TYBAF [Sem-V]
Sub- Auditing
22/11/16

(17)

QP Code : 283700

(2½ Hours) **[Total Marks : 75**

N. B. : (1) **All** questions are **compulsory** with internal choice.

1. (a) State whether following statements are True or False **(any eight)** **8**
   (1) Physical inventory audit must be conducted at the end of the year.
   (2) In case of joint auditors, there are more than one audit report.
   (3) Auditor is liable only if there is a loss to the party.
   (4) Auditor is not liable if he withdraws his consent to prospectus in writing within stipulated period.
   (5) Tax consultant of the assessee can be a tax auditor.
   (6) Tax audit report is submitted in Form No. 3CA by those who conduct their audit under any other law.
   (7) Documents prepared at the end of audit work are known as audit working papers.
   (8) Qualified report is given when auditor is not satisfied with major matters in financial statements.
   (9) Auditor is required to send a copy of his report to each members of the company individually.
   (10) Audit risk is more in case of e commerce transactions.

(a) Multiple choice questions **(any seven)** :– **7**
   (i) The chartered Accountant Act, 1949 is divided in ———— chapters.
   (a) Nine (b) Ten
   (c) Two (d) Four
   (ii) Professional misconduct in relation to members in practise is dealt within ————.
   (a) First schedule Part I (b) First schedule Part II
   (c) First schedule Part III (d) First schedule Part IV
   (iii) Which of the following is not a category of an application control?
   (a) Processing control (b) Output control
   (c) Hardware control (d) Input control
   (iv) Controls which are designed to assure that the information processed by the computer is authorised, complete and accurate called ————.
   (a) Input control (b) Processing control
   (c) Output control (d) General control

[TURN OVER

(v) A statement that the auditors responsibility is to express an opinion on the financial statements is contained in the ________.

(a) Opening paragraph (b) Scope paragraph
(c) Opening and scope paragraph (d) Opinion paragraph

(vi) For the purpose of tax audit legal consulting is held to be a ________.

(a) Profession (b) Business
(c) Both (d) None

(vii) The rights of the company auditor ________.

(a) Can be limited by the share holders
(b) Can be limited by a provision in the Articles of Association
(c) Can be limited by the Board of Directors
(d) Cannot be limited or restricted in any way

(viii) The auditor of a company shall have a right of access to ________.

(a) Financial books (b) Statutory books
(c) Stock books (d) All the above

(ix) The tax auditor is required to submit his report

(a) to the income tax department
(b) to the person appointing his viz the assessee
(c) to the shareholders
(d) to all the above

(x) The element of the auditors report that distinguishes it from report that might be issued by others is ________.

(a) Title (b) Auditor's signature
(c) Addressee (d) Opinion paragraph

2. (a) What is e commerce? What should the business consider while getting into e-commerce activities? 8

(b) What are the problems in CIS environment in implementation of Internal Controls? 7

OR

(a) What are the pre-requisites of auditing in CIS. 8

(b) Distinguish between Audit report v/s Audit Certificate. 7

3. (a) What is an audit report? Explain the different types of audit report. 8
   (b) Explain the duties of an auditor to issue report under CARO with respect to 7
      (i) Loans Given
      (ii) Fixed Assets

OR

   (a) Enumer~~ate the~~ reasons why the auditor has to qualify his report. 8
   (b) What are the duties of an company auditor. 7

4. (a) Explain joint auditors and what are their liabilities. 8
   (b) What ~~do you mean~~ by misfeasance and explain the liability for mis statement in prospectus. 7

OR

   (a) Explain the tax audit procedures. 8
   (b) Discuss approach to Audit in CISE. 7

5. (a) Which are the problems faced while shifting from Manual to Computer Accounting. 8
   (b) Explain the term Professional Ethics and mis conduct in relation to the Chartered Accountants Act 1949. Give examples for the same. 7

OR

5. Write short notes on any **three** :– 15
   (a) Branch Auditor
   (b) True and fair view
   (c) Tax Audit
   (d) Civil liability
   (e) Powers of Auditor

T4BAF [Sem-I]
Regula Exam
sub- Cost Accounting

(9)

18/11/16

Q.P. Code : 283101

(2½ Hours) **[Total Marks : 75**

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

1. A) Multiple Choice question(Any Eight) :- **8**

1. In a cost of production report using process costing, transferred in costs are similar to the
   a. cost of material added at the beginning of production
   b. conversion cost added during the period
   c. cost transferred out to the next department
   d. cost included in beginning inventory
2. In Process costing, cost follows
   a. Finished goods
   b. Product flow
   c. Price rise
   d. Price decline
3. Equivalents units are
   a. Notional quantity of completed units
   b. Equal units
   c. Units equal to input
   d. None of these
4. Composite unit is a distinctive feature of
   a. Single costing
   b. Operating costing
   c. Process costing
   d. Job costing
5. Describe the method of costing to be applied in case of Nursing Home
   a. Operating costing
   b. Process Costing
   c. Contract costing
   d. Job costing
6. A trial balance is
   a. the set of accounting records presented at court cases
   b. an account prepared to determine a company's profitability
   c. list of account balances- both debit and credit sides balance
   d. the balance of the cost ledger control account

7. Sales ledger shows
   a. accounts of expenses
   b. accounts of incomes
   c. accounts of individual jobs
   d. none of these
8. In an activity based cost system, an activity, unit of work or task with differentiated purposes is classified as
   a. different task
   b. purpose cost
   c. an activity
   d. an allocation cost
9. The maturity stage of the product life costing is most often associated with
   a. rapid growth
   b. uncertainty in market
   c. improvements in manufacturing process
   d. high exit barriers
10. Uniform costing helps to control
    a. Manpower
    b. Cost
    c. Finance
    d. All of these

1. B) State whether True or False (any seven) :- 7

1. The FIFO method combines beginning inventory and current production to compute cost per unit of production.
2. Normal continuous losses are absorbed by all units in ending inventory and transferred out on an equivalent units of production basis.
3. In a process costing system, direct labour cost combined with manufacturing overhead cost is known as conversion cost.
4. The cost accounting is basically concerned with personal accounts.
5. Control Accounts provide a basis for reconciliation.
6. Assets are included in accounts under integral system.
7. Taxes are a fixed cost.
8. The expenses are to be classified according to their nature of variability in service costing.
9. Target cost is the difference between estimated selling price of a proposed product with specified functionality and quality and the target margin.
10. Inter-firm comparison implies comparison of the results of different departments of a firm.

2. M/s NSS Limited keeps books on integrated accounting system. Record the following transactions under integrated system and prepare Trial Balance. **15**

Particulars	Debit (Rs.)	Credit (Rs.)
Bank balance	5000	
Stock of Finished Goods	6000	
Stock of Work -in -Progress	8000	
Stock of Raw Material	7000	
Debtors	4000	
Creditors		3000
Fixed Assets	100000	
Depreciation Provision		2000
Capital Account		120000
Profit & Loss A/c		5000
	130000	130000

Transactions during the year were as follows

Material purchased (on credit)	12000
Material issued to production- Direct	9000
Indirect	1000
Wages paid (including Direct wages Rs. 12000)	15000
Finished Goods Produced	32000
Cost of Finished Goods sold	35000
Seles (credit)	40000
Production Overheads incurred	7000
Administration Overheads incurred	2000
Selling & distribution overheads incurred	1000
Payment to Creditors	8000
Receipts from Debtors	36000
Deprecation on Assets	1000

OR

2. Pink Limited opens the costing record with the balances as on 1st Jan 2014. From the following information, you are required to record the entries in the Cost ledger for the year ended 31st December 2014 and prepare Trial Balance. **15**

Particulars	Debit (Rs.)	Credit (Rs.)
Material Control A/c	121000	
Work- in Progress Control A/c	59000	
Finished stock control A/c	120000	
Production Overhead Control A/c	5000	
Administration Overhead Control A/c		9000
Selling & Distribution Overheads Control A/c	4000	
General Ledger Adjustment A/c		300000
	309000	309000

[TURN OVER]

Transactions during the year ended 31st December 2014

Material purchased	477000
Material issued to jobs	474000
Material to work maintenance	38000
Material to administration office	1000
Material to selling department	4000
Wages -Direct	144000
Wages- Indirect	62000
Transport for incoming material	5000
Production overhead	248000
Absorbed production overhead	355000
Administration overhead	67000
Administration overhead allocated to production	49000
Administration overhead allocated to sales	12000
Selling & Distribution Overhead	61000
Selling & Distribution Overhead absorbed	79000
Finished goods produced	955000
Finished goods sold	973000
Sales	1200000

3. The following data are available in respect of Process II for the month of March 2015. **15**

Opening Work- in- Progress	: 2000 Units at Rs. 8000
Input of Material	: 13000 Units at Rs. 39750
Direct Wages	: Rs. 25150
Production Overheads	: Rs. 12575
Units Scrapped	: 1000 Units
Units Transferred to next Process	: 12000 Units
Closing Work- in - Progress	: 2000 Units

Degree of completion	Opening Stock	Closing	Stock Scrap
Material	100%	100%	100%
Labour	60%	80%	70%
Oveheads	60%	80%	70%

Normal Process Loss is 5% of total input (opening stock and units put in). Scrap value is Rs. 4 per unit. The company follows FIFO method of inventory valuation.

You are required to

a. Prepare statement of Equivalent Production

b. Statement of cost per equivalent unit for each element and cost of closing work in progress and units transferred to next process.

c. Prepare Process Account and Abnormal Gain / Loss Account.

OR

3. Yankees Limited produces product 'Y which passes through two process before it is completed & transferred to finished stock. The following data relates to June 2015. **15**

Particulars	Process -I	Process -II	Finished Stock
Opening Stock	5000	12500	20000
Direct Material	63000	20000	-
Direct Wages	37000	30000	-
Factory Overhead	20000	24000	-
Closing Stock	15000	20000	35000
Profit% on transfer price to next process	20%	20%	-
Inter Process Profit (included in opening stock)	Nil	2500	5000

Stock in process is valued at prime cost and finished stock has been valued at the price at which it is received from Process II. Sales during the period is Rs. 450000

You are required to prepare:

a. Process Cost Accounts showing profit element at each stage.

b. Actual Realised Profit.

4. LP Limited is running a mini bus. You are required to calculate a suggested fare per passenger/kilometre from the following details. **15**

Purchase Price of Bus	Rs. 500000
Length of route	40km
Insurance	Rs. 20000 p.a.
Garage Rent	Rs. 10000 p.a.
Road tax & Permit fees	Rs. 5000 p. a.
Repairs & Maintenance	Rs. 16000 p. a.
Administrative charges	Rs.4000 p.a.
Driver wages	Rs.5000 per month
Conductor wages	Rs. 3000 per month
Repairs of tyre -tube	Rs. 4000 p.a.
Diesel & oil per kilometre	Rs.5
Annual Interest on loan	Rs.12000 p. a.

(14)

Effective life of vehicle is estimated at 5 years at the end of which it will have a scrap value of Rs.10000. Mini bus has 25 seats and is planned to make 5 number two-way trips for 25 days per month. Provide profit@20% of total revenue.

OR

4. Ashirwad hotel has 80 bed rooms with a maximum occupancy of 700 sleeper nights per week. Average occupancy is 80% throughout the year. Meals provided to guest have been costed and the average food cost per person per day is : Breakfast Rs. 15, Lunch Rs. 30, Dinners Rs. 35. **15**

Direct Wages and staff meals per week are : Cafeteria Rs. 6000, Housekeeping Rs. 3500, General Rs. 3000

Direct expenses per annum are Rs. 60000 for housekeeping and Rs. 55000 for the Cafeteria.

Indirect Expenses amounts to Rs. 450000 which should be apportioned on the basis of floor area.

The floor area is for Bed room 3000 metres, Cafeteria 1000 metres and Service area 500 metres. Service comes under Cafeteria. The net profit of 20% must be made on the Cafeteria and accommodation takings.

You are required to calculate what inclusive terms per person should be charged per day. Show the split between meals and accommodation charges

5. A) Enumerate the essential requisites of inter-firm comparison system **8**

B) What is target costing? What are the stages involved in Target costing **7**

OR

5. Write short notes (Any three) :- **15**

1. Life cycle costing
2. Activity Based Accounting
3. Cost Ledger Control Accounts
4. Abnormal Gain in Process costing
5. Operating costing in Transport costing

TYBAF

Cost Acctg

18/11/16

TYBAF [Sem. V]
Regular Exam
Sub - Financial Accounting

(1)
~~07~~/11/16.

Q.P. Code : 282800

(2½ Hours) Total Marks : 75

Note :(1) All questions are compulsory with internal choice
(2) Working should form part of your answers

1. (A) Rewrite sentence after selecting correct alternative (Any Eight) **8**

1) If the XYZ Ltd and PQR Limited are taken over by a new company GST Limited, ________
   a) It is called absorption
   b) It is called external reconstruction
   c) It is called internal reconstruction
   d) It is called amalgamation

2) Amalgamation adjustment account is opened in the books of transferee company to incorporate ________
   a) The assets of the transferor company
   b) The liabilities of the transferor company
   c) The statutory reserves of the transferor company
   d) None of the above

3) Balance in Capital reduction A/c is generally transferred to ________
   a) General reserve
   b) Profit & Loss A/c
   c) Capital reserve
   d) None of the above

4) For Capital reduction under internal reconstruction, authorisation/ approval is required from ________
   a) Shareholders
   b) Articles of association
   c) Court
   d) All the Above

5) Unmarked applications refer to ________
   a) Firm underwriting
   b) Applications bearing the stamp of under writer
   c) Applications issued by the company
   d) Applications from the public received directly without bearing any stamp of underwriter

6) B Ltd issued shares of ₹ 1000 each at ₹ 950 the underwriting commission will be paid on ________
   a) ₹ 50
   b) ₹ 1,950
   c) ₹ 1,000
   d) ₹ 950

7) List E in Statement of affairs gives the list of ________
   a) Preferential creditors
   b) Secured creditors
   c) Debenture holders
   d) Shareholders

8) Statement of affairs should be prepared in the format prescribed in ________
   a) Form 153
   b) Form 156
   c) Form 57
   d) Schedule VI

9) A Company can buy back ________
   a) Equity shares
   b) Preference shares
   c) Both
   d) None of the Above

10) Which of the following is not a free reserve?
   a) Profit & Loss A/c
   b) General Reserve
   c) Revaluation reserve
   d) Dividend equalisation reserve

1. B) State whether given statements are True or False (Rewrite sentence) Any-7 7

1) Under External reconstruction , there is one liquidation and one formation
2) As-14 does not distinguish between amalgamation and absorption
3) Only sick companies undertake Internal Reconstruction
4) The cost of reorganisation of the share capital is to be charged from capital reduction Account.
5) Under firm underwriting, the underwriters do not agree to purchase any shares
6) The underwriting commission is payable in cash
7) Only insolvent companies can be liquidated

[TURN OVER]

8) Local Taxes are an examples of secured creditors
9) Capital redemption reserve account can be utilised for issuing partly paid bonus shares.
10) Buy back of shares decreases the earning per share (EPS) of the company.

2. Following are the Balance Sheets of Alpha ltd. And Beeta Ltd. As on 31st March, 2016. 15

Balance Sheet
As on 31st March,2016

LIABILITIES	Alpha ltd. AMOUNT	Beeta ltd. AMOUNT	ASSETS	Alpha ltd. AMOUNT	Beeta ltd. AMOUNT
Share Capital:			Goodwill	60,000	1,00,000
7% Prefrence Shares			Premises	6,50,000	7,00,000
of Rs 100 each	4,50,000	6,00,000	Plant & Machinery	4,80,000	6,20,000
Equity Shares of Rs			Computer	1,20,000	2,00,000
100 each	8,00,000	12,00,000	Stock	1,80,000	2,50,000
General Reserve	70,000	80,000	Sundry Debtors	1,10,000	3,15,000
Profit & loss A/c	45,000	62,000	Bills Receivable	30,000	20,000
Statutory Reserves	27,000	48,000	Bank	12,000	24,000
10% Debentures	1,50,000	84,000			
Sundry Creditors	75,000	1,20,000			
Bills Payable	25,000	35,000			
TOTAL	**16,42,000**	**22,29,000**	**TOTAL**	**16,42,000**	**22,29,000**

Beeta ltd. Takes over Alpha ltd. On 1st April, 2016 on the following terms:

1) Beeta ltd. Discharged purchase consideration as under:
   a) Issued 10,000 equity shares of ₹ 100 each at a premium of 5% for the equity shareholders of Alpha ltd.
   b) issued 8% PREFRENCE SHARES OF ₹100 each at par discharge the preference shareholders of Alpha ltd. at 10% premium.
2) The Debentures of Alpha ltd. to be converted into equivalent number of debentures of Beeta ltd.
3) Sundry debtors of Beeta ltd. Include ₹ 25,000 being amount due from Alpha ltd.
4) Bills payable of Alpha ltd. Includes ₹ 7,000 being the amount of bills accepted in favour of Beeta ltd. The bills receivable of Beeta ltd. Includes ₹ 5,000 only being the amount of bills due from Alpha ltd.
5) The Stock of Beeta ltd. Includes ₹ 30,000 worth of goods purchased from Alpha ltd. On which Alpha ltd. made a profit of 25% on cost.

(4)

You are required to:

1) Calculate purchase consideration
2) Pass journal Entries in the books of Beeta ltd. Assuming that amalgamation is in the nature of purchase.
3) Prepare Balance Sheet of Beeta ltd. After amalgamation.

OR

2. Following was the Balance Sheet of DT Ltd. As on 30th June, 2016. **15**

LIABILITIES	AMOUNT	ASSETS	AMOUNT
Share Capital		Goodwill	25,000
2,500 8% cumulative Prefrence shares of ₹ 100 each	2,50,000	Fixed Asset	12,85,000
12,000 Equity Shares of Rs. 100 each	12,00,000	Stock	3,03,000
9% debentures	5,00,000	Debtors	2,50,000
Interest Accrued thereon	45,000	Bank Balance	7,000
Creditors	5,00,000	preliminary Expenses	25,000
		Profit & loss A/c	6,00,000
Total	**24,95,000**	**Total**	**24,95,000**

Note: Prefrence dividend was in arrears ₹ 40,000

The following scheme of reconstruction is duly sanctioned:

1) A new company TO ltd. Is formed with ₹ 15,00,000 as authorised share capital divided into 1,50,000 equity shares of ₹ 10 each.
2) The company will acquire DT ltd. On the following conditions:
   i. Old companies' debentures will be paid by similar debentures in the new company. For the arrears of interest, equivalent amount of equity Shares will be issued.
   ii. The creditors will be paid for every ₹ 100 for their claim. ₹ 16 cash and 10 equity shares in the new company.
   iii. Prefrence shareholders are paid 10 equity shares in the new company for each shares held by them in the old company. They will not demand their dividend arrears.
   iv. Equity shareholders will be given ten equity share in the new company for three shares held in the old company.
   v. Expenses of ₹20,000 will be borne by the new company as a part of purchase consideration.

3) The new company will take the current assets at their book value except stock which will be reduced by ₹ 15,000. Intangible assets are not to appear in the new Balance Sheet, appropriate adjustment being made in the values of fixed assets.

4) Remaining equity shares in the new company are issued to the public and are fully paid. You are required to prepare:

You are required to prepare:

1. In the books of TO Ltd.

i) Journal Entries.

ii) Balance Sheet.

Under Purchase Method.

3. The summarized balance sheet of Optimist Ltd. as on 1st April 2016 was as under **15**

LIABILITIES	₹	ASSETS	₹.
Authorized Capital		Goodwill	20,000
80,000 Equity shares of Rs.10 each	8,00,000	Land and Building	1,60,000
2,000 9% Preference shares of Rs.100 each	2,00,000	Plant and Machinery	1,20,000
	10,00,000	Investment	24,000
Issued and Paid up Capital		Stock	54,000
40,000 Equity Shares of Rs.10 each, Rs.7.50 paid up	3,00,000	Debtors	1,18,000
2,000 9% Preference Shares fully paid	2,00,000	Cash in hand	6,000
Unsecured Loan	80,000	Profit & Loss A/c	1,42,800
Trade Creditors	48,000		
Bank Overdraft	16,800		
	6,44,800		**6,44,800**

Notes: (i) Dividend on preference shares has not been paid for 2 years

(ii) No provision has been made for disputed sales tax liability of Rs.9,000

The following scheme of reconstruction has been approved by the court:

a) Uncalled capital is to be called up in full and equity shares are to be reduced to ₹ 5 per share

b) Disputed sales tax liability of ₹9,000 was settled at ₹8,000 and to be paid immediately

c) Land and Building are to be shown in Balance Sheet at full market value of ₹ 2,20,000. Goodwill is to be written off

d) Trade Creditors have consented for 25% of remission of liability on condition that 25% of net liability after remission is paid forthwith and the balance payable within one year

e) Investments are to be taken over by bank in full settlement of overdraft balance

f) Preference shareholders have agreed to settle for one year's dividend in cash and accept 12 fully paid equity shares of Rs. 5 each for each fully paid preference shares.

g) Stock to be reduced by ₹4,000 provision for doubtful debt to be created ₹. 8,000

Pass necessary journal entries and draft balance sheet after reconstruction

OR

3. Following is the Balance Sheet of Pooja Engineering Co Ltd. as on 31st December, 2015. **15**

Balance Sheet

LIABILITIES	₹	ASSETS	₹
Share Capital:		Goodwill	1,68,000
1500 8% Prefrence Shares of ₹ 100 each fully paid	1,50,000	Land & Building	3,27,000
3000 Equity Shares of ₹ 100 each. ₹ 80 paid up	2,40,000	Plant & Machinery	1,35,000
4500 Equity Shares of ₹ 100 each, ₹ 70 paid up	3,15,000	Furniture	15,000
8 % Debentures [having a floating charge on all assets]	1,50,000	Office Equipment	30,000
Outstanding Debentures Interest	6,000	Stock	1,48,500
Creditors	2,40,000	Debtors	1,27,500
		Bills Receivable	33,000
		Cash-in-hand	12,000
		Profit & Loss A/c	1,05,000
TOTAL	**11,01,000**	**TOTAL**	**11,01,000**

The Company went into Voluntary Liquidation as on above Balance Sheet date:

a) Preference dividend was in arrears for last 3 years and it was to be paid before Paying Equity Share Capital.

b) Sundry Creditors include a loan from bank of ₹ 60,000 secured on the Hypothecation of Plant and Machinery. Sundry creditors also include preferential creditors of ₹ 15,000.

c) The Liquidator realised the assets as follows:

Land &Building ₹ 3,22,500
Plant & Machinery ₹ 75,000
Office Equipment ₹ 19,500
Furniture ₹ 12,000
Stock ₹ 1,05,000
Debtors ₹ 90,000
Bills Receivable ₹ 21,000

d) Legal Charges on liquidation amounted to ₹ 1,500

e) The Liquidation expenses ₹ 3,900

f) The Liquidator's remuneration was fixed at ₹ 1,500 plus 2% on sale of assets excluding cash plus 4 % of the amount distributed to unsecured creditors including preferential creditors.

g) The liquidator made payment on 31st March, 2016.

Prepare Liquidator's Final Statement of Accounts.

4. Authorised capital of Jalaram Ltd. was 1250000 equity shares ₹ 10 each. Company issued 80% shares at a premium of ₹ 2 per share which was entirely underwritten as follows: 15

Kotak	40%	Thakkar	20%
Kotecha	30%	Gantara	10%

Company received applications for 900000 equity shares including marked applications as below:

Kotak	285000 shares
Kotecha	300000 Shares
Thakkar	110000 Shares
Gantra	105000 Shares

Underwriters are entitled to get 5% commission on face value.

From the above information find out the liability of underwriters and give journal entries in the books of Jalaram ltd.

OR

4. On 31st March, 2015; following was the Balance Sheet of New Era ltd:

(₹in Lakhs)

LIABILITIES	AMOUNT	ASSETS	AMOUNT
Equity Share Capital (fully Paid-up Shares of ₹10 each)	2,400	Machinery	3,600
		Furniture	452
		nvestments	148
Securities Premium	350	Stock	1,200
General Reserve	930	Debtors	520
Profit & loss A/c	340	Cash at Bank	740
12% Debentures	1,500		
Sundry Creditors	750		
Sundry Provision	390		
TOTAL	**6,660**	**TOTAL**	**6,660**

On 1st April. 2015; the company announced the buy-back of 25% of its equity shares @ 15 per share For the purpose, it sold all of its investments for ₹ 150 lakh and issued 2000000 14% preference shares of ₹ 100 each at par, the entire amount being payable with application.
The issue was fully subscribed. The Company achieved the target of the buy-back. later, the company issued one fully paid-up equity share of ₹ 10 by way of bonus share for every four equity shares held by the shareholders.
Show Journal Entries for all the transactions including cash transactions and also prepareBalance sheet after buyback.

5. A) State restrictions and conditions placed under companies Act on payment of underwriting commission — 8

B) List the types of amalgamation and methods of purchase consideration — 7

OR

5. Write short notes (**Any 3**) — 15

1) Purchase Method Vs Merger Method
2) Reconstruction Scheme
3) Firm Underwriting & Partial Underwriting
4) Modes of winding up in case of liquidation
5) Sources for buyback of shares

TYBAF

FAV

TYBAF [Sem. V]
Sub- Financial Management
23/11/16.

Q.P. Code : 284002

(2½ Hours) [Total Marks : 75

Instructions:

1. All questions are compulsory.
2. Working notes form part of your answer.
3. Use of simple calculator is permitted.
4. Round off upto two decimal points.

1. A. Match the Column (Any 8) (1 Mark Each) 8

Column A	Column B
1. Unsystematic Risk	a. Chance of Occurrence
2. Systematic Risk	b. Same EPS
3. Float	c. Cost of Additional funds
4. MM Approach	d. Composite cost
5. Probability	e. Interest rate risk
6. Operating Leverage	f. Change in EPS to change in EBIT
7. Financial Leverage	g. Change in profits to change in sales
8. Weighted average cost	h. Business risk
9. Marginal Cost	i. There is no taxes
10. Financial Indifference Point	j. Difference between book balance and available balance

1. B. Rewrite the Following statements and state whether True or False: (Any 7) (1 Mark Each) 7

1. High dividend payout ratio leads to higher retained earnings.
2. In cash management expected surplus if any is not considered at all.
3. With a rise in prices a reduction in the purchasing power of the rupee is known as inflation risk.
4. Cash sales results in account receivable.
5. The credit policy which has minimum benefit should be recommended to management.
6. Higher Operating Leverage is related to the use of higher variable cost.
7. Variance as a measure of risk is the square of standard deviation.
8. Weighted average cost of capital cannot be calculated on market values of securities.
9. Unsystematic risk reduces with diversification of investment.
10. Reduced payment of divided improves liquidity.

[TURN OVER

2\. A. The expected returns and Beta of three stocks are given below 8

Stock	L	S	K
Expected Return	0.18	0.11	0.15
Beta Factor	0.7	0.6	1.2

If risk free rate is 9% and expected rate of return on the market portfolio is 14% using CAPM method comment on valuation of stocks and appropriate strategy.

2\. B. The following information related to Shambhu Ltd. for the year ended 31st March, 2016 are available to you: 7

Equity share capital of Rs. 10 each	Rs.25 lakh
11% Bonds of Rs.1000 each	Rs.18.5 lakh
Sales	Rs.42 lakh
Fixed cost (Excluding Interest)	Rs. 3.48 lakh
Financial leverage	1.39
Profit – Volume Ratio	25.55%
Income Tax Rate Applicable	35%

You are required to calculate :

(i) Operating Leverage (ii)Combined Leverage (iii) Earning per share

OR

2\. A. Calculate the expected rate of return of the security and interpret the same with the help of following information 8

Beta of security = 0.5

Expected rate of return on market portfolio = 12%

Risk free rate of return = 0.08

If another security has an expected rate of return of 18% what would be its beta?

2\. B. The Manish has the following specific cost of capital along with the indicated book and market value weights: 7

Type of capital	Cost	Book value weights	Market value weights
Equity	0.18	0.50	0.58
Preference shares	0.15	0.20	0.17
Long- term debt	0.07	0.30	0.25

Calculate the weighted cost of capital, using book and market value weights.

3. Prepare a cash budget (estimated) for Sony Ltd from the following information for Six months commencing from April 2016. 15

Month	Sales (Rs.)	Cash Purchases (Rs.)	Expenses (Rs.)
January 2016	3,00,000	40,000	50,000
Febuary 2016	4,50,000	50,000	60,000
March 2016	6,50,000	65,000	75,000
April 2016	9,00,000	80,000	90,000
May 2016	12,00,000	1,10,000	1,20,000
June 2016	15,50,000	1,75,000	1,85,000
July 2016	19,50,000	1,75,000	1,85,000
August 2016	24,00,000	2,00,000	2,10,000
September 2016	29,00,000	2,50,000	2,60,000

Additional Information:

a. Total sales comprises of 20% of cash sales and 80% credit sales.
b. Credit purchases are 75% of total purchases throughout.
c. 40% of credit sales collected in the month following the sales, balance 35% in the second month and remaining 25% in the third month of sale.
d. 50% of credit purchases are paid in the month following the purchases, balance 30% in the second month and remaining 20% in the third month of purchase.
e. Wages for January 2016 are Rs.30,000 which increases every month by 20% of the previous month and are paid with a lag of half month.
f. Opening cash balance of Rs. 1,80,000 as at 1st April 2016.
g. Expenses of each month are paid with a time lag of one month.
h. Machinery purchased of Rs.1,00,000 in May 2016 on two month credit.
i. Income tax paid in the month of June 2016 Rs.75,000.

OR

3. A. Prepare income statement from the following companies 8

Particulars	R	B	M
Variable cost as a % of Sales	50	60	70
Interest (Rs.)	45,000	20,000	10,000
Degree of Operating Leverage	5:1	4:1	7:1
Degree of Financial Leverage	4:1	4:1	6:1
Income Tax Rate	50%	50%	50%

Compute Net Profit after Tax and offer your comment

[TURN OVER

3. B. A Ltd is considering a new project which requires a capital investment of Rs 150 lakh. The required funds can be raised either through the sale of equity shares or borrowed from a financial institution. Interest on term loan is 15 per cent and tax rate is 35%. If the debt- equity ratio insisted by the financing agencies is 2:1, calculate the indifference point for the project. 7

4. Jack Ltd has at present annual turnover of Rs 39,00,000 and the company grants one month credit to its customers. Company's selling price is Rs.10/- per unit. Bad debt loss is 1% of sales and contribution is Rs 3/- per unit. 15

Company's new marketing manager has given three different proposals to make credit policy more liberal to increase company's sales and profit. These proposals are as follows:

Proposal I: To grant one and half month's credit to customers which will increase sales to Rs. 44 lakhs with anticipated increase in bad debt loss of 1% of sales.

Proposal II: To grant two months credit to customers which will increase sales to Rs. 45 lakhs with anticipated bad debt loss of 3% of sales.

Proposal III: To grant three month's credit to customers which will increase sales to Rs. 50 lakhs with anticipated increase in bad debt loss of 4% of sales.

Company expects a return of 20% on the additional investment in accounts receivables. Which of the above proposal would you recommend to the company to accept.

OR

4. The Sadguru Ltd. is considering methods to finance its investment proposal. It is estimated that initially Rs.4,00,000 will be needed. Two alternative methods of raising funds are available to the firm: 15

(a) 50% by 15% Loan and balance by issue of equity shares of Rs.100 each

(b) Issue of equity shares of Rs.100 each.

The appropriate tax rate is 35 per cent.

Assuming operating profits (EBIT) of: (a) Rs.70,000 and (b) Rs.80,000, which financing proposal would you recommend and why? Also, Compute the indifference point of the two financial plans.

5. A. Describe various types of Risk. 8
5. B. Discuss various objectives of Receivable Management. 7

OR

5. Write Short Notes (Any 3) (5 Marks Each) 15
   1. Optimal Capital Structure
   2. M M Hypothesis on dividend policy.
   3. Capital asset pricing model.
   4. Types of Return
   5. Business risk V/s Financial Risk.

T.Y BAF

P.M

(15)

Q.P. Code : 283401

(2½ Hours) **[Total Marks : 75**

N.B. : (1) Attempt **all** the questions.

(2) **Figures to the right indicate full marks.**

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

   (a) Marketing is all pervasive in the present world.
   (b) Marketing facilitates exchanges.
   (c) Price is not an important component in Marketing.
   (d) Production does not meet human wants.
   (e) In NPC, C stands for council.
   (f) HRP is concerned with future manpower requirements.
   (g) 360° appraisal method is broad based and comprehensive.
   (h) Finance is required through out the life time of Business.
   (i) Venture capital is not risky.
   (j) Shares are long term financial securities.

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

Group A	Group B
1. Category	(a) HML
2. Place	(b) Bank employees
3. Productivity	(c) Exchange Value
4. Interview	(d) Depository
5. Inventory Management	(e) SEBI
6. White collared employees	(f) Selection
7. Price	(g) Long term security
8. Capital Market	(h) Labour
9. NSDL	(i) Distribution
10. Debt	(j) Brand

[TURN OVER

(10)

2 copy

2. (A) Define marketing and state the feature of marketing. 8
(B) Describe the 4p's of Marketing. 7

OR

(C) What are the various factors which govern distribution decision? Explain. 8
(D) Explain the various strategies of pricing. 7

3. (A) What are the various scope of production management ? Explain. 8
(B) Discuss the various measures to increase productivity. 7

OR

(C) Briefly explain inventory management techniques. 8
(D) Write a note on Quality Circle. 7

4. (A) What are the various scope of Human Resource Management ? Explain. 8
(B) Briefly discuss the various job methods to develop Human Resource. 7

OR

(C) Explain 360° appraisal indetail. 8
(D) What are the modern methods of Performance appraisal ? Explain. 7

5. (A) Discuss the sources of Long Term Finance. 8
(B) Explain the functions of Capital Market. 7

OR

5. Write short notes : **(Any Three)** 15
(1) Technical Analysis
(2) DEMAT
(3) Futures
(4) MRP
(5) PLC

TYBAF [Sem-V]
Sub- Taxation
24/11/16

QP Code:284300

(2½ Hours) [Total Marks :75

N.B. : (1) **All** questions are **compulsory** with internal options.
(2) Each question carries **15** marks
(3) Working notes forms part of answer
(4) **Use** of only simple **calculator** is **allowed**

1. (A) Match the Following (**Any 8**) **8**

Group 'A'	Group 'B'
(a) Standard Deduction u/s 24	(i) 30% of Net Annual Value
(b) Deduction u/s 16	(ii) Not taxable for Non-Resident in India
(c) Deduction u/s 80C	(iii) Fully Exempt u/s 10(10)
(d) Deduction u/s 80TTA	(iv) Limit for deduction Rs.1,50,000
(e) Deduction u/s 80U	(v) Deduction for Medical Insurance Premium paid
(f) Deduction u/s 80D	(vi) Deduction for Handicapped Resident Individual
(g) Capital Assets	(vii) Household furniture
(h) Foreign Income received Abroad	viii) Deduction on interest on Savings Account
(i) Gratuity received by Government Employee	(ix) Entertainment Allowance received by Government Employee
(j) Income from other Sources	(x) Deduction for maintenance Handicapped dependent
	(xi) Jewellery
	(xii) Rent from subletting house property

1. (B) State whether **true/false** (**Any 7**) **7**
(1) Gift received from relatives is not taxable income
(2) Business controlled and managed in India is taxable in India.
(3) LIC policy matured is not treated as Income.
(4) Shares are not treated as Capital Assets.
(5) Salaries of MLA's are taxable under the head Income from Salary.
(6) Capital Expenditure is not allowed as a deduction in computation of Income from Business/ Profession.
(7) Medical Insurance premium paid in cash is allowed as a deduction u/s 80D.
(8) Uncommutted pension is exempted u/s 10.
(9) Assessment year can be less than 12 months.
(10) Legal status of Mumbai University is a Local Authority.

2. From the following Profit and Loss Account of Mr. Q, a senior citizen, compute his total Taxable Income for the Assessment Year 2016-17. 15

Profit and Loss Account for the year ended 31st March 2016			
Expenses	**Rs.**	**Income**	**Rs.**
To Salaries	1,52,000	By Gross Profit b/d	6,64,000
To Fire Insurance Premium	22,000	By Interest on Deposits State Bank of India	36,000
To Staff Welfare expenses	36,000	By Amount recived on Maturity of LIC policy	1,00,000
To Postage and Telegram	6,000		
To Interest on proprietor's capital	8,000		
To Travelling expenses	74,000		
To Miscellaneous expenses	42,000		
To Repairs and Maintenance	14,000		
To Donation	10,000		
To Advertisement expenses	40,000		
To Reserve for doubtful debts	10,000		
To Depreciation	20,000		
To Sales Tax paid	8,000		
To Advance Income Tax	6,000		
To Income Tax paid for P.Y. 2014-15	2,000		
To Net Profit	3,50,000		
	8,00,000		8,00,000

Additional Information:

(1) Depreciation as per Income Tax Rules is Rs. 30,000/-
(2) Paid for self, medical Insurance Premium of Rs. 26,000/- by cheque.
(3) Advertisement expenses include Rs. 15,000/- spent on advertising in a magazine published by a political party.
(4) Repairs and maintenance include Household expenses of Rs. 2,000/-

OR

2. Dr. Mansukh is a medical practitioner. Besides his own practice he works as a part time physician in a private hospital for which he receives a monthly remuneration. He is also a consultant physician of Tushar Industries Pvt. Ltd. on a monthly retainer fee. The doctor maintained a record of his receipts and payments for the year ended 31st March, 2016 and the following information is abstracted therefrom:

Receipts:	Rs.
Consultation Fees received	1,60,000
Gross Remuneration from the private hospital	24,000
Retainer fee from Tushar Industries Pvt. Ltd.	6,000
Payments	
For Medical Insurance to GIC on health for self	1,900
Rent and Electricity	12,000
Telephone Charges	2,400
Printing and Stationary	500
Wages of clinical assistance	39,880
Driver's Salary	6,400
Interest on loan taken for higher education of daughter	27,500
Car Maintenance Expenses	12,000

The written down value of the car and the furniture of the clinic as on 1st April 2015 were Rs. 50,000 and Rs. 3000 respectively. Depreciation allowable @ 20% on the car and 10% on furniture. 20% of the use of telephone and Car is attributable to personal and private purposes.
Compute Income from Profession of Dr. Mansukh for the A Y 2016-17. 15

3. From the following particulars compute net taxable income of Mr. Krishnamoorthy, working for XYZ Ltd., in Mumbai, for the A.Y. 2016-17: 15

(a) His net salary is @ Rs.25,800/- per month. The following monthly deductions were made from salary:
- Professional Tax @ Rs.200
- Provident Fund @ Rs.2,500
- TDS @ Rs.1 ,500

(b) He received part time salary@ Rs.5,000 per month from November, 2015 from another company.

(c) Gift received from parents Rs.66,000 and loan taken from brother Rs.1 ,00,000

[Turn Over

(d) Mediclaim Premium paid is Rs.ll,230/- in cash.
(e) Purchased NSC (VIII Issue) of Rs.40,000 while interest received on bank of deposit is Rs.l2,228. Dividend from.Credit Co-operative Society received during the year amounted to Rs.23,560.
(f) Leave salary received Rs.30,000/- for leave encashed during the year.
(g) Bonus- 2 months of salary, was received in November 2015 seperately, which is not considered in his net monthly salary.
(h) His income from horse race betting's amounted Rs.5,000/-

OR

3. (A) Ajay purchases a house property for Rs. 2,54,800 on January 16, 1977. **8**
The following expenses are incurred by him for making additions/alterations to the house property:
Cost of Construction of First Floor in 1992-93 Rs. 1,70,000
Alteration/reconstruction of the property in 2004-05 Rs. 60,000
Fair Market Value of the property on Aprill, 1981 is Rs. 2,25,000. The house property is sold by Ajit on June 27,2015 for Rs. 65,00,000. Expenses incurred on transfer is Rs. 55,000. Calculate the taxable amount of Capital Gain.
[The cost inflation index for FY 1981-82 is 100; for F.Y. 1992-93 is 223; for F.Y. 2004-05 is 480 and for F.Y. 2015-16 is 1081.]

(B) From the following particulars submitted by Miss Sangita, an Ordinary Resident, compute her income from other sources for the AY 2016-17.

Particulars	Amount
Agriculture income from Nepal	8000
Agriculture income from land situated in India	16000
Rent from sub-letting of a flat	48000
(rent paid to landlord for the flat is Rs. 42,000)	
Interest	
(a) from bank on FDR	12000
(b) on post office saving account	6000
(c) on Debenture	4000
(d) on Public Provident Fund account	3500
Royalty from Books	7000
Lottery prize	25000
Director's meeting fees received from Y Ltd	2500

Miss Sangita spent Rs.500/- for Typing of books on which she has received Royalty. She had also spent Rs. 800 for the purchase of lottery tickets and received the prize on one ticket. **7**

[Turn Over

4. Mr. . Ashok owns a building consisting of three identical units whose construction was completed on 31st January 2015. The building was occupied from 1st April 2015 onwards. The particulars pertaining to the three units for the year ended 31st March 2016 are given below:

Nature of occupation : unit 1 Self Occupied for residence; Unit 2 Let out for residence; Unit 3 used for Own Business.

Particulars	Unit 1 (Rs)	Unit 2 (Rs.)	Unit 3 (Rs.)
Fair Rent	6,00,000	6,00,000	6,00,000
Rent Received	-	7,20,000	-
Municipal Taxes			
-----paid	30,000	50,000	30,000
-----due but not yet paid	30,000	50,000	30,000
Land Revenue Due but Outstanding	11,200	11,200	11,200
Ground Rent Due but not paid	22,400	22,400	22,400
Vacancy Period	-	2 months	-

On 1st April,2013 he had borrowed a sum ofRs.5,00,000 bearing interest rate of 12% p.a.. for construction of this building. No principal amount has been repaid till 31st March 2016.

Compute the income from house property of Mr.Ashok for the Assessment year 2016-17. 15

OR

4. Mr. X, a French national visits India for the first time on 1st September 2012 and continues to stay here till 15th October 2014. On 15th October 2014 he leaves India for Singapore and returns to India only on 1st January 2016. His income details are as follows:

1. Income from business in Singapore controlled from Dubai	Rs.	5,00,000
2. Dividend from Saraswat Co-operative Bank , Mumbai	Rs.	25,000
3. Profit on sale of property in Dubai. 50% received in India	Rs.	10,00,000
4. Dividend from Microsoft USA, 40% received in India	Rs.	75,000
5. Profit from business in Dubai, partly controlled from India	Rs.	2,00,000
6. Dividend from UTI Mutual Fund received in Dubai	Rs.	30,000
7. Untaxed income of previous year 2010-11 brought in India	Rs.	5,00,000

15

[Turn Over

5. (A) Explain any eight types of income covered under the term 'Income' as per Section 2 (24) of Income Tax Act, 1961. 8

(B) Enumerate any seven Incomes which are Exempt under section 10 of Income Tax Act, 1961. 7

OR

5. Write Short Notes (any 3) 15

(1) Exemeption u/s 10(10AA) for leave salary.

(2) Short term Capital Asset

(3) Income from Other Sources- Family Pension

(4) Gross Annual Value of House Property

(5) Deduction u/s 80U.