b) All practicable measures shall be taken to reduce the pressure to the atmospheric pressure and

(c) Where the fastening of such part has been loosened or removed, the fastening shall be secured or securely replaced [Sec. 37 (3)].

Further, a plant, tank or vessel containing explosive or inflammable substance shall not be welded, brazed, soldered or cut by applying heat until such substance and fumes are rendered non-explosive and non-inflammable [Sec. 37 (4)].

(4) **Exemption.** The State Government may by rules exempt any factory from compliance with all or any of the provisions of Sec. 37 [Sec. 37 (5)].

19. Precautions in case of fire (Sec. 38 as substituted by the Amendment Act of 1987). (1) **Practicable measures to prevent outbreak of fire and its spread.** In every factory, all practicable measures shall be taken to prevent outbreak of fire and its spread, both internally and externally, and to provide and maintain—

(a) safe means of escape for all persons in the event of a fire, and

(b) the necessary equipment and facilities for extinguishing fire [Sec. 38 (1)].

(2) **Familiarity of workers with means of escape.** Effective measures shall be taken to ensure that in every factory all the workers are familiar with the means of escape in case of fire and have been adequately trained in the routine to be followed in such cases [Sec. 38 (2)].

(3) **Rule-making power of the State Government.** The State Government may make rules, in respect of any factory or class or description of factories, requiring the measures to be adopted to give effect to the above provisions [Sec. 38 (3)].

(4) **Additional measures.** If the Chief inspector, having regard to the nature of the work carried on in any factory, the construction of such factory, special risk to life or safety, or any other circumstances, is of the opinion that the measures provided in the factory are inadequate, he may by order in writing, require that such additional measures as he may consider reasonable and necessary be provided in the factory before such date as is specified in the order [Sec. 38 (4)].

20. Power to require specifications of defective parts or tests of stability (Sec. 39). If it appears to the Inspector that any building or part of a building, machinery or plant in a factory may be dangerous to human life or safety, he may ask the occupier or the manager or both of the factory—

(a) to furnish drawings, specifications and other particulars as may be necessary to determine whether such building, ways, machinery or plant can be used with safety ; or

(b) to carry out the tests in the specified manner and inform the Inspector of the results thereof.

21. Safety of building and machinery (Sec. 40). (1) **Service of order by Inspector or occupier to take specified measures in case of dangerous building or machinery**

plant. If any building or part of a building or machinery or plant in a factory is in such a condition that it is dangerous to human life or safety, the Inspector may serve on the occupier or the manager or both of the factory an order in writing specifying the measures which in his opinion shall be adopted and requiring them to be carried out before a specified date [Sec. 40 (1)].

(2) **Prohibition of use where danger is imminent.** Where it appears to the Inspector that the use of any such building, machinery, etc. involves imminent danger to human life or safety, he may prohibit its use until it has been properly repaired or altered [Sec. 40 (2)].

22. Maintenance of building (Sec. 40-A). Where it appears to the Inspector that any building or any part of a building in a factory is in such a state of disrepair as is likely to lead to conditions detrimental to the health and welfare of the workers, he may serve on the occupier or manager or both of the factory an order in writing specifying the measures which should be taken. He may further require such measures to be carried out before such date as is specified in the order.

23. Safety Officers (Sec. 40-B). In every factory (i) wherein 1,000 or more workers are ordinarily employed, or (ii) wherein, in the opinion of the State Government, any manufacturing process or operation is carried on, which process or operation involves any risk of bodily injury, poisoning or disease, or any other hazard to health, to the persons employed in the factory, the occupier shall, if so required by the State Government by notification in the Official Gazette, employ such number of Safety Officers as may be specified in that notification [Sec. 40-B (1)]. The duties, qualifications and conditions of service of Safety Officers shall be such as may be prescribed by the State Government [Sec. 40-B (2)].

Q 2 a) "A contract without consideration is void" Is there any exceptions?

Answer-1. Love and affection [Sec. 25 (1)]. Where an agreement is expressed in writing and registered under the law for the time being in force for the registration of documents and is made on account of natural love and affection between parties standing in a near relation to each other, it is enforceable even if there is no consideration. In simple words, a written and registered agreement based on natural love and affection between near relatives is enforceable even if it is without consideration [Ram Dass v. Krishan Dev, A.I.R. (1986) H.P.9]

2. Compensation for voluntary services [Sec.25 (2)]. A promise ,to compensate, wholly or in part, a person who has already voluntarily done something for the promisor, is enforceable, even though without consideration. In simple words, a promise to pay for a past voluntary service is binding.

3. Promise to pay a time-barred debt [Sec. 25 (3)]. A promise by a debtor to pay a time-barred debt is enforceable provided it is made in writing and is signed by the debtor or by his agent generally or specially authorized in that behalf. The promise may be to pay the whole or any part of the debt. The debt must be such "of which the creditor might have enforced payment but for the law for the limitation of suits".

4. Completed gift (Expl. 1 to Sec. 25). The rule "No consideration, no contract does not apply to completed gifts. According to Expl. 1 to Sec. 25, nothing in Sec. 25 shall affect the validity, as between the donor and donee, of any gift actually made.

5. Agency (Sec. 185). No consideration is necessary to create an agency.

6. Charitable subscription where the promise on the strength of the promise makes commitments, i.e. change his position to his detriment.

Q 2 b) what matters a) can b) Cannot be referred to Arbitrator?

Answer- All matters in dispute between parties relating to private rights or obligations which Civil Courts may take cognizance of (Sec, 9 of the Civil Procedure Code, 1908) may be referred to arbitration, unless a reference is forbidden by a Statute or is opposed to public policy.

The matters which may be referred to arbitration are :

- (a) Determination of damages in case of breach of contract.
- (b) Question of validity of marriage or maintenance payable to wife.
- (c) Question of law or of law and fact in terms of separation between husband and wife.
- (d) Matters of personal or private rights of the parties, e.g., right to hold the office of a priest in a temple.
- (e) Disputes regarding compliment and dignity.
- (f) Time-based claims .

The matters which cannot be referred to arbitration are :

- (a) Matrimonial matters, e.g. divorce or restitution of conjugal rights
 - (b) Testamentary matters like the validity of a will
 - (c) Insolvency matters
 - (d) Matters relating to public charities and charitable trusts.
 - (e) Matters relating to the guardianship of a minor (f) Lunacy proceedings.
 - (g) Matters of criminal nature based on illegal transactions.
 - (h) Execution proceedings.
-

Q3. a) 'The Employee state Insurance Act ,1948 provides certain types of benefits to the Insured persons and their dependents as per Act" Explain in brief these benefits.

Answer :- The main benefits provided under ESI Scheme to Insured and dependents are:-

1. Sickness Benefit .
- 2 Disablement Benefit.
3. Dependents Benefit .
4. Maternity Benefit .
5. Medical Benefit .
6. Funeral Expenses.

1. The Sickness Benefit: (a) is paid to the insured person at the rate of 70% of the average daily wages up to 91 days in two consecutive Benefit periods.

(b) Enhanced Sickness Benefit (for vasectomy/tubectomy) 100% of the average daily wages is payable for 14 days for tubectomy and 7 days for vasectomy extendable on medical advice.

(c) The Extended Sickness Benefit is admissible at the rate of 80% the average daily wages for 124 days during a period of two years, extendable up to two years on medical advice.

2. Disablement Benefit: the insured person who becomes disabled due to employment injury is paid 90% of the average daily wages as long as temporary disablement lasts. For permanent or total disablement, 90 % of the average daily wages is paid for whole life and for permanent partial disablement; the Insured Person is paid proportionate to the loss of earning capacity as determined by the medical board.

3. Dependants' Benefit is paid at the rate of 90 % of the average daily wages sharable in fixed proportion among all dependents if the insured person dies due to employment injury. This is payable to the widow for life or until her re-marriage and also to the dependent children till the age of 25 years and also to the dependent parents, subject to conditions.

4. The Maternity Benefit is paid at the rate of 100% of the average daily wages up to 12 weeks in case of confinement, up to 6 weeks in case of miscarriage. This can be extended by one month on medical advice in case of sickness arising out of pregnancy, confinement and miscarriage.

5. Medical Benefit which provides 'Reasonable medical Care' (from primary OPD services, In-patient secondary services to Super Specialty Services) for self and family from day one of entering insurable employment which continues till the insured person remains in insurable employment. Medical Benefit is also extended to the widow/ spouse of the deceased/ retired/ superannuated Insured Persons as well as to the widow/ spouses of Insured Persons who ceases to be in an insurable employment on account of permanent disablement, and also to the widows of Insured Persons who are in receipt of Dependent's Benefit.

6. Funeral Expenses : In case the Insured person dies, the expenditure on his funeral, known as funeral expense shall be payable to the eldest surviving member of the family. Where the deceased person did not have a family or was not living with his family at the time of death, the funeral expense shall be payable to the person who actually incurs the expenditure on the funeral of the deceased insured person . The **prescribed amount of Funeral Expenses in case of death of an insured person is Rs.10,000/-.**

Que 3 b) what are the rights, powers and duties of Auditors as per company Act 1956?

Answer - Rights of Auditors-

1. Every Auditor of a company shall have a right of access at all times to the books and accounts and vouchers of the company, whether kept at the head office of the company or elsewhere
2. He shall be entitled to require from the officers of the company such information and explanations as the auditor may think necessary for the performance of his duties as auditor.
3. Right to receive notices of general meetings and to attend them.
4. Right to receive remuneration for auditing the accounts of company

Powers and duties of Auditors

(1A) without prejudice to the provisions of sub-section (1), he is to see that-

(a) Whether loans and advances made by the company on the basis of security have been properly secured and whether the terms on which they have been made are not prejudicial to the interests of the company or its members.

(b) Whether transactions of the company which are represented merely by book entries are not prejudicial to the interests of the company.

(c) Where the company is not an investment company within the meaning of Section 372 or a banking company, whether so much of the assets of the company as consist of shares, debentures and other securities have been sold at a price less than that at which they were purchased by the company.

(d) Whether loans and advances made by the company have been shown as deposits.

(e) Whether personal expenses have been charged to revenue account.

(f) Where it is stated in the books and papers of the company that any shares have been allotted for cash, whether cash has actually been received in respect of such allotment, and if no cash has actually been so received, whether the position as stated in the account books and the Balance Sheet is correct, regular and not misleading.

(2) The auditor shall make a report to the members of the company on the accounts examined by him, and on every Balance Sheet and Profit and Loss Account and on every other document declared by this Act to be part of or annexed to the Balance Sheet or Profit and Loss Account, which are laid before the company in general meeting during his tenure of office, and the report shall state whether, in his opinion and to the best of his information and according to the explanations given to him, the said accounts give the information required by this Act in the manner so required and give a true and fair view :

(i) In the case of the balance-sheet, of the state of the company's affairs as at the end of its financial year and

(ii) In the case of the profit and loss account, of the profit or loss for its financial year.

(3) The auditor's report shall also state :

(a) Whether he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purposes of his audit.

(b) Whether, in his opinion, proper books of account as required by law have been kept by the company so far as appears from his examination of those books, and proper returns adequate for the purposes of his audit have been received from branches not visited by him.

(bb) whether the report on the accounts of any branch office audited under section 228 by a person other than the company's auditor has been forwarded to him as required by clause (c) of sub-section (3) of that section and how he has dealt with the same in preparing the auditor's report.

(c) Whether the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns.

(4) Where any of the matters referred to in clauses (i) and (ii) of sub-section (2) or in clauses (a), (b), (bb) and (c) of sub-section (3) is answered in the negative or with a qualification, the auditor's report shall state the reason for the answer.

Q4 a) "The Pollution control laws levies penalties under various sections for violation of certain Acts" Which of the violations attracts penalties?

Answer – The following violations attracts penalties as follows:-

Section 37, Failure to comply with the provisions of section 21 or section 22 or with the directions issued under section 31A) whoever fails to comply with the provisions of section 21 or section 22 or directions issued under section 31A, shall, in respect of each such failure, be punishable with imprisonment for a term which shall not be less than one year and six months but which may extend to six years and with fine, and in case the failure continues, with an additional fine which may extend to five thousand rupees for every day during which such failure continues after the conviction for the first such failure. (2) If the failure referred to in sub-section (1) continues beyond a period of one year after the date of conviction, the offender shall be punishable with imprisonment for a term which shall not be less than two years but which may extend to seven years and with fine.]

Section 38. Penalties for certain act. Whoever (a) destroys, pulls down, removes, injures or defaces any pillar, post or stake fixed in the ground or any notice or other matter put up, inscribed or placed, by or under the authority of the Board, or (b) obstructs any person acting under the orders or directions of the Board from exercising his powers and performing his functions under this Act, or (c) damages any works or property belonging to the Board, or (d) fails to furnish to the Board or any officer or other employee of the Board any information required by the Board or such officer or other employee for the purpose of this Act, or (e) fails to intimate the occurrence of the emission of air pollutants into the atmosphere in excess of the standards laid down by the State Board or the apprehension of such occurrence, to the State Board and other prescribed authorities or agencies as required under sub-section (1) of section 23, or (f) in giving any information which he is required to give under this Act, makes a statement which is false in any material particular, or (g) for the purpose of obtaining any consent under section 21, makes a statement which is false in any material particular, shall be punishable with imprisonment for a term which may extend to three months or with fine which may extend to [ten thousand rupees] or with both.

Section 39. Penalty for contravention of certain provisions of the Act.-Whoever contravenes any of the provisions of this Act or any order or direction issued thereunder, for which no penalty has been elsewhere provided in this Act, shall be punishable with imprisonment for a term which may extend to three months or with fine which may extend to ten thousand rupees or with both, and in the case of continuing contravention, with an additional fine which may extend to five thousand rupees for every day during which such contravention continues after conviction for the first such contravention.]

Section 40. Offences by companies.(1) Where an offence under this Act has been committed by a directly in charge of, and was company, every person who, at the time the offence was committed, was responsible to the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly: Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence. (2) Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly. Explanation.-For the purpose of this section, (a) "company" means anybody corporate, and includes a firm or other association of individuals; (b) "director", in relation to a firm, means a partner in the firm.

Section 41. Offences by Government Departments.- Where an offence under this Act has been committed by any Department of Government, the Head of the Department shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly: Provided that nothing contained in this section shall render such Head of the Department liable to any punishment if he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence. (2) Notwithstanding anything contained in sub-section (/), where an offence under this Act has been committed by a Department of Government and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any officer, other than the Head of the Department, such officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

Que 4(b) which of the Incomes are chargeable under the head Salaries, deductions allowed under new and old regime, rules of deducting Tax at source by the Employer?

Ans:- Salary as per Income Tax Act Sub-section(1) of Section 17 of the Income Tax Act provides an inclusive definition of "Salary" "In a financial year, the amount received by the employee from his employer in any of the following forms will be considered "Salary" for income tax purposes:

Wages- A sum of money paid under contract by the employer to the employees for services rendered is called wages. The employee may generally receive it under various names such as basic pay, salary, remuneration, etc. The payment may be for paid leaves, actual work, or the actual amount received or due during the relevant previous year. Annuity or Pension.

Annuity or pension is the payment received from the previous or present employer after attaining retirement. It may be a payout from the pension plans created by the employer. Annuity received from a present employer is taxed as Salary'. Annuity received from a previous employer is taxed as 'Profits in lieu of Salary'.

Profits in lieu of Salary or Wages- These payments include: Employment termination compensation or employment terms modification compensation. Payment due or received from an unrecognized provident fund or an unrecognized superannuation fund to the extent of contribution by the employer and interest on the employer's contribution.

Gratuity- A lump-sum amount voluntarily paid by the employer to the employee as a token of appreciation for the services rendered to the organization is gratuity. The concept of gratuity is statutorily recognized under The Payment of Gratuity Act, 1972.

Fees- An amount received as fees to the employee from the employer for the services rendered is included in the definition of salary.

Commission- Any amount of commissions given to the employee for the services provided shall form part of the salary. If the employee receives a fixed commission as a percentage of the sales or profits, it shall be considered salary.

Perquisites- Perquisites are additional benefits received over and above the salary due to the employee's official position. It may be provided in cash or kind. For example, club fee payments, interest-free loans, educational expenses, rent-free accommodation or concession in accommodation rent, insurance premium paid for employees.

The advance Salary- Payments received in a financial year are advance salary payments before the year they are actually due. A loan taken by the employer is not an advance salary.

Leave encashment- The government and some private employers compensate employees for the accumulated leaves. They can give the payment during the service or after retirement or resignation. The payment received for encashment of leaves unavailed during the service period will form part of the salary.

Employee Provident Fund- Contributions by the employer exceeding 12 percent of salary or the annual interest exceeding the rate notified by the Central Government on balance to the credit of an employee's recognized provident fund.

Transfer PF balance- The taxable portion of the transferred balance from an unrecognized provident fund to a recognized provident fund will be considered salary.

National Pension Scheme (NPS)- A contribution made by the Central Government or any other employer in a financial year in an employee's account under National Pension Scheme (NPS) will form part of the salary.

Deductions under Chapter VI A of Income Tax Act old regime: The Chapter VI A of Income Tax Act contains the following sections:

80C: Deduction in respect of life insurance premium, deferred annuity, contributions to provident fund (PF), subscription to certain equity shares or debentures, etc. The deduction limit is Rs 1.5 lakh together with section 80CCC and section 80CCD (1).

80CCC: Deduction in respect of contribution to certain pension funds. The deduction limit is Rs 1.5 lakh together with section 80C and section 80CCD (1).

80CCD(1): Deduction in respect of contribution to pension scheme of Central Government – in the case of an employee, 10 per cent of salary (Basic+DA) and in any other case, 20 per cent of his/her gross total income in a FY will be tax free. Overall limit is Rs 1.5 lakh together with 80C and 80CCC.

80CCD (1B): Deduction up to Rs 50,000 in respect of contribution to pension scheme of Central Government (NPS).

80CCD (2): Deduction in respect of contribution to pension scheme of Central Government by employer. Tax benefit is given on 14 per cent contribution by the employer, where such contribution is made by the Central Government and where contribution is made by any other employer, tax benefit is given on 10 per cent.

80D: Deduction in respect of Health Insurance premium. Premium paid up to Rs 25,000 is eligible for deduction for individuals, other than senior citizens. For senior citizens, the limit is Rs 50,000 and overall limit u/s 80D is Rs 1 lakh.

80DD: Deduction in respect of maintenance including medical treatment of a dependent who is a person with disability. The maximum deduction limit under this section is Rs 75,000.

80DDB: Deduction in respect of expenditure up to Rs 40,000 on medical treatment of specified disease from a neurologist, an oncologist, a urologist, a hematologist, an immunologist or such other specialist, as may be prescribed.

80E: Deduction in respect of interest on loan taken for higher education without any upper limit. **80EE:** Deduction in respect of interest up to Rs 50,000 on loan taken for residential house property.

80EEA: Deduction in respect of interest up to Rs 1.5 lakh on loan taken for certain house property (on affordable housing).

80EEB: Deduction in respect of interest up to Rs 1.5 lakh on loan taken for purchase of electric vehicle.

80G: Donations to certain funds, charitable institutions, etc. Depending on the nature of the donee, the limit varies from 100 per cent of total donation, 50 per cent of total donation or 50 per cent of donation with a cap of 10 per cent of gross income.

80GG: Deductions in respect of rent paid by non-salaried individuals who don't get HRA benefits. Deduction limit is Rs 5,000 per month or 25 per cent of total income in a year, whichever is less.

80GGA: Full deductions in respect of certain donations for scientific research or rural development.

80GGC: Full deductions in respect of donations to Political Party, provided such donations are non-cash donations.

80TTA: Deductions in respect of interest on savings bank accounts up to Rs 10,000 in case of assesses other than Resident senior citizens.

80TTB: Deductions in respect of interest on deposits up to Rs 50,000 in case of Resident senior citizens.

80U: Deduction in case of a person with disability. Depending on type and extent of disability maximum deduction allowed under this section is Rs 1.25 lakh.

Under New Tax Regime, Tax exemption for the following:

- Transport allowances in case of a specially-abled person.
- Conveyance allowance received to meet the conveyance expenditure incurred as part of the employment.
- Any compensation received to meet the cost of travel on tour or transfer.
- Daily allowance received to meet the ordinary regular charges or expenditure you incur on account of absence from his regular place of duty.
- Perquisites for official purposes
- Exemption on voluntary retirement 10(10C), gratuity u/s 10(10) and Leave encashment u/s 10(10AA)
- Interest on Home Loan on let-out property (Section 24)
- Gifts up to Rs 50,000
- Deduction for employer's contribution to NPS account [Section 80CCD(2)]
- Deduction for additional employee cost (Section 80JJA)
- Standard deduction of Rs 50,000 under New Tax Regime applicable from FY 2023-24
- Deduction under Section 57(ia) of family pension income
- Deduction of amount paid or deposited in the Agni veer Corpus Fund under Section 80CCH(2)

Rules of Deducting Tax at source by the Employer.

- Section 192 deals with the TDS on salary. It mandates every employer to deduct TDS on salary payments in case the salary of the employee exceeds the basic exemption limit.
- This section impacts the in-hand salary of most salaried people in India. In this guide, we will explain all the important provisions of TDS under section 192.
- **Employer is required to deduct TDS u/s 192 of the Income Tax Act**
- Any employer who pays salary to an employee (resident or non-resident) is required to deduct TDS every month under section 192.
- The important condition for TDS deduction under section 192 is the presence of an Employer-Employee relationship (irrespective of the government employee, private or other).
- **TDS is required to be deducted u/s 192** by the employer at the time of payment of salary, and the salary income is taxable (i.e., Gross Total Income fewer Deductions under Chapter VIA) of an employee exceeds the basic exemption limit. In the case of advance salary and arrears of salary, TDS is required to be deducted by the employer at the time of payment. TDS on salary is required to be deducted even if the employee does not have PAN if the salary exceeds the basic exemption limit.
- **Rate of TDS u/s 192?**
- TDS under this section is calculated on the estimated income earned during the year at an average tax rate. Unlike other sections of TDS under Income Tax, there is no fixed rate of TDS under section 192. To compute the rate of TDS, the estimated total tax liability on such estimated income is divided throughout employment, i.e., months.
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- $$\text{TDS on salary} = \frac{\text{Estimated Total Tax Liability}}{\text{Period of Employment (months)}}$$
-

Q 5 a) What are the presumptions as to negotiable Instrument?

b) "Every holder in due course is a holder, but every holder may not be holder in due course"
Comment.

c) Distinguish between negotiation and Assignment.

d) Under What circumstances is the object or consideration of a contract deemed unlawful?

Ans-

a) Presumptions to Negotiable Instrument - Certain presumption apply to all negotiable instruments, unless contrary is proved. These presumptions are dealt with in Sec.118 and 119 and are as follows:

(a) **Consideration.** Every negotiable instrument is presumed to have been made, drawn, accepted, indorsed, negotiated or transferred, for consideration. This would help a holder to get a decree from a Court without any difficulty.

(b) **Date.** Every negotiable instrument bearing date is presumed to have drawn on such date.

(c) **Time of acceptance.** When a bill of exchange has been accepted, it is presumed that it was accepted within a reasonable time of its date and before its maturity.

(d) **Time of transfer.** Every transfer of a negotiable instrument is presumed to have been made before its maturity.

(e) **Order of indorsements.** The indorsements appearing upon a negotiable instruments are presumed to have been made in the order in which they appear thereon.

(f) **Stamp.** When an instrument has been lost, it is presumed that it was duly stamped.

(g) **Holder presumed to be a holder in due course.** Every holder of a negotiable instrument is presumed to be a holder in due course (Sec. 118).

(h) **Proof of protest.** In a suit upon an instruments which has been dishonored, the Court, on proof of the protest, presumes the fact of dishonor, until such fact is disproved (Sec 119)

The above presumptions are rebuttable by evidence. If anyone challenges any of these presumptions, he has to prove his allegation. Again, these presumptions would not arise where an instrument has been obtained by any offence, fraud or unlawful consideration.

b) A holder of a negotiable instrument will not be a holder in due course if--

(1) he has obtained the instrument by gift or for an unlawful consideration or by some illegal method ; or

(2) he has obtained the instrument after its maturity ; or

(3) he has not obtained the instrument bona fide

c) Distinction between negotiation and Assignment

Negotiation	Assignment
1. Consideration is presumed.	1. Consideration must be proved.
2. The title of the transferee (i.e., the holder in due course) is better than that of the transferor.	2. The title of the assignee is subject to the defects and equities in the title of the assignor.
3. Notice of transfer to the debtor by the transferee is not necessary. The acceptor of a bill and maker of a note are liable on maturity to the holder in due course of the instrument.	3. An assignment does not bind the debtor until notice of the assignment had been given by the assignee to the debtor, and the debtor has, expressly or impliedly, assented to it.
4. Instruments payable to bearer are negotiated by mere delivery and instruments payable to order are negotiated by indorsement and delivery.	4. An assignment can only be made in writing -- either on the instrument itself or in a separate document transferring to the assignee the transferor's right in the instrument.

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- d) **Consideration must be lawful** - According to section 10 of the Act, "All agreements are contracts if they are made for a lawful consideration".

So a consideration must be lawful without which an agreement is void. Section 23 states that consideration is unlawful if:-

- 1. It is forbidden by law;**
- 2. or, is of such a nature that if allowed it would defeat some law of the country;**
- 3. It is fraudulent;**
- 4. It involves injury to the property or person of the other;**
- 5. Court regards it as immoral or opposed to the public policy.**


There may be cases where one part of consideration is unlawful but the other is not. In such cases the whole agreement is void if the unlawful part cannot be separated from the lawful part.

Example - A promises to work for B who runs both illegal and legal business for a sum of Rs. 4,000 per month and B agrees to pay this amount to A. The legal business can be separated from illegal business; the part of salary pertaining to legal business is lawful consideration.

In the above case, if legal and illegal businesses cannot be separated, whole salary of A will constitute unlawful consideration.

Solution to Q1:-

- A The Economic Order Quantity (EOQ) model is a method used to determine the optimal order quantity that minimizes total inventory costs, balancing holding costs and ordering costs. The formula for EOQ is:


$$\text{EOQ Formula} = \sqrt{\frac{2SD}{H}}$$

where:

(D) is the annual demand,

(S) is the ordering cost per order and

(H) is the holding cost per unit per year.

The key assumptions of the EOQ model include constant demand, fixed ordering costs, and constant holding costs.

It assumes that there are no quantity discounts, no stockouts, and that order lead time is constant.

This model helps businesses strike a balance between the costs associated with holding excess inventory and the costs of placing frequent orders, ultimately optimizing the overall inventory management process.

- B ABC analysis classifies inventory items into three categories – A, B, and C – based on their importance. Category A includes high-value items with low frequency, B includes moderate-value items, and C includes low-value items with high frequency. This prioritization allows businesses to focus on managing high-value items more rigorously, optimizing resources and improving overall inventory control.

- C Safety stock acts as a buffer against uncertainties in demand and supply. It prevents stockouts during unexpected spikes in demand or delays in supply chains. For example, in seasonal industries or when relying on overseas suppliers, maintaining safety stock ensures product availability. In manufacturing, safety stock accounts for variations in production rates and delivery times.

D

$$\begin{aligned} \text{(i) Break-even point} &= \frac{\text{Fixed Cost}}{\text{Selling Price per unit} - \text{Variable Cost per unit}} \\ \text{Variable Cost per unit} &= ₹ 12 + 3 = ₹ 15 \\ \text{Total Fixed Cost} &= ₹ 60,000 + 12,000 = ₹ 72,000 \\ \text{B.E.P.} &= \frac{72,000}{24 - 15} = 8,000 \text{ units} \\ \text{B.E.P. (in sales values)} &= 8,000 \times 24 = ₹ 1,92,000 \\ \text{(ii) Number of units that must be sold to earn profit of ₹ 90,000} &= \frac{\text{Fixed Cost} + \text{Profit}}{\text{Selling Price per unit} - \text{Variable Cost per unit}} \\ &= \frac{72,000 + 90,000}{24 - 15} = \frac{1,62,000}{9} = 18,000 \text{ units.} \end{aligned}$$

Solution to Q2:-

- A The scope of cost accounting covers various aspects, including cost ascertainment, cost control, cost reduction, cost analysis, cost planning, and decision-making. It extends to areas such as job costing, process costing, standard costing, and budgetary control, contributing to efficient resource allocation and overall management effectiveness.

Financial accounting focuses on reporting financial information to external stakeholders for decision-making, compliance, and accountability. In contrast, cost accounting is primarily concerned with internal management, emphasizing the detailed analysis of costs to support effective decision-making, control, and planning within the organization.

- B The marginal cost is the additional cost of producing one additional unit of a good. Marginal cost is the amount by which the total cost of production increases or decreases when total output increases or decreases by one unit.

For example, the cost to produce five pens is Rs. 40.00. As a result of producing one additional unit, or six pens, the production cost rises to Rs. 48.00. In this case, the cost of producing an extra pen is $(48.00 - 40.00) = \text{Rs. } 8.00$. So the marginal cost is Rs. 8.00.

- C There are certain steps involved in the budgetary control technique. They are as follows:

(i) Definition of objectives: A budget being a plan for the achievement of certain operational objectives, it is desirable that the same are defined precisely. The objectives should be written out; the areas of control demarcated; and items of revenue and expenditure to be covered by the budget stated.

(ii) Location of the key (or budget) factor: There is usually one factor (sometimes there may be more than one) which sets a limit to the total activity. Such a factor is known as key factor. For proper budgeting, it must be located and estimated properly.

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(iii) Appointment of controller: Formulation of a budget usually required whole time services of a senior executive known as budget controller; he must be assisted in this work by a Budget Committee, consisting of all the heads of department along with the Managing Director as the Chairman.

(iv) Budget Manual: Effective budgetary planning relies on the provision of adequate information which are contained in the budget manual. A budget manual is a collection of documents that contains key information for those involved in the planning process.

(v) Budget period: The period covered by a budget is known as budget period. The Budget Committee determines the length of the budget period suitable for the business. It may be months or quarters or such periods as coincide with period of trading activity.

(vi) Standard of activity or output: For preparing budgets for the future, past statistics cannot be completely relied upon, for the past usually represents a combination of good and bad factors. Therefore, though results of the past should be studied but these should only be applied when there is a likelihood of similar conditions repeating in the future.

Solution to Q3:-

A Meaning of Operating Costing:

Operating Costing is a method of ascertaining costs of providing or operating a service. This method of costing is applied by those undertakings which provide services rather than production of commodities. This costing method is usually made use of by transport companies, gas and water works departments, electricity supply companies, canteens, hospitals, theatres, schools etc.

Computation of composite units: When two units are merged into one it is called Composite units. It is explained with example as follows.

Composite units i.e. tonnes kms., quintal kms. etc. may be computed in two ways.

(i) Absolute (weighted average) tonnes-kms.

Absolute tonnes-kms., are the sum total of tonnes-kms., arrived at by multiplying various distances by respective load quantities carried.

(ii) Commercial (simple average) tonnes-kms.

Commercial tonnes-kms., are arrived at by multiplying total distance kms., by average load quantity.

B Job Costing:

Meaning: It is a method of costing which is used when the work is undertaken as per the customer's special requirement. When an inquiry is received from the customer, costs expected to be incurred on the job are estimated and on the basis of this estimate, a price is quoted to the customer. Actual cost of materials, labour and overheads are accumulated and on the completion of job, these actual costs are compared with the quoted price and thus the profit or loss on it is determined.

Example: Job costing is applicable in printing press, ship-building, heavy machinery, foundry, general engineering works, machine tools, interior decoration, repairs and other similar work.

- C Escalation Clause: This clause is usually provided in the contracts as a safeguard against any likely changes in the price or utilization of material and labour. If during the period of execution of a contract, the prices of materials or labour rise beyond a certain limit, the contract price will be increased by an agreed amount. Inclusion of such a term in a contract deed is known as an 'escalation clause'.

An escalation clause usually relates to change in price of inputs, it may also be extended to increased consumption or utilization of quantities of materials, labour etc (where it is beyond the control of the contractor). In such a situation the contractor has to satisfy the contractee that the increased utilization is not due to his inefficiency.

Solution to Q4:-

- A Cost plus contract: Under cost plus contract, the contract price is ascertained by adding a percentage of profit to the total cost of the work. Such types of contracts are entered into when it is not possible to estimate the contract cost with reasonable accuracy due to unstable condition of material, labour services etc.

Following are the advantages of cost plus contract:

- (i) The contractor is assured of a fixed percentage of profit. There is no risk of incurring any loss on the contract.
- (ii) It is useful specially when the work to be done is not definitely fixed at the time of making the estimate.
- (iii) Contractee can ensure himself about the 'cost of contract' as he is empowered to examine the books and documents of the contractor to ascertain the veracity of the cost of contract.

- B The Payback Period is a capital budgeting metric used to assess the time required for a project to recover its initial investment. It is calculated by dividing the initial investment by the annual cash inflows. The shorter the payback period, the quicker the investment is expected to be recovered.

Advantages:

Simplicity: Payback Period is straightforward and easy to calculate.

Risk Assessment: It provides a quick assessment of how long it will take to recoup the initial investment, aiding in risk evaluation.

Limitations:

Ignores Time Value of Money: Payback Period does not consider the time value of money, neglecting the fact that a dollar today is worth more than a dollar in the future.

Ignores Cash Flows Beyond Payback: It doesn't account for cash flows occurring after the payback period, potentially leading to an incomplete evaluation.

In the case of mutually exclusive projects, the one with the shortest payback period is often preferred. This is because a shorter payback period indicates a quicker recovery of the initial investment, reducing the project's risk and tying up capital for a shorter duration. However, solely relying on payback period may overlook the profitability and long-term cash flow potential of projects.

Solution to Q5:-

- (i) Net Present Value (NPV) is a financial metric used in project evaluation to assess the profitability of an investment. It represents the difference between the present value of cash inflows and the present value of cash outflows over the life of a project. A positive NPV indicates that the project is expected to generate more cash inflows than outflows, making it a financially viable and potentially profitable investment.
- (ii) NPV is calculated by discounting all future cash flows to their present value and subtracting the initial investment. The formula is: $NPV = \sum (CFT / (1 + r)^t) - \text{Initial Investment}$, where CFT is the net cash inflow during a specific period, r is the discount rate, and t is the time period. A positive NPV indicates that the project is expected to generate surplus cash after covering all costs and the required rate of return. It suggests that the project is likely to be profitable.
- (iii) Discounting is the process of converting future cash flows into their present value by applying a discount rate. This is necessary in project evaluation because it accounts for the time value of money. Money received in the future is worth less than money received today due to factors like inflation and the opportunity cost of not having the money available for other investments. Discounting ensures that all cash flows are evaluated on a consistent basis, allowing for a meaningful comparison between present and future values.
- (iv) The relationship between NPV and the time value of money is fundamental. NPV takes into consideration the time value of money by discounting future cash flows. The time value of money recognizes that a certain amount of money today is more valuable than the same amount in the future. By discounting future cash flows to their present value, NPV accounts for the opportunity cost and inflation, providing a realistic assessment of a project's profitability.