

Library M.Com Part II 25/11/16
 Advance Management Accounting
 Nov. 2016 QP Code : 291800

(2 Hours)

[Total Marks : 60

- N. B. :** (1) All questions are **compulsory** carrying **15** marks each.
 (2) Working notes and assumptions should form part of your answers.
 (3) Use of simple calculator is allowed.

1. From the following information relating to M&M Ltd, prepare its summarized Balance Sheet.

Current Ratio	2.5
Gross Profit to Sales Ratio	20%
Net Working Capital to Net Worth Ratio	0.3
Sales to Net Fixed Assets Ratio	2.0
Sales to Net Worth Ratio	1.5
Sales to Debtors Ratio	6.0
Reserves to Capital Ratio	1.0
Net Worth to Long Term Loan Ratio	20.0
Stock Turnover Ratio (based on Closing Stock)	2 Months
Paid up Share Capital	Rs. 10,00,000
Bank Overdraft & Fictitious Assets	NIL

1. The final statements of Shree & Shree Ltd. for the year 2015 reveal the following information. 15

1.	Current Ratio	1.75:1
2.	Liquid Ratio	1.25:1
3.	Working capital	Rs. 7,50,000
4.	Paid up share capital	Rs. 10,00,000
5.	Debtors collection period	49 days
6.	Returns on Equity capital	15%
7.	Stock Turnover (based on closing stock)	4.16 times
8.	OP. Ratio	25%
9.	Fixed Assets as % of owners' Equity	60%
10.	Year	365 days

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On 31st December 2015, there were no current assets other than stock, debtors and bank balance and no liabilities other than share capital and current liabilities (Assume No Bank Overdraft)

You are required to prepare Balance Sheet

2. Romali Ltd. Wishes to raise additional funds of Rs. 80,00,000 for meeting its investment plans. It has Rs. 16,00,000 in the form of retained earnings available for investment purposes. The following are further details :

- (i) Debt/Equity mix 40% / 60%
- (ii) Cost of debt :
Upto Rs. 20,00,000 10% (before tax)
Beyond Rs.20,00,000 12% (before tax)
- (iii) Last Year Earnings per share Rs. 4.
- (iv) Dividend Pay out 50% of earnings.
- (v) Expected growth rate in dividend 10%.
- (vi) Current market price per share Rs. 44.
- (vii) Rate of income tax 50%.

You are required to determine :

- (i) Pattern for raising the additional finance.
- (ii) Post tax average cost of additional debt.
- (iii) Cost of retained earnings and equity.
- (iv) Weighted average after tax cost of additional finance.

2. Reliance Textile Ltd has the following Book- Value Capital Structure as on 31st March-

Equity Share Capital (2,00,000 shares)	Rs 40,00,000
11.5% Preference Shares	Rs 10,00,000
10% Debentures	Rs 30,00,000
Total	Rs 80,00,000

The Equity Shares of the Company sell for Rs 20. It is expected that the company will pay a Dividend of Rs. 2.10 per share next year; this dividend is expected to grow at 5% p.a. forever. Assume 35% Corporate Tax Rate.

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You are required to -

1. Compute the Company's Weighted Average Cost of Capital (WACC) based on the existing capital structure.
2. Compute the new WACC if the company raises an additional Rs. 20 Lakhs debt by issuing new 12% debentures. This would result in increasing the expected Equity Dividend to Rs 2.40 and leave the growth rate unchanged, but the price of Equity Share will fall to Rs 16 per share.
3. The Capital Structure of Audi Ltd consists of Equity Share Capital of Rs 5,00,000 (Equity Shares of Rs 100 each at par value) and Rs 5,00,000 (10% Debentures of Rs. 100 each). Sales increased from 50,000 units to 60,000 units, the selling price is Rs 12 per unit, Variable cost amounts to be Rs. 8 per unit and fixed expenses amount to Rs 1,00,000. The income tax rate is assumed to 50%. 15

You are required to calculate: (1) Degree of Operating Leverage, Financial Leverage and Combined Leverage and Earnings Per Share (EPS) at 50,000 units and 60,000 units.

OR

3. Smartline Ltd. has equity share capital of Rs. 5,00,000 divided into shares of Rs. 100 each. It wishes to raise further Rs. 3,00,000 for expansion cum modernisation scheme. The company plans the following financing alternatives:- 15
 - (a) By issuing equity shares only
 - (b) Rs. 1,00,000 by issuing equity shares and Rs. 2,00,000 through debentures @ 10% p.a.
 - (c) By issuing 10% Debenture only.

You are required to suggest the best alternative giving your comment assuming that the estimated EBIT after expansion is Rs. 1,50,000 and corporate rate of tax is 35%.

4. (a) (1) What is ignored in principle of profit maximisation ————. 8
 - (a) Time value of money
 - (b) Risk
 - (c) Wealth creation
 - (d) All of above

[TURN OVER

- (2) Dividend decision is related to _____.
- (a) Right issue of share
 - (b) Reinvestment Requirement
 - (c) Cash Flow statement
 - (d) None of above
- (3) Maximisation of wealth of shareholders is reflected in _____.
- (a) Sales maximisation
 - (b) No. of shareholders
 - (c) Market price of equity shares
 - (d) SENSEX
- (4) Mr. Amit has received Rs. 10,000 at the end of 5 years. If the rate of interest increases, then the PV of the cash flow would _____.
- (a) Fall
 - (b) Rise
 - (c) Remain unchanged
 - (d) Rise slowly
- (5) Capital structure decision should always aim at having debt component in order to _____.
- (a) Gain Tax Saving
 - (b) Balance the capital structure
 - (c) Gain control
 - (d) All of the above
- (6) If EBIT is less than financial break even point then _____.
- (a) EPS will be positive
 - (b) EPS will be negative
 - (c) No effect on EPS
 - (d) None of above
- (7) An Insurance Scheme is basically a _____.
- (a) Protection Scheme
 - (b) Saving Scheme
 - (c) Investment Scheme
 - (d) None of the above

[TURN OVER

- (8) Every investor expects _____ from his investment.
- Higher return
 - Appreciation
 - Safety
 - All of the above
- (b) State whether the following statements are True or False.
- PV is multiplied by the compound factor to find out the future value.
 - Equal instalment at equal intervals will result in an annuity.
 - EPS shows managerial efficiency in use of resources.
 - Securities premium is included in own capital.
 - Interest on debentures increases tax liability.
 - Under Recurring Deposits Scheme a specified sum is invested regularly.
 - Liquidity is convertibility of investments into cash.

OR

4. Write short note on (any **three**) :-

- Functions of Finance
- Time value of money
- Type of Capital Structure
- Significance of cost of capital
- Expectations of investors

15

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M. Com II

Sem III

Advance Auditing

Q.P. Code : 292402

Nov 2016. (2 Hours)

29/11/16 [Total Marks : 60]

- N.B. 1) All questions are compulsory carrying 15 marks each.
 2) Sub-questions would carry equal marks unless indicated to the contrary to their extreme right.
 3) Working/References to statutes, standards, etc. (not necessarily with reference numbers) to form part of the solutions and necessary assumptions made to be stated clearly.

1. (a) Audit the following account:

In the books of M/s Govinda & Co.

Dr.			Cr.		
Goods A/c					
Date	Particulars	Amt. Rs.	Date	Particulars	Amt. Rs.
2011			2011		
Jan. 31	To Creditors	10,000	June 30	By Advertisement A/c	25,000
Feb. 28	To Creditors	5,700	July 31	By Donation A/c	5,700
Mar. 31	To Bank A/c	14,000	Aug. 31	By Drawings	500
Apr. 30	To Creditors	8,000	Sep. 30	By Purchase Return	300
May 31	To Cash A/c	25,000	Dec. 31	By Trading A/c	49,200
June 30	To Creditors	18,000			
		80,700			80,700

1. (b) How would you vouch Bad Debts Recovery ?

OR

1. (a) Audit the following account:

In the books of M/s Mithun & Co.

Dr.			Cr.		
Machinery A/c					
Date	Particulars	Amt. Rs.	Date	Particulars	Amt. Rs.
2010			2010		
Jan. 1	To Balance b/d	40,000	Dec. 31	By Depreciation @ 10%	5,500
Mar. 31	To Bank	20,000			
		60,000	Dec. 31	By Balance c/d	54,500
					60,000
2011			2011		
Jan. 1	To Balance b/d	54,500	Dec. 31	By Depreciation @ 10%	5,950
July 1	To Bank	10,000	Dec. 31	By Balance c/d	58,550
		64,500			64,500
2012			2012		
Jan. 1	To Balance b/d	58,550	Dec. 31	By Depreciation @ 10%	6,605
July 1	To Bank	15,000	Dec. 31	By Balance c/d	66,945
		73,550			73,550

1. (b) How will you vouch Director Sitting Fees?

TURN OVER

2. As an auditor how will you audit capital & liabilities of a Bank? (15)

OR

2. As an Auditor how will you audit the accounts of a hotel? (15)

3. What are the points to be considered in the audit of accounts of a Radheshyam Hospital? (15)

OR

3. (a) Discuss the duties of Comptroller & Auditor General (CAG) of India within the framework of the constitution of India. (8)

3. (b) Explain Audit of Government Receipts. (7)

4. (a) State whether the following statement are true or false (8)

- 1) Partnership Act does not prescribe audit.
- 2) Outstanding Salary A/c is nominal A/c.
- 3) Reading of ledger accounts helps in locating the errors immediately.
- 4) Valuation is not a part of auditor's duty.
- 5) Verification avoids manipulation of accounts.
- 6) Wages should be allocated between capital and revenue.
- 7) A voucher decides authenticity of the transaction.
- 8) The auditor of a bank need not study income recognition and provisioning norms.

4. (b) Rewrite the sentences & Select the correct alternatives (7)

- 1) The reserve for unexpired risk in respect of fire insurance is _____
 a) 100% of Premium. b) 50% of Premium
 c) 25% of Premium d) 20% of Premium
- 2) As per Income Tax Act, Gross Receipts do not include _____
 a) Liquidation damages
 b) Cash in centre for export
 c) Sale of fixed assets
 d) Profit on sale of a license granted under import
- 3) Reserve for unexpired risk is shown in the balance sheet of a General Insurance Company under _____
 a) Capital b) Provisions
 c) Reserves and Surplus d) Misc. Expenditure
- 4) The auditor will examine sales invoice for Vouching _____
 a) Cash sales b) Cash purchase
 c) Credit sales d) Credit purchase

TURN OVER

- 5) Arrears of preference dividend is a
- | | |
|-------------------------|-------------------------|
| a) Long term liability | b) Fictitious liability |
| c) Contingent liability | d) Fixed liability |
- 6) Inter-office adjustment is shown in the bank balance sheet under
- | | |
|---|---------------------------|
| a) Other assets | b) Other liabilities |
| c) Either other assets or other liabilities | d) Both under (a) and (b) |
- 7) As per Income Tax Act, Gross Receipts includes
- | | |
|---------------------------------|---------------------|
| a) Hire charges of cold storage | b) Sale of scrap |
| c) Lease Rent | d) All of the above |

OR

4. Write Short Note (Any Three)

(15)

- a) Audit of Cash Purchase
b) Vouching of income receivable
c) Contingent Liabilities
d) Audit of Fixed Assets
e) Verification of spare parts

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Direct Tax

M. Com Part II

Q.P. Code : 293007

Sem III

Nov. 2016

7/12/16

(2 Hours)

[Total Marks : 60

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

1. A & B are partners of a partnership firm. The Profit and Loss Account of the firm for the year ending 31st March, 2016 is as follows:

	₹		₹
To Opening stock	33,500	By Sales	1,19,91,500
To Purchases	81,35,000	By Closing stock	20,000
To Salary to staff	11,65,000	By Long term capital gains	80,000
To Depreciation	2,18,000		
To Remuneration to partners	8,80,000		
To Interest on loan	1,00,000		
To Interest on Partners' Capital (16%)	3,20,000		
To Other expenses	6,80,000		
To Net Profit	5,60,000		
	1,20,91,500		1,20,91,500

Other information :

- (1) Salary and interest is paid to partners as per the partnership deed. Both are working partners.
 - (2) Other expenses include ₹ 80,000 disallowable under Section 28 to 44.
 - (3) Interest is paid on loan without deducting tax at source.
 - (4) Purchases include one bill of ₹ 1,50,000 paid in cash.
- Find out the taxable income and tax liability of the firm for the Assessment Year 2016-17.

OR

1. Mr. Raja is a Chartered Accountant in practice. His Income & Expenditure Account for the year ending March 31, 2016 is as under: 15

[TURN OVER

	₹		₹
To Salaries to staff	1,00,000	By Fees :	
To Stipends to Articled Clerks	20,000	Audit fees	3,00,000
To Incentives to Articled Clerks	2,000	Taxation fees	3,00,000
To Rent	18,000	Profit on sale of Capital assets (Other than business assets)	15,620
To Printing and Stationery	5,500		
To Interest on loan	16,000		
To Meeting & Seminar expenses	8,500		
To Books (Annual Publications)	10,000		
To Postage & Telephone charges	85,000		
To Motor car expenses	17,500		
To Depreciation:			
Motor Car 7,500			
Computer 15,000			
Furniture 2,500	25,000		
To Office expenses	25,000		
To Surpluse	2,83,120		
	6,15,620		6,15,620

Other information :

- (1) Included in meeting and seminar expenses, a sum of ₹ 1,500 incurred for entertaining clients.
- (2) Incentives to articled clerks represent amount paid to two articled clerks for passing the C.A. examinations.
- (3) 1/4th use of car is attributable to personal purposes.
- (4) 50% of loan was used for the purpose of purchasing office computer and 50% of loan was used for purchase of furniture for his home use.

- (5) Salaries include ₹ 25,000 paid in cash to a computer specialist for providing services in one assignment.
- (6) The written down value of assets as on 31st March 2016 are as under :

		Rate of Depreciation
Motor Car	₹ 1,00,000	15%
Computer	₹ 75,000	60%
Furniture	₹ 25,000	10%

- (7) No addition and sale of assets during the year. Capital assets sold were held for 8 months before sale.
- (8) He invested ₹ 1,00,000 in PPF and paid ₹ 12,000 by crossed cheque for medical insurance premium for himself.
- You are required to compute the taxable income and tax liability of Mr. Raja for the Assessment Year 2016-17.

2. Compute Mr. ST's Gross Total Income for the Assessment Year 2016-17 from the following details : 15

	₹
Basic pay per month	21,500
Dearness allowance	30% of the basic pay
Commission	15,000
Bonus	25,000
Leave salary received	16,000
Employers' contribution to recognised provident fund 12% of salary	
Perquisite value of rent free accommodation	51,500
Gift received in cash from one friend	66,000
Winning from lotteries (Net) (TDS ₹ 33,000)	67,000
on 1st April, 2015 he has following investments.	
	₹
(1) Bank Deposits (rate of interest 5% p.a.)	5,00,000
(2) 6% Debentures	1,00,000
(3) Company Deposits (rate of interest 4% p.a.)	1,00,000

OR

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2. Compute Mr. Raj's taxable income for the Assessment Year 2016-17. 15

- | | |
|---|--------------------|
| 1. Basic salary | ₹ 15,000 per month |
| 2. Dearness Allowance | 15% of Basic |
| 3. Commission on Sales Turnover | ₹ 75,000 |
| 4. Bonus | ₹ 60,000 |
| 5. Leave salary encashed | ₹ 18,000 |
| 6. Arrears of salary
(not taxed in earlier years) | ₹ 72,000 |
| 7. Professional tax paid ₹ 5,000 of which ₹ 3,000 paid by the employer. | |
| 8. Conveyance allowance ₹ 1,500 per month (exempt ₹ 800 per month). | |

His details of other income :

- (a) Bank interest on fixed deposits net of TDS ₹ 22,500 (Tax deducted ₹ 2,500)
- (b) Dividend on shares of foreign company ₹ 15,000.
- (c) Interest due on National Saving Certificate ₹ 15,000. 7
- (d) He has deposits with companies of ₹ 2,00,000 on 1/4/2015. Rate of interest is 8% p.a.

3. (a) A domestic Indian company has estimated the income for the Previous Year 2015-16 as under :

	₹	
(1) Business income	10,00,000	8
(2) Income from Home Property	3,00,000	

Show the amount of advance tax liability of the company for the previous year 2015-16.

(b) Mr. X owns three houses which are used by him for his residential purposes.

	House I ₹	House II ₹	House III ₹
Municipal Valuation	3,00,000	7,00,000	7,50,000
Fair Rent	4,00,000	6,50,000	7,00,000

Standard Rent	4,00,000	6,75,000	7,25,000
Municipal Tax	4,000	5,000	7,000
Interest on borrowed fund for purchase of house property (Current year)	80,000	40,000	1,00,000

Find out the net income of Mr. X for the Assessment Year 2016-17.

OR

3. (a) Mr. HT submits the following particulars about sale of assets during the year 2015-16. 8

	Jawellery (₹)	Gold (₹)
Sale price	8,80,000	6,00,000
Expenses on sale	40,000	10,000
Cost of purchase	1,50,000	1,80,000
Year of purchase	1987-88	1999-2000
CII for the year		
1987-88	150	
1999-2000	389	
2015-16	1081	

- (b) Mr. Ram, an Indian citizen left India for the first time to join a company at U.K. on 1st April, 2008. He regularly visits India. His number of days of stay outside India for various years are as under. 7

Previous Year	No. of days of stay
2015-16	90
2014-15	205
2013-14	315
2012-13	345
2011-12	330
2010-11	325
2009-10	330
2008-09	310

Determine is residential status for the Assessment Year 2016-17.

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4. (a) Determine the following as True or False.

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- (i) Mr. A took a loan on 1st January 1998 for the construction of the house used for his own residential purposes. He can avail the deduction of ₹ 51,000 under Section 24 for interest paid on his loan for Assessment Year 2016-17.
- (ii) Family Pension received by Mrs. A on the death of her husband is taxable as income from other sources in her hands.
- (iii) Keyman Insurance premium paid by the employer is taxable as allowances in the hands in the employees.
- (iv) Short term capital gain is taxable at a flat rate of 20% in the hands of individuals.
- (v) Only individuals and HUFs can be resident but not ordinarily resident in India.
- (vi) Leave encashment while in service is exempt in the hands of govt. employees.
- (vii) Any payment of expenses made to any specified person and is excessive or unreasonable shall be treated as allowable business expenses.
- (viii) Total amount of deduction U/S 80C to 80U can be more than gross total income.

(b) Select the most appropriate answers :-

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- (i) Mr. YM owns two machines eligible for depreciation at 25% p.a. The written down value of the machines on 1st April, 2015 was ₹ 2,10,000 & ₹ 3,10,000. New machine purchased for ₹ 1,05,000 during the year 2015-16. One of the old machine was sold for ₹ 7,00,000. The capital gain will be
 - (a) Short term of ₹ 75,000
 - (b) Long term of ₹ 75,000
 - (c) No gain no loss
 - (d) None of the above
- (ii) Gift of ₹ 60,000 received by professional individual from his clients during the previous year 2015-16 is taxable in his hand as
 - (a) Income from business & profession

- (b) Income from other sources
(c) Income from salary
(d) None of the above
- (iii) Mr. K paid the Life Insurance premium of ₹ 2,10,000 by crossed cheque for his married daughter and ₹ 20,000 for himself during the year 15-16. The amount of deduction U/ S 80C for Mr. K is
(a) ₹ 2,30,000
(b) ₹ 1,50,000
(c) ₹ 20,000
(d) None of the above
- (iv) Education cess is payable on (Ignore rebate)
(a) Income tax
(b) Income tax plus surcharge if any
(c) Surcharge
(d) None of the above
- (v) Mr. K has received land as gift from his friend. The market value is ₹ 5,00,000 & stamp duty value is ₹ 3,00,000. The taxable amount in his hand as income from other sources is
(a) ₹ 5,00,000
(b) ₹ 2,00,000
(c) ₹ 3,00,000
(d) None of the above
- (vi) Employer's contribution during the previous year to the recognised provident fund in excess of prescribed limit.
(a) Is not taxable as salary in the hands of employees
(b) Excess contribution is taxable as salary in the hands of the employees
(c) Full contribution is taxable as salary in the hands of employees
(d) None of the above

- (vii) Conversion of a capital asset into stock in trade in relation to capital assets is treated as
- (a) Transfer
 - (b) Gift
 - (c) Purchase
 - (d) None of the above

OR

5. Write short notes (any **three**) :-

- (a) Treatment of unpaid statutory liabilities as per section 43B for computing income from business and profession.
- (b) Pension and family pension.
- (c) Taxability of money received without consideration.
- (d) Computation of income from house property vacant for the part of the year.
- (e) Deductions from gross total income.

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