

2014

QP Code : CX-14561

(2 Hours)

[Total Marks :60

- N.B. :** (1) All the questions are **compulsory**.
(2) **Figures to the right** indicate full marks.

1. Attempt any **one** from the following questions. 15
 - (a) Explain in brief various stages in data processing.
 - (b) What is data analysis? What is the purpose of data analysis? Explain in brief various types of analysis.

2. Attempt any **two** from the following questions. 15
 - (a) What are various types of research report?
 - (b) Explain the layout of research report.
 - (c) What are the functions of research report? Discuss in brief.

3. Attempt any **two** from the following questions. 15
 - (a) Discuss the merits and demerits of arithmetic mean, mode and median.
 - (b) Discuss the important measures of dispersion. What are the requisites of a good dispersion.
 - (c) Write a note on Chi Square Test.

4. Write explanatory notes (any two) 15
 - (a) Graphic presentation of data
 - (b) Evaluation of research report
 - (d) Footnotes and Bibliography.

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QP Code : CX-14564

(2 Hours)

[Total Marks : 60

- N.B. : (1) All questions are compulsory carrying 15 marks each.
(2) Working Notes and assumption should form a part of your answer.
(3) Use of simple calculator is allowed.
(4) Figures to the right side indicate full marks.

1. The Sales forecast for January to May, 2013 and actual sales for November and December, 2012 for Plysales Co. are given as under : 15

Actual	
November, 2012	80,000
December, 2012	70,000
Forecast	
January, 2013	80,000
February, 2013	1,00,000
March, 2013	80,000
April, 2013	1,00,000
May, 2013	90,000

20% of sales is in cash and rest is on credit, payment of which is realized in the third month. The following other information are also available: *Debtors*

- (i) Amount of purchase is budgeted at 60% of the sales turnover of a month and paid in the third month of purchase. *Creditors*
- (ii) Variable expenses is 5% of turnover-time lag of payment half month.
- (iii) Commission on credit sales @ 5% is payable in the third month. *80% x 5%*
- (iv) Rent and other expenses amounting Rs. 3,000 paid every month.
- (v) Payment of purchase of fixed assets Rs. 50,000 in March, 2013.
- (vi) Payment for taxes in April, 2013 Rs. 20,000.
- (vii) There will be an opening cash balance of Rs. 25,000.

You are required to prepare a Cash Budget for five months from January to May, 2013.

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OR

1. Prepare a Cash Budget of Amruta Ltd. from the following information for the six months commencing from April, 2013.

Month	Total Sales (Rs.)	Cash Purchases (Rs.)	Salaries Paid (Rs.)
January	2,00,000	1,50,000	50,000
February	4,00,000	2,50,000	50,000
March	6,00,000	3,00,000	50,000
April	8,00,000	3,50,000	75,000
May	10,00,000	5,50,000	75,000
June	10,00,000	6,50,000	1,00,000
July	12,00,000	7,00,000	1,00,000
August	12,00,000	9,00,000	1,25,000
September	10,00,000	8,00,000	1,50,000

Information :

1. Total sales comprises of 10% cash sales and 90% credit sales.
 2. 50% of credit sales are collected in the month following the sales, balance 25% in the second month and remaining 25% in the third month.
 3. Opening cash balance of Rs. 1,75,000 as at 1st April, 2013.
 4. Rent is Rs. 15,000 per month, paid on 7th of next month.
 5. Interest on debentures of Rs. 25,000 is to be paid in June, every year.
 6. Payment for machinery in September 2013 Rs. 1,50,000.
 7. Excise deposit to be paid in August, 2013 Rs. 50,000.
2. The management of Asmita Ltd. is considering an investment project costing Rs. 1,50,000 and it will have a scrap value of Rs. 10,000 at the end of its 5 years life. Transportation charges & installation charges are expected to be Rs. 5,000 and Rs. 25,000 respectively. If the project is accepted, a spare part inventory of Rs. 10,000 must also be maintained. It is estimated that the spare parts will have an estimated scrap value of 60% of their initial cost after 5 years. Annual revenue from the project is expected to be Rs. 1,70,000; and annual labour, material and maintenance expenses are

estimated to be Rs. 15,000; Rs. 50,000 and Rs. 5,000 respectively. The depreciation and taxes for five years will be :

Year	Depreciation (Rs.)	Tax (Rs.)
1.	72,000	11,200
2	43,200	22,720
3	32,400	27,040
4	21,600	31,360
5	800	39,680

Calculate the net cash flow for each year and cost of the project. Evaluate the project at 12% rate of interest. Discounting factors @ 12% is 1st yr.- 0.8929, 2nd yr.- 0.7972, 3rd yr- 0.7118, 4th yr.- 0.6355, 5th yr.-0.5674.

OR

2. M/s Best Cool Services Ltd., Mumbai, manufactures of Air Coolers give the following information in respect of two components namely A and B used in the manufacturing process : 15

Normal usage	200 units per week each.
Maximum usage	300 units per week each.
Minimum usage	100 units per week each.
Reorder Quantity :	
A	1,600 units.
B	2,400 units.
Reorder Period for :	
A	2 to 4 weeks.
B	1 to 2 weeks.

Calculate for each component :

- | | |
|-------------------|-------------------------|
| 1. Reorder level, | 3. Maximum level, |
| 2. Minimum level, | 4. Average stock level. |

3. Rajashree Garments Ltd. manufactures readymade garments and sells them on credit basis through a network of dealers. Its present sale is Rs. 60 lakhs per annum with 20 days credit period. The company is contemplating an increase in the credit period with a view to increasing sales. Present variable cost are 70% of sales and the 15

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total fixed costs Rs. 8 lakhs per annum. The company expects pre-tax return on investment @ 25%. Some other details are given as under:

Proposed Credit Policy	Average Collection Period (days)	Expected Annual Sales (Rs. lakhs)
I	30	65
II	40	70
III	50	74
IV	60	75

Which credit policy should the company adopt? Present our answer in a tabular form. Assume 360-days a year. Calculations should be made upto two digits after decimal.

OR

3. A newly formed company has applied to the commercial bank for the first time for 15 financing its working capital requirements. The following information is available about the projections for the current year.

Elements of cost (Rs. per unit)

Raw Material	40
Direct labour	15
Overhead	<u>30</u>
Total cost	85
Profit	<u>15</u>
Sales	<u><u>100</u></u>

Other information :

Raw materials in stock : average 4 weeks consumption, Work-in-progress (50% of material, wages & overheads should be taken for WIP calculation), on an average 2 weeks. Finished goods in stock : on an average 4 weeks.

Credit allowed by suppliers is 4 weeks.

Credit allowed to debtors is 8 weeks. (to be calculated on Total Cost)

Wages - 1/2 weeks
OvH - 4 weeks

R-M 4W
WIP 2W
FG 4W

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Cash - 50,000

CR - 4W
DR - 8W T.C.
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Average time lag in payment of wages is $1\frac{1}{2}$ weeks and 4 weeks in overhead expenses. Cash in hand and at bank is desired to be maintained at Rs. 50,000.

All sales are on credit basis only.

You are Required to :

- (i) Prepare statement showing estimate of working capital needed to finance an activity level of 96,000 units of production. Assume that production is carried on evenly throughout the year, and wages and overheads accrue evenly. For the calculation purpose 52 weeks may be taken as equivalent for a year.
- (ii) From the above information calculate the maximum permissible bank finance by all three methods for working capital as per Tandon Committee norms; assume the core current assets constitute 25% of the current assets.

4. (a) Select the appropriate alternative and rewrite the full sentence.

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- (i) Private equity funds provide finance for _____
 - (a) 3 to 8 years
 - (b) 10 to 15 years
 - (c) 15 to 20 years
 - (d) 20 to 25 years
- (ii) Tax saving on retrenchment compensation is treated as _____
 - (a) Cost of tax
 - (b) Cash Inflow
 - (c) Cash Outflow
 - (d) None of the above
- (iii) Longer period of credit allowed by creditors _____
 - (a) increases working capital requirement
 - (b) decrease working capital requirement
 - (c) maximizes working capital requirement
 - (d) none of the above
- (iv) Excessive investment in current assets results in _____
 - (a) High Profitability
 - (b) Low Profitability
 - (c) High liquidity
 - (d) b & c
- (v) Availability of cash in future after considering the financial commitment is known as: _____
 - (a) Cash flow
 - (b) Liquidity
 - (c) Solvency
 - (d) Cash Rich
- (vi) Carrying cost does not include _____
 - (a) Cost of placing the order
 - (b) Warehouse expenses
 - (c) Insurance of warehouse
 - (d) Stores staff Salaries

- (vii) Financial Statements can judge ———
- (a) Liquidity (b) Short term solvency
(c) Long term solvency (d) All the above
- (viii) The charge for working capital finance may be ———
- (a) Floating (b) Trust Receipts
(c) Pledge of warehouse receipt (d) All the above

(b) Match the Group 'A' with Group 'B' & rewrite the full sentence.

- | Group 'A' | Group 'B' | 7 |
|--------------------------------|------------------------------------------|---|
| (i) Debentures | *) Sale of Bill to a Bank 7 | |
| (ii) Scrap Value | *) Own Fund 1 | |
| (iii) Stock of Goods | *) Supply of goods for sale 1/3 | |
| (iv) Fluctuation in prices | *) Ordering cost 5 | |
| (v) Cost of placement of order | *) Valued at cost of production 2/3 | |
| (vi) Consignment | *) Speculative motive 4/4 | |
| (vii) Bill discounting | *) Added to the last year's cash inflow | |
| | *) Debt Security 3 | |
| | *) Cash Sales | |

OR

4 Write short notes. (any three) :-

- (1) Long term Sources of Finance.
- (2) Importance of Working Capital.
- (3) Economic Order Quantity.
- (4) Depreciation as a Source of Finance.
- (5) Aspects of Receivable Management.

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(2 Hours)

[Total Marks : 60

- N. B. : (1) All questions are **Compulsory** carrying 15 marks **each**.
(2) Sub-questions would carry **equal** marks, **unless** indicated to the contrary to their extreme right.
(3) Working/References to Statutes, Standards, etc. (not necessarily with reference no.s) to form part of the solutions and necessary assumptions to be **made and stated** clearly.

- 1 I (a) The Directors of a Company propose to follow the 'Due basis' for accounting and not the 'Accrual' basis under the Mercantile system i.e. would be accounting for income/expenses only if they are legally due during the financial year and would not be accounting them if otherwise, even though they may relate/pertain to a part of that financial year.

State your stand on the matter as the Company's Statutory Auditor if the Directors would implement their proposal. Substantiate your stand with reference to the legal provisions.

- (b) State the accounting records i.e. books of accounts to be maintained by a company as per the Companies Act, 1956 and also explain the requirements of the said Act as to the place where they will have to be kept.

OR

- 1 ✓ I (a) Briefly explain the background, objectives, considerations requirements, procedures and documentation required to be followed/complied with/involved in the reliance on the Internal Auditors' work by the Statutory Auditor of a Company as per S.A. 610.

- ✓ (b) State the entities to which C.A.R.O. (2003) applies and state the different accounting areas/items it covers.

- 2 II ✗ Explain the requirements of Part I of Schedule VI of the Companies Act, 1956 in relation to the different types of Investments made by the Company.

OR

- 2 ✓ II ✓ Explain the considerations, requirements and disclosures involved in the Audit of the Share Capital of a Company under the Companies Act, 1956.

- 3 III Explain the requirements of;

(a) Any one selected item for Audit evidence as per S.A. 501;

(b) Any three responsibilities of the Auditor relating to Fraud in the Financial statements.

OR

- 3 III ✗ (a) Narrate the Scope of an Audit and the factors that affect it or that should be considered by the Auditor as per S.A. 200A;

(b) How should the auditor plan the Audit of Financial statements as per S.A. 300.

- 7 IV (a) Match the items from Column A with those in Column B selecting on an overall most appropriate basis.

A

1. Applicability of C.A.R.O. (2003)
 2. Audit documents
 3. C.A.R.O. (2003)
 4. Public Deposits
 5. Planning of Audit
 6. Using the work of others
 7. Recovery steps for Overdue amount exceeding Rs. 1 lakh
 8. Going Concern

B

- Directives of Reserve Bank of India
 → Fundamental Accounting Assumption
 → Property of Auditee
 × Banking Company
 × Property of Auditor
 → Loan with prejudicial terms
 • Directives of Central Board of Direct Taxes.
 → C.A.R.O. (2003)
 → Covered in a Standard on Audit
 → Internal Auditor's Certificate

- 4 (b) Rewrite the following sentences choosing the most appropriate alternative :-

(i) The objective of an Audit of Financial statement prepared as per accepted accounting norms, policies and standards is to determine True and fair view of _____ (financial position/operating results/both these/none of these).

(ii) An intentional act from Auditee's management or its employees is _____ (Mistake/error/fraud/none of these);

(iii) C.A.R.O. (2003) does not apply to _____ (Trading/Manufacturing/Private/Insurance) Companies;

(iv) Proper records of all transactions and contracts of shares and other securities have to be maintained by a Company (to which C.A.R.O. (2003) is applicable) which is _____ (dealing in/investing in/issuing/borrowing) such shares and securities;

(v) Prejudicial terms' loans _____ (given/taken/both these/none of these) by a Company covered by C.A.R.O. (2003) have to be reported;

(vi) Accounting records include _____ (Journals/Subsidiary books/invoices/all of these/none of these);

(vii) The Debtors of the Auditee Company returning 'Confirmation request' undelivered is _____ (external confirmation/internal confirmation/negative confirmation/non-response);

OR

IV Write short notes on (any three) :-

- (a) Importance of External confirmations;
 - (b) Analytical procedures;
 - (c) Auditor's liability in case of Fraud;
 - (d) Audit report under section 227 the Companies Act, 1956 by the Statutory Auditor;
 - (e) Special Requirements of Company Audit.
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[Total Marks : 60

- N. B. :** (1) All questions are **compulsory**.
(2) Figures to the **right** indicate **full marks**.
(3) Use of **simple** calculator is permitted.

1. KT Bank Ltd. furnishes the following information relating to services provided and the amount received during the month of March 2014. Compute the value of taxable service and service tax payable. Ignore threshold limit and all amounts given are excluding service tax. Rate of service tax is 12.36 %. 15

Particulars	₹
Interest earned on Reverse Repo transactions	5,00,000
Discount earned on bills discounted	2,00,000
Commission received for services rendered to Government for tax collection	2,50,000
Interest on overdraft and cash credit	1,00,000
Interest on loans	2,00,000
Interest earned on deposits with RBI	3,00,000
Commission on sale of foreign currency to authorized dealers	1,25,000
Merchant Banking Services	5,00,000
Banker to the issue	2,25,000
Locker rent	7,50,000
Credit card processing fees	1,25,000
Charges for sending e-Account Statements	4,50,000

OR

1. From the following information for March 2014 supplied by Mr. Raja, compute his value of taxable service and service tax payable for the month of March 2014. Ignore threshold limit and all amounts given are excluding service tax. Rate of service tax is 12.36 %. 15

Particulars	₹
Vehicle parking to general public in a shopping mall	2,50,000
Organisation of business exhibition in India	5,00,000
Transportation of postal mails or mails by a vessel	50,000
Transport of passengers by contract carriage for tour	1,00,000
Services provided as Brand Ambassador	2,00,000
Construction of road in a factory	2,00,000
Repairs and maintenance of a railway station	50,000
Hair transplant services due to injury in fire accident	50,000
Renting of precincts of a religious place for conducting non-religious activities (ceremonies)	75,000
Running of metered cabs and taxis	60,000
Coaching in recreational activities relating to culture	2,00,000
Commission from mutual fund for selling mutual fund units	50,000

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2. Z Ltd. request you to compute liability under MVAT Act, 2002, for the month of March 2014, from the following information. The company is registered dealer under MVAT Act, 2002. 15

Particulars	₹
Sale of Schedule "B" Goods	12,50,000
Sale of Schedule "C" Goods	14,50,000
Sale of Schedule "E" Goods	13,50,000
Labour Charges received	2,50,000
Sale Return (within 6 months)	
Schedule "B" Goods	75,000
Schedule "C" Goods	50,000
Schedule "E" Goods	80,000
Purchases	
Schedule "B" Goods	8,25,000
Schedule "C" Goods	9,50,000
Schedule "E" Goods	7,75,000
Purchase Returns	
Schedule "B" Goods	Nil
Schedule "C" Goods	25,000
Schedule "E" Goods	75,000

The rate of tax for Schedule B is 1%, Schedule C is 5% and Schedule E is 12.5%.

OR

2. M/s AB Ltd., a registered dealer under MVAT Act 2002, gives the following information for the month of March 2014. Compute the tax liability under MVAT Act 2002. 15

Sales	
Schedule A goods	2,00,000
Schedule B goods	7,50,000
Schedule D goods	7,20,000
Sale out of Maharashtra	2,50,000
Labour charges received	75,000
Sales return (within 6 months)	
Schedule A goods	10,000
Schedule B goods	50,000
Schedule D goods	20,000
Purchases	
Schedule A goods	55,000
Schedule B goods	2,45,000
Schedule D goods	2,25,000

The rate of tax for Schedule A is Nil, Schedule B is 1%, and Schedule D is 20 %.

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3. (a) M/S TY commenced business from 1/1/2014. From the following particulars regarding purchase and sale transactions, you are required to find out liability for registration as per the provision of Maharashtra Value Added Tax Act, 2002. 7

Month	Purchases			Sales	
	Out of State	Within State		Within State	
	Taxable goods	Taxable goods	Tax-free goods	Taxable goods	Tax-free goods
January, 2014	20,000	10,000	75,000	25,000	20,000
February, 2014	25,000	25,000	25,000	15,000	5,000
March, 2014	20,000	75,000	25,000	6,000	10,000

3. (b) Following information is available for the year ended 31-3-2014. Compute the value of taxable services rendered and service tax payable by the assessee. The rate of tax is 12%, education cess is 2% and higher education cess is 1%. Ignore small service provider's exemption. 8
- (i) Value of free coaching rendered during the year ₹ 2,00,000.
 - (ii) Coaching fee collected against bill dated 16-8-2013 ₹ 18,00,000 (inclusive of service tax)
 - (iii) Advance received for coaching the students of Rs. 5,00,000 (inclusive of service tax)
 - (iv) Coaching fees of ₹ 3,00,000 received through credit card. (inclusive of service tax)

OR

3. (a) The details of purchases and sales of Mr. ZAT during the financial year 2013-14 are given below. 7

Month	Purchases		Sales	
	Within State		Within State	
	Taxable goods	Tax-free goods	Taxable goods	Tax-free goods
January, 2014	55,000	75,000	25,000	65,000
February, 2014	45,000	75,000	55,000	65,000
March, 2014	50,000	85,000	95,000	1,00,000

Find out whether he is liable for registration as per the provision of Maharashtra Value Added Tax Act, 2002.

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- (v) Dealer as defined under MVAT 2002 does not include Agriculturist.
- (vi) VAT does not apply to works contractors.
- (vii) Sale of Capital Assets or Sale of Scrap is to be treated as part of business transaction as per MVAT.

OR

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4. (a) Write short notes as per the provisions of Service Tax (any two)

- (i) Courier services
- (ii) Pure agent
- (iii) E-payment of service tax.

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(b) Write short notes as per the provisions of MVAT (any two)

- (i) Condition for grant of set-off, refund or adjustment or drawback
 - (ii) Dealer
 - (iii) Application for registration.
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