

CODE : A101

PROFESSIONAL COMPETENCE COURSE
ADVANCED ACCOUNTING
ANSWER ALL QUESTIONS

Q.1. The following is the Balance Sheet of Rocky Ltd. as at March 31, 2002 :

	Rs. in lacs
Liabilities	
Fully paid equity shares of Rs. 10 each	500
Capital Reserve	6
12% Debentures	400
Debenture Interest Outstanding	48
Trade Creditors	165
Director's Remuneration Outstanding	10
Other Outstanding Expenses	11
Provisions	<u>33</u>
	1,173
Assets	
Goodwill	15
Land and Building	184
Plant and Machinery	286
Furniture and Fixtures	41
Stock	142
Debtors	80
Cash at Bank	27
Discount on Issue of Debentures	8
Profit and Loss Account	<u>390</u>
	1,173

The following scheme of internal reconstruction was framed, approved by the Court, all the concerned parties and implemented:

- (i) All the equity shares be converted into the same number of fully-paid equity shares of Rs. 2.50 each.
- (ii) Directors agree to forego their outstanding remuneration.
- (iii) The debenture holders also agree to forego outstanding interest in return of their 12% debentures being converted into 13% debentures.
- (iv) The existing shareholders agree to subscribe for cash, fully paid equity shares of Rs. 2.50 each for Rs. 125 lacs.
- (v) Trade creditors are given the option of either to accept fully-paid equity shares of Rs. 2.50 each for the amount due to them or to accept 80% of the amount due in cash. Creditors for Rs. 65 lacs accept equity shares whereas those for Rs. 100 lacs accept Rs. 80 lacs in cash in full settlement.

(vi) The Assets are revalued as under :

	Rs. in lacs
Land and Building	230
Plant and Machinery	220
Stock	120
Debtors	76

Pass Journal Entries for all the above mentioned transactions and draft the company's Balance Sheet immediately after the reconstruction.

(20 marks)

Q.2.

(A) From the following Summary Cash Account of X Ltd. prepare Cash Flow Statement for the year ended 31st March, 2007 in accordance with AS 3 (Revised) using the direct method. The company does not have any cash equivalents.

Summary Cash Account for the year ended 31.3.2007

	Rs. '000		Rs.'000
Balance on 1.4.2006	50	Payment to Suppliers	2,000
Issue of Equity Shares	300	Purchase of Fixed Assets	200
Receipts from Customers	2,800	Overhead expense	200
Sale of Fixed Assets	100	Wages and Salaries	100
		Taxation	250
		Dividend	50
		Repayment of Bank Loan	300
		Balance on 31.3.2007	<u>150</u>
	<u>3,250</u>		<u>3,250</u>

(b) Department X sells goods to Department Y at a profit of 25% on cost and to Department Z at 10% profit on cost. Department Y sells goods to X and Z at a profit of 15% and 20% on sales, respectively. Department Z charges 20% and 25% profit on cost to Department X and Y, respectively.

Department Managers are entitled to 10% commission on net profit subject to unrealised profit on departmental sales being eliminated. Departmental profits after charging Managers' commission, but before adjustment of unrealised profit are as under :

	Rs.
Department X	36,000
Department Y	27,000
Department Z	18,000

Stock lying at different departments at the end of the year are as under :

	Dept. X Rs.	Dept. Y Rs.	Dept. Z Rs.
Transfer from Department X	—	15,000	11,000
Transfer from Department Y	14,000	—	12,000
Transfer from Department Z	6,000	5,000	—

Find out the correct departmental Profits after charging Managers' commission.

(8 + 8 = 16 marks)

Q.3. From the following information calculate the amount of Provisions and Contingencies and prepare Profit and Loss Account of Zed Bank Ltd. for the year ended 31.3.2004:

	(Rs. in '000)
Interest and Discount (Includes interest accrued on investments)	8,860
Other Income	220
Interest expended	2,720

Operating expenses	2,830
Interest accrued on Investments	10
Additional Information:	
(a) Rebate on bills discounted to be provided for	30
(b) Classification of Advances:	
(i) Standard assets	4,000
(ii) Sub-standard assets	2,240
(iii) Doubtful assets-(fully unsecured)	390
(iv) Doubtful assets – covered fully by security	
Less than 1 year	100
More than 1 year, but less than 3 years	600
More than 3 years	600
(v) Loss assets	376
(c) Provide 35% of the profit towards provision for taxation.	
(d) Transfer 20% of the profit to Statutory Reserve.	

(16 marks)

Q.4. A trader keeps his books of account under single entry system. On 31st March, 2000 his statement of affairs stood as follows:

Liabilities	Rs.	Assets	Rs.
Trade Creditors	5,80,000	Furniture, Fixtures and Fittings	1,00,000
Bills Payable	1,25,000	Stock	6,10,000
Outstanding Expenses	45,000	Trade Debtors	1,48,000
Capital Account	2,50,000	Bills Receivable	60,000
		Unexpired Insurance	2,000
		Cash in Hand and at Bank	<u>80,000</u>
			10,00,000
	<u>10,00,000</u>		

The following was the summary of Cash-book for the year ended 31st March, 2001:

Receipts	Rs.	Payments	Rs.
Cash in Hand and at Bank on 1st April, 2001	80,000	Payment to Trade Creditors	75,07,000
Cash Sales	73,80,000	Payments for Bills Payable	8,15,000
Receipts from Trade Debtors	15,10,000	Sundry Expenses paid	6,20,700
Receipts for Bills Receivable	3,40,000	Drawings	2,40,000
		Cash in Hand and at Bank on 31st March, 2001	<u>1,27,300</u>
	<u>93,10,000</u>		<u>93,10,000</u>

Discount allowed to trade debtors and received from trade creditors amounted to Rs. 36,000 and Rs. 28,000 respectively. Bills endorsed amounted to Rs. 15,000. Annual Fire Insurance premium of Rs. 6,000 was paid every year on 1st August for the renewal of the policy. Furniture, fixtures and fittings were subject to depreciation @ 15% per annum on diminishing balances method.

You are also informed about the following balances as on 31st March, 2001:

	Rs.
Stock	6,50,000
Trade Debtors	1,52,000
Bills Receivable	75,000
Bills Payable	1,40,000
Outstanding Expenses	5,000

The trader maintains a steady gross profit ratio of 10% on sales.

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2001 and Balance Sheet as on that date.

(16 marks)

Q.5. On 31st March, 2000 Kanpur Branch submits the following Trial Balance to its Head Office at Lucknow:

Debit Balances	Rs. in lacs
Furniture and Equipment	18
Depreciation on Furniture	2
Salaries	25
Rent	10
Advertising	6
Telephone, Postage and Stationery	3
Sundry Office Expenses	1
Stock on 1st April, 1999	60
Goods Received from Head Office	288
Debtors	20
Cash at bank and in hand	8
Carriage Inwards	<u>7</u>
	448
 Credit Balances	
Outstanding Expenses	3
Goods Returned to Head Office	5
Sales	360
Head Office	448

Additional Information.

Stock on 31st March, 2000 was valued at Rs. 62 lacs on 29th March, 2000 the Head Office despatched goods costing Rs. 10 lacs to its branch. Branch did not receive these goods before 1st April, 2000. Hence the figure of goods received from Head Office does not include these goods. Also the head office has charged the branch Rs. 1 lac for centralised services for which the branch has not passed the entry.

You are required to :

- (i) Pass Journal Entries in the books of the Branch to make the necessary adjustments.
- (ii) Prepare Final Accounts of the Branch including Balance Sheet, and
- (iii) Pass Journal Entries in the books of the Head Office to incorporate the whole of the Branch Trial Balance.

(16 marks)

Q.6. Answer any four of the following :

- (i) Explain the salient features of a computerized accounting system in brief.
- (ii) Explain the provisions contained in the Accounting Standard in respect of Revaluation of fixed assets.
- (iii) X Co. Ltd. charged depreciation on its asset on SLM basis. For the year ended 31.3.2006 it changed to WDV basis. The impact of the change when computed from the date of the asset coming to use amounts to Rs. 20 lakhs being additional charge.
Decide how it must be disclosed in Profit and loss account. Also, discuss, when such changes in method of depreciation can be adopted by an enterprise as per AS 6.
- (iv) When Capitalisation of borrowing cost should cease as per Accounting Standard 16?
- (v) List the preferential creditors, who are eligible for preferential payment upon insolvency of an individual.

(16 marks)

CODE : A102

PROFESSIONAL COMPETENCE COURSE ADVANCED ACCOUNTING

ANSWER ALL QUESTIONS

Q.1. The following are the Balance Sheets of RS Ltd. and XY Ltd. as on 31.3.2006:

	RS Ltd.	XY Ltd.		RS Ltd.	XY Ltd.
Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Share Capital:			Fixed Assets net of		
Equity Shares of Rs. 100 each fully paid up	2,000	1,000	depreciation	2,700	850
Reserves and Surplus	800	-	Investments	700	-
10% Debentures	500	-	Sundry Debtors	400	150
Loan from Financial Institutions	250	400	Cash and Bank	250	-
Bank Overdraft	-	100	Profit and Loss Account	-	800
Sundry Creditors	300	300			
Proposed Dividend	200	-			
Total	4,050	1,800	Total	4,050	1,800

It was decided that XY Ltd. will acquire the business of RS Ltd. for enjoying the benefit of carry forward of business loss. After acquisition, XY Ltd. will be renamed as XYZ Ltd.

The following scheme has been approved for the merger:

- (i) XY Ltd. will reduce its shares to Rs. 10 and then consolidate 10 such shares into one share of Rs. 100 each (New Share).
- (ii) Financial institutions agreed to waive 15% of the loan of XY Ltd.
- (iii) Shareholders of RS Ltd. will be given one new share of XY Ltd. in exchange of every share held in RS Ltd.
- (iv) RS Ltd. will cancel 20% holding of XY Ltd. Investments were held at Rs. 250 thousands.
- (v) After merger the proposed dividend of RS Ltd. will be paid to the shareholders of RS Ltd.
- (vi) Authorised Capital of XY Ltd. will be raised accordingly to carry out the scheme.
- (vii) Sundry creditors of XY Ltd. includes payable to RS Ltd. Rs. 1,00,000.

Pass the necessary entries to implement the scheme in the books of RS Ltd. and XY Ltd. and prepare a Balance Sheet of XYZ Ltd. **(20 marks)**

Q.2 Scorpio Ltd. came out with an issue of 45,00,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share. The promoters took 20% of the issue and the balance was offered to the public. The issue was equally underwritten by A & Co; B & Co. and C & Co. Each underwriter took firm underwriting of 1,00,000 shares each. Subscriptions for 31,00,000 equity shares were received with marked forms for the underwriters as given below:

A & Co.	7,25,000	shares
B & Co.	8,40,000	shares
C & Co.	13,10,000	shares
Total	28,75,000	shares

The underwriters are eligible for a commission of 5% on face value of shares. The entire amount towards shares subscription has to be paid along with application.

You are required to:

- (a) Compute the underwriters liability (number of shares)
- (b) Compute the amounts payable or due to underwriters ; and
- (c) Pass necessary Journal entries in the books of Scorpio Ltd. relating to underwriting.

(16 marks)

Q.3.

(A) The balance sheet of A & B, a partnership firm, as at 31st March, 2006 is as follows.

Liabilities Rs.	Assets	Rs.	
Capital accounts:		Goodwill	14,000
A 26,400		Land and building	14,400
B 33,600	60,000	Furniture	2,200
Contingency reserve	6,000	Stock	26,000
Sundry creditors	9,000	Sundry debtors	6,400
		Cash at bank	<u>12,000</u>
	<u>75,000</u>		<u>75,000</u>

A & B share profits and losses as 1:2. They agree to admit C (who is also in business on his own) as a third partner from 1.4.2006. The assets are revalued as under:

Goodwill Rs. 18,000, land and building Rs. 30,000 and furniture Rs. 6,000. C brings the following assets into the partnership: goodwill Rs. 6,000, furniture Rs. 2,800 and stock Rs. 13,600.

Profits in the new firm are to be shared equally by the three partners and the capital accounts are to be so adjusted as to be equal. For this purpose, additional cash should be brought in by the partner or partners concerned.

Prepare the necessary accounts and the opening balance sheet of new firm, showing the amounts of cash, if any, which each partner may have to provide.

(8 marks)

(B) Liquidation of YZ Ltd. commenced on 2nd April, 2004. Certain creditors could not receive payments out of the realisation of assets and out of the contributions from A list contributions. The following are the details of certain transfers which took place in 2003 and 2004:

Shareholders	No. of	Date of	Creditors remaining
A	2,000	1st March, 2003	Rs. 5,000
February, 2004	Rs. 6,000		

All the shares were of Rs. 10 each, Rs. 8 per share paid up. Show the amount to be realised from the various persons listed above ignoring expenses and remuneration to liquidator etc.

(8 marks)

Q.4.

(A) Raj Ltd. gives you the following information for the year ended 31st March, 2006:

- (i) Sales for the year Rs. 48,00,000. The Company sold goods for cash only.
- (ii) Cost of goods sold was 75% of sales.
- (iii) Closing inventory was higher than Opening inventory by Rs. 50,000.
- (iv) Trade creditors on 31.3.2006 exceed the outstanding on 31.3.2005 by Rs. 1,00,000.
- (v) Tax paid during the year amounts to Rs. 1,50,000.
- (vi) Amounts paid to Trade Creditors during the year Rs. 35,50,000
- (vii) Administrative and Selling Expenses paid Rs. 3,60,000.
- (viii) One new machinery was acquired in December, 2005 for Rs. 6,00,000.
- (ix) Dividend paid during the year Rs. 1,20,000.
- (x) Cash in hand and at Bank on 31.3.2006 Rs. 70,000.
- (xi) Cash in hand and at Bank on 1.4.2005 Rs. 50,000.

Prepare Cash Flow Statement for the year ended 31.3.2006 as per the prescribed Accounting Standard.

(B) What all are the differences between Cash Flow Statement and Fund Flow Statement?

(16 marks)

Q.5. Answer any four of the following :

(A) The position of Unfortunate Ltd. on its liquidation is as under:

Issued and paid up Capital:	
3,000	11% preference shares of Rs. 100 each fully paid.
3,000	Equity shares of Rs. 100 each fully paid.

1,000 Equity shares of Rs. 50 each Rs. 30 per share paid.
Calls in Arrears are Rs. 10,000 and Calls received in Advance Rs. 5,000. Preference Dividends are in arrears for one year. Amount left with the liquidator after discharging all liabilities is Rs. 4,13,000. Articles of Association of the company provide for payment of preference dividend arrears in priority to return of equity capital. You are required to prepare the Liquidators final statement of account.

- (B) From the following figures appearing in the books of Fire Insurance division of a General Insurance Company, show the amount of claim as it would appear in the Revenue Account for the year ended 31st March, 2006 :

	Direct Business Rs.	Re-Insurance Rs.
Claim paid during the year	46,70,000	7,00,000
Claim Payable— 1st April, 2005	7,63,000	87,000
31st March, 2006	8,12,000	53,000
Claims received –	2,30,000	
Claims Receivable—1st April, 2005	–	65,000
31st March, 2006	–	1,13,000
Expenses of Management (includes Rs. 35,000 Surveyor's fee and Rs. 45,000 Legal expenses for settlement of claims)	2,30,000	–

- (C) Power Electric Company decides to replace one of its old plant by an improved plant with larger capacity. The cost of the new plant is Rs. 16,00,000.

Materials and Labour earlier and now are in the ratio of 4 : 6. Original cost of the old plant is Rs. 3,00,000. Materials cost has gone up by $2\frac{1}{2}$ times and Labour cost by 3 times since then. Old materials worth Rs. 1 G,000 were used in the construction of the new plant and Rs. 20,000 were realised from the sale of old materials.

Give the necessary Journal Entries for recording the above transactions.

- (D) What do you mean by Self Balancing ledgers ? What are its advantages ?

- (E) Attempt the following:

X Limited received a grant of Rs. 2 crores from the Central Government for the purpose of a special Machinery during 1998-99. The cost of Machinery was Rs. 20 crores and had a useful life of 9 years During 2002-03, the grant has become refundable due to non-fulfilment of certain conditions attached to it. Assuming the entire grant was deducted from the cost of Machinery in the year of acquisition. State, with reasons, the accounting treatment to be followed in the year 2002-03.

(16 marks)

- Q.6. Answer any four of the following:

- X Ltd. entered into an agreement to sell its immovable property included in the Balance Sheet at Rs.10 lacs to another company for Rs.15 lacs. The agreement to sell was concluded on 28th February, 2006 and the sale deed was registered on 1st May, 2006. Comment with reference to AS 4.
- A Pharma Company spent Rs. 33 lakhs during the accounting year ended 31st March, 2006 on a research project to develop a drug to treat "AIDS". Experts are of the view that it may take four years to establish whether the drug will be effective or not and even if found effective it may take two to three more years to produce the medicine, which can be marketed. The company wants to treat the expenditure as deferred revenue expenditure. Comment.
- Distinguish between Receipt and Payment and Income and Expenditure account.
- Explain 'Classification of Advances' in the case of a Banking Company.
- State the different types of Leases contemplated in Accounting Standard 19 and discuss briefly.

(4 x 4 = 16 marks)

CODE : A103

PROFESSIONAL COMPETENCE COURSE ADVANCED ACCOUNTING

ANSWER ALL QUESTIONS

- Q.1.** From the following Balance Sheet and information, prepare Cash Flow Statement of Ryan Ltd. for the year ended 31st March, 2003:

Balance Sheet

	31st March, 2003 Rs.	31st March, 2002 Rs.
Liabilities		
Equity Share Capital	6,00,000	5,00,000
10% Redeemable Preference Capital	—	2,00,000
Capital Redemption Reserve	1,00,000	—
Capital Reserve	1,00,000	—
General Reserve	1,00,000	2,50,000
Profit and Loss Account	70,000	50,000
9% Debentures	2,00,000	—
Sundry Creditors	95,000	80,000
Bills Payable	20,000	30,000
Liabilities for Expenses	30,000	20,000
Provision for Taxation	95,000	60,000
Proposed Dividend	90,000	60,000
	<u>15,00,000</u>	<u>12,50,000</u>
	31st March, 2003 Rs.	31st March, 2002 Rs.
Assets		
Land and Building	1,50,000	2,00,000
Plant and Machinery	7,65,000	5,00,000
Investments	50,000	80,000
Inventory	95,000	90,000
Bills Receivable	65,000	70,000
Sundry Debtors	1,75,000	1,30,000
Cash and Bank	65,000	90,000
Preliminary Expenses	10,000	25,000
Voluntary Separation Payments	1,25,000	65,000
	<u>15,00,000</u>	<u>12,50,000</u>

Additional Information:

- (i) A piece of land has been sold out for Rs. 1,50,000 (Cost — Rs. 1,20,000) and the balance land was revalued. Capital Reserve consisted of Profit on sale and profit on revaluation.
- (ii) On 1st April, 2002 a plant was sold for Rs. 90,000 (Original Cost — Rs. 70,000 and W.D.V. — Rs. 50,000) and Debentures worth Rs. 1 lakh was issued at par as part consideration for Plant of Rs. 4.5 lakhs acquired.
- (iii) Part of the investments (Cost — Rs. 50,000) was sold for Rs. 70,000.
- (iv) Pre-acquisition dividend received Rs. 5,000 was adjusted against cost of Investment.
- (v) Directors have proposed 15% dividend for the current year.
- (vi) Voluntary separation cost of Rs. 50,000 was adjusted against General Reserve.
- (vii) Income-tax liability for the current year was estimated at Rs. 1,35,000.
- (viii) Depreciation @ 15% has been written off from Plant account but no depreciation has been charged on Land and Building.

Q.2. Scorpio Ltd. came out with an issue of 45,00,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share. The promoters took 20% of the issue and the balance was offered to the public. The issue was equally underwritten by A & Co; B & Co. and C & Co. Each underwriter took firm underwriting of 1,00,000 shares each. Subscriptions for 31,00,000 equity shares were received with marked forms for the underwriters as given below:

A & Co.	7,25,000	shares
B & Co.	8,40,000	shares
C & Co.	13,10,000	shares
Total	28,75,000	shares

The underwriters are eligible for a commission of 5% on face value of shares. The entire amount towards shares subscription has to be paid alongwith application.

You are required to:

- Compute the underwriters liability (number of shares)
- Compute the amounts payable or due to underwriters ; and
- Pass necessary Journal entries in the books of Scorpio Ltd. relating to underwriting.

Q.3. Alpha Manufacturing P. Ltd. is a company manufacturing articles. Beeta Marketing P. Ltd. is a company engaged in marketing activities. The two companies enter into a partnership on the following terms:

- Alpha Manufacturing P. Ltd. is to supply goods on credit of two months to the partnership firm. The partnership is to discharge the dues to Alpha Manufacturing P. Ltd. along with interest at 12% per annum regularly on due dates.
- Beeta Marketing P. Ltd. is to sell the goods.
- Expenses of sales are to be met out of the partnership funds. Alpha Manufacturing P. Ltd. and Beeta Marketing P. Ltd. are to introduce capital of Rs. five lakhs each for meeting the above expenses and as working capital. Interest at 15% per annum is payable on partners' capital payment being made every month. Accordingly the capitals are introduced on 1st April, 1999.
- Profits and losses are to be dealt with as follows:
 - 10% of the profits, if any, are to be credited to reserves for strengthening the working capital base;
 - balance profits are to be shared equally by credit to current accounts;
 - losses, if any, are to be borne equally by debit to capital accounts.
- The firm name is to be AB Traders.

During the year ended 31st March, 2000 the following were the transactions:

- Purchases Rs. 150 lakhs of which Rs. 30 lakhs were in the first quarter; Rs. 90 lakhs were in the next six months; the balance Rs. 30 lakhs were in the last quarter. The purchases are evenly spread through the respective periods.
- Sales were Rs. 200 lakhs.
- Sales expenses were Rs. 10 lakhs and were paid in full.
- Discount allowed to customers amounted to Rs. 4 lakhs. On 31st March, 2000, amounts due from customers were Rs. 45 lakhs and unsold inventory was worth Rs. 15 lakhs.

You are required to prepare final accounts of the firm.

Q.4. From the following receipts and payments account of Mumbai Club, prepare income and expenditure account for the year ended 31.12.2006 and its balance sheet as on that date:

Receipts	Rs.	Payments	Rs.
Cash in hand	4,000	Salary	2,000
Cash at bank	10,000	Repair expenses	500
Donations	5,000	Purchase of furniture	6,000
Subscriptions	12,000	Misc. expenses	500
Entrance fees	1,000	Purchase of investments	6,000
Interest on investments	100	Insurance premium	200
Interest received from bank	400	Billiard table	8,000
Sale of old newspaper	150	Paper, ink etc.	150
Sale of drama tickets	1,050	Drama expenses	500
Cash in hand (closing)	2,650		
		Cash at bank (closing)	<u>7,200</u>
	<u>33,700</u>		<u>33,700</u>

Information:

1. Subscriptions in arrear for 2006 Rs. 900 and subscriptions in advance for 2006 Rs.350.
2. Insurance premium outstanding Rs. 40.
3. Misc. expenses prepaid Rs. 90.
4. 50% of donation is to be capitalized.
5. Entrance fees are to be treated as revenue income.
6. 8% interest has accrued on investment for five months.
7. Billiard table costing Rs. 30,000 was purchased during the last year and Rs. 22,000 were paid for it.

(B) Calculate Average Due date from the following information:

Date of the bill	Term	Amount	Rs.
August 10, 2004	3 months		6,000
October 23, 2004	60 days		5,000
December 4, 2004	2 months		4,000
January 14, 2005	60 days		2,000
March 08, 2005	2 months		3,000

Q.5.

(A) The following information is extracted from the books of Shri Har for the year ended 31st March, 2001:

	Rs.
Sales	3,80,800
Purchases	3,26,000
Return outward	14,000
Cash received from debtors	1,78,200
Bills payable accepted	1,22,000
Returns inward	17,600
Cash paid to creditors	1,86,000
Bills receivable received	1,36,000
Discount received	4,000
Bad debts written off	24,000
Reserve for discount to debtors	2,000
Discount allowed	1,800
Transfers from purchases ledger	26,600

The total of the Sales Ledger balances on 1st April, 2000 was Rs. 90,600 and that of the Purchases Ledger balances on the same date was Rs. 78,600.

Prepare Sales Ledger and Purchases Ledger Adjustment Accounts from the above information.

(B) Rajatapeeta Bank Ltd. had extended the following credit lines to a Small Scale Industry, which had not paid any Interest since March, 1997.

	Term Loan	Export Credit
Balance Outstanding on 31.03.03	Rs. 35 lakhs	Rs. 30 lakhs
DICGC/ECGC cover	40%	50%
Guarantees held	Rs. 15 lakhs	Rs. 10 lakhs
Realisable value of Securities	Rs. 10 lakhs	Rs. 08 lakhs

Compute necessary Provisions to be made for the year ended 31st March, 2003.

Q.6. Answer any four of the following :

- (A) Define contingency and events occurring after the balance sheet date.
- (B) ABC Ltd, could not recover Rs. 10 lakhs from a debtor. The company is aware that the debtor is in great financial difficulty. The accounts of the company were finalised for the year ended 31.3.2005 by making a provision @20% of the amount due from the said debtor.
The debtor became bankrupt in April, 2005 and nothing is recoverable from him.
Do you advise the company to provide for the entire loss of Rs. 10 lakhs in the books of account for the year ended 31st March, 2005?
- (C) Explain the concept of actuarial valuation.
- (D) Account Current.
- (E) On 1st December, 2005, Vishwakarma Construction Co. Ltd. undertook a contract to construct a building for Rs. 85 lakhs. On 31st March, 2006 the company found that it had already spent Rs. 64,99,000 on the construction. Prudent estimate of additional cost for completion was Rs. 32,01,000. What amount should be charged to revenue in the final accounts for the year ended 31st March, 2006 as per provisions of Accounting Standard 7 (Revised)?

CODE : A104

PROFESSIONAL COMPETENCE COURSE
ADVANCED ACCOUNTING
ANSWER ALL QUESTIONS

- Q.1.** Ram, Rahim and Auntony were in partnership sharing profits and losses in the ratio of 1/ 2, 1/3 and 1/6 respectively. They decided to dissolve the partnership firm on 31.3.1998, when the Balance Sheet of the firm appeared as under:

Balance Sheet of the firm as on 31.3.1998

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	5,67,000	Goodwill A/c	4,56,300
Bank Overdraft	6,06,450	Plant and Machinery	6,07,500
Joint Life Policy Reserve	2,65,500	Furniture	64,650
Loan from Mrs. Ram	1,50,000	Stock	2,36,700
Capital Accounts:		Sundry Debtors	5,34,000
Ram	4,20,000	Joint Life Policy	2,65,500
Rahim	2,25,000	Commission Receivable	1,40,550
Auntony	<u>1,20,000</u>	Cash on Hand	<u>48,750</u>
	<u>7,65,000</u>		<u>23,53,950</u>
	<u>23,53,950</u>		<u>23,53,950</u>

The following details are relevant for dissolution:

- (i) The joint life policy was surrendered for Rs. 2,32,500.
- (ii) Ram took over goodwill and plant and machinery for Rs. 9,00,000.
- (iii) Ram also agreed to discharge bank overdraft and loan from Mrs. Ram.
- (iv) Furniture and stocks were divided equally between Ram and Rahim at an agreed valuation of Rs. 3,60,000.
- (v) Sundry debtors were assigned to firm's creditors in full satisfaction of their claims.
- (vi) Commission receivable was received into in time.
- (vii) A bill discounted was subsequently returned dishonoured and proved valueless Rs. 30,750 (including Rs. 500 noting charges).
- (viii) Ram paid the expenses of dissolution amounting to Rs. 18,000.
- (ix) Auntony agreed to receive Rs. 1,50,000 in full satisfaction of his rights, title and interest in the firm.

You are required to show the accounts relating to closing of books, on dissolution of the firm.

(20 marks)

- Q.2.** The following information relates to the business of Mr. Shiv Kumar, who requests you to prepare a Trading and Profit & Loss Account for the year ended 31st March, 2003 and a Balance Sheet as on that date.

(a)	Balance as on 31st March, 2002	Balance as on 31st March, 2003
	Rs.	Rs.
Building	3,20,000	3,60,000
Furniture	60,000	68,000
Motor car	80,000	80,000
Stocks	—	40,000
Bills payable	28,000	16,000
Cash and Bank balances	1,80,000	1,04,000
Sundry Debtors	1,60,000	—
Bills receivable	32,000	28,000
Sundry Creditors	1,20,000	—

(b) Cash transactions during the year included the following besides certain other items:

	Rs.		Rs.
Sale of old papers and miscellaneous income	20,000	Cash purchases	48,000
Miscellaneous Trade expenses (including salaries etc.)	80,000	Payment to creditors	1,84,000
Collection from debtors	2,00,000	Cash Sales	80,000

(c) Other information:

- (i) Bills receivable drawn during the year amount to Rs. 20,000 and Bills payable accepted Rs. 16,000.
- (ii) Some items of old furniture, whose written down value on 31st March, 2002 was Rs. 20,000 was sold on 30th September, 2002 for Rs. 8,000. Depreciation is to be provided on Building and Furniture @ 10% p.a. and on Motorcar @ 20% p.a. Depreciation on sale of furniture to be provided for 6 months and for additions to Building for whole year.
- (iii) Of the Debtors, a sum of Rs. 8,000 should be written off as Bad Debt and a reserve for doubtful debts is to be provided @ 2%.
- (iv) Mr. Shivkumar has been maintaining a steady gross profit rate of 30% on turnover.
- (v) Outstanding salary on 31st March, 2002 was Rs. 8,000 and on 31st March, 2003 was Rs. 10,000 on 31st March, 2002. Profit & Loss Account had a credit balance of Rs. 40,000.
- (vi) 20% of total Sales and total purchases are to be treated as for cash.
- (vii) Additions in Furniture Account took place in the beginning of the year and there was no opening provision for doubtful debts.

(16 marks)

Q.3.

(A) The financial position of P Limited at 31st December, 2001 was as follows:

Liabilities	Rs.	Assets	Rs
Authorised, Issued and Subscribed Capital		Assets	8,40,000
40,000, 5 percent Redeemable Preference shares of Rs. 10 each, fully paid	4,00,000	Cash and Bank	3,00,000
20,000 Equity shares of Rs. 10 each, fully paid	2,00,000		
Securities Premium Account	50,000		
Profit and Loss Account	2,80,000		
Sundry Liabilities	2,10,000		
	<u>11,40,000</u>		<u>11,40,000</u>

As per the terms of issue of the Preference Shares these were redeemable at a premium of 5 percent on 1st February, 2002 and it was decided to arrange this as far as possible out of the company's resources subject to leaving a balance of Rs. 50,000 in the credit of the Profit and Loss Account. It was also decided to raise the balance amount by Issue of 17,000. Equity Shares of Rs. 10 each at a premium of Rs. 2.50 per share.

You are required to prepare the necessary Ledger Accounts giving effect to the above arrangements in the company's books. Journal Entries are not required.

(8 marks)

- (B) Rajatapeeta Bank Ltd. had extended the following credit lines to a Small Scale Industry, which had not paid any Interest since March, 1997.

	Term Loan	Export Credit
Balance Outstanding on 31.03.03	Rs. 35 lakhs	Rs. 30 lakhs
DICGC/ECGC cover	40%	50%
Assets held	Rs. 15 lakhs	Rs. 10 lakhs
Realisable value of Securities	Rs. 10 lakhs	Rs. 08 lakhs

Compute necessary Provisions to be made for the year ended 31st March, 2003.

(8 marks)

- Q.4.** Computer point sells computers on Hire-purchase basis at cost plus 25%. Terms of sale are Rs.5,000 down payment and eight monthly instalments of Rs.2,500 for each computer.

The following transactions took place during the financial year 2006-07:

Number of instalments not yet due as on 1.4.2006	=	25
Number of instalments due but not collected as on 1.4.2006	=	5

During the financial year 240 Computers were sold. Out of the above sold computers during the year the outstanding position were as follows as on 31.3.2007:

Instalments not yet due:

- (i) Eight Instalments on 50 Computers.
- (ii) Six Instalments on 30 Computers.
- (iii) Two Instalments on 10 Computers.

Instalments due but not collected:

Two instalments on 5 computers during the year. Two computers on which five instalments were due and two instalments not yet due were repossessed out of sales effected during current year.

Repossessed stock is valued at 50% of cost. All instalments have been received. You are asked to prepare Hire-purchase Trading Account for the year ending on 31.3.2007:

(16 marks)

- Q.5.**

- (A) Red and Co. of Mumbai started a branch at Bangalore on 1.4.2006 to which goods were sent at 20% above cost. The branch makes both cash sales and credit sales. Branch expenses are met from branch cash and balance money remitted to H.O. The branch does not maintain double entry books of account and necessary accounts relating to branch are maintained in H.O. Following further details are given for the year ending on 31.3.2007:

	Rs.
Cost of goods sent to branch	1,00,000
Goods received by branch till 31.3.2007 at Invoice price	1,08,000
Credit sales for the year	1,16,000
Closing debtors on 31.3.2007	41,600
Bad debts written off during the year	400
Cash remitted to H.O.	86,000
Closing cash on hand at branch on 31.3.2007	4,000
Cash remitted by H.O. to branch during the year	6,000
Closing stock in hand at branch at invoice price	12,000
Expenses incurred at branch	24,000

Draw up the necessary Ledger Accounts like Branch Debtors Account, Branch Stock Account, Goods sent to Branch Account, Branch Cash Account, Branch Expenses Account and Branch Adjustment a/c for ascertaining gross profit and Branch Profit and Loss A/c for ascertaining Branch profit.

(10 marks)

(B) From the following particulars prepare customers control account in general ledger:

	Rs.
Opening balance in customers ledger (Dr.)	2,35,000
Opening balance in customers ledger (Cr.)	3,500
Goods sold during the year	7,65,000
Returns inwards	15,000
Cash/cheques received	5,90,000
Bills received	1,10,000
Discount allowed	9,000
Cheque received dishonoured	5,000
Bills received dishonoured	7,000
Bad debts	9,000

A debit of Rs. 1,500 is to be transferred from customers ledger to suppliers ledger. Similarly a credit entry Rs. 1,600 is to be transferred from suppliers ledger to customers ledger. Closing credit balance in customers ledger is Rs. 3,000.

(6 marks)

Q.6. Answer any four of the following:

- (i) X Ltd. entered into an agreement to sell its immovable property included in the Balance Sheet at Rs.10 lacs to another company for Rs.15 lacs. The agreement to sell was concluded on 28th February, 2006 and the sale deed was registered on 1st May, 2006. Comment with reference to AS 4.
- (ii) A Pharma Company spent Rs. 33 lakhs during the accounting year ended 31st March, 2006 on a research project to develop a drug to treat "AIDS". Experts are of the view that it may take four years to establish whether the drug will be effective or not and even if found effective it may take two to three more years to produce the medicine, which can be marketed. The company wants to treat the expenditure as deferred revenue expenditure. Comment.
- (iii) Distinguish between Receipt and Payment and Income and Expenditure account.
- (iv) Explain 'Classification of Advances' in the case of a Banking Company.
- (v) State the different types of Leases contemplated in Accounting Standard 19 and discuss briefly.

(16 marks)

CODE : A105

PROFESSIONAL COMPETENCE COURSE
ADVANCED ACCOUNTING
ANSWER ALL QUESTIONS

Q.1. Mahaveer Sports Club gives the following Receipts & Payments Account for the year ended March 31, 1998:

Receipts and Payments Account

Receipts	Rs.	Payments	Rs.
To Opening Cash & Bank Balances	5,200	By Salaries	15,000
To Subscriptions	34,800	By Rent & Taxes	5,400
To Donations	10,000	By Electricity Charges	600
To Interest on Investments	1,200	By Sports Goods	2,000
To Sundry Receipts	300	By Library Books	10,000
		By Newspapers & Periodicals	1,080
		By Misc. Expenses	5,400
		By Closing Cash & Bank Balances	<u>12,020</u>
	<u>51,500</u>		<u>51,500</u>

Liabilities	As on 31.3.97 Rs.	As on 31.3.98 Rs.
Outstanding Expenses:		
Salaries	1,000	2,000
Newspapers & Periodicals	400	500
Rent & Taxes	600	600
Electricity Charges	800	1,000
Assets	As on 31.3.97 Rs.	As on 31.3.98 Rs.
Library Books	10,000	
Sports Goods	8,000	
Furniture and Fixtures	10,000	
Subscriptions Receivable	5,000	12,000
Investment-Govt. Securities	50,000	
Accrued Interest	600	600
Provide Depreciation on:		
Furniture & Fixtures @ 10% p.a.		
Sports Goods 20% p.a.		
Library Books @ 10% p.a.		

You are required to prepare Club's opening Balance Sheet as on 01.04.97, Income and Expenditure Account for the year ended on 31.3.98 and the Balance Sheet as on that date.

(20 marks)

Q.2. The following are the Balance Sheets of Yes Ltd. and No Ltd. as on 31st October, 1999:

		Yes Ltd.	No Ltd.
(in crores)		Rs.	Rs.
Sources of funds:			
Share capital:			
Authorised		<u>25</u>	<u>5</u>
Issued and Subscribed:			
Equity shares of Rs. 10 each fully paid	12		5
Reserves and surplus		<u>88</u>	<u>10</u>
Shareholders funds		100	15
Unsecured loan from Yes Ltd.		—	<u>10</u>
		<u>100</u>	<u>25</u>
Funds employed in:			
Fixed assets: Cost			
		70	30
Less: Depreciation		<u>50</u>	<u>24</u>
Written down value		20	6
Investments at cost:			
30 lakhs equity shares of Rs. 10 each of No Ltd.		3	—
Long-term loan to No Ltd.		10	—
Current assets	100		34
Less: Current liabilities	<u>33</u>	<u>67</u>	<u>15</u>
		<u>100</u>	<u>25</u>

On that day Yes Ltd. absorbed No Ltd. The members of No Ltd. are to get one equity share of Yes Ltd. issued at a premium of Rs. 2 per share for every five equity shares held by them in No Ltd. The necessary approvals are obtained.

You are asked to pass journal entries in the books of the two companies to give effect to the above.

(16 marks)

Q.3.

(A) Department X sells goods to Department Y at a profit of 25% on cost and to Department Z at 10% profit on cost. Department Y sells goods to X and Z at a profit of 15% and 20% on sales, respectively. Department Z charges 20% and 25% profit on cost to Department X and Y, respectively.

Department Managers are entitled to 10% commission on net profit subject to unrealised profit on departmental sales being eliminated. Departmental profits after charging Managers' commission, but before adjustment of unrealised profit are as under :

	Rs.
Department X	36,000
Department Y	27,000
Department Z	18,000

Stock lying at different departments at the end of the year are as under :

	Dept. X	Dept. Y	Dept. Z
	Rs.	Rs.	Rs.
Transfer from Department X	—	15,000	11,000
Transfer from Department Y	14,000	—	12,000
Transfer from Department Z	6,000	5,000	—

Find out the correct departmental Profits after charging Managers' commission

(10 marks)

- (B) On 2.6.2007 the stock of Mr. Black was destroyed by fire. However, following particulars were furnished from the records saved:

	Rs.
Stock at cost on 1.4.2006	1,35,000
Stock at 90% of cost on 31.3.2007	1,62,000
Purchases for the year ended 31.3.2007	6,45,000
Sales for the year ended 31.3.2007	9,00,000
Purchases from 1.4.2007 to 2.6.2007	2,25,000
Sales from 1.4.2007 to 2.6.2007	4,80,000

Sales upto 2.6.2007 includes Rs.75,000 being the goods not dispatched to the customers. The sales invoice price is Rs.75,000.

Purchases upto 2.6.2007 includes a machinery acquired for Rs.15,000.

Purchases upto 2.6.2007 does not include goods worth Rs.30,000 received from suppliers, as invoice not received upto the date of fire. These goods have remained in the godown at the time of fire.

Value of stock salvaged from fire Rs.22,500 and this has been handed over to the insurance company.

The insurance policy is for Rs.1,20,000 and it is subject to average clause. Ascertain the amount of claim for loss of stock.

(6 marks)

Q.4. Answer any four of the following :

- (A) Goods purchased on 24.02.2005 for US \$ 10 (Exchange rate – 50)
(Rate of exchange on 31.3.2005 – 51)
Date of actual payment 5.6.2005 (Exchange rate – 52)
Calculate the amount of loss/gain to be recognized in the financial statements for the year ended 31st March, 2005.
- (B) When can a company change its accounting policy?
- (C) A, B and C are partners in a firm sharing profits in the ratio of 5:3:2. As per agreement, C's share of profit shall not amount to less than Rs.10,000 in any year. Any excess payable to C on amount of such guarantee shall be borne by A and B in the ratio of 3:2. Profit for the year is Rs.30,000. Show the share of profits of A, B and C.
- (D) Match fund balance of Rs.10,000, income from matches Rs.5,000 and match expenses Rs.12,000 are shown in the Receipt and Payment A/c of a sports club. Where will the following details be shown in the financial statements and how?
- (E) Hari owes Ram Rs. 2,000 on 1st April, 2006. From 1st April, 2006 to 30th June, 2006 the following further transactions took place between Hari and Ram:
- | | |
|-------|---|
| April | 10 Hari buys goods from Ram for Rs. 5,000 |
| May | 16 Hari receives cash loan of Rs. 10,000 from Ram |
| June | 9 Hari buys goods from Ram for Rs. 3,000 |
- Hari pays the whole amount, together with interest @ 15% per annum, to Ram on 30th June, 2006. Calculate the interest payable on 30th June, 2006 by the average due-date method.

(4 X 4 = 16 marks)

Q.5. Mr. Parth does not maintain complete records of his business but gives you the following information:

	31st March, 2007 Rs.	31st March, 2006 Rs.
Machineries	2,00,000	1,50,000
Sundry Creditors	86,000	?
Sundry Debtors	?	93,000
Stock-in-trade	70,000	50,000
Cash in hand	2,600	1,500
Furniture	27,000	30,000
Cash at Bank	15,600	18,700

His cash transactions for the year ended 31st March, 2007 included the following (besides certain other items):

	Rs.
Payments to creditors	4,10,000
Cash Sales (25% of total sales)	1,70,000
Business expenses	82,000
Cash purchases	1,30,000
Collection from debtors	5,27,000
Withdrawn for household expenses	30,000

He maintain a uniform rate of gross profit of 25% on turnover. Outstanding business expenses on 31st March, 2007 amounted to Rs.5,000. Addition of new machinery was made on October 1, 2006. Some old furniture (Book Value Rs.6,000) was sold during the year and the proceeds credited to Furniture Account.

Provide depreciation on Machineries @ 15% p.a. and on Furniture @ 10% p.a. (excluding sold item).

Mr. Parth requests you to prepare a Trading and Profit and Loss Account for the year ended 31st March, 2007 and a Balance Sheet as on that date.

(16 marks)

Q.6. Answer any four of the following :

- (A) State the different types of Leases contemplated in Accounting Standard 19 and discuss briefly.
- (B) A Company had deferred research and development cost of Rs. 150 lakhs. Sales expected in the subsequent years are as under:
- | Years | Sales
(Rs. in lakhs) |
|-------|-------------------------|
| I | 400 |
| II | 300 |
| III | 200 |
| IV | 100 |

You are asked to suggest how should Research and Development cost is to be charged to Profit and Loss account.

If at the end of the III year, it is felt that no further benefit will accrue in the IV year, how the unamortised expenditure would be dealt with in the accounts of the Company?

- (C) What are the conditions that are to be satisfied for 'Amalgamation in the nature of Merger' in a Amalgamation?
- (D) On 1st December, 2005, Vishwakarma Construction Co. Ltd. undertook a contract to construct a building for Rs. 85 lakhs. On 31st March, 2006 the company found that it had already spent Rs. 64,99,000 on the construction. Prudent estimate of additional cost for completion was Rs. 32,01,000. What amount should be charged to revenue in the final accounts for the year ended 31st March, 2006 as per provisions of Accounting Standard 7 (Revised)?

- (E) From the following information find-out the amount of provisions to be shown in the Profit and Loss Account of a Commercial Bank

Assets	Rs (In Lakhs)
Standard	4,000
Sub-standard	2,000
Doubtful one year	900
Doubtful three year	400
Doubtful more than three years	300
Loss Assets	500

- (F) Calculate average due date from the following information :

Date of Bill	Term	Amount Rs.
16 August, 03	3 months	3,000
20 October, 03	60 days	2,500
14 December, 03	2 months	2,000
24 January, 04	60 days	1,000
06 March, 04	2 months	1,500

(4 x 4 = 16 marks)

CODE : AA101

PROFESSIONAL COMPETENCE COURSE
AUDITING AND ASSURANCE
ANSWER ALL QUESTIONS

Q.1. Answer any ten questions.

- (a) SG Ltd. is a subsidiary of a Government company. Can it be called a Government Company?
- (b) SBC Ltd. is a Company in which 26% of the subscribed share capital is held by the Central Government. Whether it is required to appoint / reappoint the auditor by special resolution?
- (c) 'Pratham' is the first auditor of company Nirman Pvt. Ltd. He is removed from office before the expiry of his term. Is obtaining prior approval of Central Government is necessary?
- (d) 'Dharm Sanstha' is a company licenced to operate under section 25 of the Companies Act, 1956. Will CARO, 2003 be applicable to it?
- (e) The internal auditor as well as the statutory auditor are both appointed by the members in general meeting. Comment.
- (f) 'Child Treat' is an NGO, registered under the Companies Act, 1956. It maintains its books of accounts on cash basis. Would it amount to non compliance of the provision of the Companies Act?
- (g) Karmen did the audit of XX Pvt. Ltd. Directors of XX Pvt. Ltd. claim that audit working papers are the property of the company. Is the claim proper?
- (h) 'D' a CA in practice disclosed information acquired in the course of his professional engagement to his friend 'P' without the consent of his client. Comment.
- (i) What is Control Risk?
- (j) ACC & Co. is a partnership firm. At the time of admission of D, goodwill of the firm is raised to Rs. 100000, by passing following entry;

Goodwil a/c	Dr.	100000
A's Capital a/c		33334
B's Capital a/c		33333
C's Capital a/c		33333

Is the entry passed by ACC & Co. in conformity with AS 10?
- (k) Fixed assets have been revalued and the resulting surplus has been adjusted against the brought forward losses. Comment.
- (l) An auditor purchased goods worth Rs.1,500 on credit from a company being audited by him. The company allowed him one month's credit, which it normally allowed to all known customers. Comment.

[20 Marks]

Q.2. As an auditor comment on the following:

- (a) Z Ltd. gave a guarantee to the Court for payment of excise dues of Rs.10 lakh for one of its subsidiaries. According to the company, since the guarantee was given on behalf of its subsidiary, no disclosure was required?
- (b) A Ltd. wanted to treat the heavy advertisement expenditure incurred by them to launch a new product as Revenue Expenditure. The product did not pick up and the sales were negligible. It is anticipated that no material benefit will accrue in future from such heavy advertisement expenditure.

- (c) KBC & Co. a firm of Chartered Accountants has three partners, K, B & C; K is also in whole time employment elsewhere. The firm is offered the audit of ABC Ltd. and its twenty branches. The firm already holds audit of 40 companies including audit of one foreign company.
- (d) The company due to liquidity crises sold and leased back the same vehicles from leasing companies. In the notes to accounts, the company stated 'Vehicles taken on lease repayable in 46 instalments of Rs.26,650 each'.

[5 x 4 = 20 Marks]

Q.3. Explain with reference to the relevant Auditing and Assurance standards :

- (i) Inherent Risk
- (ii) Appropriateness of going concern assumption

[10 Marks]

Q.4.

- (a) Explain the difference between : Depreciation and Fluctuation in Value.
- (b) Distinguish between : (i) Auditing around the computer; and (ii) auditing with the computer.

[5 x 2 = 10 Marks]

Q.5.

- (a) What is meant by "Disclosure of Accounting Policies" ?
- (b) What are the special considerations in an audit of a Limited Company ?

[5 + 5 = 10 Marks]

Q.6.

- (a) "Installation of computer operating systems have created both benefits and problems for auditors". Discuss the statement.
- (b) Comment on the following : The overall objective and scope of an audit does not change in an EDP environment.

[5 + 5 = 10 Marks]

Q.7. How would you vouch/verify following. [Any Two]

- (a) Preliminary Expenses
- (b) Receipt of capital subsidy

OR

- (b) Advances given to suppliers.
- (c) Floating Charge

[5 + 5 = 10 Marks]

Q.8. Short notes [Any Two]

- (a) Work performed by others
- (b) Limitation of scope
- (c) Qualities of auditors

[5 x 2 = 10 Marks]

CODE : AA102

**PROFESSIONAL COMPETENCE COURSE
AUDITING AND ASSURANCE
ANSWER ALL QUESTIONS**

Q.1. Answer any ten questions.

- (a) The primary responsibility for the prevention and detection of fraud and error rests with auditor of the company. Comment.
- (b) In case of difference of opinion among the joint auditors, the joint auditors are bound by the view of majority of joint auditors. State it is true or false.
- (c) Rs. 5 lakhs paid by a pharma company to the legal advisor defending the patent of a product treated as Capital Expenditure. Is the treatment correct?
- (d) State whether a casual vacancy created on account of resignation can be filled by the Board of directors.
- (e) What is the meaning of good evidence? Give an example.
- (f) The auditor has to ensure that material items are properly and distinctly disclosed in the financial statements. What are material items?
- (g) The members of C. Ltd. preferred a complaint against the auditor stating that he has failed to send the auditors report to them. Comment.
- (h) ULT Company is a private company with unlimited liability. It has paid up share capital of Rs. 20 lakhs. Will CARO, 2003 be applicable to it?
- (i) When an adverse opinion is expressed?
- (j) Cost auditor of CD Ltd. is appointed by the Board of Directors. Can the cost auditor be appointed by Board of Directors?
- (k) The auditor of a company wanted to see the minutes book of Directors meetings. The Chairman of the company refused for the same on the ground that matters of confidential nature were contained therein. Comment.
- (l) As per view of a director of TCG Ltd. 'the primary responsibility of prevention and detection of fraud and errors is of auditor. Comment.

[20 Marks]

Q.2. As an auditor comment on the following :

- (a) Auditors of M/s Fortune India (P) Ltd. were changed for the accounting year 2004-05. The closing stock of the company as on 31.3.2004 amounting to Rs.100 lacs continued as it is and became closing stock as on 31.3.2005. The auditors of the company propose to exclude from their audit programme the audit of closing stock of Rs.100 lacs on the understanding that it pertains to the preceding year which was audited by another auditor.
- (b) NM & Co., chartered accountants were appointed as the auditors of a public limited company in their Annual General meeting. Various co-operative and term lending institutions held 51% of the paid-up share capital of the company.
- (c) At the Annual General Meeting of CU Ltd., Mr. L is appointed as the auditor which later is held to be void ab initio. The company holds another general meeting and appoints a new auditor.
- (d) X Ltd. to whom Companies (Auditor's Report) Order, 2003 is applicable, has issued 9% Debenture of Rs. 5 crores, redeemable after 5 years and used the proceeds of issue for payment of Sundry Creditors and other Current Liabilities of Rs.2.80 crores.

[5 x 4 = 20 Marks]

Q.3. State the special steps involved in the audit of a club.

[10 Marks]

Q.4.

- (a) State briefly Audit Procedures and Audit Techniques.
- (b) What special steps will you take into consideration in auditing the receipts from entry fees of an amusement park ? Mention any four points specific to the issue.

[5 x 2 = 10 Marks]

Q.5.

- (a) Which are the different organisations that require audit under law?
- (b) The paid up capital and reserves of the BC Ltd. is Rs. 51 lakh as at the commencement of the financial year 2005-06. Is BC Ltd. required to have an internal audit system?

[5 + 5 = 10 Marks]

Q.6.

- (a) What are the powers of C & AG in relation to the accounts of Government Companies audited by the statutory auditors ?
- (b) Comment on the following : "For initial audit engagements, the auditor should obtain sufficient appropriate audit evidence as per SAP-22."

[5 + 5 = 10 Marks]

Q.7. How would you vouch/verify following. [Any Two]

- (a) Remuneration paid to directors.
- (b) Royalties received.

OR

- (b) Trade Marks and Copyrights.
- (c) Borrowings from Bank.

[5 + 5 = 10 Marks]

Q.8. Short notes [Any Two]

- (a) Write a note on the Audit of Impersonal Ledger.
- (b) Director's responsibility statement.
- (c) Audit Trial.

[5 x 2 = 10 Marks]

CODE : AA103

**PROFESSIONAL COMPETENCE COURSE
AUDITING AND ASSURANCE
ANSWER ALL QUESTIONS**

- Q.1.** State with reasons (in short) whether the following statements are true or false (Answer any ten):
- (i) Auditor's lien on his client's books and record is not unconditional.
 - (ii) An adverse report is one where an auditor gives an opinion subject to certain reservation.
 - (iii) Cut-off procedures are generally applied to trading transactions.
 - (iv) Components of Audit Risk does not includes sampling risk.
 - (v) As per As-13, Investment should be classified into Current investments and Marketable investments.
 - (vi) CARO, 2004 does not applies to a Foreign company.
 - (vii) Test checks refers to the out of routine checks that are carried out in the normal course of audit.
 - (viii) If the auditor believes that the concern will not continue as going concern, he should issue disclaimer of opinion.
 - (ix) An unexplained decrease in the Gross profit ratio may result due to fictitious sales.
 - (x) If the auditor appointed at the AGM refuses to accept the same, the Company can appoint another person by holding General Meeting.
 - (xi) An auditor is considered to lack independence, if the partner of the audit firm owns the building in which the client's business is situated.
 - (xii) As per AAS-2, one of the objectives of the audit is to detect fraud.
- [20 Marks]**
- Q.2.** As an auditor comment on the following :
- (a) JKT Ltd. having Rs. 40 lacs paid up capital, Rs. 9.50 lacs reserves and turnover of last three consecutive financial years, immediately preceding the financial year under audit, being Rs. 4.90 crores, Rs. 4.50 crores and Rs. 6 crores, but does not have any internal audit system. In view of the management, internal audit system is not mandatory.
 - (b) Mr L, a chartered accountant in full-time practice, was acting as the statutory auditor of a public limited company, till it was wound up. Mr L was appointed as the liquidator for purposes of winding up proceedings.
 - (c) At an Annual General Meeting, Mr. R a retiring auditor claims that he has been reappointed automatically, as the intended resolution of which a notice had been given to appoint Mr. P. could not be proceeded with, due to Mr. P's death.
 - (d) Travelling expenses of Rs. 2.25 lakhs shown in Profit and Loss Account of X Ltd., including a sum of Rs. 1. 10 lakhs spent by a Director on his foreign travel for company's business accompanied by his mother for her medical treatment.
- [5 x 4 = 20 Marks]**
- Q.3.** An entity's continuance as a going concern is usually assumed in the preparation of financial statements. However there are some indicators questioning the appropriateness of the going concern assumption. What are those indicators?

[10 Marks]

Q.4.

- (a) Explain the scope paragraph of Auditor's Report.
- (b) What are the powers of C&AG in relation to the accounts of Government Companies audited by the statutory auditors?

[5 x 2 = 10 Marks]

Q.5. What is the purpose of the AAS 20 (Knowledge of Business). State the sources of obtaining knowledge of the industry and the entity.

[10 Marks]

Q.6.

- (a) How is Auditing different from Investigation ?
- (b) Distinguish between : Vouching and Verification.

[5 + 5 = 10 Marks]

Q.7. How would you vouch/verify following. [Any Two]

- (a) Advertisement Expenses.
- (b) Interest and Dividends received.

OR

- (b) Work-in-progress.
- (c) Amount due to subsidiary companies.

[5 + 5 = 10 Marks]

Q.8. Short notes [Any Two]

- (a) Disclosure of Accounting Policies.
- (b) Scrutiny of General Ledger.
- (c) Surprise Check

[5 x 2 = 10 Marks]

CODE : AA104

PROFESSIONAL COMPETENCE COURSE
AUDITING AND ASSURANCE
ANSWER ALL QUESTIONS

Q.1. State with reasons (in short) whether the following statements are True or False(answer any ten) :

- (i) There is a direct relationship between detection risk and combined level of inherent and control risk.
- (ii) The first auditor appointed by the board of directors can be removed by the board at its subsequent meeting.
- (iii) AAS-9 is applicable when an auditor seeks legal opinion from an advocate.
- (iv) If there is difference of opinion among the joint auditors with regard to any matter, majority joint auditors opinion will prevail while reporting.
- (v) If internal control is satisfactory, external evidence is more reliable than internal evidence.
- (vi) Internal auditor of the company cannot also be its cost auditor.
- (vii) One of the techniques used for gathering evidence is substantial review.
- (viii) Where the accounts of the company do not present a "true and fair" view, the auditor should express disclaimer of opinion.
- (ix) Surplus on the re-issue of forfeited shares standing to the credit of share forfeited account can be distributed as dividend.
- (x) Government companies are also to be considered for the ceiling on number of audits.
- (xi) If appointment of a person as an auditor is void-ab-initio, it should be treated as acasual vacancy.
- (xii) A company running a departmental store and having total turnover of Rs. 100 crores during the financial year 2006-07, need not get its branch audited whose turnover is Rs.1.90 crores during the same year.

[20 Marks]

Q.2. As an auditor comment on the following :

- (a) Z Ltd. had the following items under the head "Reserves and Surplus" in the Balance Sheet as on 31st March, 2004:

	Amount
	Rs. in lacs
Securities Premium Account	80
Capital Reserve	60
General Reserve	90

The company had an accumulated loss of Rs. 40 lacs on the same date, which it has disclosed under the head "Profit and Loss Account" on the assets side of the Balance Sheet.

- (b) Mr. A was appointed auditor of AAS Ltd. by Board to fill the casual vacancy that arose due to death of the auditor originally appointed in AGM. Subsequently, Mr. A also resigned on health grounds during the tenure of appointment. The Board filled this vacancy by appointing you through duly passed Board resolution.
- (c) M/s Health Zone, a partnership firm, running a nursing home have decided to discontinue you as an auditor for the next year and requests you to handover all the relevant working papers of the previous year.

- (d) An assistant of X & Co., Chartered Accountants wanted to verify the cash in hand and investments of T Ltd. The General Manager (Finance) of T Ltd. suggested to the assistant of X & Co., that it was not necessary as his staff had done the same only few days back and no discrepancies were noted.

[5 x 4 = 20 Marks]

Q.3.

- (a) Comment on the : "For initial audit engagements, the auditor should obtain sufficient appropriate audit evidence as per SAP-22.
(b) Write a note on : Surprise Check

[5 + 5 = 10 Marks]

Q.4.

- (a) What are the different design and procedural aspects of EDP systems ?
(b) In spite of the internal control weakness commented upon by the audit manager, no further tests need to be carried out, as the purchase and sales figure as a percentage of gross profit was same as in the previous year. The audit manager's comments were in regard to control over purchases and sales.

[5 x 2 = 10 Marks]

Q.5.

- (a) What are the difference between Internal Audit & External Audit ?
(b) Explain the difference between : Depreciation and Fluctuation in Value.

[5 + 5 = 10 Marks]

Q.6. Discuss the provisions of the Companies Act, 1956, regarding the maintenance of proper books of accounts in respect of the following:

- (a) What are the items with regard to which the proper books of accounts should be maintained?
(b) Where should these books be maintained?
(c) What are the special provisions, where the company has a branch?
(d) What are the circumstances in which proper books are not deemed to be kept?

[10 Marks]

Q.7. How would you vouch/verify following. [Any Two]

- (a) Foreign travel expenses
(b) Rental Receipts.

OR

- (b) Inventories.
(c) Stock lying with Third Party.

[5 + 5 = 10 Marks]

Q.8. Short notes [Any Two]

- (a) Management Representation
(b) Operational Audit
(c) Performance Audit.

[5 x 2 = 10 Marks]

CODE : AA105

**PROFESSIONAL COMPETENCE COURSE
AUDITING AND ASSURANCE
ANSWER ALL QUESTIONS**

Q.1. As an auditor comment on the following :

- (a) CG Ltd. is a company in which 25% of the paid up share capital is held by a State Government and 26% of the paid up share capital is held by a Government Company. Who will appoint the auditor of CG Ltd.? Also state other categories of companies to which provision of section 619B is applicable.
- (b) Ganga-Kaveri Project Ltd. was incorporated on 1.7.2002. During the year ended 31.3.2003 there was no manufacturing or trading activity except raising of share capital, purchase of land, acquisition of plant and machinery and construction of factory sheds. Therefore the Chief Accountant of the company contends that for the relevant year there was no need to prepare a statement of profit or loss or any other statement except a Balance Sheet as at 31.3.2003.
- (c) Ram and Hanuman Associates, Chartered Accountants in practice have been appointed as Statutory Auditor of Krishna Ltd. for the accounting year 2002-2003. Mr. Hanuman holds 100 equity shares of Shiva Ltd. a subsidiary company of Krishna Ltd.
- (d) SMT Enterprises entered into a contract for sale of its goods worth Rs. 24 lacs with ST Ltd. The goods were inspected, approved and finalised by the inspection team of ST Ltd. ST Ltd. made the whole payment of Rs. 24 lacs. However, it requested SMT Enterprises to dispatch the goods in six equal monthly instalments from October, 2005 to March, 2006. In the month of January, 2006, due to natural calamity, ST Ltd. informed SMT Enterprises to stop dispatches of the remaining three instalments until further notice. At the time of finalising its accounts for the financial year 2005-2006, SMT Enterprises booked sales amounting to Rs. 12 lacs and showed remaining Rs. 12 lacs as Advance Against Sales.

[20 Marks]

Q.2. As an auditor comment on the following :

- (a)
 - (a) Which are the different organisations that require audit under law?
 - (b) The paid up capital and reserves of the BC Ltd. is Rs. 51 lakh as at the commencement of the financial year 2005-06. Is BC Ltd. required to have an internal audit system?
- (b)
 - (a) While doing audit of a concern, you observe that there are some cheques received by the concern on the last date of the financial year, but they have not been deposited with the bank on that day. No entry is passed for these cheques received by the auditee on the last day of the year. Comment.
 - (b) How will you vouch the "Goods sent out on sale or return basis"?

[5 x 2 = 10 Marks]

Q.3.

- (a) What are Audit Working Papers and why should they be carefully preserved by the auditor?
- (b) What is the relationship between Materiality and Audit Risk ?

[10 Marks]

Q.4. What do you mean by final audit and continuous audit? Discuss their advantages and disadvantages.

[10 Marks]

Q.5.

- (a) While auditing a partnership firm, what are the different provisions of the Partnership Act which concern the auditor, in the absence of a partnership agreement?
- (b) What is the meaning of the term ' Examination in Depth'? Explain with an example.

[5 + 5 = 10 Marks]

Q.6.

- (a) Explain the difference between : Depreciation and Fluctuation in Value.
- (b) Write short notes : Test checking and Routine checking.

[5 + 5 = 10 Marks]

Q.7. How would you vouch/verify following. [Any Two]

- (a) Wages paid to seasonal labourers.
- (b) Assets Abroad.

OR

- (b) Bills payable.
- (c) Advertisement Expenses.

[5 x 2 = 10 Marks]

Q.8. Short notes [Any Two]

- (a) Quality control for audit work at firm level.
- (b) Audit Trial.
- (c) Disclaimer of Opinion

[5 x 2 = 10 Marks]

CODE : L101

PROFESSIONAL COMPETENCE COURSE LAW, ETHICS & COMMUNICATION

PART - I

Q.1. AND 2 ARE COMPULSORY. ATTEPT ANY 8 FROM THE REST.

Q.1.

(a) Cash transactions during the year included the following besides certain other items:

	Rs.		Rs.
Sale of old papers and miscellaneous income	20,000	Cash purchases	48,000
Miscellaneous Trade expenses (including salaries etc.)	80,000	Payment to creditors	1,84,000
Collection from debtors	2,00,000	Cash Sales	80,000

[5 Marks]

(b)

(i) True of False

- a. 'A' agrees to pay Rs.100 to 'B' on 'B' stealing 'C' purse. 'B' manages to steal 'C' purse, 'A' does not fulfill his promise. Whether court can compel 'A' to pay 'B' Rs.100 ?
- b. A minor cannot be appointed as an agent, as he is not competent to contract.

[2 Marks]

(ii) Multiple Questions

- (i) An agreement which is enforceable by law at the option of one or more of the parties thereon but not at the option of the other or others is a
 - (a) valid contract.
 - (b) void contract.
 - (c) voidable contract.
 - (d) illegal contract.
- (ii) Which of the following statement is true?
 - (a) Consideration must result in a benefit to both parties.
 - (b) Past consideration is no consideration in India.
 - (c) Consideration must be adequate.
 - (d) Consideration must be something, which a promisor is not already bound to do.

(iii) Which of the following statements is not true about minor's position in a firm?

- (a) He cannot become a partner in an existing firm.
- (b) He can become a partner in an existing firm.
- (c) He can be admitted only to the benefits of any existing firm.
- (d) He can become partner on becoming a major.

[3 Marks]

Q.2. (a) A who holds one share certificate of 1000 Equity shares in a company, wants to transfer 300 shares in favour of B. Explain the procedure to be followed for executing the partial transfer under the provisions of the Companies Act, 1956.

[5 Marks]

(b) (i) True or False :

- a. Can a firm be a signatory to memorandum ?
- b. Can the creditors object to reduction even if they are not hit by reduction?

[2 Marks]

(ii) Multiple

(a) The model form of articles contained in Table A deals with regulations for management of a company limited.

- (a) By shares
- (b) By guarantee
- (c) By shares and by guarantee
- (d) Section 25 company

(b) Share warrants can be issued by

- (a) Private companies only.
- (b) Public companies only.
- (c) Both private and public companies.
- (d) Companies limited by guarantee.

(c) Which one of the following is correct ?

- (a) Dividend can be paid out of short term loan
- (b) Dividend can be paid out of long term loan
- (c) Dividend can be paid only out of the profits of a company
- (d) None of the above.

[3 Marks]

Q.3. What are the conditions upon which unit-wise profitability can be the basis for payment of bonus by an establishment under the Payment of Bonus Act, 1965?

[5 Marks]

Q.4. A draws a bill on B. B accepts the bill without any consideration. The bill is transferred to C without consideration. C transferred it to D for value. Decide-

- (i) Whether D can sue the prior parties of the bill, and
- (ii) Whether the prior parties other than D have any right of action intense?

Give your answer in reference to the provisions of Negotiable Instruments Act, 1881.

[5 Marks]

Q.5. Manorama Group of Industries sold its textile unit to Giant Group of Industries. Manorama Group contributed 25% of total contribution in Pension Scheme, which was due before sale under the provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952. The transferee company (Giant Group of Industries) refused to hear the remaining 75% contribution in the Pension Scheme. Decide, in the light of the Employees Provident Fund and Miscellaneous Provisions Act, 1952, who will be liable to pay for the remaining contribution in case of transfer of establishment and upto what extent?

[5 Marks]

Q.6. PQR Limited received a cheque for Rs.50,000 from its customer Mr. LML after a week company came to know that the proceeds were not credited to the account of PQR Limited due to some 'defects', as informed by the Banker. What according to you are the possible effects ?

[5 Marks]

Q.7. Explain the manner in which the gratuity payable to employees in a seasonal as well as other establishments is calculated under the Payment of Gratuity Act, 1972. State also the maximum amount of gratuity payable under the act.

[5 Marks]

- Q.8.** State in the following cases, whether the resolution is carried out and the kind of resolution:
- (a) 12 members who are entitled to vote are presented at the meeting. Seven voted in favour and 5 against the resolution.
 - (b) If in the above situation, nine abstain from voting, two vote in favour and one against the resolution. Is the resolution carried out?
 - (c) 12 members are present, 10 voted in favour and the balance against the resolution.
 - (d) If in the above situation, 8 abstain from voting, 3 voted in favour and one against the resolution. Is the resolution carried out?

[5 Marks]

- Q.9.** Briefly explain the doctrine of “ultravires” under the Companies Act, 1956. What are the consequences of ultravires acts of the company ?

[5 Marks]

- Q.10.** State the remedies available against a company to a subscriber for allotment of shares on the faith of a misleading prospectus. What conditions must be satisfied before opting for the remedies ?

[5 Marks]

- Q.11.** After receiving 80% of the minimum subscription as stated in the prospectus, a company allotted 100 equity shares in favour of 'X'. The company deposited the said amount in the bank but withdrew 50% of the amount, before finalisation of the allotment, for the purchase of certain assets. X refuses to accept the allotment of shares on the ground that the allotment is violative of the provisions of the Companies Act, 1956. Comment.

[5 Marks]

- Q.12.** What do you understand by “share-warrant” ? How is a share-warrant different from “share certificate” ?

[5 Marks]

PART - II

Q.13 IS COMPULSORY. ANY TWO FROM THE REST.

- Q.13.**

- (a) What are the benefits of Business ethics ?

[5 Marks]

- (b) What is meant by harassment in context of Workplace Ethics ?

[5 Marks]

- Q.14.** What is the need for ethics in business ?

[5 Marks]

- Q.15.** Answer any two out of four. You are required to state whether the statement is correct or incorrect with brief reasons:

- (a) Company management has responsibility only towards its shareholders
- (b) Window-dressing of financial statements will not be useful in the long run.
- (c) Ethics and morals are synonymous.
- (d) Competition Act, 2002 protects the interest of consumers.

[5 Marks]

- Q.16.** What are the aspect to be considered for creating a sound ethical accounting environment in a business enterprise ?

[5 Marks]

PART - III

Q.17 IS COMPULSORY. ANY TWO FROM THE REST

Q.17.

(a) What are the different Types of Grapevine ?

[5 Marks]

(b) What are the Characteristics of a Group ?

[5 Marks]

Q.18. What is the advantage of ethical communication ?

[5 Marks]

Q.19. Draft a 'Power of Attorney' by subscribes of Memorandum of Association of the Company authorising a Charatered Accountant to appear before the Registrar of Companies to do the needful for the purpose of incorporation of the company.

[5 Marks]

Q.20. What are the steps in the Process of Negotiation ?

[5 Marks]

CODE : L102

PROFESSIONAL COMPETENCE COURSE LAW, ETHICS & COMMUNICATION

PART - I

Q.1. AND 2 ARE COMPULSORY. ATTEMPT ANY 8 FROM THE REST.

Q.1.

- (a) Sohan induced Suraj to buy his motorcycle saying that it was in a very good condition. After taking the motorcycle, Suraj complained that there were many defects in the motorcycle. Sohan proposed to get it repaired and promised to pay 40% cost of repairs. After a few days, the motorcycle did not work at all. Now Suraj wants to rescind the contract. Decide giving reasons.

[5 Marks]

(b)

(i) **True or False :**

- a. Ratification of agency is valid even if knowledge of the principal is materially defective.
- b. In discharge of the whole claim a party to the contract agrees to accept a lesser amount then due, from the other party is a valid contract inspite of inadequate consideration.

[2 Marks]

(ii) **Multiple Questions**

- (i) An agreement is void if it is opposed to public policy. Which of the following is not covered by heads of public policy?
- (a) Trading with an enemy.
- (b) Trafficking in public offices.
- (c) Marriage brokerage contracts.
- (d) Contracts to do impossible acts.
- (ii) Generally, which of the following damages are not recoverable?
- (a) ordinary damages.
- (b) special damages.
- (c) remote damages.
- (d) nominal damages.
- (iii) A contract in which one person promises to compensate the other for the loss suffered by him due to conduct of the promisor or of any other person, is known as a
- (a) contract of indemnity.
- (b) contract of guarantee.
- (c) quasi contract.
- (d) illegal contract.

[3 Marks]

Q.2. (a) Mr. Ram Lal and his friend desire to incorporate a Public Company and approach you for help. Advise.

[5 Marks]

(b) (i) True or False

- a.** All seven signatures on a Memorandum of Association were forged by a single person and a certificate of incorporation was obtained. Is the certificate valid ?
- b.** A company has forfeited some shares and re-issued them. Will it be an allotment of shares as conceived by the Companies Act ?

[2 Marks]

(ii) Multiple :

- (a)** The minimum number of members in a private company and public company are
 - (a) Three and Seven respectively.
 - (b) Two and seven respectively.
 - (c) Two and nine respectively.
 - (d) None of the above.
- (b)** An extraordinary general meeting may be convened :
 - (a) By the Board of Directors on its own or on the requisition of members.
 - (b) By the requisition of members on the failure of the Board to call the meeting.
 - (c) By the Company Law Board.
 - (d) Any of the above.
- (c)** Resolution requiring special notices requires :
 - (a) 14 days notice
 - (b) 7 days notice
 - (c) 14 days notice to the company and thereafter 7 day to the shareholders
 - (d) 21 clear days notice.

[3 Marks]

Q.3. On 1st January, 2002, Aryan Textiles Ltd. agreed with the employees for payment of an annual bonus linked with production or productivity instead of bonus based on profits subject to the limit of 30% of their salary wages during the relevant accounting year. It was also agreed by the employees that they will not claim minimum bonus stated under Section 10 of the Payment of Bonus Act, 1965. As per the agreement the employees of Aryan Textiles Ltd claimed annual bonus linked with production or productivity in the relevant accounting year. On refusal of the company the employees of the company moved to the court for relief. Decide in reference to the provisions of the payment of Bonus Act, 1965 whether the employees will get the relief? In spite of the aforesaid agreement whether the employees are still entitled to receive minimum bonus.

[5 Marks]

Q.4. When is presentment of an instrument not necessary under the Negotiable instrument Act ?

[5 Marks]

Q.5. Is the amount standing to the credit of a member of the Provident Fund attachable in the execution of decree or order of the Court? Examine the law, on this point, laid down in the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

[5 Marks]

Q.6. What is meant by maturity of a Bill of Exchange or Promissory Note? Calculate the date of maturity of the following bills of exchange explaining the relevant rules relating to determination of the date of maturity as provided in the Negotiable Instruments Act, 1881:

- (i) A Bill of Exchange dated 31st August, 2007 is made payable three months after date.
- (ii) A Bill of Exchange drawn on 15th October, 2007 is payable twenty days after sight and the bill is presented for acceptance on 31st October, 2007.

[5 Marks]

- Q.7.** What are the rules relating recovery of gratuity under the Act ? **[5 Marks]**
- Q.8.** What is the difference between a Private Company and a Public Company ? **[5 Marks]**
- Q.9.** XYZ Co. Ltd was in the process of incorporation. Promoters of the company signed an agreement for the purchase of certain furniture for the company and payment was to be made to the suppliers of furniture by the company after incorporation.
The company was incorporated and the furniture was used by it. Shortly after incorporation, the company went into liquidation and the debt could not be paid by the company for the purchase of above furniture. As a result suppliers sued the promoters of the company for the recovery of money. Examine whether promoters can be held liable for payment under the following situations:
(i) When the company has already adopted the contract after incorporation?
(ii) When the company makes a fresh contract with the suppliers in terms of pre-incorporation contract? **[5 Marks]**
- Q.10.** Explain the concept of “Deemed Prospectus” under the Companies Act, 1956. Point out the circumstances where under issuing of prospectus is not mandatory. **[5 Marks]**
- Q.11.** What is the difference between a Member and Shareholder ? **[5 Marks]**
- Q.12.** What is the program scope of MCA 21 ? **[5 Marks]**

PART - II

Q.13 IS COMPULSORY. ANY TWO FROM THE REST.

- Q.13.**
- (a) What is the concept of Corporate Social Responsibility (CSR) ? **[5 Marks]**
- (b) What is the relationship between Competition and Consumer Welfare ? **[5 Marks]**
- Q.14.** Explain briefly the matter to be considered and the steps that may be taken by a finance and Accounting professional when he is required to resolve an ethical conflict in the application of fundamental principles. **[5 Marks]**
- Q.15.** Answer any two out of four in ‘yes’ or ‘no’ with brief reasons:
- (a) Knowledge without morality is a social sin.
(b) Consumer purchases goods and health services for personal purposed only.
(c) Consumer and Public interest are both synonymous.
(d) Ethics are necessary in marketing to build Brand image only. **[5 Marks]**
- Q.16.** What are the reasons for ethical behaviour in marketing ? **[5 Marks]**

PART - III

Q.17 IS COMPULSORY. ANY TWO FROM THE REST

Q.17.

(a) What are the Guidelines for Effective listening?

[5 Marks]

(b) What is Negotiation ?

[5 Marks]

Q.18. J desires to gift out her flat to Mumbai in City Cooperative Society registered under the Maharashtra Cooperative Societies Act, 1960, to her brother A. Stating the legal requirements to be complied with, draft a Gift Deed. Take your own data regarding date, flat no., floor area etc.

[5 Marks]

Q.19. What are the main Types of groups in an organisation ?

[5 Marks]

Q.20. What are the Advantages and Disadvantages of Kinesics ?

[5 Marks]

CODE : L103

PROFESSIONAL COMPETENCE COURSE LAW, ETHICS & COMMUNICATION

PART - I

Q.1. AND 2 ARE COMPULSORY. ATTEPT ANY 8 FROM THE REST.

Q.1.

- (a) Mr. Seth an industrialist has been fighting a long drawn litigation with Mr. Raman another industrialist. To support his legal campaign Mr. Seth enlists the services of Mr. X a legal expert stating that an amount of Rs.5 lakhs would be paid, if Mr. X does not take up the brief of Mr. Raman. Mr. X agrees, but at the end of the litigation Mr. Seth refuses to pay. Decide whether Mr. X can recover the amount promised by Mr. Seth under the provisions of the Indian Contract Act, 1872.

[5 Marks]

(b) **True or False**

(i)

- a. All kinds of obligations created between the parties form part of the contracts.
b. A person who is usually of unsound mind cannot enter into a contract even when he is of sound mind.

[2 Marks]

(ii) **Multiple Questions**

(i)

Which of the following statement is false ?

- (a) Generally a stranger to a contract cannot sue.
(b) A verbal promise to pay a time barred debt is valid.
(c) Completed gifts need no consideration.
(d) No consideration is necessary to create an agency.

(ii) The delivery of goods by one person to another for some specific purpose, is known as

- (a) bailment
(b) pledge
(c) hypothecation
(d) mortgage.

(iii) Which of the following agency is irrevocable ?

- (a) agency for fixed period.
(b) agency for single transaction.
(c) agency coupled with interest.
(d) continuing agency.

[3 Marks]

Q.2.

- (a) M/s India Computers Ltd. was registered as a Public Company on 1st July, 2005 in the State of Maharashtra. Another company by name M/s All India Computers Ltd. was registered in Delhi on 15th July, 2005. The promoters of India Computers Ltd. have failed to persuade the management of All India Computers Ltd. to change the company's name, as it closely resembles with the name of the first registered company.

Advise the Management of India Computers Ltd. about the remedies available to them under the provisions of the Companies Act, 1956.

[5 Marks]

- (b) (i) **True or False**
- a. Can partly paid preference shares be redeemed ?
 - b. Can a company vary the terms of a contract in the prospectus ?

[2 Marks]

(ii) **Multiple**

- (a) An index of members must be maintained by a company when its membership exceeds
 - (a) 20 (b) 50 (c) 75 (d) 100
- (b) Pari Pasu clause in a debenture means
 - (a) All debentures of the series are to be paid fully.
 - (b) All debentures of the series are to be paid readably.
 - (c) Any one of the above two methods.
 - (d) None of the above.
- (c) The underwriting commission must not exceed
 - (a) 2 percent
 - (b) 2-1/2 percent
 - (c) 5 percent
 - (d) 10 percent.

[3 Marks]

Q.3. Briefly explain how the principal is liable for the acts of an Agent and state under what circumstances an agent is personally liable.

[5 Marks]

Q.4. Explain the meaning of the term 'Holder' under Negotiable Instruments Act, 1881. State the privileges of a 'Holder in due course'.

[5 Marks]

Q.5. Explain : 'Establishments' to which the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 applies.

[5 Marks]

Q.6. Referring to the provisions of the Negotiable Instruments Act, 1881, examine the validity of the following Promissory Notes :

- (i) I owe you a sum of Rs.1,000. 'A' tells 'B'.
- (ii) 'X' promises to pay 'Y' a sum of Rs.10,000, six months after 'Y's marriage with 'Z'.

[5 Marks]

Q.7. Explain the provisions of the Payment of Gratuity Act, 1972 relating to 'forfeiture of the amount of Gratuity' payable to an employee.

[5 Marks]

Q.8. Explain the procedure for payment of Interim Dividend.

[5 Marks]

Q.9. Explain clearly the meaning of Lifting the Corporate Veil, as applicable in case of companies incorporated under the Companies Act, 1956. Under what circumstances the veil of a company can be lifted by the court ?

[5 Marks]

Q.10. Who is an 'Expert' ? When an expert is not liable for the mis-statement in the prospectus of a public company ?

[5 Marks]

Q.11. Explain the provisions of the Companies Act, 1956 relating to establishment of an "Investors Education and Protection Fund".

[5 Marks]

- Q.12.** Annual General Meeting of a Public Company was schedule to be held on 15.12.2003. Mr. A, a shareholder, issued two proxies in respect of the shares held by the company in favour of Mr. 'X' and Mr. 'Y'. The proxy in favour of 'Y' was lodged on 12.12.2003 and the one in favour of Mr. X was lodged on 15.12.2003. The company rejected the proxy in favour of Mr. Y as the proxy in favour of Mr Y was ol dated 12.12.2003 and thus in favour of Mr. X was of dated 13.12.2003. Is the rejection by the company in order.

[5 Marks]

PART - II

Q.13 IS COMPULSORY. ANY TWO FROM THE REST.

Q.13.

- (a) Explain the meaning of the terms 'ethics' and 'business ethics' and also state the requirements of 'business ethics'.

[5 Marks]

- (b) What are the aspect to be considered for creating a sound ethical accounting environment in a business enterprise ?

[5 Marks]

Q.14. What is meant by Environmental Ethics ?

[5 Marks]

Q.15.

1. Consumer includes a person who purchases goods or avails services for
 - a. Personal purposes only
 - b. Commercial purposes only
 - c. Personal or Commercial purposes
 - d. None of the above
2. A consumer was aggrieved by the goods that he purchased from an enterprise covered under the Competition Act, 2002. He can seek remedy under the
 - (a) The Competition Act, 2002
 - (b) The Consumer Protection Act, 1996
 - (c) (a) & (b)
 - (d) Approach the civil court
3. Ethics are necessary in marketing because
 - (a) To avoid intervention by the Government
 - (b) To get recognition from the society
 - (c) To build brand image
 - (d) (a) & (b) only
4. Competition Act, 2002 covers the following parameters
 - (a) Regulation of combinations
 - (b) Prohibition of abuse of dominant position
 - (c) Prohibition of certain agreements
 - (d) All the above
5. Consumer Interest and Public Interest
 - (a) Synonymous
 - (b) Different
 - (c) Depends on facts and circumstances
 - (d) That talks about interest of the society as a whole

[5 Marks]

Q.16. What are the factors influencing workplace Ethics ?

[5 Marks]

PART - III

Q.17 IS COMPULSORY. ANY TWO FROM THE REST

Q.17.

(a) What is the Layout of a Business Letter ?

[5 Marks]

(b) Third Annual General Meeting of ABC Limited was held on 28th September, 2007. Several business was transacted at the meeting including the adoption of annual accounts for the year ended 31st March, 2007. The meeting was attended by 30 members in person and 5 members in proxy: Draft the minutes of the Annual General meeting indicating how shall the adoption of accounts', being one of the business transacted at the meeting, be recorded.

[5 Marks]

Q.18. Draft a notice for ABC's Annual General Meeting with four ordinary business.

[5 Marks]

Q.19. What is Emotional Intelligence ?

[5 Marks]

Q.20. What are the Advantages and Disadvantages of Written Communication ?

[5 Marks]

CODE : L104

PROFESSIONAL COMPETENCE COURSE LAW, ETHICS & COMMUNICATION

PART - I

Q.1. AND 2 ARE COMPULSORY. ATTEPT ANY 8 FROM THE REST.

- Q.1. (a) Explaining the provisions of the Indian Contract Act, 1872, answer the following : A contracts with B for a fixed price to construct a house for B within a stipulated time. B would supply the necessary material to be used in the construction. C guarantees A's performance of the contract. B does not supply the material as per the agreement. Is C discharged from his liability?

[5 Marks]

(b) (i) **True or False**

- a. The original contract between the parties must be performed even when the parties agree to substitute it with a new contract.
- b. A threat to lodge criminal prosecution on a false charge amounts to coercion.

[2 Marks]

(ii) **Multiple Questions**

- (a) A wrong representation when made without any intention to deceive the other party amounts to
 - (a) coercion.
 - (b) undue influence.
 - (c) misrepresentation.
 - (d) fraud.
- (b) A, B and C jointly promised to pay Rs.60,000 to D. Before performance of the contract, C dies. Here, the contract
 - (a) becomes void on C's death.
 - (b) should be performed by A and B along with C's legal representatives.
 - (c) should be renewed between A and B alone.
 - (d) should be renewed between A, B and D.
- (c) In a contract of guarantee, a person who promises to discharge another's liability, is known as
 - (a) Principal debtor.
 - (b) Creditor.
 - (c) indemnified.
 - (d) surety.

[3 Marks]

Q.2. (a) M/s ABC Ltd. a company registered in the State of West Bengal desires to shift its registered office to the State of Maharashtra. Explain briefly the steps to be taken to achieve the purpose. Would it make a difference, if the Registered Office is transferred from the Jurisdiction of one Registrar of Companies to the Jurisdiction of another Registrar of Companies within the same State?

[5 Marks]

(b) (i) True or False

- a. A sole director and principal shareholder of a company paid into his own account with a bank a cheque drawn in favour of the company. Could the bank rely on the Turquand case ?
- b. Can shares at a premium be issued for consideration other than cash?

[2 Marks]

(ii) Multiple Choice

(a) A depositor who has invested in a financial year a sum not exceeding Rs.20,000/- in a company and includes his successors, nominees and legal representatives is known as

- (a) Medium depositor.
- (b) Small depositor.
- (c) Conservative depositor.
- (d) Liberal depositor.

(b) A small depositor means a depositor who has deposited

- (a) A sum not exceeding Rs.20,000/ in a company in a financial year.
- (b) A sum not exceeding Rs. 40,000/ in a company in a financial year.
- (c) A sum not exceeding Rs.50,000/ in a company in a financial year.
- (d) A sum not exceeding Rs.1,00,000/ in a company in a financial year.

(c) An instrument of transfer signed by the transferor in which the name of the transferee and date of transfer are not filled is called as

- (a) Blank transfer.
- (b) Bank transfer.
- (c) Certification of transfer.
- (d) Forged transfer.

[3 Marks]

Q.3. In what way does the Payment of Bonus Act, 1965 regulate the payment of bonus to employees linked with productivity ? What restrictions apply in such cases on payment of bonus to an employee ?

[5 Marks]

Q.4. A promoter who has borrowed a loan on behalf of company, who is neither a director nor a person-in-charge, sent a cheque from the company's account to discharge its legal liability. Subsequently the cheque was dishonoured and the complaint was lodged against him. Is he liable for an offence under section 138?

[5 Marks]

Q.5. Explain in brief, the composition of the Executive Committee.

[5 Marks]

Q.6. What do you understand by "crossing of cheques" ? What is the object of crossing ? State the implications of the following crossings :

- (i) Restrictive crossing
- (ii) Not-negotiable crossing.

[5 Marks]

- Q.7.** State the procedure for nomination of persons under the Payment of Gratuity Act, 1972?
[5 Marks]
- Q.8.** Write a note on the powers of the Central Government in regard to conversion of debentures and loans into shares of the company under the following heads:
(i) When terms of issue of such debenture or terms of loan do not include term providing for an option of conversion;
(ii) Matters considered in determining the terms and conditions of such conversion;
(iii) Remedy available to the company if conversion or terms of conversion is not acceptable to it.
[5 Marks]
- Q.9.** Briefly explain the effects of Irregular allotment under the Companies Act 1956.
[5 Marks]
- Q.10.** What do you understand by Pre-incorporation Contracts ? Distinguish between Pre-incorporation contracts and Provisional contracts.
[5 Marks]
- Q.11.** The Board of Directors of M/s Reckless Investment Ltd. have allotted to shares to the investors of the company without issuing a prospectus of filing a statement in lieu of prospectus with the Registrar of Companies, Mumbai. Explain the remedies available to the investors in this regard.
[5 Marks]
- Q.12.** Explain the meaning of 'Sweat Shares' and state the conditions a company has to fulfil for issuing such shares.
[5 Marks]

PART - II

Q.13 IS COMPULSORY. ANY TWO FROM THE REST.

- Q.13.**
(a) What are the benefits of CSR ?
[5 Marks]
(b) Explain in brief the measures to ensure ethics in the Work place.
[5 Marks]
- Q.14.** How consumer interest is different from public interest ?
[5 Marks]
- Q.15.** What is meant by 'Corporate Governance' ? State the major 'characteristics' of good corporate governance.
[5 Marks]
- Q.16.** What major steps should be taken by the employer to prevent sexual harassment?
[5 Marks]

PART - III

Q.17 IS COMPULSORY. ANY TWO FROM THE REST

Q.17.

(a) What is the Process of Communication ?

[5 Marks]

(b) What are the Qualities of a Critical Thinker ?

[5 Marks]

Q.18. Mr. A has received a dividend warrant of Rs.1,500 for 150 shares of XYZ Ltd. Draft an indemnity bond, to be given to the company for seeing release of Dividend.

[5 Marks]

Q.19. What is the advantage of ethical communication ?

[5 Marks]

Q.20. What is Emotional Intelligence ?

[5 Marks]

CODE : L105

PROFESSIONAL COMPETENCE COURSE LAW, ETHICS & COMMUNICATION

PART - I

Q.1. AND 2 ARE COMPULSORY. ATTEPT ANY 8 FROM THE REST.

Q.1.

- (a) Father promised to pay his son a sum of Rs. one lakh if the son passed C.A. examination in the first attempt. The son passed the examination in the first attempt, but father failed to pay the amount as promised. Son files a suit for recovery of the amount. State along with reasons whether son can recover the amount under the Indian Contract Act, 1872.

[5 Marks]

(b) **True or False**

- a. Where the object or consideration is unlawful, it involves injury either to a person or a property - is it true ?
- b. When persons reciprocally promise, first to do certain legal acts and secondly to do certain illegal acts, the whole agreement is void.

[2 Marks]

(ii) **Multiple Questions**

- a. Which of the following is not an exception to the rule - no consideration, no contract
- (a) Compensation for involuntary services.
 - (b) Love & affection.
 - (c) Contract of agency.
 - (d) Gift.
- b. The delivery of goods by one person to another as security for the repayment of a debt, is known as
- (a) bailment
 - (c) pledge
 - (d) hypothecation
 - (e) mortgage.
- c. A person appointed by the original agent to act in the business of agency, but under the control original agent, is known as
- (a) agent
 - (b) sub-agent
 - (c) substituted agent
 - (d) del credere agent

[3 Marks]

Q.2.

- (a) DJA Company Ltd. has only 50 preference shareholders. A meeting of the preference shareholders was called by the company for amending the terms of these shares. Mr. A, was the only preference shareholder who attended the meeting.

He, however, held proxies from all other shareholders. He took the Chair, conducted the meeting and passed a resolution for amending the terms of the issue of these shares. Referring to the provisions of the Companies Act, 1956, examine the validity of the meeting and the resolution passed thereat.

[5 Marks]

- (b) (i) **True or False**
- a. Can a company create a charge on the security of its reserve capital ?
 - b. X Ltd. wants to issue redeemable preference shares. The articles of the company are silent on this point. Can it do so ?

[2 Marks]

- (ii) **Multiple Choice**
- (a) An Act is said to be ultra virus a company when it is beyond the powers.
 - (i) Of the company
 - (ii) Of the directors
 - (iii) Of the directors but not the company
 - (iv) Conferred on the company by the Articles.
 - (b) The underwriting commission must not exceed
 - (i) 2 percent
 - (ii) 2-1/2 percent
 - (iii) 5 percent
 - (iv) 10 percent.
 - (c) The Gap between two AGM's must not be more than
 - (i) 12 months
 - (ii) 15 months
 - (iii) 18 months
 - (iv) 15 months as may be extended by ROC to 18 months.

[3 Marks]

- Q.3.** Explain : Decide whether the following persons are entitled to get bonus under the Payment of Bonus Act, 1965 :
- (i) An apprentice
 - (ii) A retrenched employee
 - (iii) A dismissed employee
 - (iv) A piece rated worker

[5 Marks]

- Q.4.** A finance company after having issued a cheque in favour of a depositor informs the depositor not to present the cheque as well as informs the bank to stop payment. Examine with reference to the provisions of the Negotiable Instruments Act whether it is an offence under the Act.

[5 Marks]

- Q.5.** Manorama Group of Industries sold its textile unit to Giant Group of Industries. Manorama Group contributed 25% of total contribution in Pension Scheme, which was due before sale under the provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952. The transferee company (Giant Group of Industries) refused to hear the remaining 75% contribution in the Pension Scheme. Decide, in the light of the Employees Provident Fund and Miscellaneous Provisions Act, 1952, who will be liable to pay for the remaining contribution in case of transfer of establishment and upto what extent?

[5 Marks]

- Q.6.** 'A draws a cheque for Rs. 50,000. When the cheque ought to be presented to the drawee bank, the drawer has sufficient funds to make payment of the cheque. The bank fails before the cheque is presented. The payee demands payment from the drawer. What is the liability of the drawer?

[5 Marks]

- Q.7.** What are the circumstances in which gratuity becomes payable to an employee under the Act ?

[5 Marks]

- Q.8.** Who is an "expert" under the Companies Act, 1956? What is the extent of liability of an expert for any mis-statement in the report given by him in relation to publication of prospectus? When he is not liable?

[5 Marks]

Q.9. Explain the composition and powers of National Company Law Tribunal?

[5 Marks]

Q.10. A company issued a prospectus. All the statements contained therein were literally true. It also stated that the company had paid dividends for a number of years, but did not disclose the fact that the dividends were not paid out of trading profits, but out of capital profits. An allottee of shares wants to avoid the contract on the ground that the prospectus was false in material particulars. Decide.

[5 Marks]

Q.11. Define the term "Small Depositors". State the legal provisions relating to acceptance, repayment and further deposits of such small depositors under the Companies Amendment Act, 2000.

[5 Marks]

Q.12. Explain the meaning of 'Sweat Equity Shares' and state the conditions a company has to fulfil for issuing such shares.

[5 Marks]

PART - II

Q.13 IS COMPULSORY. ANY TWO FROM THE REST.

Q.13.

(a) What are the key Development have taken place over the last decade to increase focus on social responsibilities ?

[5 Marks]

(b) What is the characteristics of goods Corporate Governance ?

[5 Marks]

Q.14. What is the need for ethics in business ?

[5 Marks]

Q.15. What is the difference between ethics and morals ?

[5 Marks]

Q.16. What is meant by Ecological Ethics ?

[5 Marks]

PART - III

Q.17 IS COMPULSORY. ANY TWO FROM THE REST

Q.17.

(a) What are the Advantages and Disadvantages of Written Communication ?

[5 Marks]

(b) What are the Causes of Conflict ?

[5 Marks]

Q.18. What do you understand by Group Dynamics ?

[5 Marks]

Q.19. What are the guidelines for handling communication dilemmas ?

[5 Marks]

Q.20. What are the Functions of Inter Personal Communication ?

[5 Marks]
