

①

Model Sol. of SAs / P-2 / S-8 / 24 / P-V

EXAMINER

### Solution

Solution 1. (a) Title- Human evolution & emotions precis- The emotions that humans express and react to stimuli in the environment and an evolutionary basis. Emotions are assumed to be a result of repeated encounters with a certain event

According to evolution, emotions like fear, love, feigning, anger and disgust are result of consistent reactions in particular situations. Some expressions are often built up or adapted as a form of self-protection.

### Meaning

- (i) Stimulus - a thing or event that evokes a specific functional reaction in an organ or tissues.
  - (ii) Adaptation- process by which an organism becomes better suited to its environment
  - (iii) Psychologist - person who specializes in the study of mind, behaviour and emotions
  - (iv) Strategies/Strategy - a plan of action designed to achieve a long term or overall aim.
  - (v) Physiology - study of normal bodily functions of living organisms and their parts.
  - (vi) Disgusted - feeling or expressing strong disapproval.
- b) 1. Through  
2. for  
3. with  
4. against  
5. away



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**Solution 2. (a)**

From

Dy CE/ Op

.....Circle

PSPCL.....

To

M/S .....

.....

Memo no:-

Dated:-

Subject:- Compliance of Statutory Levies for Contract Labour

In reference to work order no. X dated 2024 for outsourcing of labour issued to your firm, it has been brought to the notice of undersigned that in spite of verbal instructions by the field offices many times, guidelines issued by the GOI from time to time regarding statutory levies like EPF and ESI deduction are not being followed by your firm while submitting the running bills. Further these payments to the concerned government department are also not being paid timely. This is a very serious matter and punishable.

Therefore, we require your immediate attention to ensure compliance with statutory levies applicable to contract labour and the strict compliance of the same shall be ensured in future.

**Matter Most Urgent**

Dy CE/ Op

.....Circle

PSPCL.....

**Solution 2 (b) Public Notice :-** It is informed general public that due to the huge demand, PSPCL with the approval of PSERC, is glad to inform the general public that Voluntary Disclosure Scheme which was earlier valid up to 31.07.2024 has been extended to 31.10.2024 with the same term and conditions. The detail of same can be downloaded/checked from PSPCL website i.e. [pspcl.in](http://pspcl.in)



- Solution 3.(i) (a) Split hairs – agree or worry about small details  
(b) Knee jerk reaction – a quick & automatic response  
(c) Get your action together – organize one's tasks affair properly & effectively  
(d) A left handed compliment – a remark which though apparently meant to flatter is really not a compliment
- (ii) (a) It should not be done or Let not it to be done  
(b) Too much is being taken for granted by them  
(c) Is his conduct been defended by you?  
(d) I often get annoyed by his behavior.  
(e) Why were you deprived by Arun for your money ? or why were you deprived of your money by Arun?
- (iii)(a) She shouted at those who criticize her and wanted that she will not yield  
(b) He requested his teacher to teach him to play the guitar.  
(c) The teacher asked him how he head guessed the correct answer.  
(d) He exclaimed that it was a pity I had missed their function.  
(e) The doctor advised the patient to quit smoking.
- (iv)(a)URL – Uniform Resource Locators  
(b) SSL – Secure Sockets Layer  
(c) FTP – File Transfer Protocol  
(d) DBA – Database Administrator  
(e) VOIP – Voice Over Internet Protocol



**Solution 4(a):** Manual Accounting involves recording financial transactions by hand using physical books or ledgers. This traditional method requires accountants to manually write down each transaction, calculate totals, and produce financial statements. While it offers a tangible sense of control and understanding of the accounting process, it can be time-consuming, prone to human error, and labor-intensive.

Computerized Accounting, on the other hand, uses accounting software to record, process, and manage financial transactions. Software systems automate tasks such as data entry, calculations, and report generation. This method can greatly enhance accuracy and efficiency in accounting practices.

**Advantages of Computerized Accounting over Manual Accounting:**

1. **Accuracy and Reduced Errors:** Computerized systems minimize human errors by automating calculations and data entries. Errors can be quickly identified and corrected through built-in checks and balances.
2. **Efficiency and Speed:** Automation significantly speeds up processes such as ledger updates, financial reporting, and transaction processing. This efficiency saves time and resources.
3. **Data Storage and Retrieval:** Digital storage allows for easy and organized access to large volumes of data. Historical records and reports are readily available and can be retrieved quickly.
4. **Enhanced Reporting:** Computerized systems offer advanced reporting capabilities, including customizable financial statements and real-time insights into financial performance.
5. **Scalability:** Software solutions can handle complex and voluminous transactions as a business grows, unlike manual methods which may become cumbersome with increased data.
6. **Integration:** Many computerized accounting systems can integrate with other business applications, such as inventory management or payroll systems, leading to more cohesive and streamlined operations.
7. **Security:** Computerized systems can offer better security measures, including user access controls and data encryption, to protect sensitive financial information.

In summary, while manual accounting provides a fundamental understanding of accounting principles, computerized accounting offers significant advantages in terms of efficiency, accuracy, and scalability.



Solution 4.(b)

$$(1)(AC.FBA5)_{16} + (3211)_4 =$$

$$(AC.FBA5)_{16}$$

$$= (A \times 16^1 + C \times 16^0 + F \times 16^{-1} + B \times 16^{-2} + A \times 16^{-3} + 5 \times 16^{-4})_{10}$$

$$= (10 \times 16 + 12 \times 1 + 15 \times 16^{-1} + 11 \times 16^{-2} + 10 \times 16^{-3} + 5 \times 16^{-4})_{10}$$

$$= (160 + 12 + 0.9375 + 0.0429 + 0.0024 + 0.0001)_{10}$$

$$= (172.9829)_{10}$$

$$(3211)_4$$

$$= 3 \times 4^3 + 2 \times 4^2 + 1 \times 4^1 + 1 \times 4^0$$

$$= 3 \times 64 + 2 \times 16 + 1 \times 4 + 1 \times 1 = (229)_{10}$$

$$= (172.9829)_{10} + (229)_{10} = (401.9829)_{10}$$

(b)(2) To convert the decimal number 172.983 to hexadecimal (base-16) with four fractional places, follow these steps:

1. Convert the integer part (172) to hexadecimal:

-Divide 172 by 16:

$$172 \div 16 = 10 \text{ with a remainder of } 12.$$

-The quotient 10 corresponds to the hexadecimal digit A and the remainder 12 corresponds to the hexadecimal digit C.

-So, 172 in hexadecimal is AC16.

2. Convert the fractional part (0.983) to hexadecimal:

-Multiply 0.983 by 16:

$$0.983 \times 16 = 15.728$$

The integer part is 15, which corresponds to the hexadecimal digit F. The fractional part to convert further is 0.728.

-Multiply 0.728 by 16:

$$0.728 \times 16 = 11.64$$

The integer part is 11, which corresponds to the hexadecimal digit B. The fractional part to convert further is 0.648.



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-Multiply 0.648 by 16:

$$0.648 \times 16 = 10.368$$

The integer part is 10, which corresponds to the hexadecimal digit A. The fractional part to convert further is 0.368.

-Multiply 0.368 by 16:

$$0.368 \times 16 = 5.888$$

The integer part is 5, which corresponds to the hexadecimal digit 5. The fractional part to convert further is 0.888, but for the purpose of 4 fractional places, we can stop here.

-Combining these digits gives us the fractional part: FBAB<sub>16</sub>.

Putting it all together:

$$172.983_{10} = AC.FBAB_{16}$$

Rounded to four fractional places:

$$172.983_{10} \approx AC.FB5_{16}$$

Solution(b)(3) To convert the decimal number 1492 to base-5, follow these steps:

1. Divide the number by 5 and keep track of the remainders:

- First division:

$$1492 \div 5 = 298 \text{ with a remainder of } 2$$

So, the least significant digit (rightmost digit) in base-5 is 2.

- Second division:

$$298 \div 5 = 59 \text{ with a remainder of } 3$$

So, the next digit is 3.

- Third division:



$59 \div 5 = 11$  with a remainder of

So, the next digit is 4.

- Fourth division:

$11 \div 5 = 2$  with a remainder of

So, the next digit is 1.

- Fifth division:

$2 \div 5 = 0$  with a remainder of 2.

So, the most significant digit (leftmost digit) is 2.

2. Compile the remainders from last to first to get the base-5 representation:

Reading from the most significant digit to the least significant digit, the base-5 representation of is  $21432_5$ . So,  $1492_{10}$  is  $21432_5$ .

Solution(b)(4)  $(-1729)_{10} = (?)_2$

To convert the decimal number  $-1729$  to binary (base-2), follow these steps:

1. Convert the positive version of the number (1729) to binary:

-Divide the number by 2 and keep track of the remainders:

-First division:  $1729 \div 2 = 864$  with a remainder of 1. The least significant bit is 1.

-Second division:  $864 \div 2 = 432$  with a remainder of 0 The next bit is 0.

-Third division:  $432 \div 2 = 216$  with a remainder of 0 The next bit is 0.

-Fourth division:  $216 \div 2 = 108$  with a remainder of 0 The next bit is 0.

-Fifth division:  $108 \div 2 = 54$  with a remainder of 0 The next bit is 0.



- Sixth division:  $54 \div 2 = 27$  with a remainder of 0 The next bit is 0.
- Seventh division:  $27 \div 2 = 13$  with a remainder of 1 The next bit is 1.
- Eighth division:  $13 \div 2 = 6$  with a remainder of 1 The next bit is 1.
- Ninth division:  $6 \div 2 = 3$  with a remainder of 0 The next bit is 0.
- Tenth division:  $3 \div 2 = 1$  with a remainder of 1 The next bit is 1.
- Eleventh division:  $1 \div 2 = 0$  with a remainder of 1 The most significant bit is 1.

2. Compile the remainders from last to first to get the binary representation:

Reading from the most significant bit to the least significant bit, the binary representation of 1729 is  $110110011001_2$ .

2. Represent  $-1729$  in binary using two's complement notation:

-Determine the bit-width needed: Since 1729 is represented with 12 bits in binary, we need to use at least 12 bits for the negative number.

-Find the two's complement of 1729:

-Invert the bits of  $110110011001_2$ :  $001001100110_2$

-Add 1 to the inverted bits:  $001001100110_2 + 1_2 = 001001100111_2$

-The two's complement representation of  $-1729$  in 12-bit binary is:

$001001100111_2$

So,  $-1729$  is  $001001100111_2$  in binary using a 12-bit two's complement representation.

Solution(b)(5)  $(100111011000)_2 = (?)_{10}$

To convert the binary number  $100111011000_2$  to decimal (base-10), follow these steps:

1. Write down the binary number and identify the place values:



$100111011000_2$

-Each digit in the binary number corresponds to a power of 2, starting from  $2^0$  at the rightmost digit.

2. Calculate the decimal value by summing the products of each binary digit and its corresponding power of 2:

So,  $100111011000_2$  is  $2492_{10}$  in decimal.



Solution 5:a)

- 1) The LOOKUP Function is categorized under Excel Lookup and Reference functions. The function performs a rough match lookup either in a one-row or one-column range and returns the corresponding value from another one-row or one-column range.
- 2) PMT, one of the financial functions, calculates the payment for a loan based on constant payments and a constant interest rate. Use the Excel Formula Coach to figure out a monthly loan payment. At the same time, you'll learn how to use the PMT function in a formula.
- 3) The IRR (internal rate of return) function in Excel is a financial tool that calculates the interest rate for an investment with regular payments and receipts. It's used to determine the percentage at which cash inflows match cash outflows. The IRR function is useful for businesses to compare and decide between capital projects.
- 4) The DISC Function is an Excel Financial function. It will calculate the rate of discount for a bond. It helps to know the discount rate when we know the other details about the bond.
- 5) The YIELD Function[1] is categorized under Excel Financial functions. It will calculate the yield on a security that pays periodic interest. The function is generally used to calculate bond yield. As a financial analyst, we often calculate the yield on a bond to determine the income that would be generated in a year. Yield is different from the rate of return, as the return is the gain already earned, while yield is the prospective return.

b) Certainly! While Microsoft Excel is a powerful tool for financial accounting and other functions, it does have several limitations and disadvantages. Here are five notable ones:

1. **Error Prone:** Excel spreadsheets are susceptible to human errors. Inputting data manually or using complex formulas increases the risk of mistakes, which can lead to significant inaccuracies in financial reports. Even small errors in formulas or data entry can cause major discrepancies in financial statements.
2. **Scalability Issues:** As the volume of data grows, Excel can become cumbersome and slow. Large datasets or complex calculations can lead to performance issues, including slow response times and crashes. This makes Excel less suitable for handling very large or complex financial data sets.



3. **Lack of Real-Time Collaboration:** While recent versions of Excel have improved collaboration features, real-time collaboration can still be challenging. Multiple users working on the same document simultaneously may encounter version control issues or conflicts, which can lead to inconsistencies and confusion.
4. **Limited Data Integrity Controls:** Excel lacks robust data integrity and validation controls. There are no built-in mechanisms for enforcing data consistency or preventing unauthorized changes, which can compromise the accuracy and reliability of financial data. This lack of control can be particularly problematic in environments with stringent regulatory or compliance requirements.
5. **Version Control and Auditing Challenges:** Tracking changes and maintaining an audit trail in Excel can be difficult. When multiple versions of a spreadsheet are created, it can be hard to determine which version is the most current or to track changes over time. This makes it challenging to audit financial records or understand the evolution of data.

These limitations suggest that while Excel is a versatile tool, it may not always be the best choice for all financial accounting tasks, especially those requiring high levels of data integrity, collaboration, or scalability. For more complex needs, specialized accounting software or database systems might be more appropriate.

c)1) Virus stands for Vital Information Resources under Siege. It refers to the type of malicious software or malware that can cause damage to your data, files, and software through replication.

2) Shift + Insert is a keyboard shortcut that pastes the contents of the clipboard at the cursor's position or over the current selection.

3) Alt F is a keyboard shortcut that opens the File menu in many applications, including Microsoft 365 and web browsers. The File menu typically has options for opening, saving, printing, and closing files.

4) A MAC address is a hardware ID number that is assigned to each network device or computer. It is a 12-digit hexadecimal number that is used as a network address for communication within a network segment. MAC addresses are commonly used in networking technologies like Ethernet, Wi-Fi, and Bluetooth.

5) A graphics processing unit (GPU) is a specialized electronic circuit initially designed for digital image processing and to accelerate computer



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graphics, being present either as a discrete video card or embedded on motherboards, mobile phones, personal computers, workstations, and game consoles.





**SOLUTION**

**Q1**

**Answer 1 (a)**

A Company may issue redeemable preference shares because of the following:-

1. It is proper way of raising finance in a dull primary market.
2. A company may face difficulty in raising share capital as its shares are not traded on the stock exchange. Potential investors who may hesitate in putting money into shares that cannot easily be sold may be encouraged to invest if the shares are redeemable by the company.
3. The preference shares may be redeemed when there is a surplus of capital and the surplus funds cannot be utilized in the business for profitable use.
4. No Dividend is required to be paid, if there is loss or no profit, whereas interest is payable on debentures or loans even in case of loss. In other words, preference dividend declared/ paid continues to be regarded as an apportion of profit as against interest on debentures, which is a charge against profits.

**Answer 1(b)**

Many people and organizations use financial statements, including:

1. **Investors and creditors:** These are the primary users of financial statements, and they use them to understand a company's overall health and make decisions about buying or selling shares.
2. **Management:** Financial statements help managers make informed decisions about how to allocate resources and grow the business.
3. **Employees:** Employees use financial statements to understand their future careers and the size of their wages and salaries.
4. **Suppliers and customers:** Suppliers and customers are also users of financial statements.
5. **Tax authorities:** Tax authorities use financial statements to assess a company's profits and determine how much tax is owed.
6. **Governments:** Governments use financial statements to create national statistics.
7. **Regulatory agencies:** Regulatory agencies, such as the Securities and Exchange Commission (SEC), use financial statements.
8. **Investment analysts and advisors:** These professionals use financial statements to help their clients.

\* (Only names are sufficient).



### Answer 1 (c)

Depreciation per year = ₹6,00,000 / 10 = ₹ 60,000

Depreciation on SLM changed from three years = ₹ 60,000 \* 3 = ₹1,80,000.

Book Value of Machine at the end of third year = ₹ 60,0000 - ₹ 1,80,000 = ₹4,20,000.

Remaining useful life as per previous estimate = 7 years.

Remaining useful life as per revised estimate = 5 years.

Depreciation from the fourth year on onwards = 4,20,000/5 = ₹ 84,000/ year.

### Answer 1 (d)

An audit of financial statements typically includes: reviewing the balance sheet, income statement, cash flow statement, statement of changes in equity, notes to the financial statements, assessing internal controls, evaluating the going concern assumption, and providing an auditor's opinion in the audit report, which summarizes the findings and overall assessment of the financial statements' accuracy and fairness.

Key points covered in a financial statement audit:

1. Review of financial statements: Examining the balance sheet, income statement, cash flow statement, and statement of changes in equity for accuracy and completeness.
2. Internal control testing: Assessing the company's internal controls to ensure that transactions are properly authorized, recorded, and safeguarded against fraud.
3. Audit procedures: Performing various procedures like analytical reviews, confirmations, and inspections to verify the accuracy of information in the financial statements.
4. Going concern assessment: Evaluating whether the company has the financial ability to continue operating as a going concern.
5. Auditor's opinion: Expressing an opinion on whether the financial statements are presented fairly, in accordance with applicable accounting standards, in the auditor's report.
6. Material misstatement assessment: Identifying and evaluating potential risks of material misstatements in the financial statements.
7. Notes to financial statements: Reviewing the additional information provided in the notes to ensure clarity and completeness.
8. Compliance with regulations: Checking if the financial statements comply with relevant accounting standards and legal requirements.
9. Communication with management: Discussing audit findings and key matters with company management.

\* (ANY 6 Points are sufficient).



### Answer 2 (a)

Borrowing Costs are interest and other costs incurred by an enterprise in connection with the borrowing of funds.

Five Examples of Borrowing Cost are :-

1. Interest on Short Term loans or Long term debts.
2. Discounts
3. Premiums incurred for acquiring Qualifying Assets.
4. Leasing Cost
5. Exchange difference on foreign currency borrowings.

### Answer 2 (b)

An impairment loss is recognized and measured when an assets' recoverable amount is less than its carrying amount.

Recognition:- An Impairment loss is recognized as an expense in the profit and loss statement.

Measurement:- The carrying amount of the asset is reduced to its recoverable amount.

### Answer 2 (c)

Calculation of tax expense for each quarter

1 <sup>st</sup> Quarter ending 31 <sup>st</sup> December 2022	200*20%	₹ 40 Lakhs
2 <sup>nd</sup> Quarter ending 31 <sup>st</sup> March 2023	200*20%	₹ 40 Lakhs
3 <sup>rd</sup> Quarter ending 30 <sup>th</sup> June 2023	200*30%	₹ 60 Lakhs
4 <sup>th</sup> Quarter ending 30 <sup>th</sup> September 2023	200*30%	₹ 60 Lakhs

### Answer 2 (d)

Journal Entry for refund of Government Grant				
Deffered Grant A/C		dr.	₹ 36 Lakhs	
Profit & Loss A/C		dr.	₹ 54 Lakhs	
	To Bank A/C	Cr.		₹ 90 Lakhs

Workings:-

Total Grant Received = 90 lakhs

Grants Recognised as income for first three years = 18 Lakhs\*3 = 54 Lakhs

Remaining Deferred Income = 90 lakhs- 54 Lakhs = 36 Lakhs



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Answer 3 (a)

→ (If books are not closed on 31<sup>ST</sup> December, 2022)

**BANK RECONCILIATION STATEMENT OF Mr. Ghotala as on 31 st December 2022**

Particulars		Details (₹)	Amount (₹)
Balance as per cash book			8,36,000
Add : Mistakes in bringing forward ₹ 15,260 debit balance as credit balance on 18 <sup>th</sup> Dec, 2022.		30520	
Cheques issued but not presented: ISSUED	11,514		
En-Cashed	7,815	3,699	
Dividends directly collected by bank but not yet entered in cash book		25,000	
Cheques recorded twice in cash book		3,50,000	
Deposit not recorded in Bank Column		1,50,000	5,59,219
			13,95,619
Less:- Wrong casting in cash book on 15 dec 2022.		10,000	
Cheque issued 25 dec 2022 but not Recorded.		1,31,000	
Subscription paid by bank but not Recorded in cash book		1,000	(1,42,000)
Bank Balance as per Pass book			12,53,619

→ If the books are to be closed on 31<sup>st</sup> December, then adjusted cash book  
will be prepared as given below:-

**Cash Book (Bank Column)**

Particulars	Amount(Dr.)	Particulars	Amount (Cr.)
To Balance B/d	8,36,400	By Wrong Casting	10,000
To error for wrong posting	30,520	By Cheques not entered	1,31,000
To dividend collected by bank	25,000	By Subscription	1,000
To cheques recorded twice	3,50,000	By Balance B/D	12,49,920
To deposit not recorded	1,50,000		
	13,91,920		13,91,920

**Bank reconciliation Statement**

Particulars	Amount
Balance as per cash book	12,49,920
Add:- Cheques issued but not presented	3,699
Balance as per the pass book	12,53,619

(\*)Any one of the two solutions as above be considered please).



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Answer 3(b)

Journal entries in the books of Company

Date	Particulars	L.F	Dr.	Cr.
2022			Amount (₹)	Amount (₹)
31 <sup>st</sup> January	Bank A/C Dr. To Equity Share Application A/C (Being Money received on application for 10000 shares @ 25 per share)		2,50,000	2,50,000
1 <sup>st</sup> March	Equity Share Application A/C Dr. To Equity Share Capital A/C (Being Transfer of application money on 10000 shares to share capital)		2,50,000	2,50,000
1 <sup>st</sup> March	Equity Share Allotment A/C Dr. To Equity Share Capital A/C (Amount due on the allotment of 10000 shares @ ₹ 30/share)		3,00,000	3,00,000
1 <sup>st</sup> April	Bank A/C Dr. To Equity Share Allotment A/C ( being Allotment Money Received)		3,00,000	3,00,000
1 <sup>st</sup> June	Equity Share Finish Call A/C Dr. To Equity Share Capital A/C (First call money due on 10000 shares @ ₹ 20/ share)		2,00,000	2,00,000
1 <sup>st</sup> July	Bank A/c Dr. Calls in Arrear A/C Dr. To Equity Share First Call A/C To Calls in Advance (Being First Call money received on 9000 shares and calls in advance on 500 shares @ ₹ 25/ share)		1,92,500 20,000	2,00,000 12,500

Answer 3 (c)

There are two main methods for providing Depreciation

1. Straight Line Method
2. Written Down Value or Reducing/ Diminishing value Method.

Other are:-

3. Sum of year's digits method
4. Units of production method.



**Q4 ANSWER 4(a)**

The net Profit is calculated as follows:-

Particulars	₹
Sales (150% of ₹ 4,80,000)	7,20,000
Direct Costs	(4,80,000)
Gross Profit	2,40,000
Operating expenses	(80,000)
Profit before interest and Taxes (EBIT)	1,60,000
Interest Charges (8% of ₹ 4,00,000)	(32,000)
Profit Before Taxes	1,28,000
Taxes (@50%)	64,000
Net Profit after Taxes	64,000

(i) Operating profit margin =  $\frac{\text{₹ 1,60,000}}{\text{₹ 7,20,000}} = 0.2222$  or 22.22%

(ii) Net profit margin =  $\frac{\text{Net Profit after taxes}}{\text{Sales}} = \frac{\text{₹ 64,000}}{\text{₹ 7,20,000}} = 0.088$  or 8.9%

(iii) Return on Assets =  $\frac{\text{EBIT (1-T)}}{\text{Assets}} = \frac{\text{₹ 1,60,000 (1 - 0.5)}}{\text{₹ 8,00,000}} = 0.10$  or 10%

(iv) Asset Turnover =  $\frac{\text{Sales}}{\text{Assets}} = \frac{\text{₹ 7,20,000}}{\text{₹ 8,00,000}} = 0.9$  times

(v) Return on Owner's Equity =  $\frac{\text{Net Profit (after taxes)}}{\text{Owner's equity}} = \frac{\text{₹ 64,000}}{\text{₹ 4,00,000}} = 0.16$  or 16%

**Answer 4(b)**

Yes, I Agree.

An Audit is an independent examination of financial information of any entity, whether profit oriented or not, and irrespective of its size or legal form, where such an examination is conducted with a view to expressing an opinion thereupon. It is clear that the basic objective of auditing i.e. expression of opinion on financial statements does not change with reference to nature, size or form of an entity.



**Answer 4(c) :- Any Three of following.**

**(i) Repayment of loan by others :-** Repayment of loan by others may be verified in the following ways –

- Calculation of interest received and interest should be credited to interest received account.
- Verification from bank statement if directly deposited by party into bank.
- Checking of carbon copies or counterfoils of cash receipts.
- To ensure that there should be no violation of Income Tax rules as payment of loan exceeding Rs. 20,000/- cannot be repaid in cash. It should be through Cheques, Demand Draft, NEFT, RTGS or any other available banking channels.

**(ii) Subscription :-** Subscriptions are received from the members of a club and the following points need to be considered by the Auditor while vouching subscription –

- Subscription register should be verified.
- Verification of subscription received during the year and the subscription receivable.
- Counterfoil of cash receipt should be verified.

**(iii) Payment of Salaries:-** Depending upon the adequacy of internal control system in an organization Auditor will decide his audit Program. It is very important for Auditor to check the following –

- Attendance record of employee and salary register.
- Appointment letter of new employees.
- Comparison of current month salary with last month's salary and if there is any abnormal change in amount, Auditor should verify the same.
- Alteration in amount of deductions on account of advance, loan, fine, funds, insurance, TDS, etc.

**(iv) Payment of Income tax:-** Consider the following for the verification of Income –

- Advance Tax Challan
- Self-Assessment Tax challan
- Income Tax demand notice
- Assessment order



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### Answer 5 (a)

The Scope of audit is general and broad. Scope of audit of financial statements include the following:-

- Coverage of all aspects of entity relevant to the financial statements being audited.
- Reliability and sufficiency of Financial Statements.
- Proper disclosure of financial information.
- Expression of an opinion on Financial Statements.

However, following are not included in the scope of audit-;

- × Investigation.
- X Duties outside scope of competence of auditor
- X Expertise in authentication of documents
- X Responsibility of preparation and presentation of financial statements.

### Answer 5 (b)

**Inherent, control, and detection risks as perceived by the auditor would be as under:-.**

- 1. Inherent Risk:-** Because items may have been misappropriated by employees, therefore, risk to the auditor is that inventory records would be inaccurate.
- 2. Control Risk :-** There is a security tag on each item displayed. Moreover, inventory records are physically verified on monthly basis. Despite various controls being implemented at the stores, still collusion among employees may be there and risk to auditor would again be that inventory records would be inaccurate.
- 3. Detection risk :-** Auditor checks the efficiency of various control systems in place. He would do that by making observation, inspection, enquiry, etc. In addition to these, the auditor would also apply sampling techniques to check few sales transactions from beginning to end. However, despite all these procedures, the auditor may not detect the items that have been stolen or misappropriated.

### Answer 5 (c)

Internal control is designed, implemented and maintained to address identified business risks that threaten the achievement of any of the entity's objectives and concern.

The purpose of internal control is as under -:

- Reliability of the entity's financial reporting.
- The effectiveness and efficiency of its operations.
- It's Compliance with applicable laws and regulations; and
- Safeguarding of assets.

### Answer 5 (d)

The Companies (Cost Records and Audit) Rules, 2014 has defined "cost records" as books of account relating to utilization of materials, labour and other items of cost as applicable to the production of goods or provision of services as provided in section 148 of the Act, and these rules. These rules also prescribe the items of cost to be included in the books of account. As per these rules, the cost records are required to be maintained as per the Form CRA-1.



Model Solution to Question-1<sup>st</sup>:-

- (a) As per Workmen's compensation Act, Section-5, Method of calculating wages will be as under:-

**Method of calculating wages.**--In this Act and for the purposes thereof the expression "monthly wages" means amount of wages deemed to be payable for a month's service (whether the wages are payable by the month or by whatever other period or at piece rates), and calculated as follows, namely:--

- (a) where the workman/employee has during a continuous period of not less than twelve months immediately preceding the accident, been in the service of the employer who is liable to pay compensation, the monthly wages of the employee shall be one-twelfth of the total wages which have fallen due for payment to him by the employer in the last twelve months of that period;
- (b) where the whole of the continuous period of service immediately preceding the accident during which the workman/employee was in the service of the employer who is liable to pay the compensation was less than one month, the monthly wages of the workman/employee shall be the average monthly amount which, during the twelve months immediately preceding the accident, was being earned by a employee employed on the same work by the same employer, or, if there was no employee so employed, by a employee employed on similar work in the same locality
- (c) in other cases including cases in which it is not possible for want of necessary information to calculate the monthly wages under clause (b), the monthly wages shall be thirty times the total wages earned in respect of the last continuous period of service immediately preceding the accident from the employer who is liable to pay compensation, divided by the number of days comprising such period.

**Explanation.**--A period of service shall, for the purposes of this section be deemed to be continuous which has not been interrupted by a period of absence from work exceeding fourteen days.



(b) **Section 41A of Factory Act:- Constitution of Site Appraisal Committees**

The State Government may, for purposes of advising it to consider applications for grant of permission for the initial location of a factory involving a hazardous process or for the expansion of any such factory, appoint a **Site Appraisal Committee** consisting of the Chief Inspector of the State who shall be its Chairman, representatives of the Central Board and state Board for the Prevention and Control of Water/Air Pollution, Department of Environment in the State, Meteorological Department of the Government of India, an expert in the field of occupational health, Town Planning Department of the State Government, and not more than five other members who may be co-opted by the State Government who shall be- (i) a scientist having specialised knowledge of the hazardous process which will be involved in the factory, (ii) a representative of the local authority within whose jurisdiction the factory is to be established, and (iii) not more than three other persons as deemed fit by the State Government.

(2) The **Site Appraisal Committee** shall examine an application for the establishment of a factory involving hazardous process and make its recommendation to the State Government within a period of ninety days of the receipt of such application in the prescribed form.

(3) Where any process relates to a factory owned or controlled by the Central Government or to a corporation or a company owned or controlled by the Central Government, the State Government shall co-opt in the Site Appraisal Committee a representative nominated by the Central Government as a member of that Committee.

(4) The **Site Appraisal Committee** shall have power to call for any information from the person making an application for the establishment or expansion of a factory involving a hazardous process.

(5) Where the State Government has granted approval to an application for the establishment or expansion of a factory involving hazardous process, it shall not be necessary for an applicant to obtain a further approval from the Central Board or the State Board established under the Water (Prevention and Control of Pollution) Act, 1974 (6 of 1974), and the Air (Prevention and Control of Pollution) Act, 1981 (14 of 1981).



**Under section 26 of Air pollution Act:- Power to take samples of air or emission and procedure to be followed in connection therewith.—**

(1) A State Board or any officer empowered by it in this behalf shall have power to take, for the purpose of analysis, samples of air or emission from any chimney, flue or duct or any other outlet in such manner as may be prescribed.

(2) The result of any analysis of a sample of emission taken under sub-section (1) shall not be admissible in evidence in any legal proceeding unless the provisions of sub-sections (3) and (4) are complied with.

(3) Subject to the provisions of sub-section (4), when a sample of emission is taken for analysis under sub-section (1), **the person taking the sample shall—**

(a) serve on the occupier or his agent, a notice, then and there, in such form as may be prescribed, of his intention to have it so analysed;

(b) in the presence of the occupier or his agent, collect a sample of emission for analysis;

(c) cause the sample to be placed in a container or containers which shall be marked and sealed and shall also be signed both by the person taking the sample and the occupier or his agent;

(d) send, without delay, the container or containers to the laboratory established or recognised by the State Board under section 17 or, if a request in that behalf is made by the occupier or his agent when the notice is served on him under clause (a), to the laboratory established or specified under sub-section (1) of section 28.

(4) When a sample of emission is taken for analysis under sub-section (1) and the person taking the sample serves on the occupier or his agent, a notice under clause (a) of sub-section (3), then,—

(a) in a case where the occupier or his agent wilfully absents himself, the person taking the sample shall collect the sample of emission for analysis to be placed in a container or containers which shall be marked and sealed and shall also be signed by the person taking the sample, and

(b) in a case where the occupier or his agent is present at the time of taking the sample but refuses to sign the marked and sealed container or containers of the sample of emission as required under clause (c) of sub-section (3), the marked and sealed container or containers shall be signed by the person taking the sample,

and the container or containers shall be sent without delay by the person taking the sample for analysis to the laboratory established or specified under sub-section (1) of section 28 and such person shall inform the Government analyst appointed under sub-section (1) of section 29, in writing, about the wilful absence of the occupier or his agent, or, as the case may be, his refusal to sign the container or containers.



Model Solution to Question-2nd:-

- (a) As per ESI Act "**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
- (b) **DRAFT RESOLUTION PASSED AT THE MEETING OF THE BOARD OF DIRECTORS OF M/s Fashion Ltd HELD AT THE REGISTERED OFFICE OF THE COMPANY AT \_\_\_\_\_ ON \_\_\_\_\_ AT \_\_\_\_\_ AM.**

**Board Resolution for Appointment of Director**

"RESOLVED THAT pursuant to the provisions of the Company Act and in terms of the Articles of Association of the Company, **Mr(s). M (DIN:\_\_\_\_\_)**, who has signified his consent, if appointed, to act as a Director of the Company, be and is hereby appointed as an director of the Company in place of Mr. D who has resigned due to ill health."

"FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, **Mr M(DIN:\_\_\_\_\_)**, Director of the Company be and is hereby authorized, on behalf of the Company, to do all acts, deeds, matters and things as deem necessary, proper or desirable and to sign and execute all necessary documents, applications and returns for the purpose of giving effect to the aforesaid resolution."

For M/S Fashion LIMITED

Name of the Director  
(DIN: )

Date-----

Place-----



Model Sol. of S.H.B/P-2/S-08/24/P-7

(C) **As per section 127 of Companies Act, Punishment for failure to distribute dividends.**—Where a dividend has been declared by a company but has not been paid or the warrant in respect thereof has not been posted within thirty days from the date of declaration to any shareholder entitled to the payment of the dividend, every director of the company shall, if he is knowingly a party to the default, be punishable with imprisonment which may extend to two years and with fine which shall not be less than one thousand rupees for every day during which such default continues and the company shall be liable to pay simple interest at the rate of eighteen per cent. per annum during the period for which such default continues:

Provided that no offence under this section shall be deemed to have been committed:—

- (a) where the dividend could not be paid by reason of the operation of any law;
  - (b) where a shareholder has given directions to the company regarding the payment of the dividend and those directions cannot be complied with and the same has been communicated to him;
  - (c) where there is a dispute regarding the right to receive the dividend;
  - (d) where the dividend has been lawfully adjusted by the company against any sum due to it from the shareholder; or
  - (e) where, for any other reason, the failure to pay the dividend or to post the warrant within the period under this section was not due to any default on the part of the company.
-



## Model Solution to Question-3rd:-

(a)

**1. Standard Deduction:-** The standard deduction is a flat amount deducted from taxable salary income, allowing taxpayers to reduce their taxable income without submitting any proof or disclosures. With effect from FY 2024-25, under the new tax regime, the standard deduction is increased to Rs.75,000. There has been no change to the old tax regime with respect to the standard deduction. Thus, salaried taxpayers are eligible for the standard deduction of only Rs.50,000 under the old regime.

**2. Company limited by Guarantee:-** means a company having the liability of its members limited by the memorandum to such amount as the members may respectively undertake to contribute to the assets of the company in the event of its being wound up.

(b) **Under section 34 of Arbitration Act:- Application for setting aside arbitral award. —**

Recourse to a Court against an arbitral award may be made only by an application for setting aside such award in accordance with sub-section (2) and sub-section (3)

(2) An arbitral award may be set aside by the Court only if—

(a) the party making the application furnishes proof that—

- (i) a party was under some incapacity, or
- (ii) the arbitration agreement is not valid under the law to which the parties have subjected it or, failing any indication thereon, under the law for the time being in force; or
- (iii) the party making the application was not given proper notice of the appointment of an arbitrator or of the arbitral proceedings or was otherwise unable to present his case; or
- (iv) the arbitral award deals with a dispute not contemplated by or not falling within the terms of the submission to arbitration, or it



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contains decisions on matters beyond the scope of the to arbitration:

Provided that, if the decisions on matters submitted to arbitration can be separated from those not so submitted, only that part of the arbitral award which contains decisions on matters not submitted to arbitration may be set aside; or

- (v) the composition of the arbitral tribunal or the arbitral procedure was not in accordance with the agreement of the parties, unless such agreement was in conflict with a provision of this Part from which the parties cannot derogate, or, failing such agreement, was not in accordance with this Part; or

(b) the Court finds that—

- (i) the subject-matter of the dispute is not capable of settlement by arbitration under the law for the time being in force, or
- (ii) the arbitral award is in conflict with the public policy of India.

2[(2A) An arbitral award arising out of arbitrations other than international commercial arbitrations, may also be set aside by the Court, if the Court finds that the award is vitiated by patent illegality appearing on the face of the award:

- (c) Section 84(1) of the Negotiable Instrument Act, provides that cheque should be presented to Bank within reasonable time. If cheque is not presented within reasonable time, meanwhile the drawer suffers actual damage, the drawer is discharged to the extent of such actual damage. This would be so if the cheque would have been passed if it was presented within reasonable time. As per section 84(2), in determining what is a reasonable time, regard shall be had to

- (a) the nature of the instrument
- (b) the usage of trade and of bankers, and
- (c) facts of the particular case.

The drawer will get discharge, but the holder of the cheque will be treated as creditor of the bank, in place of drawer. He will be entitled to recover the amount from Bank. In the above case drawer i.e. A has suffered damage as cheque was not presented by D within reasonable time. Hence, A will be discharged but D will be the creditor of bank for the amount of cheque and can recover the amount from the bank..



Model Solution to Question-4th:-

- (a) **Section 23 of contract Act discuss about considerations and objects what are lawful, and what not.** The consideration or object of an agreement is lawful, unless— it is forbidden by law, or is of such a nature that if permitted, it would defeat the provisions of any law, or is fraudulent, or involves or implies injury to the person or property of another, or the Court regards it as immoral, or opposed to public policy. In each of these cases, the consideration or object of an agreement is said to be unlawful. Every agreement of which the object or consideration is unlawful is void.
- (b) **Sweat Equity Shares** are a specific type of equity share issued by a company to its directors or employees at a discount or for consideration other than cash as a reward for their hard work and contributions to the company. The term "sweat equity" reflects the idea that the employee's or directors' sweat, or labour, adds value to the company, similar to monetary investment. These shares are typically issued to motivate and retain key employees or directors, acknowledging their intangible contributions like providing know-how, intellectual property rights, value additions, or similar assets.
- (c) **Under section 14(6) of VAT Act** No input tax credit under this section shall be allowed in respect of goods held in stock—
- (a) which are not included in the statement of taxable goods specified under subsection (2) ; and
- (b) for which the person does not have in his possession sales vouchers, issued by a person, registered under the repealed Act, against the purchases of the said goods, or which are not recorded in his books of accounts.



**Model Solution to Question-5th:-**

- (a) **Under section 5 of CST Act** following principles decide that as to when is a sale or purchase of goods said to take place in the course of import or export.—
- (1) A sale or purchase of goods shall be deemed to take place in the course of the export of the goods out of the territory of India only if the sale or purchase either occasions such export or is effected by a transfer of documents of title to the goods after the goods have crossed the customs frontiers of India.
  - (2) A sale or purchase of goods shall be deemed to take place in the course of the import of the goods into the territory of India only if the sale or purchase either occasions such import or is effected by a transfer of documents of title to the goods before the goods have crossed the customs frontiers of India.
  - (3) Notwithstanding anything contained in sub-section (1), the last sale or purchase of any goods preceding the sale or purchase occasioning the export of those goods out of the territory of India shall also be deemed to be in the course of such export, if such last sale or purchase took place after, and was for the purpose of complying with, the agreement or order for or in relation to such export.
  - (4) The provisions of sub-section (3) shall not apply to any sale or purchase of goods unless the dealer selling the goods furnishes to the prescribed authority in the prescribed manner a declaration duly filled and signed by the exporter to whom the goods are sold in a prescribed form obtained from the prescribed authority.
  - (5) Notwithstanding anything contained in sub-section (1), if any designated Indian carrier purchases Aviation Turbine Fuel for the purposes of its international flight, such purchase shall be deemed to take place in the course of the export of goods out of the territory of India.



(19)

Model Sol. of 845/P-2/S-08/24/P-7

(b) **Under section 74 of Service Tax Act (RECTIFICATION OF MISTAKE APPARENT FROM THE RECORD)**

- (1) With a view to rectifying any mistake apparent from the record, Central Excise Officer who passed any order under the provisions of this Chapter may, within two years of the date on which such order was passed, amend the order.
- (2) Where any matter has been considered and decided in any proceeding by way of appeal or revision relating to an order referred to in sub-section (1), the Central Excise Officer passing such order may, notwithstanding anything contained in any law for the time being in force, amend the order under that sub-section in relation to any matter other than the matter which has been so considered and decided.
- (3) Subject to the other provisions of this section, the Central Excise Officer concerned –
  - (a) may make an amendment under sub-section (1) of his own motion; or
  - (b) shall make such amendment if any mistake is brought to his notice by the assessee or the Commissioner of Central Excise or the Commissioner of Central Excise (Appeals).
- (4) An amendment, which has the effect of enhancing the liability of the assessee or reducing a refund, shall not be made under this section unless the Central Excise Officer concerned has given notice to the assessee of his intention so to do and has allowed the assessee a reasonable opportunity of being heard.
- (5) Where an amendment is made under this section, an order shall be passed in writing by the Central Excise Officer concerned.
- (6) Subject to the other provisions of this Chapter where any such amendment has the effect of reducing the liability of an assessee or increasing the refund, the Central Excise Officer shall make any refund which may be due to such assessee.
- (7) Where any such amendment has the effect of enhancing the liability of the assessee or reducing the refund already made, the Central Excise Officer shall make an order specifying the sum payable by the assessee and the provisions of this Chapter shall apply accordingly.



**Under section 241 of companies Act (PREVENTION OF OPPRESSION AND MISMANAGEMENT)** Application to Tribunal for relief in cases of oppression, etc.—

(1) Any member of a company who complains that—

(a) the affairs of the company have been or are being conducted in a manner prejudicial to public interest or in a manner oppressive to him or any other member or members or in a manner prejudicial to the interests of the company; or

(b) the material change, not being a change brought about by, or in the interests of, any creditors, including debenture holders or any class of shareholders of the company, has taken place in the management or control of the company, whether by an alteration in the Board of Directors, or manager, or in the ownership of the company's shares, or if it has no share capital, in its membership, or in any other manner whatsoever, and that by reason of such change, it is likely that the affairs of the company will be conducted in a manner prejudicial to its interests or its members or any class of members, may apply to the Tribunal, provided such member has a right to apply under section 244, for an order under this Chapter.

Under section 244 following members of a company shall have the right to apply under section 241, namely:—

(a) in the case of a company having a share capital, not less than one hundred members of the company or not less than one-tenth of the total number of its members, whichever is less, or any member or members holding not less than one-tenth of the issued share capital of the company, subject to the condition that the applicant or applicants has or have paid all calls and other sums due on his or their shares;

(b) in the case of a company not having a share capital, not less than one-fifth of the total number of its members.

Provided that the Tribunal may, on an application made to it in this behalf, waive all or any of the requirements specified in clause (a) or clause (b) so as to enable the members to apply under section 241.

*Explanation.*—For the purposes of this sub-section, where any share or shares are held by two or more persons jointly, they shall be counted only as one member.

(2) Where any members of a company are entitled to make an application under subsection (1), any one or more of them having obtained the consent in writing of the rest, may make the application on behalf and for the benefit of all of them.



Ans 1a)

# JOB COST SHEET OF ONE LAKH SCREW

Particular	Rs.
Material (10000 kg @2.30/kg)	23,000
less : Scrap	<u>1,000</u>
	22,000
Labour 8000 hr @Rs.1	8000
1000hr @RS.2	2000
	<u>10,000</u>
Prime Cost	<u>32,000</u>
Factory Overheads 1*9000	<u>9,000</u>
	41,000
Selling & Distribution overhead	<u>11,500</u>
Total Cost	52,500
Profit (see note)	<u>11,500</u>
Sales	<u>64,000</u>

Sale price per unit to be quoted =  $64,000 / 1,00,000 = .64$  per unit

Note:- Let Sales = x

Working capital:  $25/100x$

Capitel employed = Fixed Capital+ Working capital

$30,000 + 25/100x$

Sales = T.C + Profit

$x = 52500 + 25/100 [30,000 + 25/100x]$

$x = 52500 + 1/4(30000 + 1/4 x)$

$x = 52500 + 7500 + 1/16x$

$x - 1/16x = 60000$

$15/16x = 60,000$

$x = 60000 \times 16/15 = 64,000$

Sale = 64,000

Profit =  $25/100(30,000 + 25/100 \times 64000)$

= 7500 + 4000

11500

(15 marks)



Ans 1

**b) Introduction of a new account code**

New accounts as may be necessary may be introduced by Chief Accounts Officer Purpose and usage of each new account must be clearly defined.

Any main account code or sub account code so introduced must conform to the framework of classification and coding of the Chart of Accounts

Any main account code or sub account code so introduced may, at the Boards' discretion, be reclassified within the same account group or deleted at any time thereafter.

Introduction of a new account group shall require prior approval of the Govt. of India, Ministry of Irrigation and Power (Department of Power). Any approval of the Govt. of India in this regard shall be in consultation with the C & AG and the State Govt.

**Deletion of Account Code**

The Board shall not be permitted to delete any account from the prescribed chart of accounts. This prohibition shall apply even in case where the Board does not have the type of transactions covered by an account.

**(5 Marks)**



is 2 a) Calculation Of Present Values of Cash Outflows

YEAR	Outflow Rs.	Present Value @10% discount factor	Present Value Rs.
0	1,50,000	1	1,50,000
1	30,000	0.909	<u>27,270</u>
			<u>1,77,270</u>

Calculation Of Present Values of Cash Inflows

YEAR	Inflow Rs.	Present Value @10% discount factor	Present Value Rs.
1	20,000	.909	18,180
2	30,000	.826	24,780
3	60,000	.751	45,060
4	80,000	.683	54,640
5	30,000	.620	18,600
5 (Salvage)	40,000	.620	<u>24,800</u>
			<u>1,86,060</u>

Net Present Value=Rs.1,86,060 -1,77,270 = Rs.8,790

(15 marks)

Ans 2 b) Disadvantages of Job Order Costing

- (i) It involves a great deal of clerical work in recording daily the cost of materials issued, wages expended and overheads chargeable to each job or work order which adds to the cost of cost accounting. Thus it is expensive.
- (ii) The scope of committing mistakes are enough as the cost of one job may be wrongly posted to the cost of other job.
- (iii) Cost comparison among different jobs becomes difficult especially when drastic changes take place.
- (iv) Determination of overhead rates may involve budgeting of overhead expenses and the bases of overhead apportionment and absorption but unless such budgeting is complete i.e., extended to material, labour and expenses, its advantages are considerably reduced.
- (v) Job costing is a historical costing which ascertains the cost of a job or product after it has been manufactured. It does not facilitate control of cost unless it is used with standard or estimated costing.

(5 marks)



**Ans 3a) Margin of Safety**

Margin of safety is the difference between the actual sales and the sales at break even point. One of the assumptions of marginal costing is that output will coincide sales, so margin of safety is also the excess production over the break even point's output. Sales or output beyond break even point is known as margin of safety because it gives some profit, at break even point only fixed expenses are recovered. Margin of safety can also be expressed in percentage.

**Margin of Safety (M/S) = Present or Actual Sales - Break Even Sales**

**Margin of Safety can also be calculated with the help of the following formula:**

**Margin of Safety (M/S) = Profit / P/V Ratio**

**Margin of Safety (in units) = Profit / Contribution per unit**

**(5 marks)**

**Ans 3b)**

	Present Position 12,000 units		Position after acceptance of order 17,000 units	
	per unit	Total	per unit	Total
Sales (A)	Rs. 50	Rs 6,00,000.	Rs. (12000* Rs. 50+5000* Rs. 40)	Rs. 8,00,000
Less: Variable Cost:				
Material	10		9	
Labour	20		20.41	
variable Overheads	5		5	
Total Cost (B)	35	4,20,000	34.41	5,84,970
Contribution (A)-(B)	15	1,80,000		2,15,030
Less : Fixed Cost		1,20,000		1,55,000
<b>Profit</b>		<b>60,000</b>		<b>60,030</b>

Though there is a little increase of Rs. 30 in profits by accepting the offer but it is desirable to accept taking into consideration the possibilities of getting orders in future. But it should be ensured that there will not be general reduction in price because of the acceptance of this order.

**(15 marks)**



**a) Budget, Budgeting and Budgetary Control**

Budgets are the individual objectives of a department, etc. whereas budgeting be said to be the act of building budgets. Budgetary Control embraces all addition includes the science of planning the budgets themselves and the utilisation of such budgets to effect an overall management tool for the business planning and control".

Thus, a budget is a financial plan and budgetary control results from the administration of the financial plan.

**Objectives of Budgetary Control**

Budgetary Control is planned to assist the management in the allocation of responsibilities and authority to aid in making estimates and plans for future, to assist in analysis of variations between estimated and actual results and to develop basis of measurement or standards with which to evaluate the efficiency of operations. The general objectives of budgetary control are as follows:

**1 Planning.** The budgetary control will force management at all levels to plan in time all the activities to be done during the future periods.

**2. Co-ordination.** The budgetary control co-ordinates the various activities of the firm and secures co-operation of all concerned so that the common objective of the firm may be successfully achieved.

**3. Control.** Budgetary control makes control possible by continuous comparison of actual performance with that of the budget so as to report the variations from the budget to the management of corrective action.

**(10 marks)**

**Ans 4b)** With a view to safeguard against the risk of double payment, check measure-ments made by the Subdivisional Officer should be entered in a separate measurement book which should be labelled "Check Measurement book" and at the end of each measurement the Subdivisional Officer should record the following Information :-

(a) The number and the name of the estimate

(b) The date of final payment.

(c) Number and page of subordinate's Measurement Book.

(d) The quantity measured by the subordinate with date.

(e) Proportion of the work checked by the sub-divisional Officer.

(f) Difference in quantities and reasons for such difference, if any.

(g) No payments are to be made on entries in a "Check Measurement Book" **(10 marks)**



Model Sol. of SATS / P-2 / S-08/24 / P-8

a) (a) Economic Order Quantity (EOQ) =  $\sqrt{2AS/I}$

= Annual consumption in units =  $4,000 \times 12 = 48,000$  units

S = Cost of placing an order = Rs. 120

I = Inventory carrying cost =  $20 \times 10/100 =$  Rs. 2

EOQ =  $\sqrt{2 \times 48000 \times 120/2}$

=  $\sqrt{1,152,000}$

=  $\sqrt{1,152,000} = 1,073$  units

(b) Statement Showing Comparative Inventory Carrying Cost

	Lot Size = 2400 units	Lot Size 4,000 units
Ordering Cost $(48000/2,400) \times 120$ and $(48000/4000 \times 120)$	2,400	1,440
Carrying Cost $(2400/2 \times 20 \times 10/100)$ and $(4000/2 \times 20 \times 10/100)$	2,400	4,000
Total Inventory Carrying Cost	4,800	5,440

Extra Cost if lot size of 4,000 units is supplied = Rs. 5,440 - Rs. 4,800 = Rs. 640 (10 marks)

Ans 5 b)

1) leave travel concession is reimbursed = 76.613

2) Interest to consumer security deposit = 48.300

3) losses of fire, flood and earthquake etc = 79.8

4) Assets taken over from licensee pending final valuation = 11.5

5) capital, subsidy grant receivable = 28.610

(10 marks)

8.