

Q.1

Make a précis of the following passage in about 1/3rd words and give an appropriate title:

{2 marks to title and 8 marks for précis}

Ans:

Nigeria and its Import of Rice

There are reasons for the high demand for rice in Nigeria, which makes it to import \$1.65 billion worth of rice out of a total \$22 billion food imports each year and is predicted to become world's second-largest importer of rice after China. Rapid urbanization, cheapness and nutritional value are some of the reasons for its high demand. The choice of rice is because of its convenience and easiness to prepare.

The Government is putting a blanket ban on rice imports as announced towards the end of 2018 in order to save money. But the plan is unrealistic by design since Nigeria's agricultural sector is not prepared to meet its rice demand. On top of that, Nigeria is battling other factors too of natural and climatic nature, dearth of funding and farmers' training. To solve these problems, the Government should invest in rice farmers aggressively.

(147 words)

B) Give the meaning of the following words: {1 x 5 = 5}

- i) Import: Bring goods into countries from abroad for sale
- ii) Nutritious: Containing substances that body needs to stay healthy
- iii) Coarse Grain: Cereals, other rain rice and wheat, having high nutritious value
- iv) Stem the Tide: To stop something from continuing or worsening
- v) Battling: Try hard to achieve something in a difficult situation

C) What does the following commands do in MS Office {1 x 5 = 5}

- i) Ctrl + S: Saves the document
- ii) Alt + A: Selects the whole document
- iii) Ctrl + N: Opens a new blank word document
- iv) Ctrl + P: Prints a document
- v) Shift + any alphabet: Capitalize the alphabet

Q.2 Answer the following:

a) Prepare a letter from Director/HR mandating all employees to be punctual in office or else face disciplinary action.

{Marks: 10}

Ans.

(PSPCL logo)

To

All HODs,

PSPCL, Patiala

Memo No: xxxxx

Dated: xxxx

Subject: To ensure punctuality in office

It may kindly be ensured that all employees under your administrative control are punctual and are present in office on regular basis. Strict compliance of the same may be ensured and if any employee(s) comes late/ is not attending office on regular basis, then disciplinary action may be initiated against the employee and list of such employees may be sent to the undersigned for information.

Matter most urgent.

(Director/HR,
PSPCL)

CC:

All Employees, PSPCL for meticulous compliance

b) Prepare a NIT for publication of e-tender notice in famous national newspapers for engagement of contractor for installation and maintenance of CCTV in PSPCL stores. Last date and time for download of specification is till last date and time of submission of tender i.e. 31.07.23 11:00 AM, and date & time of opening of tender is 01.08.23 11:30 AM. The tentative cost of tender is Rs. 2 Cr. and work is to be charged to revenue head of accounts.

{Marks: 10}

Ans.

NIT for publication in national newspaper

(PSPCL logo)

Regd. Office: xxx, PSPCL

Contact Number: xxxxx, Email id: xxxx

Tender Enquiry No. xxx

Dated xxxx

PSPCL invites e-tender for engagement of contractor for installation and maintenance of CCTV in PSPCL stores. The tentative cost of work is around Rs. 2 Cr. The detailed timelines are as under:

Purchase of specification:	upto 31.07.23 (11 AM)
Last Date and time of submission of tender:	31.07.23 (11 AM)
Date and time of opening of tender:	01.08.23 (11:30 AM)

For any queries please contact at the contact no. and email mentioned in header.

(Tender Inviting Authority)

Q.3 Do as directed:

A) Fill in the blanks with correct preposition:

{1x 3 = 3}

- i) Look to the left and you will see our destination.
- ii) We've been working since this morning.
- iii) We saw a movie at the theatre.

B) Convert from Active to Passive Voice:

{1x2 =2}

- i) The windows have been cleaned.
- ii) The lion was killed by the hunter.

C) Correct the following sentences:

{1x 5 = 5}

- i) He **walks** six miles everyday.
- ii) She was determined to **buy a bike quickly**.
- iii) People were coming, going **and ignoring** him.
- iv) She ate **cereal because** she was hungry.
- v) Rick's **café**.

D) Give meaning of the following idioms:

{1x 5 = 5}

- i) Hit the sack: Go to sleep
- ii) Good things come to those who wait: Have patience
- iii) Burn your boats: Doing something that makes it impossible to go back to the original state.
- iv) Left out in the cold: Being ignored
- v) Cut corners: Doing something in an easier and least expensive manner

E) Give full form of following abbreviations:

{1 x 5 = 5}

- a) CNC: Computer Numerical Control
- b) ML: Machine Learning
- c) ALU: Arithmetic Logic Unit
- d) App: Application
- e) B2B: Business to Business

Q.4 Do as directed:

A) Convert the following:

{2 x 5 = 10}

- i) $(250)_{16}$ to binary
- ii) $(6D)_{16}$ to binary
- iii) $(110)_8$ to binary
- iv) $(111.11)_2$ to decimal
- v) $(10)_2 - (01)_2$ to decimal

Ans:

- i) $(001001010000)_2$ (Award marks only if complete answer is correct)
- ii) $(01101101)_2$ (Award marks only if complete answer is correct)
- iii) $(1001000)_2$ (Award marks only if complete answer is correct)
- iv) $(7.75)_{10}$ (Award marks only if complete answer is correct)
- v) $(1)_{10}$ (Award marks only if complete answer is correct)

B) Explain the following:

{1 x 10 = 10}

- i) **Virus:** A computer virus is a type of malicious software that spreads between computers and causes damage to data and software.
- ii) **Malware:** Malware, short for malicious software, refers to any intrusive software developed by cybercriminals (often called hackers) to steal data and damage or destroy computers and computer systems e.g. viruses, worms, Trojan viruses, spyware, adware, and ransomware.
- iii) **Worm:** A computer worm is a type of malware whose primary function is to self-replicate and infect other computers while remaining active on infected systems.
- iv) **Phishing:** Phishing is a type of cybercrime in which victims are contacted by email, telephone, or text message by an attacker posing as a trustworthy entity in order to obtain sensitive information or data, such as login credentials, credit card details, or other personally identifiable information.
- v) **Spam:** Unsolicited usually commercial messages (such as emails, text messages, or Internet postings) sent to a large number of recipients or posted in a large number of places.
- vi) **RAM:** Random Access Memory (0.5 mark for full form).
It is a short term memory of the computer, where the data that the processor is currently using is stored. This type of memory is volatile.

vii) ROM: Read Only Memory

The memory from which we can only read but cannot write on it. This type of memory is non-volatile.

viii) DOS: Disk Operating System

It is an operating system that runs from a disk/ hard disk drive e.g. MS DOS.

ix) Taskbar in Windows: The taskbar is an element of an operating system generally located at the bottom of the screen. It lets you locate and launch programs through Start and the Start menu or view any currently open program.

x) Refresh command in Windows: Windows Desktop is a folder in the Windows operating system, which has been programmed to auto-refresh when its contents change. However, sometimes due to a variety of reasons, the desktop or folder does not auto refresh. Then Refresh command refreshes the windows desktop.

Q.5

A) Solve the following:

{1 x 10 = 10}

A 1 PB (Peta Byte) Hard Disk has the following usage:

- a) Hard disk is fragmented into four drives C, D, E and F of equal capacity
- b) Application software uses 20% space of C drive
- c) Database uses 10240 GB in each of the drives
- d) Application Softwares installed in F drive are 3 TB in size
- e) Temporary files occupy 256 MB in C drive
- f) Dump of various softwares of size 2 TB is kept in E drive

What is the unused capacity of the Hard Disk in each of the drives?

Ans.

Usage of Hard disk:

- i) 1 PB = 1024 TB
- ii) Each drive = $1024 / 4 = 256$ TB
- iii) Data base = 10240 GB = 10 TB
- iv) C Drive usage:
 - a) Application Software: $0.2 * 256 = 51.2$ TB (0.5 Marks)
 - b) Database: 10.0 TB (0.5 Marks)
 - c) Temporary files: $256 \text{ MB} / 1024 / 1024 = \text{Negligible}$ (0.5 Marks)
 - d) Total Usage: 61.2 TB (0.5 Marks)
 - e) Unused Capacity: $256 - 61.2 = 194.8$ TB (1 Marks)
- v) D Drive usage:
 - a) Database: 10.0 TB (0.5 Marks)
 - b) Usage: 10 TB (0.5 Marks)
 - c) Unused capacity: $256 - 10 = 246$ TB (1 Marks)
- vi) E Drive usage:
 - a) Database : 10 TB (0.5 Marks)
 - b) Dump of softwares: 2 TB (0.5 Marks)
 - c) Usage: 12 TB (0.5 Marks)
 - d) Unused capacity: $256 - 12 = 244$ TB (1 Marks)
- vii) F Drive usage:
 - a) Database : 10 TB (0.5 Marks)

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- b) Application Software: 3 TB (0.5 Marks)
c) Usage: 13 TB (0.5 Marks)
d) Unused capacity: $256 - 13 = 243$ TB (1 Marks)

B) Solve the following after converting to decimal:

$$(11111)_2 + (F)_{16} + (5000)_{10} - (500)_8 + (1100)_8$$

{Marks: 10}

Ans:

$$(11111)_2 = (31)_{10} \quad (2 \text{ Marks})$$

$$(F)_{16} = (15)_{10} \quad (1 \text{ Marks})$$

$$(5000)_{10} = (5000)_{10} \quad (1 \text{ Marks})$$

$$(500)_8 = (320)_{10} \quad (1 \text{ Marks})$$

$$(1100)_8 = (576)_{10} \quad (2 \text{ Marks})$$

$$\text{Sum: } (31)_{10} + (15)_{10} + (5000)_{10} - (320)_{10} + (576)_{10} = (5302)_{10} \quad (3 \text{ Marks})$$

Departmental Accounts Examination

SAS/Part-2

Session:08/2023

Paper:6 SOLUTION

(Accounts & Auditing)

Ans to Q1 A:-

- 1) Reliability
- 2) Relevance
- 3) Understandability
- 4) Comparability

(4 marks)

Ans to Q1 B:-

- 1) To maintain records of business
- 2) Calculation of profit and loss
- 3) Ascertain the financial position of the business.
- 4) Providing information to users

(4 marks)

Ans to Q1 C:-

- (i) Money Measurement Concept

The concept of money measurement states that only those transactions and happenings in an organisation which can be expressed in terms of money are to be recorded in the book of accounts. Those transactions which cannot be expressed in terms of money are not recorded in the book of accounts.

- (ii) Revenue Recognition (Realisation) Concept

This concept deals with the point of time at which the revenue is earned and period in which the revenue is to be recorded. Revenue is deemed to be realized when the title or ownership of the goods has been transferred to the purchaser and when he has legally becomes liable to pay the amount.

- (iii) Matching Concept

It states that expenses incurred in an accounting period should be matched with revenues during that period. The matching concept, thus, implies that all revenues earned during an accounting year, whether received during that year, or

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not and all costs incurred, whether paid during the year, or not should be taken into account while ascertaining profit or loss for that year. (Profit = Revenue – Expenses).

(iv) Consistency concept

Consistency means continuity or steadiness. This concept states that accounting principles and methods should remain consistent from one year to another. These should not be changed from year to year, in order to enable the management to compare the Profit and Loss account and Balance Sheet of the different periods and draw important conclusions about the working of the enterprise.

(v) Conservatism Concept or Principle of Prudence

According to this concept all anticipated losses should be recorded in the books of accounts, but all anticipated or unrealized gains should be ignored. It is the policy of playing safe. This concept requires that profit should not be recorded until realized but all losses, even those which may have a remote possibility, are to be provided for in the books of accounts. Eg: Inventory is valued at 'cost or market price, whichever is lower'; creating provision for doubtful debt etc.

(vi) Materiality Concept

This concept requires that accounting should focus only on material facts. The materiality of a fact depends on its nature and the amount involved. For example, stock of paper, pencils, pen, scales etc. are not shown as assets. Whatever amount of stationery bought in an accounting period is treated as the expense of that period.

(2 marks each; Total 12 marks)

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Ans to Q2 A:-

Causes of differences between cash book balance and pass book balance

The differences between the cash book and the bank passbook are caused by:

- Timing differences on recording of the transactions.
- Errors made by the business or by the bank.

(3 marks)

Ans to Q2 B:-

There are certain valid reasons for disagreement between the balances of cash book and pass book, they are as follows:

1. Cheque issued but not presented for payment – When a trader issues cheque to a third person, he immediately enters in the cash book whereas, it will be entered by the bank only when the cheques are presented to the bank for payment.

2. Cheque paid in but not credited by bank – Cheque received from customers might have been paid into bank and entered on the debit side of the cash book by the trader. But the bank will credit the same only after realization of the cheque.

3. Interest etc. credited by bank – Interest allowed on bank balance and interest, dividends etc. collected by the bank will be credited in the pass book. But the trader may not enter the same in his cash book on the same day.

4. Bank charges etc. debited in pass book – Bank charges, interest on overdraft, commission for collection of cheques, bills, etc. will be debited by the bank in pass book as and when they occur. But it will be entered by the trader only on a later date in his cash book as he may not be aware about them on the same day.

5. Cheques credited but dishonoured – When cheque is deposited, bank will credit it in pass book and customer debit it in cash book, hence both the balances will be increased. Later on if this cheque is dishonoured, the bank will debit the customers account (pass book) but it may not be entered by the trader in his cash book at that time.

6. Direct payment into the bank by trader's customers – The customers of a trader might have deposited money into the trader's bank account directly. But it may not be intimated to the trader soon, hence it will not be recorded in the cash book.

7. Payment made by bank on behalf of the customer – The bank might have made some payments on behalf of the customer under 'standing instructions' and debited the customer's account. But the customer may not have entered the same in his cash book.

8. Dishonour of a bill discounted with the bank – Sometimes the customer discounts bills of exchange before maturity for urgent cash. If on the date of maturity, such a bill is dishonoured, the bank will debit the customer's account. The customer will make this entry in his book only after getting information from the bank.

(12 marks)

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Ans to Q2 C:-

Items to be added to cash book balance

1. Cheques issued but not yet presented.
2. Interest allowed by the bank.
3. Interest, dividend, commission etc. collected by the bank but not recorded in the cash book.
4. Direct deposit made by the customer in firm's bank account.

Items to be deducted from the cash book balance

1. Cheques deposited into bank but not yet collected.
2. Bank charges debited by the bank in the pass book.
3. Interest on overdraft charged by the bank.
4. Payment made by bank on customer's behalf.
5. Cheques deposited and dishonoured later, but no entry of dishonour recorded in cash book.

(5 marks)

Ans to Q3 A:-

Objectives of trial balance

1. To verify the arithmetical accuracy of ledger accounts – If the total of debit and credit balances are found equal, we can assume that posting have been made on the correct side of account and balances taken correctly.

2. To locate errors – If the trial balance total does not agree, it means that there exist some errors due to posting of wrong amount, wrong totalling, posting on wrong side, omission to post an amount etc. As soon as it is identified, it can be rectified.

3. To help in preparation of final accounts – Final accounts or financial statements consists of Trading and Profit and Loss account and the balance sheet. The financial statements are prepared with the balances of ledger accounts, therefore, an accountant should make it sure that all the accounts are correctly prepared. An agreed trial balance thus, becomes an essential tool for preparing final accounts. **(5 marks)**

Ans to Q3 B:-

Accounting Errors – These are the mistakes and omissions made unknowingly while recording transactions in the books of accounts. On the basis of nature, errors can be classified into Errors of clerical nature and Errors of Principle. Errors of clerical nature may be further classified into errors of commission, errors of omission and compensating errors.

1. Errors of commission – Errors committed when transactions are incorrectly recorded are called errors of commission. These errors are caused by the following reasons:

a. Wrong posting – Example: Rs.500 posted as Rs.50, cash paid to Rajan posted to the account of Rajani, cash received from Mr. John posted to the debit of John's account.

b. Wrong totalling and wrong carry forward.

c. Wrong balancing of accounts.

d. Errors in taking out balances of ledger accounts.

e. Posting the same amount twice to an account.

2. Errors of omission – When a transaction is omitted to be entered in the book of original entry or not posted from the books of original entry to the ledger, it is an error of omission. It may be either complete omission or partial omission, for example, credit sales is omitted to be entered in the sales book is a case of complete omission, cash paid to Krishnan is entered on the payment side of the cash book but omitted to be posted to Krishnan's account it is a case of partial omission. Complete omission will have no effect on the Trial Balance, but trial balance will show disagreement if the omission is partial.

3. Compensating errors – Compensating errors are those errors which compensate each other. For example, if the purchases book is under cast by Rs.200 and the sales book is also under cast by the same amount. Such errors will not affect the agreement of trial balance.

Errors of Principle – These errors occur when the accounting principles are violated in recording transactions. For example, purchase of office furniture was debited to purchases account instead of the same in furniture account. In this case, there is no effect on the trial balance since the amounts are placed on the correct side though in a wrong account.

(10 marks)

Ans to Q3 C:-

Need for depreciation

1. Matching costs and revenue – The assets such as plant and machinery, furniture etc. are used in the business to earn income. So the depreciation to such assets through wear and tear should be considered as business loss. Therefore, it should be charged to profit and loss account like any other business expense to arrive at the true profit or loss.
2. Consideration of Tax – As per Income Tax Act 1961, depreciation is deductible expense. If depreciation is not charged, book profit will be higher than the actual profit which results into the excess payment of tax.
3. True and fair financial position – Since the value of assets falls due to depreciation, fixed assets should be shown at their book value in the balance sheet, to disclose the true position of the business.
4. To retain funds for replacement – In order to replace an asset after its life period, every year an amount equal to depreciation is retained in the business and will accumulate year after year. This accumulated fund can be used for replacement of asset.
5. Compliance with law – According to Companies Act, it is an obligation to joint stock companies to provide depreciation on their fixed assets.

(5 marks)

Ans to Q4 A:-

Internal check with regard to cash transactions

CASH RECEIPTS:

- There should be a separate clerk known as cashier to deal with the receipts of cash. Immediately upon receipts of cash a rough record of the amount should be made. The cashier should not be authorized to keep cash with him. He should not be allowed to make expenditure out of it and to make entries in the ledger and other books of prime entry.
- All receipts should be banked daily. From time to time the bank reconciliation statements should be prepared to reconcile bank and cash balances.
- Bank pay- in-slips should not be prepared by the same person who is in charge of making actual deposits in the bank
- All receipts should be acknowledged by means of printed receipts. Counter-foils of all the receipts issued should be properly maintained. Unused receipt must be kept with some responsible officer.
- Spoiled receipts should be cancelled and not torn off. If some alterations is made in the receipts already written, it should be properly initialled.
- Copies of receipts previously issued must be marked duplicate.
- Some responsible persons of the firm should verify the balance of cash
- surprise physical check from time to time.

CASH PAYMENTS:

- The person in charge of making payments should have no connection with the receipts of cash. All payments should, as far as possible be by chance cheques excluding petty cash payments. The cheques drawn for payment should be order cheques and as far as practicable they should be crossed.
- Arrangements should be made to ensure that the vouchers supporting payments cannot be presented for the payments twice, such vouchers should be stamped as paid before the cheques are signed.
- An official should check up the statements received from creditors and verify with the invoices and ledger accounts only after proper verifications cheques should be drawn in favour of the creditors.
- For sanctioning the payments of special nature, only directors and senior officers should be empowered.
- Bank reconciliation statements should be prepared to reconcile bank and cash balances from time to time by some authorities other than the cashier.

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- Bank cheques must be held under lock and key with a responsible officer.
 - Receipts duly signed and stamped should be obtained for each payment.
 - Receipts so obtained should be properly arranged and maintained through proper filing system.
 - To ensure the availability of cash discounts, monthly or periodic payments should be made on the fixed dates.

(14 marks)

Ans to Q4 B:-

Verification means the procedures normally carried out at the year end, to confirm the ownership, valuation and existence of items at the balance sheet date. In simple words verification means, proving the truth or conformation. 'The verification of assets implies an enquiry into the value, ownership and title, existence and possession, and the presence of any charge on the assets.

(2 marks)

Ans to Q4 C:-

Valuation means to set the exact value of an asset on the basis of its utility. Valuation forms an important part of the everyday audit. It is because the accuracy of balance sheet depends much upon how correctly the estimation of the value of various assets and liabilities has been made. Both over valuation and under- valuation of assets and liabilities would exhibit wrong picture of the financial affairs of a concern. The auditor has to see that the assets and liabilities appearing in balance sheet have been exhibiting their proper value i.e. neither they have been over-valued nor under- valued.

(4 marks)

Ans to Q5 A:-

Different methods of valuation of assets.

Cost price: The price which is paid for the acquisition of an asset is known as cost price, of course the expenses incurred in the purchase of an asset and its installation in its cost price.

Market value: A value which an asset can fetch in the market when sold is known or termed as Market value.

Replacement Value: It is a price at which a particular asset can be replaced. The assets such as commission, freight etc. is included in such a value.

Book Value: A value at which an asset appears in the books of accounts is known as its book value. It is usually the cost less depreciation written off so far.

Going Concern value or Conventional value or token value or Historical value: It is equivalent to the cost less reasonable amount of depreciation written off. No notice is taken of any fluctuation in the price of the assets. Reason for this is that these assets are acquired for use in the business and not for sale.

Residual Value: A value which will be realized in the market and received from the sale of an asset it is known as its realizable value.

Scrap Value: A value which is obtained from the asset if it is sold as scrap.

(10 marks)

Ans to Q5 B:-

Goodwill:

Verification: Where goodwill has been purchased along with a running business, the same should be verified from the agreement with the vendor showing the price paid for it. But when the amount is not specially fixed, the goodwill is the amount for the purchase of the business over the net assets taken over. It should be verified that the goodwill has been recorded in the books of accounts only when some consideration in money or its equal has been paid for. In case of partnership the auditor should verify the changes made in the goodwill account from time to time on the basis of provisions made in the partnership deed.

Valuation: Goodwill should be valued at a cost less amounts written off.

Patents:

Verification: The Auditor should examine the patents with the help of certificate which have granted such patent rights. The auditor should also ensure that the patents are registered in the name of client

Valuation: Patents must be valued at cost less depreciation. The patents should be written off in a period of sixteen years after which the right automatically lapses unless the term is extended.

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Copyrights:

Verification: In verifying the copyrights, auditor should inspect the agreement between the auditor and the publisher.

Valuation: Generally the value of the copyright is not stable because copy rights lose their value by passage of time. In the balance sheet copyright must be shown a cost less amounts written off from time to time.

Trademarks:

Verification: Trademarks can be verified by examining the assignment deed duly endorsed by the office of the registrar of trademarks. In case they have been purchased from others, the auditor should vouch the expenditures incurred in connection with their acquisition e.g. registration fees, payments made to designers etc.

Valuation: The valuation method is the most suitable method valuation of trademarks. it should be seen that trademarks are properly valued and shown in balance sheet.

Leaseholds property:

Verification: The auditor should inspect the lease agreement to find out the value and duration. The auditor should see that lease agreement is registered with the registrar and certificate testing to the validity of the same.

Valuation: Leasehold land and buildings are to be valued at cost less depreciation which should be sufficient writes it off completely during the period of lease.

(2 marks each total 10 marks)

Solution:1

(a)Agenda: The term 'agenda' means things to be done. it is a statement of the business to be transacted at a meeting. It also sets out the order in which the business is to be dealt with. Though the Companies Act does not make it obligatory for the secretary to send an agenda or to incorporate the same in the notice of Board Meeting, yet by convention it necessarily accompanies the notice calling the meeting.

When the agenda is enclosed with the notice each director gives due consideration to the proposed business and comes with necessary preparations for discussion in the meeting.

(b)Proxy:Section 105 of the Companies Act, 2013 provides that a member, who is entitled to attend to vote, can appoint another person as a proxy to attend and vote at the meeting on his behalf. The instrument appointing the proxy must be deposited with the company, 48 hours before the meeting. Any provision contained in the articles, requiring a longer period than 48 hours shall have effect as if a period of 48 hours had been specified.

(c)Notice of General meeting:The notice of calling the meeting must be given at least 21 clear days before the meeting. The notice convening the statutory meeting must specifically state that the meeting is a statutory meeting. The time, date, and place of the meeting must be mentioned in the notice. If members holding 95% of the paid-up share capital having voting rights consent, then, a shorter notice may be sufficient to convene a meeting. Such consent may be before the meeting or after the resolutions were passed.

(d)Special resolution: As per section 114(2) of the Companies Act, 2013, a resolution shall be a special resolution when-

- the intention to propose the resolution as a special resolution has been duly specified in the notice calling the general meeting or other intimation given to the members of the resolution;
- the notice required under this Act has been duly given; and
- the votes cast in favour of the resolution, whether on a show of hands or electronically or on a poll, as the case may be, by members who, being entitled so to do, vote in person or by proxy or by postal ballot, are required to be not less than three times the number of the votes, if any, cast against the resolution by members so entitled and voting.

5+5+5+5=20 marks

Solution:2

(a) Working hours for children: (1) No child shall be employed or permitted to work, in any factory— (a) for more than four and a half hours in any day; 1 [(b) during the night.

Explanation-For the purpose of this sub-section "night" shall mean a period of at least twelve consecutive hours which shall include the interval between 10 P.M. and 6 A.M.

(2) The period of work of all children employed in a factory shall be limited to two shifts which shall not overlap or spread over more than five hours each; and each child shall be employed in only one of the relays which shall not, except with the previous permission in writing of the Chief Inspector, be changed more frequently than once in a period of thirty days.

(3) The provisions of section 52 shall apply also to child workers and no exemption from the provisions of that section may be granted in respect of any child.

(4) No child shall be required or allowed to work in any factory on any day on which he has already been working in another factory.

(5) No female child shall be required or allowed to work in any factory except between 8 A.M. and 7 P.M.

Working hours for Women: No woman worker shall be required or allowed to work in any factory for more than 48 hours in any week or nine hours on any day.

(b) Statutory meeting: A statutory meeting is a meeting of the shareholders of a company. According to Sec 165 of the companies act, every public limited by shares or limited by guarantee, having share capital must hold this meeting. This meeting is held once in the lifetime of a company. A private company need not hold this meeting.

Objectives of the meeting:

1. To comply with the provision of section 165 of the companies act 1956
2. To approve the statutory report
3. To inform the shareholders about the formation of the company and made by the company.
4. To inform the shareholders about preliminary expenses made by promoters before the incorporation of the company
5. To inform the shareholders of any contract entered into by the company.

(c) Free Consent: Section 14 of The Indian Contract Act, 1872 describes the cases when consent is not free. It lays down that consent is not free if it is caused by coercion, undue influence, fraud, misrepresentation, etc. If the consent is not free, the agreement is avoidable at the option of the party whose consent was not free.

10+5+5=20 Marks

(a) Extra wages for overtime work:

(1) Where a worker works in a factory for more than nine hours in any day or for more than forty-eight hours in any week, he shall, in respect of overtime work, be entitled to wages at the rate of twice his ordinary rate of wages.

(2) For the purposes of sub-section (1), "ordinary rate of wages" means the basic wages plus such allowances, including the cash equivalent of the advantage accruing through the concessional sale to workers of foodgrains and other articles, as the worker is for the time being entitled to, but does not include a bonus and wages for overtime work.

(3) Where any workers in a factory are paid on a piece rate basis, the time rate shall be deemed to be equivalent to the daily average of their full-time earnings for the days on which they actually worked on the same or identical job during the month immediately preceding the calendar month during which the overtime work was done, and such time rates shall be deemed to be ordinary rates of wages of those workers.

Provided that in the case of a worker who has not worked in the immediately preceding calendar month on the same or identical job, the time rate shall be deemed to be equivalent to the daily average of the earning of the worker for the days on which he actually worked in the week in which the overtime work was done.

Explanation.—For the purposes of this sub-section in computing the earnings for the days on which the worker actually worked such allowances, including the cash equivalent of the advantage accruing through the concessional sale to workers of foodgrains and other articles, as the worker is for the time being entitled to, shall be included but any bonus or wages for overtime work payable in relation to the period with reference to which the earnings are being computed shall be excluded.]

(4) The cash equivalent of the advantage accruing through the concessional sale to a worker of foodgrains and other articles shall be computed as often as may be prescribed on the basis of the maximum quantity of foodgrains and other articles admissible to a standard family.

Explanation 1.—"Standard family" means a family consisting of the worker, his or her spouse and two children below the age of fourteen years requiring in all three adult consumption units.

Explanation 2.—"Adult consumption unit" means the consumption unit of a male above the age of fourteen years; and the consumption unit of a female above the age of fourteen years and that of a child below the age of fourteen years shall be calculated at the rates of 8 and 6 respectively of one adult consumption unit.

(5) The State Government may make rules prescribing—

(a) the manner in which the cash equivalent of the advantage accruing through the concessional sale to a worker of foodgrains and other articles shall be computed; and

(b) the registers that shall be maintained in a factory for the purpose of securing compliance with the provisions of this section

(b) The distinction between an agreement and a contract

Sr.no.	Basis of distinction	Agreement	Contract
1.	Definition	Every promise and every set of promises forming consideration for each other is an agreement	An agreement enforceable by law is a contract.
2.	Creation	An agreement is created by the acceptance of an offer.	Agreement and its enforceability together create a contract
3.	Legal rights and obligations	An agreement may not create legal rights and obligations of the parties	A contract creates legal rights and obligations between the parties.
4.	Necessity	No contract is required to make an agreement.	A valid agreement is necessary for making a contract.
5.	Legal binding	An agreement is not a concluding or legally binding contract.	A contract is concluding or legally binding on the parties.
6.	Concept	The agreement is a wider concept and includes contacts.	Contract is a narrow concept and it is only a specific of agreement.

10+10=20 marks

(a)Consideration: Consideration is one of the essential elements of a valid contract. The term "Consideration" means something in return i.e. quid –pro-quo. Consideration must result in a benefit to the promiser, & a detriment or loss to the promisee or a detriment to both. Without consideration a contract is void or nude i.e. nudum pactum Section 2(d) of the Indian Contract act, 1872 defines Consideration as follows: "When, at the desire of the promiser, the promisee or any other person has done or abstained from doing, or does or abstains from doing, or promises to do or abstain from doing something, such act or abstinence or promise is called a consideration for the promise."

Essential Elements of a Valid Consideration

- 1) It must move at the desire of the promisor: Consideration must have been done at the desire or request of the promisor & not at the desire of a third party or without the desire of the promisor.
- 2) It may move from the promisee or any other person: An act constituting consideration may be— done by the promisee himself or any other person. Thus, it is immaterial who furnishes the consideration & therefore may move from the promisee or any other person. This means that even a stranger to the consideration can sue on a contract, provided he is a party to the contract (Case Chinayya V/s Ramayya)
- 3) It may be Past, Present, or Future.
Past Consideration: The consideration which has already moved before the formation of the agreement.
Present consideration: The consideration which moves simultaneously with the promise.
Future Consideration: The consideration which is to be moved after the formation of the agreement.
- 4) It must be of some value: The consideration need not be adequate to the promise but it must be of some value in the eye of the law. It must be real & not illusory: Ex. A promise to put life into B's dead wife & B promises to pay Rs 10,000. This agreement is void because consideration is physically impossible to perform. Must be Something other than the promisor's Existing obligation: Consideration must be something that the promisor is not already bound to do because a promise to do what a promisor is already bound to do adds nothing to the existing obligation.
- 5) It must not be illegal, immoral, or opposed to public policy.

(b) **Computation of income from house property**

	Case I (Let out at 15,000 p.m.) Rs.	Case II (Let out at 12,000 p.m.) Rs.
MV	1,00,000	1,00,000
FRV	2,00,000	2,00,000
Take higher of the two above	2,00,000	2,00,000
Standard Rent	1,00,000	1,00,000
ERV(lower of the two above)	1,00,000	1,00,000
Actual Rent	1,80,000 (15000 X 12)	1,44,000 (12000 X 12)
Gross annual Value (higher of the two above)	1,80,000	1,44,000
Less: Loss due to Vacancy	45,000	36,000
Annual Value	1,35,000	1,08,000
Less: Municipal Tax	5,000	5,000
Net Annual Value (NAV)	1,30,000	1,03,000

(c) Worker: According to section 2(l) "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.

10+5+5=20 Marks

Solution:5

(a) Computation of Taxable Gratuity.

	Rs.	Rs.
Actual Gratuity Received		3,20,000
Less: Exempted-Least of following		
(1) 12,000 X 26	3,12,000	
(2) Notified amount	20,00,000	
(3) Actual Received	3,20,000	3,12,000
Taxable Gratuity		8,000
[Salary for this purpose= Salary + D.A.]		
15 days salary= (15600+5200) X15/26		12,000

(b) Computation of Taxable Gratuity.

	Rs.	Rs.
Actual Gratuity Received		2,52,000
Less: Exempted-Least of following		
(1) Notified amount	20,00,000	
(2) Actual Gratuity Received	2,52,000	
(3) ½ month's salary for each completed year of service (1/2 X 12,000 X 42)	2,52,000	2,52,000
Taxable Gratuity		NIL

10+10=20 marks

Solution of Department Accounts Examination for SAS PART II
Paper-VIII(Works AND MANAGEMENT ACCOUNTING) for session 8/2023

Ans:1(a)

(10+10)

- | | | |
|--------|-----------|---|
| (i) | GH-44.436 | Tax deducted at Source-Accrued but not due for p
payment |
| (ii) | GH-14.904 | WIP- computers |
| (iii) | GH-24.111 | Cash at Bank-Disbursement Account |
| (iv) | GH-79.512 | Loss on shortage –outdoor equipment |
| (v) | GH-75.863 | Leave travel concession to pensioners |
| (vi) | GH-77.171 | Depreciation on motor cars |
| (vii) | GH-63.121 | Financial Assistance received under National
Training Programme for imparting training |
| (viii) | GH-47.309 | Deposit for Contributory works |
| (ix) | GH-44.443 | Punjab State Development Tax deducted at source |
| (x) | GH-52.403 | Deferred pmt credit-leasehold system |

(b) As per Reg.3.33 of Capital Assets and Fixed Assets Manual, when it is not possible to support a payment by voucher, a certificate of payment in manuscript, signed by the disbursing officer and endorsed, if necessary, by his superior officer should always be placed on record. Full particulars of the claim should invariably be set forth and where this necessitates the use of regular bill form certificate itself may be recorded thereon.

Ans:2

(10+10)

(A) Accounting Treatment of Expenditure incurred in case
Deposit works:

i) Initial booking of Employee cost and Administration & General Exp
specifically for Deposit Works

GH 75 Dr GH 76 Dr XXX

To Cash/bank /U. Cheoue Cr XXX

ii) For Debiting cost of work executed For local exp or purchases and
material withdrawn from store:

GH 47.305 Dr xxx

To Cash/Bank Cr xxx(for local expenses)

To Material withdrawn 37000 cr xxx(material withdrawn from store)

iii) For booking of labour and Admn. Charges:

GH 47.305 Dr xxx

To 75.9Cr To 76.9Cr XXX

iv) For booking of Departmental charges:

GH 47.305 Dr XXX

To 62.930 Cr xxx

b) Accounting Treatment of Expenditure incurred in case contributory works for the month of June, 2023:

i) GH 24.110 Dr. 500/-

GH 62.930Cr. 500/-

(Deposit of initial expenses)

ii) GH 24.110Dr. 1,20,000/-

GH 47.309Cr. 1,20,000/-

(Deposit of cost of estimate by consumer)

iii) GH14/74Dr. 30,000

GH31.1Cr. 30,000

(Withdraw of material from store)

iv) GH75Dr. 29,300/-

GH76Dr. 10,000/-

GH24.402Cr. 39,300/-

(payment to contractor for labour and expenses) •

v) GH 14/74Dr. 39,300/-

GH75.9Cr. 29,300/-

GH 76.9Cr. 10,000/-

(Booking of expenses to work)

vi) GH31.1Dr. 30,000/-

GH 37000Cr. 30,000/-

(Issue of u cheque for material drawn)

vii) GH14/74Dr. 11,088/-

GH 62.930Cr. 11,088/-

(For booking of departmental charges)

viii) GH 47.309Dr. 39,612/-

GH 24.402Cr. 39,612/-

(For refund of excess amount to consumer)

ix) GH10Dr. 80,888/-

GH 14Cr. 80,888/-

(For capitalization of work)

x) GH 47.309 Dr. 80,888/-

GH 55.1Cr. 80,888/-

(for transfer to consumer contribution)

Ans: 3

(5+10+5)

(a) As per Para 5 of Accounting Policies mentioned in Cash & Bank Manual, utilization of Board's receipts towards expenditure is strictly prohibited. Hence the action of R.A is not justified.

(b) As per regulation 3.8 of Capital Asset and Fixed Asset Manual, the functions of Divisional Accountant are fold:

- a) i) as accountant i.e. as the compiler of accounts of division in accordance with the prescribed rules and from the data furnished to him
- ii) as primary auditor, he is entrusted with the responsibility of applying certain preliminary checks to the initial accounts, vouchers etc.
- iii) as financial assistance i.e. as the general assistant and advisor to the Divisional officer in all matters relating to accounts and budget estimates or to the operation of financial rules.
- b) The divisional accountant is treated as senior member of office establishment of the division though his posting is analogous to that of a subdivision officer.

(c)

- i) For withdrawal of asset from the block of assets
 - GH12.801Dr. 36,640/-
 - GH 16.108Dr. 63,360/-
 - GH 10.801Cr. 1,00,000/-
- ii) Sale of asset and booking of loss
 - GH 24.110Dr. 10,000/-
 - GH 77.738Dr. 53,360/-
 - GH 16.108Cr. 63,360/-

Ans:4

(10+10)

a) Regulation no.6 of PSERC regulations laid down the instructions regarding segregation of ARR of wheeling and retail supply business which are as under:

As per reg.6.1 ,the Distribution Licensee shall segregate the accounts of the distribution business into wheeling business and retail supply business. The ARR for wheeling business shall be used to determine Wheeling Charges and the ARR for retail supply business to determine Retail Supply Tariffs.

As per reg.6.2., Until accounts are segregated, the Allocation Statement shall be applicable as per Annexure "A". However , the Distribution Licensee could revise it based on actual data and prepare an Allocation Statement to apportion costs and revenues to respective businesses.

As per reg. 6.3. the Allocation Statement, certified by the Statutory Auditor/Cost Auditor and approved by the Board of Directors of the Distribution Licensee ,shall be accompanied with an explanation of the methodology which shall be consistent over the Control Period.

b)

1	Rate of Interest on Long Term Loans	Uncontrollable
2	Quantum of Long-Term Loans	Controllable
3	Return on Equity	Normative
4	Depreciation	Controllable
5	Tax Rate	Uncontrollable
6	Working Capital Requirement	Normative
7	Rate of Interest on Working Capital and Carrying Cost	Uncontrollable
8	Distribution Loss	Controllable
9	Transmission Loss	Controllable
10	Plant load factor	Noramtive

Ans 5

(5+10+5)

a)

Period	1st year	2 nd year	3 rd year	4 th year	5 th year	Average
EBDIT	10000	12000	14000	16000	20000	14,400
Less Depreciation@20%	8,000	8,000	8,000	8,000	8,000	8,000
EBIT	2,000	4,000	6,000	8,000	12,000	6,400
Less: Taxes@50%	1,000	2,000	3,000	4,000	6,000	3,200
Earning before interest	1,000	2,000	3,000	4,000	6,000	3,200
Book value of investment						
Beginning	40,000	32,000	24,000	16,000	8,000	
Ending	32,000	24,000	16,000	8,000		
Average investment	36,000	28,000	20,000	12,000	4,000	20,000

$$ARR = 3200 \times 100 / 20000 = 16\%$$

Or

$$ARR = \frac{\text{sum of EBIT}(1-T)/n}{\text{Average investment}}$$

$$= \frac{[32000(1-0.5)/5] \times 100}{(40000+0)/2}$$

$$= \frac{16000/5 \times 100}{20000}$$

$$= \frac{3200 \times 100}{20000}$$

$$= 16\%$$

b) **Leverage Analysis:** Leverage is the use of fixed assets in order to increase the profitability. Since financial items are inter-related, change in one causes change in profit. In context of financial management, the term leverage means sensitiveness of one financial variable to change in another. The measure of this sensitiveness is expressed as a ratio and is called degree of leverage

$$\text{Leverage} = \frac{\% \text{change in one variable}}{\% \text{change in some other variable}}$$

Measures of Leverage

- i) Operating Leverage
- ii) Financial Leverage
- iii) Combined Leverage

(C) 1) Statement showing Computation of profit Absorption Costing Method

Standard variable production = 1,60,000 x 11	17,60,000
(+) Variance	35,000
Actual variable production	17,95,000
Fixed production cost recovered (1,60,000 x 2*)	3,20,000
(+) Under recovery of fixed production overheads (3,60,000 - 3,20,000)	40,000
Production cost of goods manufactured	21,55,000
[+] Opening Stock (10,000 x 13)	1,30,000
(-) Closing stock (21,55,000/1,60,000 x 20,000)	2,69,375
Selling expenses	

Variable $1,50,000 \times 3 = 4,50,000$	
Fixed $= 2,70,000$	7,20,000
Profit	2,64,375
Sales $(1,50,000 \times 20)$	30,00,000

WORKING NOTE :

Variable cost $= 11$

(+) Fixed production cost per unit

$(3,60,000 / 2,00,000 \times 90\%) = 2$

TOTAL $= 13$

(b) Statement showing computation of profit under marginal costing

I Sales		30,00,000
II Variable cost		
Production $(17,60,000 + 35,000)$	17,95,000	
(+) Opening $(10,000 \times 11)$	1,10,000	
(-) Closing stock $(17,95,000 / 1,60,000 \times 20,000)$	2,24,375	16,80,625
Selling expenses $(1,50,000 \times 3)$		4,50,000
TOTAL		21,30,625
III Contribution		8,69,375
IV Fixed cost $(3,60,000 + 2,70,000)$		6,30,000
V Profit (III-IV)		2,39,375

(2) The difference in profit shown by absorption costing and marginal costing is due to valuation of costs i.e., stocks are valued at total production cost in absorption costing and at variable production cost in marginal costing.

The difference in profits can be explained as follows:

	Absorption Costing	Marginal Costing	Profit is less or more in absorption
Opening stock	1,30,000	1,10,000	(-) 20,000
Closing stock	2,69,375	2,24,375	(+) 45,000