P.D.L.L

Question Paper Set of

T.Y.B.A.F. – Sem-V

Regular Exam

University of Mumbai

November, 2017

Q.P. Code: 23168

Time: 2 ½ Hours **Total Marks: 75**

Please check whether you have got the right question paper

Instructions:

1) All questions are compulsory each carrying 15 marks.
2) Use of only simple calculator is permitted.
3) Working notes should form part of your answer.

Q1a. Rewrite the following statement and state whether True or False (any eight).

(8 marks)

1. Receivables Management deals with debtor's collection.
2. Time gap between the time the cheque is written and when it is cleared is known as float.
3. Constant dividend per share indicates stable dividend policy.
4. Business risk is the risk associated with the firm's operations.
5. Portfolio risk cannot be reduced.
6. Different sources have same cost of capital.
7. Use of preference share capital in capital structure increases financial leverage.
8. Deviation is known as dispersion or the spread of probability distribution.
9. Baumol's model attempts at optimization of cash balance.
10. Services of a factor are always beneficial.

Q1b. Match the column: (any seven) **(7 marks)**

Column A	Column B
1. Book value weights	(a) Actual capital structure
2. Market value weights	(b) Accounting values
3. Historical weights	(c) Market prices
4. Target weights	(d) Desired capital structure
5. CAPM	(e) Lower cost
6. Lenient collection policy	(f) Macro in nature
7. Virtual banking	(g) Perfect capital Market
8. Systematic risk	(h) Trading on equity
9. Favourable Financial Leverage	(i) $Ke = Rf + \beta\,(Rm - Rf)$
10. M-M model	(j) Reduces profitability

Q2a. Following information is available from the investment book of Mr. Parag **(08 Marks)**

The Beta co-efficient of Hiraban Ltd. is 1.25. and 7% rate of growth in dividends and earnings. The last dividend paid was Rs. 6 per share. The current market price per share of Hiraban Ltd. is Rs. 58.

Return on risk free securities is 11%. Return on Market portfolio is 17.5%.

You are required to calculate the following and advice Mr. Parag regarding further purchase or sale of the said security:

i. Expected rate of return as per CAPM

ii. Expected market price per share of Hiraban Ltd. as per Dividend Growth Model.

Q2b. Calculate the expected returns, variance and standard deviations of shares of Alfa Ltd. If the expected returns and risk from similar companies is 15% and 14.5% respectively,

i. Will you still advice purchase of shares of Alfa Ltd.?

ii. If growth prospects of Alfa Ltd. are high in future, which securities will you advice for purchase? **(07 Marks)**

Probability Distribution of Returns

State of Economy	Probability	Returns on shares of Alfa Ltd.
Good	.40	30
Average	.35	20
Bad	.15	10
Poor	.10	5

OR

Q2a. Following are the details of various securities held by Mr. Manorath: **(08 Marks)**

Company	Cost per Equity Share	Dividend per share of Rs. 100 each (pre tax)	Market Price per Equity Share	Beta factor
Excide Ltd.	Rs. 450	Rs. 30	Rs. 600	1.22
Lowburn Ltd	Rs.375	Rs. 50	Rs. 400	.85
Kirloskar Ltd.	Rs. 250	Rs. 28	Rs. 500	1.25
Vijaya Ltd.	Rs. 800	Rs. 60	Rs. 1000	1.4

Calculate the expected rate of return on each security and average rate of return on portfolio as per CAPM and percentage of total actual returns on portfolio. The tax rate for dividend as well as sale of security is 15% each and 2% brokerage on sale. Interest on risk free investment is 15%.

Q2b. The following details are provided for the year ended 31st March, 2017 for Avon Ltd.

Operating Leverage 3:1, Financial Leverage 2:1, 12.5 % Interest rate on Rs. 2 crores Debentures, Corporate tax rate- 40%, Variable cost – 40% of sales. The company has 1,00,000 Equity shares.

You are required to prepare the income statement of the company. **(07 Marks)**

Q3. A Company expects to have Rs. 37500 cash in hand on 1st April, and requires you to prepare an estimate of cash position during the three months. April, May and June the following information is supplied to you: **(15 Marks)**

Month	Sales (Rs in 000's)	Purchases (Rs in 000's)	Wages (Rs in 000's)	Factory Expenses (Rs in 000's)	Administration Expenses (Rs in 000's)	Selling Expenses (Rs in 000's)
February	75	45	9	7.5	6	4.5
March	84	48	9.75	8.25	6	4.5
April	90	52.5	10.5	9	6	5.25
May	120	60	13.5	11.25	6	6.57
June	135	60	14.25	14	7	7

Other Information:

(i) Period of credit allowed suppliers 2 months.

(ii) 20% of sales for cash and period of credit allowed to customers for credit is one month.

(iii) Delay in payment of all expenses:1 month.

(iv) Income tax of Rs. 57,500 is due to be paid on June 15th.

(v) The company is to pay dividend to shareholders and bonus to workers of Rs. 15,000 and Rs. 22,500 respectively in the month of April.

(vi) A plant has been ordered to be received and paid in May. It will cost Rs. 1,20,000

(vii) Assume cash o/d facility and opening balance cannot be negative.

OR

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Q3. The following are different state of economy the probability of occurrence of that state and the expected rate of return from Security A and B in these different state **(15 Marks)**

State	Probability	Rate of Return (Security S)	Rate of Return (Security L)	Rate of Return (Security K)
Recession	0.60	75%	30%	45%
Normal	0.30	10%	35%	25%
Boom	0.10	- 20%	38%	20%

You are required to calculate for each security expected return on stock , standard deviation and based on risk factor rank the securities.

Q4a. Abhishek Ltd. has furnished the following information: **(08 marks)**

Earnings per share (EPS)	Rs 4
Dividend pay-out ratio	25%
Market price per share	Rs 40
Rate of tax	30%
Growth rate of dividend	8%

The company wants to raise additional capital of Rs 10 lakhs including debt of Rs 4 lakhs. The cost of debt (before tax) is 10% upto Rs 2 lakhs and 15% beyond that. Compute the after tax cost of equity and debt and the weighted average cost of capital.

Q4b. Ronak purchased 400 shares of Roshani Ltd. at Rs 61 each on 15th October 2014. He paid brokerage of Rs 600. The company paid the following dividends:

June 2015	Rs 800
June 2016	Rs 1,000
June 2017	Rs 1,200

He sold all his holding at Rs 34,500 on 15th October 2017. Calculate holding period return and annualised return. **(07 marks)**

OR

Q4a. A firm has a sale of Rs 75,00,000 , variable cost Rs.42,00,000 and fixed cost of Rs 6,00,000. It has a debt of Rs 45, 00,000 at 9 % and equity of Rs 55,00,000.

(i) What are the operating, financial and combined leverages of the firm?

(ii) If the sales drop to Rs 50, 00,000 what will be the value of new EBIT. **(08 marks)**

Q4b. Stock R has a beta of 1.50 and a market expectation of 15% return. For stock T, it is 0.80 and 12.5% respectively. If the risk free rate is 6% and the market risk premium is 7%, evaluate whether these two stock are priced correctly? **(07 Marks)**

Q5a. Explain the 'Aging Schedule' in the context of monitoring of receivables. **(08 marks)**

b. Discuss Miller – Orr Cash Management Model **(07 Marks)**

OR

Q5. Write a short note on (any three): **(15 marks)**

a) **S**ystematic Risk
b) Financial Leverage
c) Assumptions of Modigliani – Miller theory
d) Walter's Model
e) Baumol's Economic Order Quantity Model.

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TY BAF
15/11/17

Q.P. Code: 23324

[Time: $2\frac{1}{2}$ Hours] [Marks: 75]

Please check whether you have got the right question paper.

N.B:
1. Question no 1 is compulsory.
2. Question no 2, 3, 4, & 5 is compulsory with internal choice.
3. Figures to the right indicate marks.

Q1 A) Rewrite the statement and state whether True or False. (Attempt any 8) **(8)**

1) Auditing around the computer" is most appropriate when the client has not maintained detailed output or source documents in a form readable by humans.
2) "The use of computer facilities by a small enterprises may increase the control risk"
3) Output controls focus on detecting errors after processing is completed rather than preventing errors prior to processing.
4) A client imposed scope limitation will generally result in disclaimer of opinion.
5) If financial statement contains a material departure from the generally accepted accounting principles, the auditor s usually should not issue an unqualified opinion.
6) An interior decorator will be subject to tax audit only if his gross receipts exceed 10 lakhs.
7) A chartered accountant who s in employment of a concern cannot be appointed as tax auditor.
8) An auditor gives a qualified report when the accounts are reflecting true and fair view.
9) A practicing CA is allowed to promote the work done by him.
10) An auditor has to sign the auditors report.

Q1 B) Multiple choice question. (Any 7) **(7)**

1) The auditor of a company shall have a right of access to the books of accounts _____.
   a) after the year end b) 3 months after the year end.
   c) 3 months before AGM d) at all times.

ii) When the auditor is not provided the information required by him, he should report this________.
   a) to the Central Government b) to the Registrar of Companies
   c) to the Institute of CA of India d) to the members.

iii) Misfeasance means ________.
   a) Fraud b) Misstatement
   c) Breach of trust or duty d) Negligence

Q.P. Code: 23324

iv) For the purpose of tax audit Film acting is considered as ________.

a) profession b) business

c) both d) none

v) The expression 'Management Consultancy and Other Services "shall not include ____.

a) Financial management n planning and financial policy determination

b) System analysis and design

c) Working capital management

d) Acting as liquidator

vi) A person is debarred from having his name entered in or borne on the Register of Members, if________.

a) if he has not attained the age of 21 at the time of applying for registering his name

b) He is of unsound mind and stands so adjusted by a competent court

c) If he is an undischarged insolvent

d) any of the above

vii) A control that relates to all parts of the IT system is called a or an ________.

a) General control b) Systems control

c) Universal control d) Application control

viii) Auditors should evaluate the ________ before evaluating application controls because of the potential for pervasive effects.

a) Input controls b) Control environment

c) Processing controls d) General controls

ix) The auditors has the right to ________.

a) Obtain information and explanations

b) Obtain information and explanations from the employees and officers

c) Obtain information and explanation necessary for the purpose of audit

d) Both (b) and (c)

x) Where a company has a branch office in India or outside India, proper books of accounts relating to the transactions effected at the branch office should be kept ______.

a) the branch office b) the registered office

c) both the branch and registered office d) the head office.

Q2 a) Give the meaning of "Professional Misconduct "as per Chartered Accountants Act 1949. Also state any five clauses which constitute professional misconduct. **(8)**

Q2 b) Explain the problems in CIS environment in implementation of Internal control. **(7)**

OR

Q2 p) Explain auditing done around the computers and auditing through the computers. **(8)**

Q2 q) What do you mean by CARO Reporting, what matters should be included in the report with inventories and fixed assets under CARO 2013 by an auditor. **(7)**

Q.P. Code: 23324

Q3 a) What is report? Explain the different types of report that an auditor prepares. **(15)**

OR

Q3 p) What is Tax Audit Report in form No 3 CD and how does an auditor give his opinion with regards to the same? **(8)**

Q3 q) What do you mean by "Misfeasance ".When can an auditor be held liable for Misfeasance? **(7)**

Q4 a) While qualifying a report what things must be kept in mind by the auditor. State few reasons for qualifying a report. **(8)**

Q4 b) Give the features of effective Computerized Audit Program and give its advantages. **(7)**

OR

Q4 p) What are the duties of an auditor? **(8)**

Q4 q) Explain the provisions of Companies Act, 2013 regarding Branch audit. **(7)**

Q5 a) Explain in detail the provision of the Income Tax Act, 1961 u/s 44 AB regarding compulsory tax audit. **(8)**

Q5 b) Distinguish between Computer based system of accounting and Conventional accounting system **(7)**

OR

Q5 p) Write short notes (any3) **(15)**

1) Audit Trail
2) Test Pack
3) Joint Auditors
4) Tax Auditors
5) Negligence

Q.P. Code : 20422

(2½ Hours) [Total Marks : 75

N.B. : (1) All the question are compulsory with internal choice.
(2) Working should from part of your answer.

1. (A) State whether the following statements are true or false (Any Eight) : 8

(1) Consolidation of shares result in Profit for company.
(2) A company cannot subdivide shares.
(3) Buyback must be as per RBI guidelines.
(4) The company must open Escrow Account on buyback of shares.
(5) Deficiency account shown in list B.
(6) List F showns preference shareholder including unclaimed dividend.
(7) Amalgamation adjustment account is applicable under purchase method.
(8) Partly paid shares cannot be issued as consideration.
(9) Underwriting is mandatory for all companies as per Indian Companies Act.
(10) Underwriting commission cannot exceed 5% of the issued price of shares.

(B) Match the following (Any Seven) : 7

A	B
(1) Merger Method	(a) External Reconstruction
(2) Capital Reduction A/c	(b) Single Underwritter
(3) Declaration of Solvency	(c) Free Reserve
(4) Board Resolution	(d) Pooling of Interest Method
(5) Realisation A/c	(e) Balance Sheet / Current Liability
(6) Sole Underwriting	(f) Internal Reconstruction
(7) Dividend Equalisation Reserve	(g) Buy-back less than 10%
(8) Provident Fund	(h) C. R. R.
(9) Bonus Shares	(i) Statutory Reserve
(10) Foreign Project Reserve	(j) Members voluntary winding up

TURN OVER

2. Following are the Summary Balance Sheet of Ram Ltd. and Lakhan Ltd. : 15

Liabilities	Ram Ltd. ₹	Lakhan Ltd. ₹	Assets	Ram Ltd. ₹	Lakhan Ltd. ₹
Equity Shares Capital of ₹10 each	75,00,000	45,00,000	Building	25,00,000	15,50,000
Export Profit Reserves	3,00,000	3,00,000	Machinery	32,50,000	17,00,000
Profit & Loss A/c	7,00,000	6,00,000	Stock	25,50,000	18,00,000
General Reserve	2,00,000	4,00,000	Debtors	9,00,000	10,00,000
12% Debentures of ₹100 each	5,00,000	3,00,000	Bank	7,00,000	5,50,000
Sundry Creditors	7,00,000	6,00,000	Share issue Expenses		1,00,000
Total	**99,00,000**	**67,00,000**	**Total**	**99,00,000**	**67,00,000**

Radha Ltd was formed to acquire all assets and liabilities of Ram Ltd. and Lakhan Ltd. on the following terms :

(1) Radha Ltd. to have an authorised share capital of ₹5 crores divided into 5,00,000 equity shares of ₹100 each.

(2) The business of both companies were taken over for a total price of ₹1.2 crores to be discharged by Radha Ltd. by issue of equity share of ₹100 each at a premium of 20%.

(3) The shareholders of Ram Ltd. and Lakhan ltd. to get shares in Radha ltd. in the ratio of net assets value of their repective shares.

(4) The Debentures of both the companies to be converted into equivalent number of 14% Debenture of ₹100 each in Radha Ltd. at 10% discount.

(5) All the tangible assets of both the companies are taken over by Radha Ltd. at book values except the following :

Assets	Ram Ltd. ₹	Lakhan Ltd. ₹
Building	28,00,000	18,20,000
Machinery	31,50,000	16,00,000

(6) Sundry creditors of Ram Ltd. and Lakhan Ltd. are taken over at ₹6,50,000 and ₹5,00,000 respectively.

(7) Statutory reserves are to be maintained for 3 years more.

You are required to :

(1) Compute purchase consideration of Ram Ltd. and Lakhan Ltd.

(2) Pass Journal entries in the books of Radha Ltd.

(3) Prepare Balance Sheet after amalgamation Apply purchase method.

OR

Xena Ltd. absorbed the business of YoYo Ltd. as a going concern as at 30th June, 2017. The assets and liabilities of the latter company on that date being as under : 15

YoYo Ltd.

Balance Sheet as on 30.06.2017

Liabilities	₹	Assets	₹
Equity Shares Capital of ₹10 each, fully paid	3,00,000	Goodwill	50,000
5% Preference shares of ₹10 each, fully paid	1,00,000	Land and Bldgs.	2,00,000
Sundry creditors	30,000	Plant & Machinery	1,00,000
Bills payable	50,000	Sundry Debtors	50,000
		Closing stock	30,000
		Cash at bank	35,000
		Preliminary Expenses	5,000
		Profit & Loss A/c	10,000
Total	**4,80,000**	**Total**	**4,80,000**

The terms of agreement were: :

(a) For every 10 equity shares of YoYo Ltd.; Xena Ltd. issued 12 fully paid equity shares of ₹10 each and paid ₹10 in cash.

(b) The preference shareholders of YoYo Ltd. were discharged at a premium of 5% by the issue of 6% Preference shares of Xena Ltd. of ₹100 each at par.

(c) All assets and liabilities were taken over except cash to the extent of ₹3,000 which was left for meeting realization expenses.

(d) Plant & Machinery were only revalued at ₹1,83,000; other assets and liabilities at their book values.

You are required to give the closing journal entries in the books of YoYo. Ltd. and opening journal entries in the books of Xena Ltd.

TURN OVER

3. Following is the summary Balance Sheet of Robot Ltd. as on 31st March 2017 : 15

Liabilities	₹	**Assets**	₹
10% Preference Share of ₹100 each	8,00,000	Patent	30,000
Equity Share of ₹10 each	20,00,000	Goodwill	50,000
12% Debentures	15,00,000	Furniture	70,000
Bank Overdraft	1,00,000	Land and Building	13,00,000
Bills Payable	70,000	Plant and Machinery	12,00,000
Creditors	2,80,000	Closing Stock	1,60,000
		Bills Receivable	30,000
		Debtors	1,80,000
		Profit and Loss A/c	16,40,000
		Preliminary Expenses	90,000
Total	**47,50,000**	**Total**	**47,50,000**

NOTE : Preference dividend is in arrears for 4 years.

The Following scheme of capital Reconstruction was sanctioned by the court and agreed by the shareholders :

(a) The preference share is to be reduced to ₹50 each and equity share to ₹2 each both being fully paid.

(b) Of the preference dividend in arrears, three-forth to be waived and remaining to be paid immediately.

(c) The debenture holders to take over plant and machinery at ₹13,00,000 in part satisfaction of their claim. The remaining claim should be converted into 15% debentures.

(d) Bills Payable to be settled immediately. Creditors forego their claim of ₹40,000.

(e) The Assets are to be valued as under :

Furniture	₹ 50,000
Stock	₹ 1,36,000
Land and Building	₹ 11,60,000
Debtors	₹ 1,60,000

(f) A secured loan of ₹3,00,000 at 12% interest p.a to be obtained by mortgaging Land and Building for repayment of Bank overdraft, bills payable and reconstruction expenses of ₹30,000.

TURN OVER

(g) Write off goodwill, patent, P and L A/c (Dr Balance) and preliminary expenses entirely.

Pass the necessary journal entries in the book of Robot Ltd. and also prepare Capital Reconstruction Account.

OR

Following is the balance of M/s Unfortunate Ltd. as on 31st March 2017 : 15

Liabilities	₹	Assets	₹
4,000 6% Preference Shares of ₹100 each	4,00,000	Land & Building	2,00,000
2000 Equity shares of ₹100 each, ₹75 per share paid up	1,50,000	Plant & machinery	5,00,000
6000 Equity shares of ₹100 each, ₹60 paid up	3,60,000	Patents	80,000
5% Debentures (having floating charge on all assets)	2,00,000	Stock	1,10,000
Interest accrued on debentures	10,000	Debtors	2,20,000
Creditors	2,90,000	Cash at bank	60,000
		Profit & Loss A/c	2,40,000
Total	**14,10,000**	**Total**	**14,10,000**

On the above date, the company went into liquidation. The dividend on preference shares were in arrears for two years. Creditors include a loan of ₹1,00,000 on mortgage of land and building.

The assets realized as under :

Land and Building ₹2,40,000; Plant and Machinery ₹4,00,000; Patents ₹60,000; Stock ₹1,20,000; Debtors ₹1,60,000.

The expenses of liquidation amounted to ₹15,000 and legal charges were ₹6,800. The liquidator is entitled to commission of 3% on all assets realized and a commission of 2% on amount distributed among unsecured creditors. Creditors included salaries and wages payable to workers for past four months ₹30,000. All payments were made on 30th September 2017.

Prepare Liquidator's Final Statement of Accounts.

TURN OVER

4. The following is the Balance Sheet of Divya Paints Ltd. as on 31st March, 2017 :

Liabilities	₹	Assets	₹
Issued & Paid-up Capital :		Land and Building	630
300000 Equity Share of		Plant and Machinery	2,350
Each	3,000	Furniture and fitting	350
General Reserve	700	Investments	370
Securities premium	505	Stock	1200
14% Debentures	1400	Sundry Debtors	590
Sundry Creditors	460	Cash & Bank Balance	575
Total	**6,065**	**Total**	**6,065**

On 1st April, 2017 the shareholders of the company have approved the scheme of buy-back of equity shares. Keeping in view all the legal requirements, ascertain (i) the maximum no. of equity shares that Co. can buy back and (ii) the maximum price it can offer, Record the entries in the journal of Divya Paints Ltd. and prepare its Balance sheet.

Other Information :

(1) Premium paid on buy back of shares should be met from securities premium A/c.

(2) Investment would be sold at book value.

OR

4. Jupiter Ltd. issued 10,000 shares of ₹10 each. The entire issue was under written as follows : 15

Amar - 5000 shares (Firm underwriting - 1,000 shares)

Akber - 3,000 shares (Firm underwriting - 500 shares)

Anthony - 2,000 shares (Firm underwriting - 500 shares)

Shares applied for were 9,000 shares, the following being the marked application forms including firm underwriting :

Amar - 3,500 shares

Akber- 1,400 shares

Anthony- 1600 shares

Calculate the liability of each underwriters.

Commission is payable @5% on face value. Pass Journal Entries related to underwriting.

TURN OVER

7

(A) Difference between Purchase Method and Merger Method of Amalgamation. 8

(B) Explain various types of Underwriting. 7

OR

Write short notes **(Any Three)** : 15

(1) Net Asset Method of Calculating Purchase Consideration.

(2) Underwriting Commission.

(3) Preferential Creditors.

(4) Share Surrender Account.

(5) Maximum Limits of Buy-back.

C0435 / C0394 MANAGEMENT II (MANAGEMENT APPLICATIONS) (75:25) (R 2015).

Q.P. Code : 19597

[Time: 2:30 hrs] **[Marks:75]**

Please check whether you have got the right question paper.

N.B:
1. Attempt all the questions.
2. Figures to the right indicate full marks.

(A) State whether the following statements are True or False. (Any 8) (8)

1) Marketing is a continuous process.
2) Online Promotion is fast changing Marketing Technique.
3) Productivity is the ratio of Output to Input.
4) Inventory control is a part of Production Management.
5) TQM lays emphasis on Defect-free approach.
6) Human Resources are assests of an organization.
7) HRM only gives short-term benefits to the organization.
8) Industrial Relation do not form a part of HRM.
9) Technical analysis is financial market oriented.
10) Capital market deals with short term finance.

(B) Match the following:-----(ANY 7) (7)

GROUP A	GROUP B
1) Human Resource Planning	a) Product life cycle
2) Training	b) Risky capital
3) Performance Appraisal	c) Ratio of output to input
4) Bank-Credit	d) Quality Certification
5) Demat	e) Electronic transfer of shares
6) ISO 9000	f) Short-term sources of finance
7) Productivity	g) Systematic Evaluation
8) Venture capital	h) Manpower Development
9) Introduction stage	i) Identifying Manpower Requirements
10) Interview	j) Selection

(A) Explain 4P's of marketing. (8)

(B) Discuss various factors governing distribution decisions. (7)

OR

(C) Describe promotion strategies used at sales force level. (8)

(D) Discuss Product development strategies briefly. (7)

Q.P. Code : 19597

Q.3 (A) What is meant by Production Management? Outline its scope (8)

(B) Distinguish between production and productivity. (7)

OR

Q.3 (C) Define TQM. Explain the importance of TQM. (8)

(D) Write a note on ISO 14000. (7)

Q.4 (A) Explain the steps of Human Resource Planning. (8)

(B) Discuss the modern techniques of Performance appraisal briefly. (7)

OR

Q.4 (C) Discuss off-the job methods to develop- human resource (any four). (8)

(D) Write a note on 360 degree appraisal. (7)

Q.5 (A) What is Financial Management? State its functions. (8)

(B) What are the sources of short term finance? Explain briefly (7)

OR

Q.5 Write short notes on (Any 3) (15)

1) PLC
2) Self appraisal
3) Venture Capital
4) Options
5) Fundamental analysis

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Q.P. Code :19707

[Time: $2\frac{1}{2}$ Hours] **[Marks:75]**

Please check whether you have got the right question paper.

N.B: 1. All questions are compulsory.

Match the following any (8) 08

Column 1	Column 2
1) Design specification	a) Benefits from uniform cost
2) Target cost	b) Individual item of material
3) Maturity	c) Under absorption of overhead
4) Equivalent units	d) Stage in life cycle
5) Stores ledger	e) Initial cost
6) Overhead adjustment a/c	f) Fixed cost
7) Work in process	g) Actual no of units X stage of completion
8) Insurance	h) Desired profit
9) Mutual turst	i) Raw material in processing stage
10) Healthy competition	j) Essence of uniform costing

State whether the following statement are True or False (Any 7) 07

1) Inter firm comparison does not maximize profitability.
2) Under Integrated system General ledger Adjustment A/C shows real accounts
3) Equivalent units are units equal to input.
4) Target costing is a method of costing.
5) There is no difference between operating costing and process costing.
6) Overhauling is running cost
7) Under Non integrated system Cost A/ c and Financial A/c are maintained separately
8) Under non integrated system finished good ledger shows cost of finished goods.
9) ABC is a technique of allocation of common cost.
10) In operating costing, cost of petrol is a running cost.

Q.P. Code :19707

Journalise the following transactions assuming that the cost and financial records are Integrated. 15

	Rs
Raw material purchased	2,00,000
Direct material issued to production	1,50,000
Wages charged (30 % indirect)	1,20,000
Wages charged to production	95,000
Manufacturing Expenses incurred	84,000
Manufacturing overhead charged to production	92,000
Selling & Distribution costs	20,000
Finished products (at cost)	2,00,000
Sales	2,90,000
Closing stock	Nil
Receipt from debtors	69,000
Payment to Creditors	1,10,000

OR

Dravid Ltd operates a separate cost accounting and financial accounting system. The following is the list of opening balances as on 1st June 2017 in the cost ledger .

Particulars	Debit (Rs)	Credit (Rs)
Raw material control a/c	60000	-
Work in progress control a/c	15000	-
Finished stock control a/c	25000	-
Nominal ledger control a/c	-	100000
	100000	100000

Transactions for the month of June 2017 were as under:-

1) Purchases of raw material Rs 100000
2) Transfer of raw material from work in progress to store Rs 20000
3) Issue of raw material to work in progress Rs 120000
4) Issue of raw material to repairs & maintenance Rs 5000
5) Deficiency in stock taking Rs 5000
6) Direct wages applied to work in process Rs 100000
7) Factory overheads applied to work in process Rs 50000
8) Factory overheads incurred Rs.50000
9) Material transferred between batches Rs 10000
10) Cost of goods sold 2,50,000
11) Sales 3,00,000
12) Finished goods bas on 30 June 2017 Rs 15000 prepare necessary ledger account & Trial balance

Prepare necessary ledger accounts and Trial balance. 15

Q.P. Code :19707

The following data are available is respect of process II for the month of June 2015 15

Opening Work – in progress	1000 Units at Rs 5000
Input of material	9000 Units at Rs 28600
Direct Wages	Rs. 16680
Production Overheads	Rs. 8340
Units Scrapped	1000 Units
Unit Transferred to next process	8000 Units
Closing work – in – progress	1000 Units

Degree of completion	Opening stock	Closing stock	Scrap
Material	100%	100%	100%
Labour	60%	80%	70%
Overheads	60%	80%	70%

Normal process loss is 8% of total input (opening stock and units put in). Scarp value is Rs .5 per unit. The company follows FIFO method of inventory valuation.

You are required to:

a) Prepare statement of Equivalent production
b) Statement of cost per equivalent unit for each element and cost of closing work in progress and units transferred to next process.
c) Prepare process account and abnormal Gain/ Loss account.

OR

A certain product passes through three process before it is completed & transferred to finished stock the following data are obtained at the end of 31st March 2015 15

Particular	Process I	Process II	Process III	Finished Stock
Direct material	5000	7000	3000	-
Direct labour	6000	5000	9000	-
Stock on 31st March	3000	6000	8000	5000
Sale during the year	-	-	-	60000

The output of each process is charged to the next process at a price calculated to give a profit of 20% on transfer price. The output of process –III is charged to finished stock Account on a similar basis.

There was no work in progress at the beginning of the year and overheads have been ignored. Stocks in each process have been valued at prime cost of the process.

You are required to process.
a) Process cost Accounts showing profit elements at each stage.
b) Actual Realised profit.

Q.4 The following expenses were incurred by a company in connection with two lorries for 25 days. 15

Particulars	Lorry A	Lorry B
Drivers wages	12000	12500
Cleaners wages	13000	13000
Petrol	20000	23000
Oil	1800	2500
Deprecation	32000	21000
Repairs	14000	14000
Supervision	8000	8000
Garage overhead	14000	12000
Road tax	4500	4500
Other overhead expenses	3500	4000

Lorry A carried 1000 tons of raw material and covered a distance of 3000 kilometers in 25 days. Lorry B carried 1200 tons of raw materials and covered a distance of 4500 kilometers in 25 days find out the cost per ton- kilometer. Prepare an operating cost sheet in summary form for the two vehicles.

OR

Q.4 Hotel has a capacity of 120 single rooms & 40 doubles rooms.
The average occupancy of both single and double rooms, is expected to be 80% through the year of 365 days the rent for double room has been fixed at 120% of the rent of a single rooms
The cost are as below
<u>variable cost</u> – single rooms Rs 250 each pa day, Double room Rs 400 each per day.

<u>Fixed cost : -</u> single room Rs 150 each per day,Double room Rs 300 each per day

Calculated the rent chargeable for single & double room per day in such a way that the hotel earns margin of safety of 20% on rooms rent.

Q.5 A) What is ABC? What is the difference between ABC and Traditional costing? 08

B) Define Uniform costing? State the advantages and disadvantages of Uniform costing? 07

OR

Q.5 Write short notes on (any three) 15

i) Inter-firm comparison
ii) Target costing
iii) Advantages of operating costing
iv) Work in progress ledger control account
v) FIFO method in process costing

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QP Code : 22483

[Time : 2½ Hours] **[Total marks : 75]**

N.B : (1) All questions are **compulsory.**
(2) Each question carries 15 marks.

Q1. (A) Multiple choice questions : (Any 8) **8**

(1) Deduction u/s. 54 is available to :
(a) Individual
(b) HUF
(c) Individual and HUF
(d) All assessee

(2) Payment received by an employee in respect of encashment of earned leave during service is :
(a) Taxable as Salary
(b) Taxable as Income from Other Sources
(c) 50% is exempt and balance taxable as salary
(d) Fully exempt under section 10

(3) For non-government employee governed by the Payment of Gratuity Act, 1972, the maximum monetary limit for exemption is :
(a) ₹ 5,00,000/-
(b) ₹ 3,50,000/-
(c) ₹ 10,00,000/-
(d) Limitless

(4) For the purpose of claiming higher deduction u/s. 24(b) while computing income of a self-occupied property assessee is required to take :
(a) Loan on or before 1.4.1999
(b) Loan on or after 1.4.1999
(c) Loan after 1.4.1998
(d) Loan on 1.4.1998

(5) The maximum quatum of deduction by way of interest on money borrowed for construction of self-occupied house property is :
(a) ₹ 1,50,000/-
(b) ₹ 30,000/-
(c) ₹ 2,00,000/-
(d) ₹ 1,00,000/-

(6) A sum of ₹ 50,000 was written off as bad debt in the books, in the assessment year 2013-14 and was disallowed. During the financial year 2016-17 ₹ 20,000/- as recovered. Out of the recovery how much is taxable ?
(a) ₹ 20,000/-
(b) NIL
(c) ₹ 30,000/-
(d) ₹ 70,000/-

[TURN OVER

(7) AJ Pvt. Ltd makes a payment of ₹35,000/- in cash to a labour contractor for repair job, in a single day. The disallowance under section 40A(3) will be :
   (a) ₹ 35,000/-
   (b) ₹ 7,000/-
   (c) ₹ 10,500/-
   (d) NIL

(8) A Ltd. had an opening WDV balance of ₹2,00,000/- on 1.4.16, for a block of plant and machinery (15% depreciation). During the year it purchased a machinery, falling in the block, on 1.11.2016 for ₹ 50,000/-. Depreciation admissible on the block for the financial year 2016-17 is :
   (a) ₹ 37,500/-
   (b) ₹ 18,750/-
   (c) ₹ 33,750/-
   (d) ₹ 30,000/-

(9) The maximum amount of standard deduction in case of family pension is :
   (a) ₹ 5,000/-
   (b) ₹ 2,000/-
   (c) ₹ 15,000/-
   (d) ₹ 20,000/-

(10) Amount of deduction in case of a person with severe disability under section 80U will be :
   (a) ₹ 50,000/-
   (b) ₹ 75,000/-
   (c) ₹ 1,25,000/-
   (d) ₹ 1,50,000/-

(B) State whether the following statements are true or false (Attempt any 7) : 7
   (1) Municipal taxes paid by tenant is allowed as deduciton u/s 16.
   (2) Any expenditure incurred on winning from lottery is allowed u/s 57.
   (3) Lunch facility is fully exempt.
   (4) Penalty for breach of law is allowed as deduction.
   (5) Income of minor is exempt.
   (6) Dividend from Co-Operative society is taxable.
   (7) Maximum limit of deduction under section 80C and 80CCC is ₹ 2,00,000.
   (8) Only Reducing Balance method is allowed for depreciation in case of Business.
   (9) Gross Annual Value of Deemed to be let out property is to be considered as NIL.
   (10) Gift from friend is fully taxable.

[TURN OVER

2. (a) Ajay purchased 100 equity shares XYZ Ltd. on 1st January, 2003 for ₹ 500 per share and incurs expenditure on brokerage of ₹ 0·50 per ₹ 100. On May 1st, 2015 he gets bonus of 100 shares. On August 1st, 2016 he gets on 200 rights shares for ₹ 540 per share. On 31st January ,2017 he sells 300 shares for ₹ 800 per share and incurs an expenditure of ₹ 480 on brokerage. 7

Compute his taxable income for A.Y. 2017-18, he does not have any other source of income. (Assume FIFO Method)
The Cost inflation index for the F.Y. 2002-03 is 447; for the F.Y. 2015-16 is 1081; for F.Y. 2016-17 is 1125.

(b) Mr. Z sells a residential house at Mumbai for ₹ 90,00,000/- on 1st January, 2017. The house was acquired by him for ₹ 4,00,000/- on 1st June, 1993. The value of the house as on 1.4.1981 was ₹ 90,000/- and the previous owner bought the house for ₹ 75,000/- in the year 1975-76. 8

Z pays brokerage @2% at the time of sale of the house. He had carried out major repairs and renovation of his Mumbai house in April 2012, which amounted to ₹1,00,000/-. In March 2017 from the sale proceeds of Mumbai house he invests ₹35,00,000/- in a residential house in Mumbai.

Compute the capital gains taxable in the hands of Mr. Z for the assessment year 2017-18.

The cost inflation index for the year 1981-82 is 100; for 1993-94 is 244; for 2012-13 is 852; for the F.Y. 2015-16 is 1081; for F.Y. 2016-17 is 1125.

OR

2. Mr. Panchal is a Finance Manager of K Private Ltd. During the year, he voluntary retired from the company on 31-12-2016 as per the terms and conditions offered by the company. On voluntary Retirement he received ₹ 6,50,000 and was also entitled to a pension of 20,000 p.m. for next 10 years. He commuted 80% of his pension for ₹ 16,00,000. 15

His other emoluments during the year ended 31st March, 2017 were as follows :

(a) Net salary up to 31-12-2016	₹ 60,800 p.m.
(b) Entertainment allowance	₹ 2,500 p.m.
(c) House Rent Allowance (taxable portion)	₹96,000
(d) Medi claim permium paid by the Employer	₹5,200
(e) Leave salary encashment for the year 2016-17 during service	₹50,700
(f) D.A. in terms	20% of basic salary
(g) Children Education allowance for 3 children	₹ 1000 p.m.

The following were deducted from his salary every month till his retirement.

(a) Tax deducted at source	₹ 4000/-
(b) Professional Tax	₹ 200/-

Compute taxable Salary for Mr. Panchal for the previous year 2016-17. Assuming he is covered under Payment of Gratuity Act, 1972.

[TURN OVER

3. Vijay furnishes the following information relevant for the P.Y. 2016-17. 15

Profit and Loss Account for the year ended 31st March, 2017

Particulars	₹	**Particulars**	₹
Other expenses	35,000	Gross Profit	3,03,000
Sundry expenses	29,000	Sundry receipts	34,000
Entertainment expenses	5,000	Bad debs recovered	
Audit fees	12,000	(₹5000 not allowed as a	
		Deduction earlier)	8100
Legal charges	14,000	Rent received	30,000
Extension of building	16,000	Income tax refund from	12,500
Depreciation on plant	29,000	Govt. (including interest	
		500)	
Salary to staff		Interest from PPF	9,000
• Salary	63,000		
• Bonus	26,000		
Sales tax	38,000		
Advertisement	25,000		
LIC Premium (Self)	19,000		
General Expenses	24,000		
Net Profit	75,600		
	3,96,600		**3,96,600**

Other Information :

(a) Depreciation on plant & machinery and extension of building as per income tax provision is ₹ 25,000.

(b) Sales tax of ₹ 38,000 includes (i) interest for late payment of sales-tax ₹ 1800 (ii) penalty for evading sales-tax ₹ 5000

(c) Advertisement expenditure was paid by bearer cheque (single payment)

(d) Salary to staff includes a payment of ₹ 5000 to the relative.

Ascertain the income of Vijay chargeable under the head Income from Profits & gains of Business and net taxable income for the Assessment year 2017-18.

OR

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