2019

Time Allowed- 3 Hours

COMMERCE AND ACCOUNTANCY – PAPER-I

MSC(O)CA-I/19

Full Marks – 200

If the questions attempted are in excess of the prescribed number, only the questions attempted first up to the prescribed number shall be valued and the remaining ones ignored.

*Answers may be given either in **English** or in **Bengali** but all answers must be in one and same language.*

Answer one question each from the following five groups :-

GROUP – A

1. (a) "Accounting is a means and not an end" – examine the statement.

(b) "Accounting is a financial information system" – justify the statement with example.

(c) Distinguish between Accounting Standards (AS) and Indian Accounting Standards (Ind AS).

(d) What is 'Suspense Account' ? What is the nature of Suspense Account ?

(e) A trader closed his books of accounts for the year ended 31st March, 2019 with difference in the Trial Balance carried forward. However, the following errors were detected subsequently :-

(i) ₨.15,000 being the total of discount column on the credit side of the Cash Book was not posted to the ledger.

(ii) ₨.60,000 being the cost of furniture purchased, was entered in the Purchase Book.

(iii) Return outward book was undercost by ₨.1,500.

(iv) A credit sale of ₨.8,700 was wrongly posted as 7,800 to the customer's account in the sales ledger.

(v) Closing stock was overcasted by ₨.90,000.

Pass the necessary rectification entries, prepare Suspense Account and find the effect of correction on profit as on 31st March, 2019.

(5+5+5+5)+20

2. From the following Trial Balance, prepare a Trading and Profit & Loss Account for the year ended 31st March, 2019 and also a Balance Sheet as at that date :-

Trial Balance as at 31st March, 2019

Debit Balances	(₨.)	Credit Balances	(₨.)
Cash in hand	4,800	Sales	11,90,600
Debtors	3,00,000	Capital	4,25,000
Bad debts	17,200	Provision for doubtful debts	10,500
Rent & Rates	32,000	Return outward	29,100
Wages	24,000	Bank overdraft	12,000
Drawings	71,000	Creditors	1,00,000
Plant & Machinery	95,000		
Opening Stock	1,46,000		
Purchases	10,36,200		
Return Inward	21,000		
General Expenses	20,000		
	17,67,200		17,67,200

P.T.O.

Other information :-

(i) Prove depreciation on Plant and Machinery @ 10%.

(ii) Provision for deubtful debts is to be maintained at 5% of debtors.

(iii) Stock as on 31st March, 2019 has been valued at Rs.1,73,000. It does not include the Plant and Machinery purchased on 31st December, 2018.

(iv) A credit sale of Rs.20,000 was omitted from the books .

(v) Plant and Machinery of Rs.10,000 purchased on 31st December, 2018, has been included in Purchases.

(vi) Goods, cost price Rs.7,200, minimum sales price Rs.9,000 was consigned to an agent, which remained still unsold.

(vii) Wages includes Rs.2,000 for installation of plant.

(viii) Goods costing Rs.6,000 have been stolen by an employee.

(ix) Rs.5,100 received from a customer, which was written off as bad, has been recorded as cash sale.

(x) A sales return of Rs.5,000 was not taken in the accounts, though it was duly taken in the stock. 40

GROUP - B

3. (a) Discuss how a Company can utilise Security Premium for different purposes as per Company's Act, 2013.

(b) Following are the extracts of Balance Sheet of X Ltd. as at 31st March, 2019 :-

Redeemable Preference Share Capital	Rs.10,00,000
Calls-in-arrear (Redeemable Pref. Shares)	Rs. 20,000
General Reserve	Rs. 7,00,000
Securities Premium	Rs. 80,000

The Company decided that : Preference Shares are of Rs.200 each fully called, to be redeemed at a premium of 10%. Calls-in-arrears are on account of final call on 500 shares held by four members, were not traceable. Balance of General Reserve and Securities premium to be fully utilised for the purpose of redemption and short fall to be made good by the issue of equity shares of Rs.20 each at par.

The redemption of preference shares was duly carried out.

Give Journal entries and the relevant extracts from the liabilities items of the Balance Sheet as they would appear after the redemption is carried out. 10 + 30

4. (a) From the following information, calculate the maximum number of shares that can be bought back, and pass the relevant journal entries in the books of Y Ltd.

(figures in Rs. Lacs)

10% Redeemable Pref.Shares of Rs.20 each fully paid	200
Equity shares of Rs.20 each fully paid	600
Securities Premium	100
General Reserve	500
Profit & Loss Account	600
Capital Redemption Reserve	40
Plant Revaluation Reserve	1000
Capital Reserve	1200
Export Reserve (Statutory Reserve)	1400
Secured loans	2000
Unsecured loans	1280
Current liabilities	200
Investments (Face value Rs.400 lacs)	800

Market Price per share Rs.80

Buy back price offer 25% over the Market Price

Sufficient investments were realised at Market Price, which was 125% of the Face Value.

Later, the Company issued one fully paid up Equity share of Rs.20 each by way of bonus shares for every four equity shares held.

(b) Discuss the provisions for Debenture Redemption Reserves (DRR) as per the Company's Act, 2013, Rule 18(7) and Rule 18(7)(c).

25 + 15

GROUP - C

5. (a) During the month of January, 2019, a manufacturing company produced 1,400 units of its product in process I and transferred to the next process II, 460 units were remained incomplete and 140 units had been scrapped. Incomplete units had reached a stage in production as follows :-

Material 75% ; labour 50% and overheads 50% completed.
Total cost of 2,000 units was Rs.58,000.
Direct material introduced during the process Rs.14,400.
Direct wages amounted to Rs.33,400.
Production overheads incurred Rs.16,700.
Unit scrapped realised Rs.10 each.
Unit scrapped passed through the process, so were 100% completed with regard to material, labour and overhead.
Consider normal loss @ 5% on input.

Calculate (i) Equivalent production and cost per unit ; and show

(ii) Process accounts and Abnormal loss Account.

(b) What is unrealised profit in process account?

35 + 5

6. (a) You are given the following information of Z Ltd. for the year ended 31st March, 2019 @ 50% capacity utilisation producing 5,000 units :-

(i) Fixed expenses and sales remain constant for all levels of activity.

(ii) Selling price between 50% to 75% capacity is Rs.250 per unit.

(iii) Semi-variable expenses will remained unchanged at 50% to 65% capacity, but will increase by 10% between 65% to 80% capacity and 30% between 80% to 100% capacity levels.

(iv) At 90% level, material cost will go up by 5% and selling price will be 5% less.

(v) At 100% level, material and labour cost will increase by 10%, but selling price will come down by 8%.

(vi) Semi-variable expenses and fixed expenses are Rs.5,00,000 and Rs.5,80,000 respectively.

(vii) Per unit expenses are for material Rs.50, labour Rs.20 and direct expenses Rs.10.

Prepare flexible budget at 60%, 75%, 90% and 100% capacity levels and forecast profit.

(b) A factory produces a number of different products each having a number of components. Product A takes 10 hours to produce on a particular equipment which works at full capacity. The selling price and variable cost of the product A are Rs.2,000 and Rs.1,200 per unit respectively. A Component P-100 can be made in the same equipment in four hours incurring variable cost Rs.200 per unit. The factory purchases the component at a price of Rs.500 per unit.

Evaluate and advise the management whether the company should buy the component P-100.

30 + 10

P. T. O.

GROUP - D

7. (a) From the following information supplied to you, compute total income of Mr. A, for the Assessment Year 2018-'19 and also the tax liability :-

		(Rs.)
Income from Salary		3,00,000
Income from House Property		40,000
Business loss	(-)	1,90,000
Loss from specified business u/s 35AD	(-)	60,000
Short-term capital loss	(-)	60,000
Long-term capital gain		2,40,000

(b) Mr. B, provides you the following particulars of his income for the previous year 2017-'18.

(i) Business income before depreciation Rs. 72,000
(ii) Income from house property Rs. 60,000
(iii) Income from other sources Rs. 6,000

Consider depreciation amount is Rs.94,000, compute the taxable income of Mr. B for the Assessment Year 2018-'19.

(c) Discuss the provisions for deduction in respect of investment in new Plant and Machinery as per section 32AC.

(d) Discuss the provisions for Amortisation of preliminary expenses u/S 35D and expenditure on amalgamation or demerger u/S 35 DD.

(e) What are the tax treatment of recognised Provident Fund and Public Provident Fund in respect of Assessment Year 2018-'19.

10+5+5+10+10

8. (a) Mr. C, an employee of DK Ltd., gives you the following information for the Assessment Year 2018-'19 :-

(i) Salary received Rs.25,000 p.m. including conveyance allowance @ Rs.2,500 p.m. for official purpose.

(ii) He deposited Rs.2,500 p.m. in a Pension Scheme notified by the Central Govt.

(iii) He paid a sum of Rs.60,000 during the year as interest on loan taken April, 2015 from bank for children's higher studies.

(iv) Paid health insurance premium for himself and family members Rs.8,500 in cash and Rs.9,000 by credit card.

(v) He invested Rs.40,000 in notified bond u/S 80C.

(vi) Equity shares having fair market price of Rs.1,00,000 were allotted to him by D K Ltd. at a concessional price Rs.20,000 on 30.05.2017, which he sold for Rs.1,80,000 on 28.02.2018.

Compute the total income of Mr. C, for the Assessment Year 2018-'19 and also the tax liability.

(b) "Income Tax is one Tax, but not aggregate of Taxes" - Critically examine the statement with example.

30 + 10

GROUP - E

9. (a) What are the taxes that GST replaces ?

(b) Why is dual GST required ?

(c) Discuss the justification of GST in India.

Contd...P/5.

(d) X Ltd. was given a contract in July, 2018 for providing interior decoration services in respect of a building in Delhi by Y Ltd. As per terms of contract, X Ltd. was to provide all the required material for completing the contract. However, Y Ltd. also provided a portion of the material.

Discuss whether the services provided by X Ltd. are subject to GST. If yes, calculate the tax liability of X Ltd., from the following information :-

(i)	CGST 6% and SGST 6%	
(ii)	Gross amount charged by X Ltd.	₨.12,00,000
(iii)	Fair Market value of material supplied by Y Ltd.	₨. 2,00,000
(iv)	Amount charged by Y Ltd. for material (included in (ii) above)	₨. 1,20,000

(e) Who are the persons not eligible to avail Composition Scheme in GST ?

(f) Z Ltd. covered under the Factories Act, 1948. Government Authorities have certified the factory is safe for the workers to carry their work and charged Government fee of ₨.20,000. The Company owned another factory in different place, which is not covered under the Factories Act, 1948. But the Company obtained safety certificate for the Company from the Government Authorities by paying ₨.30,000 voluntarily.

Is it taxable supply and attract GST ? If so, who is liable to pay GST, when applicable GST rate is 18% ?

5+5+5+10+5+10

10\. (a) What are the main features of the Cash Flow Statement ? Explain with reference to relevant Accounting Standards.

(b) What do you mean by 'Free Cash Flow' ? Give example.

(c) Discuss, with examples the disclosure requirements of 'Events occuring after the Balance Sheet Date'.

(d) What do you mean by Prior-Period items ? Give examples.

(e) Discuss, with examples the need for convergence and adoption of Accounting Standards with recent years experienced in India.

(f) What are the obstracles for introducing IFRS in India ?

10+5+5+5+10+5

§§§§§§§§§§§§§§§§§