

WBCS MADE EASY

MWC(O)-COM-I/23

2023

COMMERCE AND ACCOUNTANCY

PAPER-I

Time Allowed — 3 Hours

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 language.*

Answer any five (5) questions taking at least one (1) from each group.

Group-A

1. The directors of B Ltd. ask you to prepare the Statement of Profit & Loss for the year ended 31st March, 2022 and Balance Sheet as on that date from the following information:

<i>Dr.</i>		<i>Cr.</i>	
<i>Particulars</i>	<i>₹</i>	<i>Particulars</i>	<i>₹</i>
Plant at cost	3,00,000	Equity Share Capital	
Land & Building at cost	5,00,000	(in shares of ₹ 100 each)	5,00,000
Investment in Shares	2,00,000	16% Preference Share Capital	
Stock	70,000	(in shares of ₹ 100 each)	1,00,000
Cash at Bank	60,000	Depreciation up to 31.03.2021	
Debtors	50,000	on Plant	1,00,000
Income Tax deducted at source on dividend	2,200	on Land & Building	1,50,000
Establishment Expenses	15,000	General Reserve	10,000
Rent and Taxes	6,000	Profit & Loss Account on 1.04.2021	25,000
Audit Fees (including ₹ 1000 paid for other services)	2,500	Creditors	30,000
Managing Director's		Dividend (Gross)	10,000
Minimum Remuneration	12,000	Miscellaneous Receipts	2,300
Directors' fees	2,000	Trading Account Balance	3,04,400
Sundry Expenses	6,000		
Income Tax for the previous year not provided for	6,000		
	<u>12,31,700</u>		<u>12,31,700</u>

Additional Information:

- (a) Depreciation to be charged on the written down value on Plant @ 10% and Land & Building @ 5%.
- (b) The Directors propose to recommend a dividend of 12% on equity share.
- (c) Provision for Taxation is to be made @ 40%.

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Please Turn Over

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(2)

(d) The Managing Director is entitled to 5% of the net profit subject to a minimum of ₹ 12,000 per annum as his remuneration.

(e) A sum of ₹ 15,000 is to be transferred to General Reserve.

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Or,

Write Notes on:

8×5

- (a) Convention of Conservatism
- (b) Convention of Disclosure
- (c) Cash Flow Statement
- (d) Bank Reconciliation Statement
- (e) Accounting treatment of redemption of preference shares

2. The following is the Balance Sheet of Y Ltd. as at 31st March, 2022:

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITY:		
1. Shareholders' Funds:		
(a) Share Capital	1	12,00,000
(b) Surplus	2	(3,60,000)
2. Non-Current Liabilities:		
(a) Long-term Borrowings (6% Debentures)		2,00,000
3. Current Liabilities:	3	
(a) Short-term Borrowings (Bank Overdraft)		1,00,000
(b) Trade Payables (Creditors)		40,000
(c) Other Current Liabilities (Interest due on Debentures)		60,000
Total		12,40,000
II. ASSETS:		
1. Non-Current Assets:		
(a) Property, Plant and Equipment—		
(i) Tangible Assets		8,00,000
(b) Non-Current Investment (investment)		1,00,000
2. Current Assets:		
(a) Inventories (Stock)		2,40,000
(b) Trade Receivables (Debtors)		80,000
(c) Cash and Equivalents (Cash)		20,000
Total		12,40,000

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Notes to Accounts:

Particulars	Amount (₹)
1. Share Capital:	
(i) Subscribed Capital:	
(a) Subscribed and fully paid up	
80,000 Equity Shares of ₹ 10 each	8,00,000
4,000 8% Preference Shares of ₹ 100 each	4,00,000
	12,00,000
2. Surplus:	
Statement of Profit & Loss (Debit)	(4,40,000)
Less: Profit for the year	80,000
	(3,60,000)
3. Property, Plant and Equipment— Tangible Assets:	
(i) Land & Building	6,00,000
(ii) Plant & Machinery	2,00,000
	8,00,000

The preference dividends are in arrear for three years. Considering the improvement made in the working of the company, the directors decide upon a scheme of reconstruction with a reduction of capital and it is approved of the following terms:

- The Preference Shareholders agree that their shares be reduced to a fully paid share of ₹ 90 each. They will accept Equity Shares of ₹ 4 each fully paid for half of their arrear dividends and the rest half will be forgone.
- The Equity Shareholders agree that their shares be reduced to fully paid shares of ₹ 4 each further subscribe 40,000 Equity Shares of ₹ 4 each fully paid for working capital purposes.
- The debenture holders have agreed to accept fully paid Equity Shares for the interest due to them.
- Investments are to be sold for ₹ 90,000 and money thus available along with new issues be utilized to pay off Bank Overdraft.

Show the necessary Journal Entries to record the scheme of capital reduction and draw up a new Balance Sheet after the scheme taking into account:

- Plant & Machinery be depreciated by 10%;
- Obsolete Stock of ₹ 30,000 be written off.

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Or,

Write notes on:

8×5

- Minority Interest
- Consolidated Balance Sheet
- Purchase Consideration
- Issue of Bonus Shares
- Forfeiture of Shares

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3. (a) The following balances appeared in the books of S Ltd. on 1.04.2022:

(i) Sinking Fund Account ₹ 50,000

(ii) Sinking Fund Investment Account
(10% Govt. Securities, Nominal Value ₹ 45,000) ₹ 48,000

(iii) 12% Debentures ₹ 1,00,000

The company sold ₹ 30,000 Govt. Securities at 110% and utilized the amount to redeem part of debenture at a premium of 10%.

Show Debenture Account, Sinking Fund Account and Sinking Fund Investment Account in the books of the company.

(b) From the figures given below prepare a statement showing the sources and application of funds during the year 2021-2022:

Assets	31.03.2021	31.03.2022	Liabilities	31.03.2021	31.03.2022
Fixed Assets (Net)	5,10,000	6,20,000	Share Capital (Equity)	3,00,000	3,50,000
Investment	30,000	80,000	Share Capital (Preference)	2,00,000	1,00,000
Current Assets	2,40,000	3,75,000	Debentures	1,00,000	2,00,000
Discount on Debentures	10,000	5,000	Reserves	1,10,000	2,70,000
			Provision for Doubtful Debts	10,000	15,000
			Current Liabilities	70,000	1,45,000
	<u>7,90,000</u>	<u>10,80,000</u>		<u>7,90,000</u>	<u>10,80,000</u>

You are informed that during the year:

(i) A machine costing ₹ 70,000 (book value ₹ 40,000) was disposed off for ₹ 25,000.

(ii) Preference Share redemption was carried out at a premium of 5%.

(iii) Dividend at 15% was paid on equity share for the year 2007-2008.

(iv) The provision for depreciation stood at ₹ 1,50,000 on 31.03.2021 and at ₹ 1,90,000 on 31.03.2022.

(v) Stock which was valued at ₹ 90,000 as on 31.03.2008 was written up to its cost ₹ 1,00,000 for preparing the Profit & Loss Account for 2021-2022. 20+20

Group-B

4. (a) From the following data relating to production of one unit of Product-A for December, 2021 of a factory, calculate all the Material Variances.

Name of Materials	Standard		Actual	
	Kg.	Rate (₹)	Kg.	Rate (₹)
X	8,000	1.05	7,500	1.20
Y	3,000	2.15	3,300	2.30
Z	2,000	3.30	2,400	3.50

(b) Draw the relationship between Standard Costing and Budgetary Control. 20+20

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5. (a) A purchase manager places order, each time for a lot of 500 numbers of a particular item. Following information is available:

Inventory Carrying Cost	40%
Ordering Cost per order	₹ 600
Cost per unit	₹ 50
Annual Demand	1,000

Find out the loss to the organisation due to his ordering policy.

- (b) A machine was purchased on January 1, 2021 for ₹ 5 lakhs. The total cost of all machinery inclusive of the new machine was ₹ 75 lakhs.

The following further information is available:

- (i) Expected life of the machine 10 years
- (ii) Scrap value at the end of 10 years life ₹ 5,000
- (iii) Repair and Maintenance for the machine during the year ₹ 2,000
- (iv) Expected number of working hours of the machine per year 4,000 hours
- (v) Insurance premium annually for all machines ₹ 4,500
- (vi) Electricity consumption for the machine per hour (@ ₹ 0.75 per unit) 25 units
- (vii) Area occupied by the machine 100 sq. ft.
- (viii) Area occupied by other machines 1,500 sq. ft.
- (ix) Rent per month of the department ₹ 800
- (x) Lighting charges for 20 points for the whole department, out of which 3 points are for the machine ₹ 120 per month.

Compute the machine hour rate for the new machine on the basis of the data given above.

20+20

6. (a) The sales and profits during two years were as given below:

Year	Sales (₹)	Profit (₹)
2021	1,50,000	20,000
2022	1,70,000	25,000

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You are required to compute:

- (i) P/V Ratio
 - (ii) Break-Even Point
 - (iii) Sales required to reach a profit of ₹ 40,000
 - (iv) Profit made when sales are ₹ 2,50,000
 - (v) Margin of safety at a profit of ₹ 50,000
 - (vi) Variable costs of the two periods.
- (b) Explain in details the *treatment of under and over absorption* in cost accounting with suitable example. 20+20

Group-C

7. (a) In a Value Added Tax (VAT) system, Mr. X is a registered dealer. He deals in purchasing and selling goods within the State of West Bengal. During the month of April, 2016 his sales are as follows:

Particulars	Sales price (inclusive of VAT wherever applicable—charged separately)
	₹
1. Sale of Schedule A goods (Exempted goods)	72,500
2. Sale of Schedule C goods (VAT rate 4%)	2,36,800
3. Sale of Schedule CA goods (VAT rate 13.5%)	5,90,200

Other particulars:

- (i) Sales return on April 24, 2016 of Schedule C goods within 6 months of sale ₹ 37,440 (inclusive of VAT)
- (ii) Sale of Schedule C goods include ₹ 60,000 which have been purchased on paying tax on MRP
- (iii) Delivery charges included in the above sales ₹ 5,600, ₹ 15,200 and ₹ 22,500 respectively
- (iv) Rebate allowed on sale of Schedule CA goods ₹ 5,800 (adjusted in the sales figure as given in point 3 above)

Calculate:

- (I) Sale Price
 - (II) Turnover of sales
 - (III) Taxable turnover of sales
 - (IV) Output tax payable
- (b) Define 'Input Tax' and 'Input Tax Credit' as per West Bengal VAT Act. 20+20

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8. (a) Mr. B submits the following particulars of his incomes and losses for the year 2020-2021:

<i>Particulars</i>	<i>Amount (₹)</i>
Income from Salaries	3,15,000
Income from House Properties:	
Income from let out house	1,25,000
Loss from self-occupied house	1,50,000
Income from Business:	
Income from Business A	1,05,000
Loss from Business B	1,98,500
Income from speculative business	32,200
Long-term capital gains on sale of building	46,358
Long-term capital gains on sale of land	62,521
Short-term capital gain on sale of shares	15,230
Lottery income	42,500
Loss from horse race	12,300

Compute total income of the assessee.

- (b) “Incidence of tax depends on the residential status of an assessee.”— Discuss with reference to the relevant provisions of the Income Tax Act. 20+20

9. (a) Discuss in details the basic and additional conditions in relation to residential status of an individual under the Income Tax Act with suitable examples.

- (b) Write a detailed note on classification of costs in Cost and Management Accounting. 20+20

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