

First year Diploma in Financial Management
Paper IV - Taxation - I

15th May
2009

1 sthalf-09-nkD 63
Con. 2101-09.

BB-8838

(3 Hours) [Total Marks : 100

- N.B.:**(1) Question No. 1 is compulsory.
 (2) Attempt any **three** questions from remaining.
 (3) **Figures** to the **right** indicates **full** marks.
 (4) **Working notes** and **necessary** assumptions forms **part** of answer.
 (5) Apply provisions for Assessment Year 2008-2009.

1. Dr. Samarth provides following information of his Income and Expenditure for Year 1-4-2007 to 31-3-2008. **25**

(A) Income	Rs.
(a) Consulting Fee	3,90,000
(b) Visiting Fee	1,44,000
(c) Sale of Medicines	57,600
(d) Charges from Hospital	96,000
(e) Rent Received	55,000
(f) Investment Income	<u>39,600</u>

(B) Expenditure	
(a) Salary to Staff	1,95,000
(b) Rent for Clinic	28,800
(c) Cost of Machines .	44,400
(d) Electricity	19,200
(e) Printing and Stationery	22,400
(f) Medical Associates Fee	3,600
(g) Books and Journals	6,900
(h) Interest on Loan	21,600
(i) Insurance Premium	13,600
(j) Car Expenses	33,300
(k) Telephone Expenses	<u>16,800</u>

Additional Information :

- (i) He owns a Car, with W.D.V. of Rs. 2,65,000 on 1-4-2007. Depreciation to be charged @ 15 % p.a.
- (ii) Insurance Premium includes Rs. 10,000 for Life Insurance Premium. Out of remaining 25% is for rented property and balance is for clinic.
- (iii) Interest on Loan includes Rs. 5,400 for loan taken for rented property.
- (iv) Staff includes a domestic servant to whom salary is paid @ Rs. 1,000 p.m. for full year and bonus equal to one month salary.
- (v) He has deposited Rs. 15,000 in his PDF a/c.
- (vi) Investment Income includes Rs. 8,400 as interest on PPF and Rs. 12,600 as Dividend on Shares.
- (vii) He paid Rs. 10,000 as advance Tax.
- (viii) He is physically handicapped with hands amputated and is affected to extent of 75%.

Ascertain his taxable income and tax payable.

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2. Mrs. Maldar purchased a plot of land costing Rs. 24,000 in 15-7-1975 and paid stamp duty Rs. 1,000. 25

He constructed a building which was ready for occupation on 31-8-1986. The cost of construction was Rs. 6,60,000. He occupied for own residence till 1-8-2005. Thereafter he let out one-third of building at a rent of Rs. 7,500 p.m. and remaining was used for residence. Total property tax is Rs. 36,000, till 31-12-2007.

The entire property was sold on 1-1-2008 for total consideration of Rs. 32,00,000, out of which he incurred expenses Rs. 1,60,000.

He received interest on debentures and deposits—Rs. 49,200/-.

He deposited Rs. 50,000 in PPF A/c.

Compute total income and compute tax payable.

Note :— CCI—1981-82 — 100 2007-08 — 540.
 1986-87 — 140

3. (a) Ms. Priyanka entered into a contract with a Swiss Company for Modelling from July 2000 for ten years. 15

The contract required her to remain in Switzerland for 150 days and in Los Angeles for 126 days each year. During period May to February each year. For remaining period she stayed in India.

Ascertain her residential status for Assessment Year 2007-08 and 2008-09.

- (b) Her income and expends for financial year 2007-08 was 10

- (i) Modelling Contract Fee
(in equivalent — Rs. 2,88,000.)
- (ii) Expenses for Modelling— @ 40% of receipt
- (iii) Remuneration for Model Consultancy — Outside India Rs. 84,000
— In India Rs. 24,000
- (iv) Investment Income— Rs. 72,000
(Out of which 30% in India and balance outside India.)
- (v) She paid Life Insurance Premium Rs. — 45,000 and
Medi-Claim Premium — Rs. 12,000

Calculate her income and tax payable in accordance with her Residential Status ascertained in Q. 3(a).

4. (a) Mr. Anmol Shah is the proprietor of M/s Anmol Traders furnishes following information for Financial Year 2007-08. 15

- (i) Sales was Rs. 36,00,000, with Gross Profit Margin @ $33\frac{1}{3}\%$ on Sales.
- (ii) Cash Operating Expenses were 12.5% on sales. Depreciation allowable u/s 32 of I.T. Act is Rs. 78,000
- (iii) Non-operating Income is Rs. 99,000 out of this Rs. 21,000 is exempt u/s 10.
- (iv) He is eligible for deduction u/s 80 C — Rs. 51,000
80 D — Rs. 12,000
- (v) He paid Advance Tax — Rs. 10,000.

Calculate total income tax and tax payable.

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- (b) M/s Amrut Industries a partnership firm provides following information of transactions in assets. **10**

Particulars	Building	Furniture	Plant	Truck	Computer
Rate of Depreciation	10%	10%	15%	30%	60%
W.D.V. — 1-4-07	3,60,000	96,000	5,75,000	2,70,000	—
Purchase 31-7-07	—	30,000	90,000	—	45,000
Purchases 15-10-07	—	24,000	60,000	—	30,000
Sales—Proceeds on					
25-11-07	4,50,000	6,000	85,000	90,000	—
Sales Book Value	1,80,000	16,000	1,15,000	1,08,000	—

The profit before depreciation is Rs. 6,60,000.

Income from other sources is Rs. 57,000.

Amount paid to partners as per agreement and deductible is Interest on Capital Rs. 33,000 and remuneration to Partners is Rs. 1,20,000.

Calculate Total Income and Tax Payable by firm.

5. Explain the following terms : (Any five) :— **5**
- (i) Person **5**
 - (ii) Capital Asset **5**
 - (iii) Business **5**
 - (iv) Annual Value **5**
 - (v) Transfer **5**
 - (vi) Previous Year **5**
 - (vii) Salary. **5**
6. Explain provisions for Deductions/Allowances Exemptions for following :— **25**
- (i) Gratuity u/s 10(10)
 - (ii) Investments /Payments—u.s 80.C
 - (iii) Depreciation u.s 32.
7. (a) What are provisions for allowance of payments to partners by a Firm ? **15**
 (b) Explain the provisions for presumptive taxation relating to Retail Trader. **10**
8. Write short notes on (any five) :— **5**
- (i) Clubbing of Income of Minor Child **5**
 - (ii) Cost Inflation Index **5**
 - (iii) Double Taxation Relief **5**
 - (iv) Rates of Taxation for different categories of individual **5**
 - (v) Deemed Owner of House Property. **5**
 - (vi) Preliminary Expenditure. **5**

First year Diploma in Financial Management 8th May 2009
 Paper III

Con. 2303-09.

Financial Management - I
 (3 Hours)

BB-8835

[Total Marks : 100

- N.B. (1) Question No. 1 is compulsory and carries 20 marks.
 (2) Attempt any four from the remaining.
 (3) Working to form part of the answers and make and state clearly assumptions where necessary.

1. The following are the summarised Balance Sheets of H Ltd. as on 31 st March, 2004 and 31st March, 2005 :-

Particulars	31-03-2004 Rs.	31-03-2005 Rs.
Liabilities		
Equity Share Capital	3,00,000	4,00,00
Security Premium Account	—	10,000
Profit and Loss Account	1,00,000	3,00,000
6% Debentures	1,50,000	1,00,000
Profit on Redemption of Debentures	—	2,000
Creditors	1,40,000	1,10,000
Provision for Taxation	50,000	1,00,000
Proposed Dividend	15,000	20,000
Depreciation Provision	1,40,000	1,50,000
Total	8,95,000	11,92,000
Assets		
Plant and Machinery	4,00,000	4,50,000
Shares in Subsidiary Company	20,000	20,000
Property	2,00,000	2,50,000
Loans to Subsidiary Company	—	15,000
Stock	1,40,000	1,50,000
Debtors	1,00,000	1,50,000
Cash	20,000	15,000
Bank	10,000	1,40,000
Prepayments	5,000	2,000
Total	8,95,000	11,92,000

During the year :

- (i) Plant costing Rs. 50,000 (accumulated depreciation thereon being Rs. 30,000 was sold for Rs 10,000. The Loss on Sale has been charged to Profit and Loss a/c.
 (ii) Tax paid for the previous year amounted to Rs. 60,000.

Prepare H Ltd.'s Funds Flow statement for the year ended 31-3-2005.

2. You are given the following figures :-

Current Ratio	2.5
Liquidity Ratio	1.5
Net Working Capital	Rs. 3,00,000
Stock Turnover Ratio	6
Ratio of Gross Profit and Sales	20%
Turnover Ratio to Fixed Assets (net)	2
Average debt collection period	2 months
Fixed Assets to Net Worth	0.80
Reserves and Surplus to Capital	0.5

Draw up the Balance Sheet of the concern to which the figures relate.

3. KK Ltd. produces product 'A' by using 2 raw materials 'X' and 'Y' and has its unit cost as follows :-

	Rs.
Raw material X	30
Raw material Y	50
Direct wages	30
Overheads	10

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Other Information :

- (i) The goods are sold at a Profit of 20% on Sales.
- (ii) The Raw Material X is purchased from one supplier at a credit of 2 Months.
- (iii) 20% of requirement of Raw Material of Y is purchased on Cash basis and balance on a Credit of 3 Months.
- (iv) It is a practice of the company to keep both the types of Raw Materials in store for 1/2 Month in advance before putting to production.
- (v) Company also keeps Finished Goods for one Month in store before the delivery to customers.
- (vi) Expenses are paid in arrears of 1/2 Month.
- (vii) Projected Sales of Product "A" for the year 2006-07 is as under :—
 Rs. 30,00,000 on Cash Basis at the factory Show Room
 Rs. 12,00,000 on advance payment of 1/2 Month to New Customers
 Rs. 60,00,000 to associates of which 20% will be on Cash basis and Balance 80% on credit for 3 Months.
 Rs. 48,00,000 to old customers of which 30% will be on cash basis and Balance 70 % on credit of 2 Months.

Calculate the Working Capital Requirement of KK Ltd. for the year 2006-2007 assuming that there will be contingency cash balance to cover 10% of the Gross Working Capital excluding Cash.

4. A firm is considering investment in two projects, the amount involved being Rs. 1,39,000 and Rs. 1,75,000. One project will give a profit before depreciation of Rs. 45,000 for six years subject to a tax of Rs. 15,000. The other project will yield a profit of Rs. 40,000 (before depreciation) subject to a tax of Rs. 15,000 for 10 years. With the help of the table given below, calculate the internal rate of return in the two cases. Present Value of Re. 1 receivable at the end of each of 10 years.

Year	@ 7%	@ 7.5%	@ 8%
1	0.93458	0.93023	0.92593
2	0.87344	0.86533	0.85734
3	0.81630	0.80496	0.79383
4	0.76230	0.74880	0.73503
5	0.71230	0.69656	0.68058
6	0.66634	0.64796	0.63017
7	0.62275	0.60275	0.58349
8	0.58201	0.56070	0.54027
9	0.54393	0.52158	0.50625
10	0.50836	0.48519	0.46339

5. Write short notes (any four) :—
- (a) Time value based and other methods of Capital Budgeting
 - (b) Desirability factor
 - (c) Gearing of Capital
 - (d) Average Rate of Return
 - (e) Capital Employed.
6. Compare and contrast (any two) :—
- (a) 'Capital Reserve' and 'Reserve Capital'
 - (b) 'Own Capital' and 'Loan Capital'
 - (c) 'Profitability' and 'Profitability Index'.
7. Explain the different ways in which ratios can be classified and which basis of classification you find superior and why ?
8. "Short term funds should not be used for long term investment in Assets." — Explain this with reference to the ratio which is an indicator thereof.

First Year Diploma in Financial Management

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Con. 2088-09.

paper-II Basic Cost Concepts

6th march 2009
BB-8832

(3 Hours)

[Total Marks : 100

- N.B.:(1) Attempt any five questions.
(2) Figures to right indicate full marks.
(3) Working notes and assumptions forms part of answer.
(4) Use of simple calculator is permitted.

1. A factory manufactures an article. For which production capacity is 5000 units per week ? For first three weeks of March 2009 the cost data is as follows : 20

Week	Output (Units)	Direct Material	Direct Wages	Factory overhead
1 st	2000	12000	6000	12500
2 nd	2800	16800	8400	16500
3 rd	3700	22200	11100	21000

- Factory Overhead partly variable.
 - Administration Overheads, are Rs. 12000 per month.
 - Selling Costs are @ 5% of sales.
 - Profits are estimated @ 15% of sales.
- For the fourth week the output is planned to be 5000 units.
Prepare cost sheet for fourth week and ascertain total sales.

2. Sanjan Ltd. has two factories. At each factory one product is produced. The 20 cost Analysis for each factory is

Factory A		Factory B	
Product	P	Product	R
Sales	5,00,000		10,00,000
Variable cost	3,00,000		8,00,000
	2,00,000		2,00,000
Fixed Cost	1,00,000		1,00,000
Profit	1,00,000		1,00,000
Output (Units)	5,000		8,000

Compute for each product /Factory

- (a) P.V. Ratio
 - (b) Break Even Point in Value and Unit
 - (c) Margin of safety
 - (d) Profit if output is increased by 20%
 - (e) Profit if output is reduced by 20%.
3. A M Ltd. Manufactures two products. 20

For Month April 2009 expected sales are

P₁—15000 kg and P₂ — 75,000 kg
The opening stock P₁ — 5000 kg | P₂ — 10000 kg.
The expected closing stock P₁ — 15000 kg | P₂ — 12000 kg.

The labour requirements for each

Unit of P₁ — Skilled — Hours
 — Unskilled — Hours
 P₂ — Skilled — Hours
 — Unskilled — Hours

One worker works for 8 hours for 25 days.

The wages Paid to Unskilled Worker — Rs. 3000 p.m.
 Paid to Skilled Worker — Rs. 5,000 p.m.

You are required to calculate :

- (1) Total labour Cost for P₁ and P₂
- (2) No. of skilled and Unskilled Workers to be employed.

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4. A-1 Industries provides following Cost Data data for Month ended 31st March 2009. 20

	10000	Units p.m.
Production Capacity		
Actual Production	7500	Units p.m.
	Rs.	Remarks
Material Cost	22,500	—
Wages	15,000	—
Indirect Labour	11,250	— Variable
Indirect Materials	18,750	— Variable
Electricity	37,500	— 40% Fixed
Repairs	3750	— 20% Variable
Salaries	12,000	— Fixed
Insurance Premium	5400	— Fixed
Depreciation	10800	— Fixed
Sales Commission	15000	— Variable
Office Expenses	17500	— 50% Fixed

For April 2009, Company expects to have output of 6000 Units or 9000 Units. You are to prepare estimate of cost for both levels of output and suggest selling price, so as to have a profit of 20% on cost.

5. TB Ltd. for system of Standards and Budgets. 20
The plant capacity is 6000 Units p.m.
The standard costs are :

		P/Units
Material	R 3 kg @ Rs. 3	9.00
Wages	L 4 Hrs. @ Rs. 5	20.00
Variable Overhead		11.00
Fixed Overhead (Cost Rs. 60,000)		10.00

During March 2009 actual production was 6300 Units.

The Actual Cost were		
R	Kg 20000 @ Rs. 2.80	?
L	Hrs—24000 @ Rs. 5.40	?
Variable Overhead		66,000
Fixed Overheads		62,000

Calculate Cost Variances with as much detail as possible.

6. Explain with suitable illustrations following methods of pricing issue of materials. 5
- (a) First In First Out 5
 - (b) Weighted Average 5
 - (c) Last In First Out 5
 - (d) Simple Average 5
7. (a) Explain circumstances when the following products would earn higher profits 10
- (1) Product with Higher c/s ratio (i.e. P/V Ratio)
 - (2) Product with Lower c/s Ratio (i.e. P/V Ratio)
- (b) Enlist various decisions taken by Management with assistance of Marginal Costing Techniques. 10
8. Explain the following : (Any four) :
- (a) Idle time 5
 - (b) Non-Monetary Incentives for labour 5
 - (c) Economic Order Quantity 5
 - (d) Equivalent Production 5
 - (e) Profit on Incomplete Contract 5
 - (f) Cash Budget. 5

First year Diploma in Financial management
 Paper-I - Accounting system ^{4th may}
 BB-88292009

562 : F.m.

Con. 2077-09.

(3 Hours)

[Total Marks : 100

- N.B.** (1) Question No. 1 is compulsory carrying 40 marks.
 (2) Attempt any three questions from the rest.
 (3) In all four questions to be attempted.
 (4) Suitable assumptions, working notes, cleanliness shall form part of your answers.

1. From the following Trial Balance and additional information extracted from the books of M/s. Asoka Agencies, Prop. Mr. Ashok Rao for the year ended 31-3-2009, you are required to prepare Manufacturing Account, Trading Account, Profit and Loss Account for the year ended 31-3-2009 and also Balance Sheet as at 31-03-2009. 40

Particulars	Debit (Rs.)	Credit (Rs.)
Factory Rent	1,10,000	
Office Rent	2,25,000	
Purchases & Sales	88,23,450	99,21,320
Returns	44,230	28,910
Wages	11,21,300	
Salaries	6,27,220	
Workers Welfare Expenses	51,775	
Travelling & Conveyance	3,18,940	
Telephone & Mobile Expenses	2,23,556	
Salesman Commission	1,89,600	
Bad Debts	84,700	
Reserve for Bad Debts		88,450
Factory Building	23,67,890	
Machinery	27,33,230	
Furniture	3,44,560	
Motor Car	3,11,200	
Debtors/Creditors	34,55,670	28,12,200
Factory Insurance	11,044	
General Expenses	22,870	
Power & Fuel	3,33,342	
Commission Received		66,770
Bank Interest and charges	66,940	
Selling & Distribution Expenses	1,88,200	
Advertisement Expenses	89,910	
Carriage Inward	78,970	
Cartage	21,230	
Bank Overdraft		11,11,230
Stock on 1-4-2008 :		
Raw Materials	4,72,310	
Finished Goods	9,76,550	
Drawings	1,80,000	
Capital Account		94,44,807
Total	2,34,73,687	2,34,73,687

Additional Information :

- (1) Closing Stock : Raw materials Rs. 612,900, Finished Goods Rs. 12,23,450.
 - (2) Factory Rent is for 11 months and Office Rent paid is for 15 months. Proper adjustment is necessary.
 - (3) Write off further a sum of Rs. 89200 as Bad Debts and provide for doubtful debts at 3%
 - (4) Depreciate factory and machinery at 10% and other fixed assets at 15%.
 - (5) Goods costing Rs. 75,200 withdrawn for personal use have not been recorded.
2. Discuss in brief the advantages and limitations of Book Keeping and Accountancy. 20
3. Explain the Vertical Form and Horizontal Form of Profit and Loss Account through illustrations. 20

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4. M/s. Sonal Garments gives you the following information about its Plant and Machinery. 20
On 1-4-2006, the balance in Plant and Machinery Account was Rs. 88,20,500. On 21-09-2006 a new machine costing Rs 48,00,000 was purchased and was installed on 30-09-06 by spending additional Rs. 2,00,000/-. The machine was put to use on 1-10-06. On 1-1-2007 a Machinery Purchased on 1-10-2004 for Rs. 8,20,000 was sold for Rs. 5,11,230. On 1-1-2008 further new machine was purchased for Rs. 23,55,000/- and on 30-09-2008 a machine purchased on 1-4-2005 for Rs. 18,40,000/- was sold for Rs. 15,00,000/-.
The Company follows Financial year as accounting year and charges Depreciation @20% under Straight Line Method.
You are required to prepare Machinery Account for the years 2006-07, 2007-08 and 2008-09.

5. Alpha Novelties Ltd. offered to Public 60,00,000 Equity shares of Rs. 10 each at a premium of Rs. 60 per share. On following terms :— 20
(a) On Application Rs. 62 (including full amount of Premium)
(b) On Allotment Rs. 3
(c) On 1st Call Rs. 2.50
(d) On Final Call Rs. 2.50.

The Company received applications for 74,00,000 shares with application money. The cheques accompanying applications for 200,000. Equity Shares could not be cleared. While the applications for 12,00,000 shares were not considered and money was refunded immediately.

The Calls were made and everyone except Mr. A and Mrs. B, paid all the money whenever due.

Mr. A holding 10,000 shares failed to pay both the calls while Mrs. B failed to pay final call on 8,500 shares.

The directors after following prescribed procedure forfeited the shares and immediately re-issued them at a price of Rs. 55/- per share.

You are required to pass Journal Entries to record the above transactions in the books of the Company.

6. Mr. Shekhar is having Current Account with Bank of Baroda Fort Branch. While comparing his Bank Book with Bank Statements for the month of March 2009, he found that : 20

- (a) Out of the cheques deposited in the last week of March 09, cheques for Rs. 2,12,200 and Rs. 89,100 were cleared only in First week of April 2009.
- (b) Out of cheques issued to parties, cheques worth Rs. 18,12,200 were not presented to the bank till 31-3-2009.
- (c) One of the Customers has directly credited a sum of Rs. 1,78,000/- which was wrongly recorded by Mr. Shekhar as Rs. 1,87,000/-
- (d) Bank Interest of Rs. 39,230/- charged on O.D. and Bank Charges of Rs. 613/- were not recorded by him till 31-3-2009
- (e) There was a mistake in totaling at his end whereby his payment side was totaled short by Rs. 32,200/-.

The balance as per bank Statement on 31-3-2009 was Overdraft of Rs. 45,98,300/-.
You are required to find out the balance as per Mr. Shekhar's books by preparing Bank Reconciliation statement for March 2009.

7. Write short notes on any four of the following :— 20

- (a) Non Trading Organization
- (b) Depreciation Fund Method
- (c) Bad Debts
- (d) Secured Loan
- (e) Outstanding Liabilities
- (f) Accounting Concepts.