

Please check whether you have got the right question paper.

- N.B:**
1. Answer all question from section I carrying 2 marks each
  2. Answer any 3 questions from section II carrying 10 marks each
  3. Answer any 2 questions from section III carrying 15 marks each
  4. Use of simple calculator is permitted

**Section I**

[Marks:40]

1. In two periods total costs amounts to Rs 50,000 and Rs 40,000 against production of 20,000 and 15,000 units respectively. Determine marginal cost per unit and fixed cost.
  - a. Rs.2 and Rs 10,000
  - b. Rs.4 and Rs. 5,000
  - c. Rs.10 and Rs. 8,000
  - d. None of above
2. Higher the ratio, the more favorable it is, doesn't stands true for
  - a. Operating ratio
  - b. Liquidity ratio
  - c. Net profit ratio
  - d. Stock turnover ratio
3. In certain decision areas like plant closure and change in capacity, \_\_\_\_\_ is more useful.
  - a. Differential costing
  - b. Marginal costing
  - c. Absorption costing
  - d. None of the above
4. Group bonus schemes are generally suitable where:
  - a. Output depends on individual efforts
  - b. Output of individual workers can be measured easily
  - c. It is necessary to create a collective interest in the work
  - d. Normal loss rate is high
5. If the nominal rate of interest is 10% per annum and there is quarterly compounding, the effective rate of interest will be:
  - a. 10% per annum
  - b. 10.10 per annum
  - c. 10.25%per annum
  - d. 10.38% per annum
6. A portfolio comprises two securities and the expected return on them is 12% and 16% respectively. Determine return of portfolio if first security constitutes 40% of total portfolio.
  - a. 12.4%
  - b. 13.4%
  - c. 14.4%
  - d. 15.4%
7. If selling price is fixed 25% above the cost, the Gross Profit ratio is
  - a. 13%
  - b. 28%
  - c. 26%
  - d. 20%

8. For divided yield ratio \_\_\_\_\_ price of the equity shares is taken into consideration
  - a. Market
  - b. Cash
  - c. Cost
  - d. None of the above
9. Mr. Anil receives a Gift of Rs 5, 00,000 on 10 July, 2016 through account payee cheque from his friend Mr. Sanjay. This will be
  - a. A capital receipt not chargeable to tax
  - b. Chargeable to tax as income from other sources
  - c. Chargeable to tax as business income
  - d. Exempt up to Rs. 50,000 and balance chargeable to tax as income from other source
10. Income deemed to accrue or arise in India is taxable in the case of
  - a. Resident and Ordinary resident
  - b. Resident but not ordinary resident
  - c. Non Resident
  - d. All of the above
11. Which of the following is true regarding Prudence Principle of Accounting
  - a. Taking care of future losses
  - b. Taking care of future profits
  - c. Taking care of bad profits
  - d. Taking care of inventory and depreciation
12. The concept of Quality circles was developed by
  - a. Karou Ishikava
  - b. Munchu
  - c. Japanese Union for Engineers
  - d. None of the above
13. Which of the following is not used to cost of Equity Capital
  - a. External Yield Criteria
  - b. Dividend Plus growth rate
  - c. Equity Capitalization
  - d. Capital asset pricing model.
14. The power to make rules for service tax id given to Central Government by
  - a. sections 66 and 67 of the Finance Act, 1994
  - b. section 94 of the Finance Act, 1994
  - c. sections 94 and 96-1 of the Finance Act, 1994
  - d. sections 93 and 94 of the Finance Act, 1994
15. If the coupon rate is constant, the value of bond when close to maturity will be
  - a. Issued value
  - b. Par value
  - c. Redemption value
  - d. All of the above
16. Current ratio is stated as a crude ratio because
  - a. It measures only the quantity of current assets
  - b. It measures only the quality of current assets
  - c. Both a and b
  - d. Offers dimension

17. Conversion cost is the total of
  - a. Indirect wages and factory overheads
  - b. Direct wages, direct expenses and factory overheads
  - c. Direct Material cost and indirect wages
  - d. Prime Cost and selling and distribution overheads
18. Responsibility accounting aims to
  - a. Ensure that manager is punished if things go wrong.
  - b. Ensure that costs become the responsibility of a specific manager.
  - c. Allocate costs to all areas of a business.
  - d. Reduce the costs that a department incurs.
19. In the context of Standard Costing; Basic Standard is established for
  - a. Short Period
  - b. Current Period
  - c. Indefinite Period
  - d. Pre-defined Period
20. Which of the following tests is used to test the significance of the coefficient of association?
  - a. Z-test
  - b. t-test
  - c.  $X^2$ -test
  - d. None of the above

**Section II**

**[Marks:30]**

**10**

1. Write Short Notes On (Any 2)
  - a. Sinking fund method for redemption of debentures
  - b. Norms of transfer of profit to Profit & Loss Accounts in case of Incomplete Contracts
  - c. Change in the accounting policy of the Company
  - d. Circumstances in which an assessing officer can reopen the assessment made by him
  - e. Distinguish between factoring and bill discounting
2. Following is the Balance Sheet of Weak Ltd as on 31<sup>st</sup> March 2016

Liabilities	Amount Rs.	Assets	Amount Rs.
Equity Shares of Rs 100 each	1,00,00,000	Fixed Assets	1,25,00,000
10% Cumulative Preference shares of Rs 100 each	50,00,000	Investments (Market Value Rs. 9,50,000)	10,00,000
10% Debentures of Rs. 100 each	40,00,000	Current Assets	1,00,00,000
Sundry Creditors	50,00,000	Profit & Loss Account	4,00,000
Provision for taxation	1,00,000	Preliminary Expenses	2,00,000
<b>Total</b>	<b>2,41,00,000</b>	<b>Total</b>	<b>2,41,00,000</b>

Following scheme of reconstruction is sanctioned:

1. All existing equity shares to be reduced to Rs. 40 each
2. All preference shares to be reduced to Rs. 60 each
3. Increase the rate on interest on debentures to 12%. Debenture holders to surrender their debentures of Rs.100 each and exchange the same for fresh debentures of Rs 70 each for every debenture held by them.

**Q.P. Code :10073**

4. One of the creditors to whom the company owed Rs.20, 00,000 agrees to forego 40% of his claim. He is allotted 30,000 equity shares of Rs.40 each in full satisfaction of his claim
  5. Fixed assets are to be written down by 30%
  6. Current assets to be written down by 30%
  7. Tax liability is settled for Rs.1,50,000
  8. Investments to be brought to their market value
  9. To write off fictitious assets
- Pass journal entries to record the above transactions and prepare Balance sheet of the company after effect of the above transaction as per revised schedule VI of companies Act, 2013

**Q.3** A company produces a single product and the details of cost for the year ended 31<sup>st</sup> dec 2015 are as follows. **10**

Raw material Rs. 20 per unit

Wages: Rs.8 per unit (sub. to a minimum of Rs.60000permonth)

Direct expenses: Rs.4 per unit

Factory overheads for the year- Rs 18,00,000

Office overheads: 75% of works cost

Selling overheads: Rs.20 per unit (subject of a maximum of Rs. 1,50,000p.m.)

Each unit of raw material yields a scrap. The scrap rate was Rs 1 per unit between January to August and then it was increased to Rs. 1.20 per unit for September to December.

The company monitors its profitability and modifies its selling price after every 4 months.

During January to April 2015 the selling price per unit was Rs. 100 per unit. For May to august the company revised it at Rs 120 per unit.

Annual profit target of the company is 20% of its yearly sales.

Prepare a cost sheet clearly showing the total and per unit cost of three time zones of the year 2015: Jan to Apr/May to Aug and Sept to December and find selling price for the period from Sept to December 2015.

**Q.4** Explain the steps followed by a liquidator. While preparing liquidator's final statement. Give a specimen of liquidator's final a statement. **10**

**Q.5** Discuss special points in case of an audit of revenue and expenses of an educational institution. **10**

**Section III**

**[Marks:30]**

**Q.6** Fine foundries LTd has just installed machine R at a cost of Rs. 2,00,000 the machine has five year life with no residual value. The annual volume of production is estimated at Rs.1,50,000 units, which can be sold at Rs. 6 per unit. Annual operating costs are estimated at Rs. 2,00,000 (excluding depreciation) at this output level. Fixed cost are estimated at rs. 3 per unit for the same level of production. **15**

The company has just come across another model called machine- S capable of giving the same output at an annual operating cost of Rs. 1,80,000 (exclusive of depreciation) there will be no change in fixed costs.

Capital cost of this machine is Rs. 2,50,000 and the estimated life is for the five years with nil residual value.

The company has an offer for sales of machine R at Rs. 1,00,000 but the cost of dismantling and removal will amount to Rs. 30,000. As the company has not yet commenced operations it wants to sell machine – R and purchase machine- S.

The company is a zero –tax company for seven years in view of several incentives and allowances available.

The cost of capital may be assumed at 14%

P.V. factors for five years are as follows:

Year	P.V. factor
1	0.877
2	0.769
3	0.675
4	0.592
5	0.519

1) Advise whether the company should opt for the replacement. Support your view with necessary working.

**Q.7 A** Mr Sharma retires form services on 31<sup>st</sup> Dec 2015 after 25 years of service. Following are the particulars of his come for the year ended 31<sup>st</sup> march 2016 **05**

Basic salary @Rs. 16000 per month for 9 months	Rs.1,44,000
Dearness allowance	Rs.72000
Lump sum payment received from unrecognized provident fund	Rs. 6,00,000
Amount deposited by Mr Sharma in his PPF account	Rs.40000
Details of the amount received form unrecognized provident funds are:	
Employer's contribution	Rs. 2,20,000
Interest on employer's contribution	Rs. 50,000
Employee's contribution	Rs. 2,70,000
Interest on employee 's contribution	Rs. 60,000

Compute taxable income for Mr. Sharma's for asst year 2016-17

**Q.7 B** In January 1978 Ms sushma purchased 1000 equity shares of X ltd at a cost of Rs. 15 per share. In august 1980 10 she gets 100 shares as bonus shares **10**

In February 1985 she again gets 1100 bonus shares base on her holding as on date. Fair market value of shares of X ltd as on 1<sup>st</sup> April 1981 was Rs. 25 per share.

In January 2016 sushama transferred all her shares @Rs. 200 per share and paid brokerage @2% Compute capital taxable gain for sushama under following two alternate circumstances:

- 1) X ltd was an unlisted company and securities transaction tax was not applicable at the time of sale.
- 2) X ltd was a listed company and the shares were sold on a recognized stock exchange and securities transaction tax was paid at the time of sale.

Cost inflation index was

FY 1981/82	100
FY1984/85	125
FY 2015/16	1081

**Q.8** What is advance ruling? What is the composition of authority on Advance Ruling (AAR)? **15**

**Q.9** Discuss the provisions of Companies Act 2013 relating to mergers and acquisitions of company. **15**