

Q.1 **A)** Make a Précis of the following passage in about 1/3rd words and give an appropriate title:

When we survey our lives and efforts we soon observe that almost the whole of our actions and desires are bound up with the existence of other human beings. We notice that whole nature resembles that of the social animals. We eat food that others have produced, wear clothes that others have made, live in houses that others have built. The greater part of our knowledge and beliefs has been passed on to us by other people through the medium of a language which others have created. Without language and mental capacities, we would have been poor indeed comparable to higher animals.

We have, therefore, to admit that we owe our principal knowledge over the least to the fact of living in human society. The individual if left alone from birth would remain primitive and beast like in his thoughts and feelings to a degree that we can hardly imagine. The individual is what he is and has the significance that he has, not much in virtue of the individuality, but rather as a member of a great human community, which directs his material and spiritual existence from the cradle to grave.

(Marks: 1x8 + 1x2 = 10)

Ans- A) Precis Summary

Being social animals, human beings have their actions and desires bound up with society. In matter of food, clothes, knowledge and belief they are interdependent. They use language created by others. Without language their mental power would not grow. They are superior to beast, because they live in human society. An individual life left alone from birth would grow utterly beast like. So human society and not individuality guides man's material and spiritual existence.

B) Give meaning of the following words:

- | | | |
|-------------------|---|--------------------------------|
| i) Resemble | : | Match, Correspond, Similar |
| ii) Primitive | : | Crude, Early, Antique, Archaic |
| iii) Significance | : | Importance, Meaning |
| iv) Existence | : | Survival, Actuality, Being |
| v) Cradle | : | Cot, Birthplace |


(Marks: 1x5 = 5)

Title: Basis of human society

Q.2 Answer the following:

- a) Prepare a public notice from CAO/Revenue for displaying on PSPCL website and publication in national newspapers regarding awareness of its consumers to be aware of fraudulent phone calls/links for making payment of the electricity bills to avoid disconnection of supply.

Ans – a) For PRESS:-

**PUNJAB STATE POWER CORPORATION LIMITED**
(Regd. Office: PSEB Head Office, The Mall, Patiala)
CIN: U40109PB2010SGC033813, www.pspcl.in
PUBLIC NOTICE
**Subject: Consumer Awareness regarding
fraud phone calls/links**
PSPCL consumers are requested to be aware of fraud phone calls, since it has been noticed that some fraudsters are calling PSPCL consumers for making payment of electricity bill immediately otherwise their connection will be disconnected. He also ask to download app like "ANYDESK" etc. for updating of electricity bill. PSPCL advises its valuable consumers not to respond these fraud calls. Further while making electricity bill payment, the following issues have been noticed:

1. Some unauthorized links are received by consumers through SMS & emails, purporting to be from PSPCL and inducing consumers to pay electricity bills through the Fraudulent links of digital modes.
2. Some unauthorized shops are collecting electricity bills by accepting cash from consumers and issuing receipts showing payment through digital modes, using illegal methods by hacking bank details of third persons.

PSPCL requests to be aware from these fraudulent practices. Consumers should pay electricity bills through PSPCL App/website and other authorized payment applications duly recognized by BBPS, Government authorized Sewa Kendras, Common Service Centers and PSPCL Cash Counters only.

For more details, please visit www.pspcl.in or any PSPCL Sub Division.

C240/22
DPR/Pb/15146

**CAO/Revenue,
PSPCL, Patiala.**

PUBLIC NOTICE

Sub:- Consumer Awareness regarding fraud phone calls/links

PSPCL consumers are requested to be aware of fraud phone calls, since it has been noticed that some fraudsters are calling PSPCL consumers for making payment of electricity bill immediately otherwise their connection will be disconnected. He also asks to download app like "ANYDESK" etc. for updating of electricity bill. PSPCL advises its valuable customers not to respond to these fraud calls. Further, while making electricity bill payments following issues have been noticed:-

1. Some unauthorised links are received by consumers through SMS & emails, purporting to be from PSPCL and inducing consumers to pay electricity bills through fraudulent links of digital modes.
2. Some unauthorised shops are collecting electricity bills by accepting cash from consumers and issuing receipts showing payment through digital modes, using illegal methods by hacking bank details of third persons

Consumer should pay electricity bills only through the PSPCL App/ Website link given below:-

<https://billpayment.pspcl.in/pgBillPay.aspx?uc=AccountLogin>

Payment can also be made through payment applications duly recognised by BBS, Government authorised Sewa Kendras, Common Service Centers and PSPCL Cash Counters only.

-----s/d-----
CAO/Revenue
PSPCL, Patila

Model Sol. of JAS-11

- b) Prepare a Notice Inviting Tender (NIT) for publication in leading newspapers to invite open tender for execution of Distribution works(Labour component only) to be executed in all Divisions under DS West Circle, PSPCL, Ludhiana. The tender is scheduled to be opened on 28.08.2022 at 11:30 AM. The last date for the sale of tender document is 27.08.2022(up to 5 P.M.) and for submission of tender is 27.08.2022(up to 05:30 PM), respectively. The tentative cost of tender is Rs. 3 Crore and work is to be charged to Capital head of accounts.

Ans – b) **NIT for Press:-**

Notice Inviting Tender(NIT)

Tender Enquiry no. XX/DS City West Circle-XXXX

Dated: 30.07.2020

Dy.CE/DS City West Circle PSPCL, Ludhiana, invites E-tender for execution of Distribution works(Labour component only) such as Erection of New HT/LT lines, DTs, etc. for ISC/GSC/AP connections, De-loading/Bifurcation of overloaded Transformers/Feeders for Development/Improvement/Deposit works etc. to be executed in all Divisions under DS West Circle, PSPCL, Ludhiana for FY-2022-23.

i.) Last date and time for download of tender documents from GePNIC website: 27.08.2022 (up to 5 P.M.)

ii.) Last date and time for the receipt of tender: 27.08.2022 (upto 5:30 PM)

iii.) Date and time for opening of tender: 28.08.2022(11:30 AM)

For detailed NIT & tender specification please refer to <https://eproc.punjab.gov.in> from 30.07.2022, 05:00 PM onwards.

NOTE: Corrigendum and Addendum, if any, will be published online at <https://eproc.punjab.gov.in>

For Website

1.	Address details of issuing authority	Dy.CE/DS City West Circle PSPCL, Ludhiana
2.	Tender Enquiry No.	Tender Enquiry no. XX/DS City West Circle-XXXX
3.	Scope/Short Description	Execution of Distribution works(Labour component only) for FY 2022-23
4.	Date for Downloading of Specification/Tender Documents from website. https://eproc.punjab.gov.in	Start Date 30.07.2022 (5:00 PM onwards) Last Date 27.08.2022(up to 5 P.M.)
5.	Date & time up to which tenders shall be received	27.08.2022(up to 05:30 PM)
6.	Date & time of opening of tenders	28.08.2022(11:30 AM)
8.	Cost of Tender Specification/ document	Rs.2,360/- (Rupees two thousandthree hundred and sixtyonly) in the form of demand draft in favour of AO/Cash, PSPCL, Patiala payable at Patiala.
9.	Mode of tendering	e-tendering
10.	EMD	As per tender specification
11.	Tender specification can only be downloaded from GePNIC website https://eproc.punjab.gov.in and no hard copy of the same will be issued by this office.	

⑥

Model Sol. of SAs - II / 5-8/22 / P-5

Examined 3
P-5, Q-3

Q.3: Do as directed:

A) Correct the following sentences:

i) My best friend has left this town last Sunday.

- My best friend left this town last Sunday.

ii) He is having many pens in his pocket.

- He has many pens in his pocket.

iii) When you told him the story?

- When did you tell him the story?

iv) She told his name after coming home.

- She told her name after coming home.

v) I'm watching this serial for 2 years.

- I have been watching this serial for 2 years.

(Marks: 5x1=5)

B) Change the following Direct speech into Indirect speech:

i) She says, "I am a little bit nervous."

- She says that she is a little bit nervous.

ii) They said, "They take a walk every day."

- They said that they took a walk every day.

iii) She said, "I am going to London today."

- She said that she was going to London that day.

iv) He said to me, "I will not give you any medicine without prescription."

- He told me that he would not give me any medicine without prescription.

v) He said to me, "You should work hard to pass the exam."

- He told me that I should work hard to pass the exam.

(Marks: 5x1=5)

C) Frame the sentences from the following idioms:

i) The best of both worlds.

Means you can enjoy two different opportunities at the same time.

ii) Speak of the devil.

This means that the person you're just talking about actually appears at that moment.

iii) See eye to eye.

This means agreeing with someone.

iv) Once in a blue moon.

An event that happens infrequently.

v) When pigs fly.

Something that will never happen.

(Marks: 5x1=5)

D) Select the appropriate answer to the following:

- a.) In DOS for displaying the list of all the files stored on a disk drive you would type**
- i.) DIR
 - ii.) COPY
 - iii.) DIR FILES
 - iv.) DIR AUTOEXEC.BAT
- b.) Which of the following are components of Central Processing Unit (CPU)?**
- i.) Arithmetic logic unit, Mouse
 - ii.) Arithmetic logic unit, Control unit
 - iii.) Arithmetic logic unit, Integrated Circuits
 - iv.) Control Unit, Monitor
- c.) If a computer has more than one processor then it is known as:**
- i.) Uniprocessor
 - ii.) Multiprocessor.
 - iii.) Multithreaded
 - iv.) Multiprogramming
- d.) In which of the following forms, data is stored on a computer?**
- i.) Decimal
 - ii.) Binary
 - iii.) HexaDecimal
 - iv.) Octal
- e.) What is the full form of ALU?**
- i.) Arithmetic logic unit
 - ii.) Allowed logic unit
 - iii.) Ascii logic unit
 - iv.) Arithmetic least unit
- f.) Which among the following is an input device?**
- i.) Projector
 - ii.) Visual Display Unit(VDU)
 - iii.) Laser Printer
 - iv.) Scanner
- g.) Where are saved files permanently stored in computer?**
- i.) RAM
 - ii.) Hard disk
 - iii.) Cache
 - iv.) Any of above
- h.) Which among following is a secondary storage device?**
- i.) Hard Disk
 - ii.) RAM
 - iii.) Laser Printer
 - iv.) Semi Conductor
- i.) Which program is run by BIOS to check hardware components are working properly while computer is turned ON ?**
- i.) DMOS
 - ii.) POST

iii.) CMOS

iv.) RIP

j.) The full form of ROM is:

i.) Redundant Only Memory

ii.) Read Only Memory

iii.) Random Only Memory

iv.) Raster Off Memory

(Marks: 10x1=10)

Q-II | S-8/22 | P-5

Examiner-4
P-5, Q-4

Q.4 Answer the following questions:

A) Do as directed:

- i) Convert $(43)_{10}$ to Binary number.
- ii) Convert $(732)_8$ to Decimal number.
- iii) Write Binary equivalent of $(54673)_8$.
- iv) Convert $(10110110101)_2$ to Hexadecimal.
- v) Convert $(2A8)_{16}$ to equivalent Decimal.

Answer

101011
474
1010101100100
5B5
680

(Marks: $2 \times 5 = 10$)

B) Define the following:

- i) **Application:** Computer software that performs a task or set of tasks, such as word processing or drawing. Applications are also referred to as programs.
- ii) **Bug:** A malfunction due to an error in the program or a defect in the equipment.
- iii) **Database:** A collection of similar information stored in a file, such as a database of addresses. This information may be created and stored in a database management system (DBMS).
- iv) **Firewall:** A set of security programs that protect a computer from outside interference or access via the Internet.
- v) **Modem:** a combined device for modulation and demodulation.

(Marks: $2 \times 5 = 10$)

Model Sol. of SAB-II | 5-8/22 | P-5

Write the answer for the following:

Q1) What is a Computerized Accounting System? Write any 3 points of comparison between Manual and Computerized Accounting System.

Ans - A computerised accounting system is an accounting information system that processes the financial transactions and events as per the Generalised Accounting Principles to produce reports as per user requirements. In a computerised accounting system, the framework of storage and processing of data is called operating environment that consists of hardware as well as software in which the accounting system, works.

Comparison between Manual and Computerised Accounting

Accounting, by definition, is the process of identifying, recording, classifying and summarising financial transactions to produce the financial reports for their ultimate analysis. Let us understand these activities in the context of manual and computerised accounting system.

- **Identifying:** The identification of transactions, based on application of accounting principles is, common to both manual and computerised accounting system.

- **Recording:** The recording of financial transactions, in manual accounting system is through books of original entries while the data content of such transactions is stored in a well-designed accounting database in computerised accounting system.
- **Classification:** In a manual accounting system, transactions recorded in the books of original entry are further classified by posting into ledger accounts. This results in transaction data duplicity. In computerised accounting, no such data duplication is made to cause classification of transactions. In order to produce ledger accounts, the stored transaction data is processed to appear as classified so that the same is presented in the form of a report. Different forms of the same transaction data are made available for being presented in various reports.
- **Summarising:** The transactions are summarised to produce trial balance in manual accounting system by ascertaining the balances of various accounts. As a result, preparation of ledger accounts becomes a prerequisite for preparing the trial balance. However, in computerised accounting, the originally stored transactions data are processed to churn out the list of balances of various accounts to be finally shown in the trial balance report. The generation of ledger accounts is not a necessary condition for producing trial balance in a computerised accounting system.
- **Adjusting Entries:** In a manual accounting system, these entries are made to adhere to the principle of cost matching revenue. These entries are recorded to match the expenses of the accounting period with the revenues generated by them. Some other adjusting entries may be made as part of errors and rectification. However, in computerised accounting, Journal vouchers are prepared and stored to follow the principle of cost matching revenue, but there is nothing like passing adjusting entries for errors and rectification, except for rectifying an error of principle by having recorded a wrong voucher such as using payment voucher for a receipt transaction.

B) Write any 5 differences between Input and Output Devices with one example of each.

Ans- Difference between Input and Output devices

INPUT DEVICE	OUTPUT DEVICE
It is a hardware device and is used to key in the data, instructions or commands, into the computer	It is a hardware component, and it uses the data that it has received from the computer to carry out a task
It can transfer data to another device, but cannot receive any from it	Can obtain data from another device and can also produce output from it. However, cannot transfer data to another device
Necessary for the computer to receive user commands and data to process	Required if a computer has to share its results. They also help to prompt the users for additional information and commands
These are user controlled	Computer manages it
Complex coding is used	Users need to only see the results and so are not required to learn the process
Examples: Keyboard, webcam, microphone, joystick and so on	Examples: LCD Projection panels, printer, monitor, speaker and more

(Marks: 1x10 + 1x10= 20)

Answer 1P-6, CAS-II**SOLUTION:**

In the Books of Pooja Ltd.
JOURNAL ENTERIES

Particulars	Amount (Dr.)	Amount (Cr.)
Bank A/c Dr. To Share Capital A/c (Being receipt of application money on 1,70,000 shares @ Rs. 3 per share)	5,10,000	5,10,000
Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Bank A/c (Being application money on 80,000 shares @ Rs.3 each transferred to Share Capital A/c, surplus application money of 80,000 shares transferred to Share Allotment A/c and application money of 10,000 shares refunded to the unsuccessful applicants)	5,10,000	2,40,000 2,40,000 30,000
Share Allotment A/c Dr. To Share Capital A/c To Securities Premium A/c (Being Share allotment money due on 80,000 shares @ Rs. 4.50 (including premium of Rs. 2.50) per share)	3,60,000	1,60,000 2,00,000
Bank A/c Dr. To Share Allotment A/c (W.N 1) (Being balance of securities premium received @ Rs. 1.50 per share on 78,000 shares; Rs. 3 per share already received as surplus application money. Surplus application money @ Rs.2 will be first utilized as capital and balance of Rs. 1 per share adjusted as premium)	1,17,000	1,17,000
Share First Call A/c Dr. To Share Capital A/c (Being first call due on 80,000 shares @ Rs.2 per share)	1,60,000	1,60,000
Bank A/c Dr. To Share First Call A/c (Being 1 st call money received on shares except 3,200 shares @ Rs. 2 per share)	1,53,600	1,53,600

②

Share Capital A/c	Dr.	14,000	
Securities Premium A/c	Dr.	3,000	
To Share Allotment A/c			3,000
To Share First Call A/c			4,000
To Share Forfeited A/c			10,000
(Being forfeiture of 2,000 shares for non- payment of first call, premium @ Rs.1.50 per share cancelled which was not received on allotment)			
Share Second and Final Call A/c	Dr.	2,34,000	
To Share Capital A/c			2,34,000
(Being final call due on 78,000 shares @ Rs. 3 per share)			
Bank A/c	Dr.	2,30,400	
To Share Second and Final Call A/c			2,30,400
(Being second call money received on 76,800 shares @ Rs. 3 per share)			
Share Capital A/c	Dr.	12,000	
To Share First Call A/c			2,400
To Share Second and Final Call A/c			3,600
To Share Forfeited A/c (Being forfeiture of 1,200 shares for non-payment of two calls)			6,000
Bank A/c	Dr.	19,200	
Shares Forfeiture A/c	Dr.	7,800	
To Share Capital A/c			24,000
To Share Premium A/c			3,000
(Being 2,400 shares reissued @ Rs. 8 per share ; premium @ Rs. 1.50 per share on Anil's 2,000 forfeited shares which was cancelled has been revived)			
Shares forfeited A/c	Dr.	4,200	
(Rs.10,000 + Rs.6,000/1,200 * 400 - Rs.7,800)			4,200
To Capital Reserve A/c			
(Being unused balance of shares forfeited account in respect of 2,400 shares transferred to Capital Reserve A/c)			

③

Answer 2 (a)

Solution:

Dr.			Machinery Account			Cr.	
Date	Particulars	₹	Date	Particulars	₹		
2012			2012				
Apr. 1	To Balance b/d	4,86,000	Oct. 1	By Bank	40,000		
Oct. 1	To Bank (cost and installation charges)			By Profit and Loss A/c (loss on sale of machinery)	<u>6,170</u>		
		<u>75,000</u>					
			2013				
			Mar. 31	By Depreciation A/c	60,180		
				By Profit and Loss A/c (Additional depreciation)	5,400		
				By Balance c/d	<u>4,49,250</u>		
		<u>5,61,000</u>					<u>5,61,000</u>

Working Notes:

(1) Calculation of loss on sale of machinery:

Cost of machinery on April 1, 2010	60,000
Less: Depreciation for 2010-11	<u>6,000</u>
	54,000
Less: Depreciation for 2011-12	<u>5,400</u>
	48,600
Less: Depreciation for half year	<u>2,430</u>
Book value as on 1st October, 2012	46,170
Less: Amount realised from sale	<u>40,000</u>
Loss on sale	<u>6,170</u>

(2) Additional depreciation:

Cost of machinery on 1st April, 2010 $\left(4,86,000 \times \frac{100}{90} \times \frac{100}{90}\right)$	6,00,000
Book value on 1st April, 2010 for machinery sold in 2012	<u>60,000</u>
Book value on 1st April, 2010 on original group	<u>5,40,000</u>
Depreciation for 2 years (2010-11 and 2011-12) @ 10% on ₹ 5,40,000	1,08,000
Less: Depreciation provided for 2 years under diminishing balance method (₹ 54,000 + ₹ 48,600)	<u>1,02,600</u>
Additional depreciation due to change in the system charged to profit and loss account	<u>5,400</u>

(3) Depreciation for 2012-13

On machinery sold	2,430
On machinery purchased and installed	3,750
On machinery brought from previous year (i.e. on ₹ 5,40,000 on straight line method)	54,000
	<u>60,180</u>

Answer 2 (b)

Solution:

Journal

Date	Particulars	LF	Dr. Amount (₹)	Cr. Amount (₹)
(i)	Profit and Loss Adjustment Account Dr. To Suspense Account (Being rectification of error caused by undercasting of Purchases Book for the year 2011-12 by ₹ 1,000)		1,000	1,000
(ii)	Suspense Account Dr. To Jamna Dass To Janki Dass (Being rectification of wrong debit of ₹ 678 to Janki Das and omission of credit of ₹ 687 to Jamna Das, in 2011-12 books)		1,365	687 678
(iii)	Suspense Account Dr. To Profit and Loss Adjustment Account (Being rectification of omission of posting of discount received ₹ 7,630 and discount allowed ₹ 6,873 in 2011-12)		757	757
(iv)	Schedule of Debtors Account Dr. Profit and Loss Adjustment Account Dr. To Suspense Account To Provision for Bad Debts Account (Being rectification of schedule of debtors and also rectification of Provision for bad debts account due to wrong basis on which the amount of bad debts was calculated in 2011-12)		100 5	100 5

(v)	Profit and Loss Adjustment Account Dr. To Suspense Account (Rectification of omission of posting to bank charges and interest account)	115	115
(vi)	Profit and Loss Adjustment Account Dr. To Furniture Account (Being rectification of wrong entry for depreciation on furniture)	180	180

Ledger Accounts

Dr.			Cr.		
Suspense Account					
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2012 March 31 2011 April 1	To Balance c/fd	907	2012 March 31 2011 April 1	By Difference in Trial Balance	907
	To Jamna Das	687		By Balance b/fd	907
	To Janaki Das	678		By P & L Adj. A/c	1,000
	To P & L Adjustment	757		By Schedule of Debtors	100
				By P & L Adj. A/c	115
		<u>2,122</u>			<u>2,122</u>

Dr.			Cr.		
Profit and Loss Adjustment Account					
Particulars	₹		Particulars	₹	
(i) To Suspense Account	1,000		(iii) By Suspense Account	757	
(iv) " Provision for Bad Debts	5		By Loss transferred to		
(v) " Suspense Account	115		Capital A/c	543	
(vi) " Furniture Account	<u>180</u>				
	<u>1,300</u>			<u>1,300</u>	

Actual profit for the year ended 31st March, 2012 = ₹ 14,780 – ₹ 543 = ₹ 14,237.

6

Answer 3

Solution:

Projected Trading and Profit & Loss Account for the year ending March 31, 2014

Dr.			Cr.
Particulars	₹	Particulars	₹
To Material used	7,20,000	By Sales	24,00,000
To Wages and overheads	10,80,000		
To Gross profit c/d	<u>6,00,000</u>		<u>24,00,000</u>
	<u>24,00,000</u>		<u>6,00,000</u>
To Expenses (balancing figure)	4,93,600	By Gross profit b/d	
To Net profit	<u>1,06,400</u>		<u>6,00,000</u>
	<u>6,00,000</u>		

Projected Balance Sheet as on March 31, 2014

Liabilities	₹	Assets	₹
Share Capital :		Fixed Assets	15,20,000
Equity Share Capital	10,64,000	Current Assets :	
Preference Share Capital	3,80,000	Stock	3,60,000
Reserves and Surplus :		Debtors	4,00,000
General Reserve	1,59,600		
Profit & Loss a/c	1,06,400		
Secured Loans :			
Debentures	1,90,000		
Current Liabilities :			
Trade Creditors	1,80,000		
Bank Overdraft	<u>2,00,000</u>		
	<u>22,80,000</u>		<u>22,80,000</u>

Working Notes :

(i) Gross Profit

₹
6,00,000

Gross Profit being 25% of sales

Sales = $6,00,000 \times 100/25 = ₹24,00,000$

(ii) Cost of Sales = Sales – Gross profit

= $24,00,000 - 6,00,000 = ₹18,00,000$

(iii) Material used = 40% of Cost of sales

= $40/100 \times 18,00,000 = ₹7,20,000$

(iv) Wages and overheads = $18,00,000 - 7,20,000 = ₹10,80,000$

(v) Stock = Cost of sales / Stock turnover ratio = $18,00,000 / 5 = ₹3,60,000$

(vi) Debtors = Sales for 2 months = $24,00,000 \times 2/12 = ₹4,00,000$

(vii) As current ratio is 2, Current liabilities are half of current assets

Hence, current liabilities = $\frac{1}{2} \times (3,60,000 + 4,00,000) = ₹3,80,000$

⑦

(viii) Trade Creditors = 3 months of material consumed

$$= 7,20,000 \times 3/12 = \underline{\underline{₹1,80,000}}$$

(ix) Bank overdraft = ₹3,80,000 – 1,80,000 = ₹2,00,000

(x) Fixed assets to capital employed = 80%

Hence, working capital to capital employed = 20%

Working Capital = Current assets – Current liabilities

$$= (3,60,000 + 4,00,000) - 3,80,000 = \underline{\underline{₹3,80,000}}$$

$$\text{Fixed assets} = 3,80,000 \times 80/20 = \underline{\underline{₹15,20,000}}$$

(xi) Total long term funds = Fixed Assets + Working Capital

$$= 15,20,000 + 3,80,000 = \underline{\underline{₹19,00,000}}$$

(xii) Capital gearing ratio being 30% (Preference share capital plus debentures to Total Long Term Funds)

$$= 30\% \text{ of } 19,00,000 = \underline{\underline{₹5,70,000}}$$

$$\text{Preference share capital} = 5,70,000 \times 2/3 = \underline{\underline{₹3,80,000}}$$

(xiii) Debentures = 5,70,000 × 1/3 = ₹1,90,000

(xiv) Equity Shareholders' Fund = 19,00,000 – 5,70,000 = ₹13,30,000

General reserve and Profit & Loss Account

$$= 20\% \text{ of equity shareholders' fund} = 20\% \text{ of } 13,30,000 = \underline{\underline{₹2,66,000}}$$

$$\text{Equity share capital} = 13,30,000 - 2,66,000 = \underline{\underline{₹10,64,000}}$$

(xv) Net profit = 10% of Equity share capital = ₹1,06,400

(xvi) General Reserve = ₹2,66,000 – 1,06,400 = ₹1,59,600

8

Answer 4 (a)

AUDIT AND INVESTIGATION DISTINGUISHED

1. **Legal binding:** Audit of annual financial statements of a company is compulsory under the Companies Act, 1956. However, Investigation is not compulsory under the Companies act, 1956 but voluntary depending upon necessity.
2. **Object in view:** Audit is conducted to ascertain whether the financial statements show a true and fair view. Investigation is conducted with a particular object in view, viz to know financial position, earning capacity, prove fraud, invest capital, etc.
3. **Period covered:** Audit is conducted on annual basis. Investigation may be conducted for several years at a time, say three years.
4. **Parties for whom conducted:** Audit is conducted on behalf of shareholders (or proprietor, or partners). Investigation is usually conducted on behalf of outsiders like prospective buyers, investors, lenders, etc.
5. **Documents:** Audit is not carried out of audited financial statements. Investigation may be conducted even though the accounts have been audited.
6. **Extent of work:** Audit is normally conducted on test verification basis. Investigation is a thorough examination of books of accounts.
7. **Report:** Audit report of a company is addressed to shareholders (or proprietors or partners). Investigation report is addressed to the party on whose instruction investigation was conducted.
8. **Person performing work:** Audit is to be conducted by a person having prescribed qualification i.e. Chartered accountant, Cost accountant. No statutory qualification is prescribed for Investigation. It may be undertaken by any one.

Answer 4 (b)

Cost audit refers to the detailed verification of the correctness of costing techniques, costing systems, and cost accounts. In any manufacturing or service firm, it is crucial to calculate the correct cost of services to charge customers. For this purpose, cost accounts or costing records are maintained. However, simply maintaining cost accounts is not sufficient. To determine the true and accurate cost of products and services, it is necessary to ensure that these records are accurate and correct.

In other words, Cost audit is an examination of the efficiency of the minute details of expenditure while the work is in progress; it does not constitute a post-mortem examination. The cost auditor can be appointed by the board of directors by taking prior permission of the central government. The cost auditor enjoys all the rights of a financial

9

auditor. Ultimately, cost audits are valuable for decision-making, price determination, internal control, and internal efficiency. The objectives of a cost audit can be summarized as follows:

- To verify the arithmetical accuracy of the cost books
- To maintain accounts according to costing principles
- To follow predetermined norms and concepts of cost accounting'
- To provide all data relating to cost records to the management for decision-making
- To detect errors and instances of fraud
- To increase the effectiveness of internal control

Answer 4 (c)

Management Audit

Management audit is an emerging concept of auditing. It has been originated from America. Management audit is an act of evaluation of all the activities of all the departments with a view to provide appropriate suggestions to the management to help their work. In other words, management auditing is a future oriented task which evaluates timely in all the levels of management like production management, sales management etc. The main objective of management audit is to improve the profit earning capacity, work of management, objectives of program, social objectives and human resource development so that organizational goal can be easily attained. It refers to the existence of control system, compliance of rules and regulations, process of managerial decisions etc. Generally management audit/operational audit are not mandatory but it recommendatory certainly.

Functions Of Management Audit

Management audit is a difficult and complex task. It performs the following functions:

1. Management audit identifies the objectives of an organization if such objectives are not set up.
2. Management audit allocates the overall objectives of an organization in small parts.
3. Management audit reviews the structure of organization and asset of the organization and decides whether goals can be obtained or not.
4. Management audit examines all the scope of work and liability centers.
5. Management audit provides valuable suggestions to the management after the evaluation of all above facts.

10

Answer No 4 (d)

TECHNIQUES OF INTERNAL CONTROL SYSTEM

There are two types of techniques used in internal control system **Preventive internal control techniques** and **Detective internal control techniques** controls. Both types of internal control techniques are essential to an effective internal control system. From a quality standpoint, preventive controls techniques are essential because they are proactive and emphasize quality. However, detective controls techniques play a critical role by providing evidence that the preventive controls techniques are functioning as intended

Preventive Controls techniques are designed to discourage errors or irregularities from occurring. They are proactive in nature that helps to ensure departmental objectives are being met. Examples of preventive controls techniques are:

1. **Segregation of Duties:** Duties are segregated among different people to reduce the risk of error or inappropriate action. Normally, responsibilities for authorizing transactions (approval), recording transactions (accounting) and handling the related asset (custody) are divided.
2. **Approvals, Authorizations, and Verifications:** Management authorizes employees to perform certain activities and to execute certain transactions within limited parameters. In addition, management specifies those activities or transactions that need supervisory approval before they are performed or executed by employees. A supervisor's approval (manual or electronic) implies that he or she has verified and validated that the activity or transaction conforms to established policies and procedures.
3. **Security of Assets (Preventive and Detective):** Access to equipment, inventories, securities, cash and other assets is restricted; assets are periodically counted and compared to amounts shown on control records.

Detective Controls techniques are designed to find errors or irregularities after they have occurred. Examples of detective controls techniques are:

1. **Reviews of Performance:** Management compares information about current performance to budgets, forecasts, prior periods, or other benchmarks to measure the extent to which goals and objectives are being achieved and to identify unexpected results or unusual conditions that require follow-up.
2. **Reconciliations:** An employee relates different sets of data to one another, identifies and investigates differences, and takes corrective action, when necessary.
3. **Physical Inventories**
4. **Internal Audits**

11

Answer No 5 (a)

COMPANIES (COST RECORDS AND AUDIT) RULES, 2014

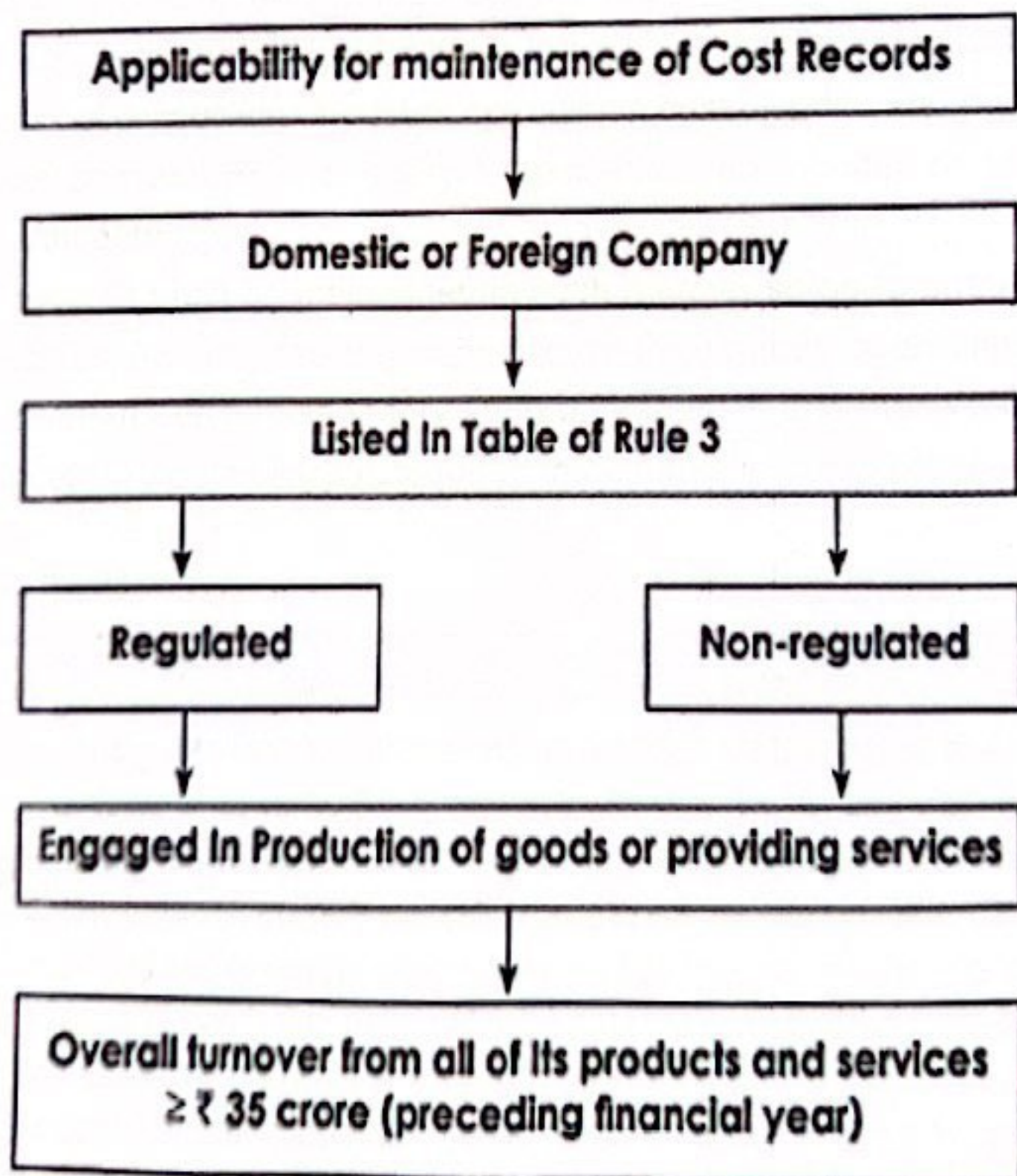
Rule 1: These rules may be called the Companies (Cost Records and Audit) Rules, 2014 and shall come into force on the date of publication in the Official Gazette i.e. 30.06.2014.

Rule 2: Definitions

In these rules, various terms has been defined like (a) Act; (aa) Central Excise Tariff Act Heading; (b) Cost Accountant In practice; (c) cost auditor (d) cost audit report; (e) cost records; (f) form; (g) institute.

Rule-3: Application of Cost Records

Two categories (regulated sectors and non-regulated sectors) have been retained and a general threshold of turnover of Rs 35 crores or more has been prescribed for companies covered. Micro enterprise or a small enterprise as per MSMED Act, 2006 have been taken out of the purview.



12

Rule-4: Applicability of Cost Audit:

1. Every company covered under regulated sector shall get its cost records audited in accordance with these rules if the overall annual turnover of the company from all its products and services during the immediately preceding financial year is rupees fifty crore or more and the aggregate turnover of the individual product or products or service or services for which cost records are required to be maintained under rule 3 is rupees twenty five crore or more.
2. Every company covered under Non- Regulated sector shall get its cost records audited in accordance with these rules if the overall annual turnover of the company from all its products and services during the immediately preceding financial year is rupees one hundred crore or more and the aggregate turnover of the individual product or products or service or services for which cost records are required to be maintained under rule 3 is rupees thirty five crore or more.

Rule- 5: Maintenance of records

1. Every company under these rules including all units and branches thereof, shall, in respect of each of its financial year commencing on or after the 1st day of April, 2014, maintain cost records in form CRA-1. The cost records referred to in sub-rule (1) shall be maintained on regular basis in such manner as to facilitate calculation of per unit cost of production or cost of operations, cost of sales and margin for each of its products and activities for every financial year on monthly or quarterly or half-yearly or annual basis.
2. The cost records shall be maintained in such manner so as to enable the company to exercise, as far as possible, control over the various operations and costs to achieve optimum economies in utilisation of resources and these records shall also provide necessary data which is required to be furnished under these rules.

Answer No 5 (b)

VERIFICATION OF ASSETS

The term 'verification' signifies the physical examination of certain class of assets and confirmation regarding certain transactions. Sometimes verification is confused with vouching but they differ from each other on the nature and depth of the examination involved. Vouching goes to prove the arithmetical accuracy and the genuineness of the transactions, whereas verification goes to enquire into the value, ownership, existence and possession of assets and also to confirm whether they are free from any mortgage or charge. The fact of the presence of any entry regarding the acquisition of asset does not prove that the particular asset actually exists on the Balance Sheet date, rather it purports to prove that the asset ought to exist; on the other hand, verification through physical examination and confirmation proves whether a particular asset actually exists without having any charge on the date of the Balance Sheet.

Verification of assets involves the following steps:

1. Enquiry into the value placed on assets;
2. Examination of the ownership and title deeds of assets;
3. Physical inspection of the tangible assets; and
4. Confirmations regarding the charge on assets;
5. Ensuring that the assets are disclosed, classified and presented in accordance with recognized accounting policies and legal requirements.

Answer No 5 (c)

VOUCHING

Vouching means the examination of documentary evidence in support of entries to establish the arithmetic accuracy. When the auditor checks the entries with some documents it is called vouching.

Vouching is the acid test of audit. It tests the truth of the transaction recorded in the books of accounts. It is an act of examining documentary evidence in order to ascertain the accuracy and authenticity of the entries in the books of accounts.

According to Dicksee, "Vouching consists of comparing entries in the books of accounts with documentary evidence in support thereof."

According to Joseph Lancaster, "it is often thought that vouching consists of the mere examination of the vouchers or documentary evidence with the book entries. This is, however, quite wrong, for vouching comprises such an examination of the ledger entries as will satisfy the auditor, not only that the entry is supported by the documentary evidence but it has been properly made upon the books of accounts."

From the above it becomes clear that vouching means testing the truth of entries appearing in the primary books of accounts. In short, vouching means to examine the evidence in support of any transaction or entry recorded in the books of accounts. Vouching does not merely see that the entries and transactions are supported by proper documentary evidence. The auditor should be satisfied that they are properly maintained, they are supported by all evidence and they are correctly recorded in the books of accounts.

OBJECTIVES OF VOUCHING

The basic objectives of vouching are as under:

1. To ensure that all the transactions are properly recorded in the books of accounts.
2. To see the proper evidence supports all the entries of the transactions.
3. To make sure that fraudulent transactions are not recorded in the books of accounts.
4. To see that all transactions relating to business are recorded in the books of accounts.
5. To see that all transactions are properly authenticated by a responsible person.

Model

SOLUTION OF SAS PART – II PAPER – VII (Industrial, Commercial Laws & Direct Taxes)
SESSION 8/22

Q. 1 (i) Power to declare air pollution control areas. —

- (1) The State Government may, after consultation with the State Board, by notification in the Official Gazette declare in such manner as may be prescribed, any area or areas within the State as air pollution control area or areas for the purposes of this Act.
- (2) The State Government may, after consultation with the State Board, by notification in the Official Gazette, —
 - (a) alter any air pollution control area whether by way of extension or reduction;
 - (b) declare a new air pollution control area in which may be merged one or more existing air pollution control areas or any part or parts thereof.
- (3) If the State Government, after consultation with the State Board, is of opinion that the use of any fuel, other than an approved fuel, in any air pollution control area or part thereof, may cause or is likely to cause air pollution, it may, by notification in the Official Gazette, prohibit the use of such fuel in such area or part thereof with effect from such date (being not less than three months from the date of publication of the notification) as may be specified in the notification.
- (4) The State Government may, after consultation with the State Board, by notification in the Official Gazette, direct that with effect from such date as may be specified therein, no appliance, other than an approved appliance, shall be used in the premises situated in an air pollution control area: Provided that different dates may be specified for different parts of an air pollution control area or for the use of different appliances.
- (5) If the State Government, after consultation with the State Board, is of opinion that the burning of any material (not being fuel) in any air pollution control area or part thereof may cause or is likely to cause air pollution, it may, by notification in the Official Gazette, prohibit the burning of such material in such area or part thereof.

Q. 1(ii) **Manufacturing Process** means any process for—

- (i) making, altering, repairing, ornamenting, finishing, packing, oiling, washing, cleaning, breaking up, demolishing, or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal or
- (ii) pumping oil, water, sewage or any other substance or
- (iii) generating, transforming or transmitting power or
- (iv) composing types for printing, printing by letter press, lithography, photogravure or other similar process or book binding or
- (v) constructing, reconstructing, repairing, refitting, finishing or breaking up ships or vessels or
- (vi) preserving or storing any article in cold storage.

iii) **Employer's liability for compensation.**— If personal injury is caused to a workman by accident arising out of and in the course of his employment, his employer shall be liable to pay compensation in accordance with the provisions of this Chapter: Provided that the employer shall not be so liable —

(a) in respect of any injury which does not result in the total or partial disablement of the workman for a period exceeding three days;

(b) in respect of any injury, not resulting in death or permanent total disablement caused by an accident which is directly attributable to—

(i) the workman having been at the time thereof under the influence of drink or drugs, or

(ii) the willful disobedience of the workman to an order expressly given, or to a rule expressly framed, for the purpose of securing the safety of workmen, or

(iii) the willful removal or disregard by the workman of any safety guard or other device which he knew to have been provided for the purpose of securing the safety of workman,

iv) **Employment injury** means a personal injury to an employee caused by accident or an occupational disease arising out of and in the course of his employment, being an insurable employment, whether the accident occurs or the occupational disease is contracted within or outside the territorial limits of India

Model

SOLUTION OF SAS PART – II PAPER – VII (Industrial, Commercial Laws & Direct Taxes)
SESSION 8/22

Q. 2 (i) As per Section 15 of Arbitration Act, Termination of mandate and substitution of arbitrator. —

(1) In addition to the circumstances referred to in section 13 or section 14, the mandate of an arbitrator shall terminate —

- (a) where he withdraws from office for any reason or**
- (b) by or pursuant to agreement of the parties.**

(2) Where the mandate of an arbitrator terminates, a substitute arbitrator shall be appointed according to the rules that were applicable to the appointment of the arbitrator being replaced.

(3) Unless otherwise agreed by the parties, where an arbitrator is replaced under sub-section (2), any hearings previously held may be repeated at the discretion of the arbitral tribunal. 14

(4) Unless otherwise agreed by the parties, an order or ruling of the arbitral tribunal made prior to the replacement of an arbitrator under this section shall not be invalid solely because there has been a change in the composition of the arbitral tribunal.

(ii) Holder in due course means any person who for consideration became the possessor of a promissory note, bill of exchange or cheque if payable to bearer, or the payee or indorsee thereof, if payable to order, before the amount mentioned in it became payable, and without having sufficient cause to believe that any defect existed in the title of the person from whom he derived his title.

Payment in due course — means payment in accordance with the apparent tenor of the instrument in good faith and without negligence to any person in possession thereof under circumstances which do not afford a reasonable ground for believing that he is not entitled to receive payment of the amount therein mentioned.

④ Model sol. of SWS-II | 5-8/22 | P-7

(iii) **As per Section 73 of Contract Act, Compensation for loss or damage caused by breach of contract.**—When a contract has been broken, the party who suffers by such breach is entitled to receive, from the party who has broken the contract, compensation for any loss or damage caused to him thereby, which naturally arose in the usual course of things from such breach, or which the parties knew, when they made the contract, to be likely to result from the breach of it.

Such compensation is not to be given for any remote and indirect loss or damage sustained by reason of the breach.

Compensation for failure to discharge obligation resembling those created by contract.—When an obligation resembling those created by contract has been incurred and has not been discharged, any person injured by the failure to discharge it is entitled to receive the same compensation from the party in default, as if such person had contracted to discharge it and had broken his contract.

Model

SOLUTION OF SAS PART – II PAPER – VII (Industrial, Commercial Laws & Direct Taxes)
SESSION 8/22

Q. 3 Calculate Annual Value from the followings :

Particulars	House 1 (RS)	House 2 (RS)	House 3 (RS)	House 4 (RS)
MRV	1,00,000	1,20,000	2,50,000	1,20,000
FRV	1,30,000	1,32,000	3,00,000	1,29,000
Take higher of the two				
Standard Rent(SR)	1,30,000	1,32,000	3,00,000	1,29,000
Take lower of the two(ERV)	1,19,000	1,19,000	2,40,000	1,26,000
AR				
Gross Annual Value (higher of the two)	1,19,000	1,19,000	2,40,000	1,26,000
Less: Vacancy (Rent of the Vacant period)	1,40,000	1,14,000	1,92,000	1,44,000
		11,900	24,000	
	1,40,000	1,14,000	1,92,000	1,44,000
	11,667	14,250	1,60,000	60,000
Annual Value (GAV-Vacancy)	1,28,333	1,04,750	80,000	84,000

CALCULATION OF AR

Particulars	House 1 (RS)	House 2 (RS)	House 3 (RS)	House 4 (RS)
Annual Rents	1,40,000	1,14,000	1,92,000	1,44,000
Month in a year	12	12	12	12
Actual rent per Month (AR/12)	11,667	9,500	16,000	12,000
Vacancy (in months)	1	1 1/2	10	5
Loss of rent due to vacancy (Actual rent per Month * Vacant period)	11,667	14,250	1,60,000	60,000

SOLUTION OF SAS PART - II PAPER - VII (Industrial, Commercial Laws & Direct Taxes)
SESSION 8/22

Q. No. 4(a) A company on any petition under section 272, be wound up by the Tribunal-

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

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

Objects of Producer Company.

- 1) The objects of the Producer Company shall relate to all or any of the following matters, namely:-
 - a) Production, harvesting , procurement, 'grading, pooling, handling, marketing, selling, export of primary produce of the Members or import of goods or services for their benefit :

Provided that the Producer Company may carry on any of the activities specified in this clause either by itself or through other institution:

- b) Processing including preserving, drying, distilling, brewing, vinting, canning and packaging of producer of its Members;
- c) Manufacture, sale or supply of machinery, equipment or consumables mainly to its Members;
- d) Providing education on the mutual assistance principles to its Members and others;
- e) Rendering technical services, consultancy services, training research and development and all other activities for the promotion of the interests of its Members;
- f) Generation, transmissions and distribution of power, revitalization of land and water resources, their use, conservation and communications relatable to primary produce;
- g) Insurance of producers or their primary produce;
- h) Promoting techniques of mutuality and mutual assistance;
- i) Welfare measures or facilities for the benefit of Members as may be decided by the Board;
- j) Any other activity, ancillary or incidental to any of the activities referred to in clauses (a) to (i) or other activities which may promote the principles of mutuality and mutual assistance amongst the Members in any other manner.
- k) Financing of procurement, processing, marketing or other activities specified in clauses (a) to (j) which include extending of credit facilities or any other financial services to its Members.

Benefit to Members :

- 1) Subject to provisions made in articles, every member shall initially receive only such value for the produce or products pooled and supplied as the Board or Producer Company may determine, and the withheld price may be disbursed later in cash or in kind or by allotment of equity shares, in proportion to the Producer Company during the financial year to such extent and in such manner and subject to such conditions as may be decided by the Board.
- 2) Every Member shall, on the shares capital contributed, receive only a limited return: Provided that every such Member may be allotted bonus shares in accordance with the provisions contained in section 581Z).

Model SOLUTION OF SAS PART – II PAPER – VII (Industrial, Commercial Laws & Direct Taxes)
SESSION 8/22

Q. 5 (i) Assessee means a person by whom any tax or any other sum of money is payable under this Act, and includes—

every person in respect of whom any proceeding under this Act has been taken for the assessment of his income or assessment of fringe benefits or of the income of any other person in respect of which he is assessable, or of the loss sustained by him or by such other person, or of the amount of refund due to him or to such other person

(ii) Free consent— is said to be free when it is not caused by—

- (1) coercion, as defined in section 15, or
- (2) undue influence, as defined in section 16, or
- (3) fraud, as defined in section 17, or
- (4) misrepresentation, as defined in section 18, or
- (5) mistake, subject to the provisions of sections 20, 21 and 22.

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

(iii) Worker means a person employed, directly or by or through any agency (including a contractor) with or without the knowledge of the principal employer, whether for remuneration or not, in any manufacturing process, or in cleaning any part of the machinery or premises used for a manufacturing process, or in any other kind of work incidental to, or connected with, the manufacturing process, or the subject of the manufacturing process but does not include any member of the armed forces of the Union.

(iv) Articles means the articles of the association of a company as originally framed or as altered from time to time in pursuance of any previous companies law or of this Act, including, so far as they apply to the company, the regulations contained as the case may be, in the Table B in the Schedule annexed to Act No.19 of 1857 or in the Table A in the First Schedule annexed to the Indian Companies Act 1882, (6 of 1882). Or in Table A in the First Schedule annexed to the Indian Companies Act, 1913 (7 of 1913) or in Table A in Schedule annexed to this Act.

SAS Part-2

Works and Management Accounting

Model Solution to Question No. 1 :-

Working Notes:

(1) Calculation of Cost of Goods Sold (COGS):

$$\begin{aligned}\text{COGS} &= \text{DM} + \text{DL} + \text{FOH} + \text{AOH} \\ \text{COGS} &= \{0.3 \text{ COGS} + 0.15 \text{ COGS} + (0.10 \text{ COGS} + \text{Rs. } 2,30,000) + \\ &\quad (0.02 \text{ COGS} + \text{Rs. } 71,000)\}\end{aligned}$$

$$\text{Or, COGS} = 0.57 \text{ COGS} + \text{Rs. } 3,01,000$$

$$\text{Or, COGS} = \frac{\text{Rs. } 3,01,000}{0.43} = \text{Rs. } 7,00,000$$

(2) Calculation of Cost of Sales (COS) :

$$\text{COS} = \text{COGS} + \text{S\&D OH}$$

$$\text{COS} = \text{COGS} + (0.04 \text{ COS} + \text{Rs. } 68,000)$$

$$\text{Or, COS} = \text{Rs. } 7,00,000 + (0.04 \text{ COS} + \text{Rs. } 68,000)$$

$$\text{Or, COS} = \frac{\text{Rs. } 7,68,000}{0.96} = \text{Rs. } 8,00,000$$

(3) Calculation of Variable Costs:

Direct Material -	(0.30 x Rs. 7,00,000)	Rs. 2,10,000
Direct Labour -	(0.15 x Rs. 7,00,000)	Rs. 1,05,000
Factory Overhead-	(0.10 x Rs. 7,00,000)	Rs. 70,000
Administration OH-	(0.02 x Rs. 7,00,000)	Rs. 14,000
Selling & Distribution OH	(0.04 x Rs. 8,00,000)	<u>Rs. 32,000</u>
		<u>Rs. 4,31,000</u>

(4) Calculation of total Fixed Costs:

Factory Overhead-	Rs. 2,30,000
Administration OH-	Rs. 71,000
Selling & Distribution OH	<u>Rs. 68,000</u>
	<u>Rs. 3,69,000</u>

(5) Calculation of P/V Ratio :

$$\begin{aligned} \text{P/V Ratio} &= \frac{\text{Contribution}}{\text{Sales}} \times 100 = \frac{\text{Sales} - \text{Variable Costs}}{\text{Sales}} \times 100 \\ &= \frac{(\text{Rs. } 185 \times 5,000 \text{ units}) - \text{Rs. } 4,31,000}{\text{Rs. } 185 \times 5,000 \text{ units}} \times 100 = 53.41\% \end{aligned}$$

(i) Break-Even Sales

$$= \frac{\text{Fixed Costs}}{\text{P/V Ratio}} = \frac{\text{Rs. } 3,69,000}{53.41\%} = \text{Rs. } 6,90,882$$

(ii) Profit earned during the last year

$$\begin{aligned} &= (\text{Sales} - \text{Total Variable Costs}) - \text{Total Fixed Costs} \\ &= (\text{Rs. } 9,25,000 - \text{Rs. } 4,31,000) - \text{Rs. } 3,69,000 \\ &= \text{Rs. } 1,25,000 \end{aligned}$$

(iii) Margin of Safety (%)

$$\begin{aligned} &= \frac{\text{Sales} - \text{Breakeven sales}}{\text{Sales}} \times 100 \\ &= \frac{\text{Rs. } 9,25,000 - \text{Rs. } 6,90,882}{\text{Rs. } 9,25,000} \times 100 = 25.31\% \end{aligned}$$

(iv) Profit if the sales were 10% less than the actual sales :

$$\begin{aligned} \text{Profit} &= 90\% (\text{Rs. } 9,25,000 - \text{Rs. } 4,31,000) - \text{Rs. } 3,69,000 \\ &= \text{Rs. } 4,44,600 - \text{Rs. } 3,69,000 = \text{Rs. } 75,600 \end{aligned}$$

Model Solution to Question No. 2(a)

RN Builders Ltd.

Contract Account (2019-20)

Particulars	(Rs.)	Particulars	(Rs.)
To Materials issued	36,00,000	By Material sold	7,25,000
To Wages paid 30,00,000		By Plant sold	1,15,000
Add: Outstanding 2,50,000	32,50,000	By plant at site c/d	3,10,000
To Plant	10,00,000	By Material at site c/d	1,70,000
To Sundry 2,90,000 expenses		By work-in-progress c/d	
Less : prepaid 25,000	2,65,000	Work 87,50,000 Certified (Rs.70,000/80%)	
To Establishment charges	5,85,000	Work 10,95,000 uncertified	98,45,000
To Costing P & L A/c (Rs.7,25,000 – Rs.6,00,000)	1,25,000		
To Notional profit (profit for the year)	23,40,000		
	1,11,65,000		1,11,65,000

Calculation of Estimated Profit

	Particulars	Rs.	Rs.
(1)	Material consumed (36,00,000 + 1,25,000 – 7,25,000)	30,00,000	
	Add : Further consumption	34,30,000	64,30,000
(2)	Wages :	32,50,00	
	Add : Further cost (34,93,000 – 2,50,000)	32,43,000	
	Add : Outstanding	3,32,000	68,25,000
(3)	Plant used (10,00,000 – 1,15,000)	8,85,000	
	Add: Further plant introduced	12,50,000	
	Less : Closing balance of plant	(1,50,000)	19,85,000
(4)	Establishment charges	5,85,000	
	Add: Further charges for nine months (5,85,000 x 9/2)	4,38,750	10,23,750
(5)	Sundry expenses	2,90,000	
	Add: Further expenses	2,75,000	5,65,000
(6)	Reserve for contingencies		4,32,000
	Estimated profit (balancing figure)		27,39,250
	Contract price		2,00,00,000

Model Solution to Question No. 2(b)

Limitations of Cost Accounting:-

1. It is Expensive
2. It is Unnecessary
3. Matter of Routine Forms and Statements
4. Failure of Costing System
5. Not Applicable to Many Industries
6. It is not Reliable
7. More Complex
8. Not applicable to Small Concerns
9. Lack of Uniformity
10. Lack of Accuracy
11. Confusion Regarding Non-Cost Items
12. Not useful for Handling Futuristic Situations and a Few Others.

Model Solution to Question No. 3 (a)

Budget Showing Current Position and Position for 2020-21

	Position for 2019-20			Position for 2020-21			
	A	B	Total (A+B)	A	B	C	Total (A+B+C)
Sales (units)	2,00,000 Rs.	1,00,000 Rs.	- Rs.	1,50,000 Rs.	50,000 Rs.	2,00,000 Rs.	- Rs.
(A) Sales	<u>64,00,000</u>	<u>56,00,000</u>	<u>1,20,00,000</u>	<u>48,00,000</u>	<u>28,00,000</u>	<u>56,00,000</u>	<u>1,32,00,000</u>
Direct Material	16,00,000	12,00,000	28,00,000	12,00,000	6,00,000	12,80,000	30,80,000
Direct Wages	8,00,000	8,00,000	16,00,000	6,00,000	4,00,000	8,00,000	18,00,000
Factory overhead (Variable)	8,00,000	8,00,000	16,00,000	6,00,000	4,00,000	8,00,000	18,00,000
Other Variable costs	<u>8,00,000</u>	<u>4,80,000</u>	<u>12,80,000</u>	<u>6,00,000</u>	<u>2,40,000</u>	<u>8,00,000</u>	<u>16,40,000</u>
(B) Marginal Cost	40,00,000	32,80,00	72,80,000	30,00,000	16,40,000	36,80,000	83,20,000
(C) Contribution (A-B)	24,00,000	23,20,000	47,20,000	18,00,000	11,60,000	19,20,000	48,80,000
Fixed costs							
-Factory			16,00,000				16,00,000
-Others			<u>12,80,000</u>				<u>12,80,000</u>
(D) Total fixed cost			<u>28,80,000</u>				<u>28,80,000</u>
Profit (C-D)			18,40,000				20,00,000

Comments : Introduction of Product C is likely to increase profit by Rs. 1,60,000 (i.e. from Rs.18,40,000 to Rs. 20,00,000) in 2020-21 as compared to 2019-20 even if the demand for Product A & B falls. Therefore introduction of product C is recommended.

Model Solution to Question No. 3 (b)

Differences between Cost Control and Cost Reduction

The following are the major differences between Cost Control and Cost Reduction:

1. The activity of maintaining cost as per the established norms is known as cost control.
The activity of decreasing per unit cost by applying new methods of production in such a way that it does not affect the quality of the product is known as cost reduction.
2. Cost Control focuses on decreasing the total cost while cost reduction focuses on decreasing per unit cost of a product.
3. Cost Control is temporary in nature. Unlike Cost Reduction which is permanent.
4. The process of cost control is completed when the specified target is achieved.
Conversely, the process of cost reduction has no visible end as it is a continuous process that targets for eliminating wasteful expenses.
5. Cost Control does not guarantee quality maintenance. However, 100% quality maintenance is assured in case of cost reduction.
6. Cost Control is a preventive function as it ascertains the cost before its occurrence. Cost Reduction is a corrective action.

Model Solution to Question No. 4

(i)

Calculation of Net Cash inflow per year :

	Particulars	Amount (Rs.)
A	Selling price per Unit (A)	40
B	Variable Cost per unit (B)	20
C	Contribution per unit (C=A-B)	20
D	Number of Units Sold Per Year	100 Crore
E	Total Contribution (E= C x D)	2,000 Crore
F	Annual Fixed costs	500 Crore
G	Depreciation	200 Crore
H	Net profit before taxes(H = E - F -G)	1,300 Crore
I	Tax @ 30% of H	390 Crore
J	Net Cash inflow Per Year (J= H - I + G)	910 Crore

Calculation of expected Net Present Value (NPV) of the Project :

Year	Year Cash Flow (Rs. in crore)	PVAF @ 12%	Present Value (PV) (Rs. in Crore)
0	(1400.00)	1.000	(1400.00)
1- 4	910.00	3.038	2,764.58
		Net Present Value	1,364.58

(ii)

Sensitivity Analysis under variable different value :

	Changes in variable	Base	Units sold per year is 85 Crore	Selling price per unit is Rs. 39	Variable cost per unit is Rs. 22	Annual Fixed costs is Rs. 575 Crore.
	Particulars	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
A	Selling Price Per Unit	40	40	39	40	40
B	Variable Cost Per Unit	20	20	20	22	20
C	Contribution Per Unit (C = A-B)	20	20	19	18	20
D	Number Of Unit Sold Per Year (in Crores)	100	85	100	100	100
E	Total Contribution (E = C X D)	2,000	1,700	1,900	1,800	2,000
F	Annual Fixed Cost (in Crores)	500	500	500	500	575
G	Depreciation (in Crores)	200	200	200	200	200
H	Net Profit before taxes (H =	1,300	1,000	1,200	1,100	1,225

Model Sol. of SAS-II / S-8/22/P8.

	E - F - G)					
I	Tax @ 30% of H	390	300	360	330	367.50
J	Net Cash Inflow Per Year (J = H - I + G)	910	700	840	770	857.50
K	(J x 3.038)	2,764.58	2,126.60	2,551.92	2,339.26	2,605.09
L	Initial Cash Flow	1400	1400	1400	1400	1400
M	NPV (K - L)	1,364.58	726.60	1,151.92	939.26	1205.09
N	Change in NPV	-	(637.98)	(212.66)	(425.32)	(159.49)
O	Percentage Change in NPV	-	- 46.75%	- 15.58%	- 31.17%	- 11.69%

The above table shows that by varying one variable at a time while keeping the others constant, the impact in percentage terms on the NPV of the project. Thus, it can be seen that the change in units sold per year has the maximum effect on the NPV by 46.75%.

Model Solution to Question No. 5 (a)

Calculation of Overhead Recovery Rate :

$$\begin{aligned} \text{Factory Overhead Recovery Rate} &= \frac{\text{Factory Overhead in 2019-20}}{\text{Direct Labour Costs in 2019-20}} \times 100 \\ &= \frac{\text{Rs. 30,80,000} \times 100}{\text{Rs. 90,50,000}} = 34\% \text{ of Direct labour} \end{aligned}$$

Administrative Overhead Recovery Rate

$$\begin{aligned} &= \frac{\text{Administrative Overhead in 2019-20} \times 100}{\text{Factory Costs in 2019-20 (W.N.)}} \\ &= \frac{\text{Rs. 20,50,400} \times 100}{\text{Rs. 2,96,80,000}} = 6.91\% \text{ of Factory Cost} \end{aligned}$$

Working Note :

Calculation of Factory Cost in 2019-20

Particulars	Amount (Rs.)
Opening Stock of Material	15,00,000
Add: Purchase of Material	1,80,50,000
Less: Closing Stock of Material	(20,00,000)
Material Consumed	1,75,50,000
Direct Labour	90,50,000
Prime Cost	2,66,00,000
Factory Overhead	30,80,000
Factory Cost	2,96,80,000

(ii) Job Cost Sheet for the order received in 2020-21

Particulars	Amount (Rs.)
Material	80,00,000
Labour	40,50,000
Factory Overhead (34% of Rs. 40,50,000)	13,77,000

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Factory Cost	1,34,27,000
Administrative Overhead (6.91% of Rs. 1,34,27,000)	9,27,806
Cost of delivery	<u>4,50,000</u>
Total cost	1,48,04,806
Add : profit @ 25% of Sales or 33.33% of Cost	<u>49,34,935</u>
Sales value (Price to be quoted for the order)	<u>1,97,39,741</u>

Hence the price to be quoted is Rs. 1,97,39,741

Model Solution to Question No. 5 (b)

NON TARIFF INCOME

Following components of income shall be treated as non tariff income for the generating company or the licensee as applicable:

- Meter/metering equipment/service line rentals
- Service charges
- Customer charges
- Revenue from late payment surcharge
- Recovery for theft and pilferage of energy
- Miscellaneous receipts
- Incentives from CGS's
- Miscellaneous charges (except PLEC charges)
- Interest on staff loans and advances
- Interest on advances to suppliers
- Income from trading
- Income from staff welfare activities
- Excess found on physical verification
- Interest on investments, fixed and call deposits and bank balances
- Net recovery from penalty on coal liaison agents
- Prior period income