REVISED SYLLABUS 2008

TEST PAPERS

Final

Group III

QUESTION PAPERS FOR POSTAL STUDENTS ONLY
(FOR JUNE/DECEMBER 2013)

THE INSTITUTE OF COST AND WORKS
ACCOUNTANTS OF INDIA

DIRECTORATE OF STUDIES

PAPER 11

CAPITAL MARKET ANALYSIS & CORPORATE LAWS

TEST PAPER — III/11/CMC/2008/T-1

GROUP – A

Time Allowed : 3 hours **Full Marks : 100**

(Answer Question No. 1 and any two Questions from the rest)

1. (a) What are the needs for a stock market in the country like India?

(b) Mr. Saxena has invested ₹ 50,000, 30% of which is invested in Company X, which has an expected return of 15%, and 70% of which is invested in Company Y, with an expected return of 12%. What is the return Mr. Saxena will get on his portfolio? What is the expected percentage rate of return? (10+10)

2. (a) RIL Ltd. has an excess cash of ₹ 16,00,000 which it wants to invest in short-term marketable securities. Expenses relating to investment will be ₹ 40,000. The securities invested will have an annual yield of 8%. The co. seeks your advice as to the period of investment so as to earn a pre-tax income of 4%. Also find the minimum period for the company to break-even its investment expenditure. Ignore time value of money.

(b) What do you mean by Listing of securities. Explain! (8+7)

3. Write short note on :

(a) Demutualization of stock exchanges

(b) Inter-bank participation certificate

(c) Money laundering

(d) Hedging

(e) Qualified Institutional Buyer (3×5)

4. (a) Derivatives are complex and exotic instruments that Indian investors will have difficulty in understanding, Explain.

(b) Mr. Raman can earn a return of 16% per cent by investing in equity shares on his own. Now he is considering a recently announced equity based mutual fund scheme in which initial expenses are 5.5 per cent and annual recurring expenses are 1.5 per cent. How much should the mutual fund earn to provide Mr. Raman, a return of 16 per cent? (7+8)

5. Differentiate between :

(a) Forward & Future,

(b) Bonus issue & Right issue,

(c) Put option & Call option. (5×3)

GROUP – B

(Answer Question No. 6 and any two Questions from the rest)

6. Comment on the following statements based on legal provisions:

(a) The Articles of a company provided that the shares of a member who became bankrupt would be offered for sale to other shareholders at a certain price. Is the provision binding on the shareholders?

(b) A company, in which the directors hold majority of the shares, altered its Articles so as to give power to directors to require any shareholder, who competed with the company's business, to transfer his shares, at their full value, to any nominee of the directors. Mr. Sen had some shares in the company, and he was in competition with the company. Is Mr. Sen bound by the alteration?

(c) The Board meeting of HLL Ltd., was adjourned for want of Quorum. Advise the procedure now to be followed and also whether a resolution can be passed by circulation. If so, how?

(d) n allottee of shares in the company has brought an action against Director in the co. with respect of false statements in the prospectus. The Director has contended that the statements were prepared by promoters and he had relied on them. Is the director liable under the circumstances? (4×5)

7. (a) What is meant by the 'Doctrine of Indoor Management'?

(b) 'Doctrine of Constructive Notice' and of 'Indoor Management' are conflicting doctrines. Examine the statement and state what matters would not be covered by the respective doctrines? (5+10)

8. (a) What do you mean by "right to information" according to Right to Information Act 2004?

(b) State the objectives of the Right to Information Act. (8+7)

9. Write Notes on (any three) :

(a) Passing of resolution by Postal Ballot,

(b) Alternate Director,

(c) Quorum,

(d) Forfeiture of Shares. (3×5)

PAPER 11

CAPITAL MARKET ANALYSIS & CORPORATE LAWS

TEST PAPER — III/11/CMC/2008/T-2

GROUP – A

Time Allowed : 3 hours **Full Marks : 100**

(Answer Question No. 1 and any two Questions from the rest)

1. (a) What are the needs for a stock market in the country like India?

(b) Mr. Rao holds a two-stock portfolio. Stock of CIPLA has a standard deviation of returns of 6 and stock of CADILA has a standard deviation of 4. The correlation coefficient of the two stocks returns is 0.25. Mr Rao holds equal amounts of each stock. Compute the portfolio standard deviation for the two-stock portfolio. (12+8)

2. (a) Who is a Depository Participant (DP)? Name some benefits enjoyed by an investor when he buys/sells in the depository mode.

(b) The stock option has 120 days until expiration and the strike price is ₹ 85. The simple rate of interest is 6 per cent p.a.. The underlying asset value is ₹ 80 and the volatility (standard deviation) is 0.30. Calculate the value of the stock option using Black- Scholes Model. (7+8)

3. (a) With respect to the SEBI Guidelines on Buy Back of Shares, State the Objectives & the conditions of Buy Back of Shares.

(b) Mr. Thomas has purchased 100 shares of ₹ 10 each of NOCIL Ltd. In 2005 at ₹ 78 per share. The co. had declared a dividend @ 40 % for the year 2006-07. The market price of share as at 1.4.06 was ₹ 104 and on 31.03.07 was ₹ 128. Calculate the annual return on the investment for the year 2006-07. (7+8)

4. Write Notes on (any three) :

(a) Stock invest,

(b) Green shoe option,

(c) Chaos Theory,

(d) Fringe Market,

(e) Intraday Price Bands. (3×5)

5. (a) State the differences between Forward and Future & Put option and Call option.

(b) A company issues right shares which increases the market capitalization of the shares of that company by ₹ 100 crores. The Existing Base Market Capitalisation is ₹2450 crores and the aggregate market capitalization of all the shares included in the index before the right issue is ₹ 4781 crores What will be the New Base Market Capitalisation? (8+7)

GROUP – B

Answer Q No. 6 and any two questions from the rest

6. Comment on the following statements based on legal provisions :

(a) A shareholder living in New Delhi sent a transfer deed for registration of transfer of shares in a co. having its registered office in Mumbai. The share certificates duly endorsed in his name were not received by him even after the expiry of four months form the date of lodgement. He lodged a criminal complaint before the appropriate court dealing with economic offences at New Delhi. Can the court in New Delhi entertain the complaint?

(b) A prospectus issued by a company contained a promise of subscription of a substantial amount by some persons so as to introduce the public to subscribe. The plaintiff who was allotted 10 shares alleged material misrepresentation. Decide.

(c) Ajoy buys 200 shares in a co. from Bijoy on the faith of a share certificate issued by the co. Ajoy tenders to the co. a transfer deed, duly executed, along with Bijoy's share certificate for transferring the shares in his name. The Co. discovers that the certificate in the name of Bijoy has been fraudulently obtained and refuses to register the transfer. Advise Ajoy. Is Ajoy entitled to get the shares transferred in his name?

(d) ABC Ltd. holds 80% of the share capital of Telco Ltd., and hence would like to file a request for appointment of ABC Ltd. as a Director of Telco Ltd. Advice ABC Ltd. (4×5)

7. State the features of Clause 49 of the Listing Agreement on Corporate Governance. (15)

8. (a) Who is considered as "consumer" and "Person" under the Competition Act 2002?

(b) Under what circumstances Central Government can appoint Directors as per Companies Act, 1956. (8+7)

9. Write Notes on (any three) :

a) Demerger,

b) Sweat Equity Share,

c) Independent Director,

d) Minutes. (5×3)

PAPER 12

FINANCIAL MANAGEMENT & INTERNATIONAL FINANCE

TEST PAPER — III/12/AFM/2008/T-1

Time Allowed : 3 hours **Full Marks : 100**

(Answer Question No. 1 and any four Questions from the rest)

1. (a) You are given the following figures worked out from the Profit and Loss account and Balance Sheet of Blue Ltd, relating to the year ended 31.3.10. Prepare the Balance sheet.

Fixed assets (net after writing off 30%)	₹10,50,000
Fixed assets turnover ratio (on cost of sales)	2
Finished Goods turnover ratio (on cost of sales)	126
Rate of gross profit to sales	25%
Net profit (before interest)to sales	8%
Fixed charges cover (Debenture interest 7%)	8
Debt collection period	1½ months
Materials consumed to sales	30%
Stock of raw materials (in terms of number of month's consumption)	3
Current ratio	2.4
Quick ratio	1.0
Reserves to capital	0.21

(10)

(b) The following Balance Sheets of Adma Products Ltd. for the year ended 31.3.09 and 31.3.09 are available.

Liabilities	**31.3.10** ₹	**31.3.10** ₹
Share Capital	6,00,000	7,00,000
General Reserve	2,00,000	2,50,000
Capital Reserve (Profit on sale of investment)	— —-	10,000
Profit and Loss account	1,00,000	2,00,000
7% Debentures	3,00,000	2,00,000
Creditors for expenses	10,000	12,000
Creditors for supply of goods	1,60,000	2,50,000
Proposed dividend	30,000	35,000
Provision for taxation	70,000	75,000
	14,70,000	**17,32,000**
Assets		
Fixed Assets	10,00,000	12,00,000
Less : Accumulated Depreciation	2,00,000	2,50,000
	8,00,000	9,50,000
Investment at cost	1,80,000	1,80,000
Stock at cost	2,00,000	2,70,000
Sundry Debtors (*Less* : Provision of ₹20,000 & ₹ 25,000 respectively)	2,25,000	2,45,000
Bills Receivable	40,000	65,000
Prepayment of expenses	10,000	12,000
Miscellaneous expenditure	15,000	10,000
	14,70,000	**17,32,000**

Other information :

1. During the year 2009-10 fixed assets, WDV ₹10,000 (depreciation written off ₹30,000) was sold for ₹8,000
2. During the year 2009-10 investments costing ₹80,000 were sold and later in the year investments of the same cost were purchased.
3. Debentures were redeemed at a premium of 10% in 2009-10.
4. Liabilities for taxation for 2008-09 came to ₹55,000.
   During the year 2009-10 bad debts written off was ₹15,000 against the provision account. Prepare Funds Flow statement. (10)

2. (a) Blue Star Ltd. presents to you the following balance Sheets and profit and loss account.

Blue Star Ltd Balance Sheet as at ....

Liabilities	**31-3-09 (₹)**	**31-3-10 (₹)**
Equity share capital	25,00,000	25,00,000
P&L A/c	20,75,000	23,65,000
14%Debentures	15,00,000	12,50,000
Sundry Creditors	2,56,250	3,04,250
Expenses outstanding	54,500	68,500
Provision for bad debts	20,000	22,500
	64,05,750	**65,10,250**
Assets		
Fixed assets	60,00,000	65,00,000
Less: Provision for depreciation	20,00,000	24,50,000
	40,00,000	**40,50,000**
Investments	6,25,000	2,50,000
Stock	10,33,250	12,67,750
Sundry debtors	4,00,000	4,50,000
Cash at bank	3,35,500	4,83,500
Preliminary expenses	12,000	9,000
	64,05,750	**65,10,250**

Blue Star Ltd. Profit and Loss Account for the year ended 31.3.2010

Dr. *Cr.*

	₹		₹
To Opening stock	10,33,250	By Sales	91,00,500
" Purchases	48,84,500	" Closing Stock	12,67,750
" Gross profit	44,50,500		
	1,03,68,250		**1,03,68,250**
To Operating expenses	19,58,750	By Gross profit	44,50,500
" Provision for bad debts	2,500	" Law suit compensation	1,25,000
" Provision for dep.	4,50,000	" Interest on investments	65,000
" Preliminary exp. written off	3,000	" Profit on sale investments	18,750
" Interest on debentures	1,92,500		
" Income tax paid	8,21,000		
" Net profit	12,31,500		
	46,59,250		**46,59,250**

You are required to prepare cash flow statement for the year ended 31.3.2010 using Indirect method. (10)

(b) **XYZ Ltd., had the following book value capital structure**:

Equity Capital (in shares of ₹ 10 each, fully paid – up at par)	₹	15 crores
11% Preference Capital (in shares of ₹ 100 each, full paid-up par)	₹	1 crore
Retained Earnings	₹	20 crores
13.5% Debentures (of ₹100 each)	₹	10 crores
15% Term Loans	₹	12.5 crores

The next expected dividend on equity shares per share is ₹ 3.60; the dividend per share is expected to grow at the rate of 7%. The market price per share is ₹ 40. Preference stock, redeemable after ten years, is currently selling at ₹ 75 per share. Debentures, redeemable after six years, are selling at ₹ 80 per debenture. The Income-tax rate forthe company is 40%.

Required :

(i) Calculate the weighted average cost of capital using:

Book value proportions and Market value proportions

(ii) Define the weighted marginal cost of capital schedule for the company, if it raises ₹ 10 crores next year, given the following information:

The amount will be raised by equity and debt in equal proportions;

The company expects to retain ₹ 1.5 crores earnings next year;

The additional issue of equity shares will result in the net price per share being fixed at ₹ 32;

The debt capital raised by way of term loans will cost 15% for the first ₹ 2.5 crores and 16% for the next ₹ 2.5 crores. (10)

3. (a) The following data concern companies A and T :

Earnings after taxes	₹ 1,40,000	₹ 37,500
Equity shares outstanding	20,000	7,500
EPS	₹ 7	₹ 5
P/E ratio	10	8
Market price	₹ 70	₹ 40

Company A is the acquiring company, exchanging its one share for every 1.5 shares of T Ltd. Assume that company A expects to have the same earnings and P/E ratios after the merger as before (no synergy effect), show the extent of gain accruing to the shareholders of two companies as a result of merger. Are they better or worse off than they were before the merger? (10)

(b) The cost of a plant, having life of 4 years, is ₹ 20,000 and its scrap value is ₹ 2,000. The plant also requires annual cash outflow of ₹ 9,000 in the year 1, and this will be constant over 4 years in real terms. The annual cash inflows including the effects of inflation (@6% p.a.) are estimated to be :

Year 1	₹ 14,000
2	21,000
3	21,000
4	17,000

The firm belongs to a risk class for which appropriate money discount rate is 18%. Find out the NPV of the project using calculations based on: (a) Money Terms, and (b) Real Terms. (Ignore tax). (10)

4. (a) A company belongs to a risk-class for which the appropriate capitaliza-tion rate is 10%. It currently has outstanding 25,000 shares selling at the ₹ 100 each. The firm is contemplating the declaration of dividend of ₹5 per share at the end of the current financial year. The company expects to have a net income ₹2.5 lakhs and a proposal for making new investments of ₹5 lakhs.

Show that under the MM assumptions, the payment of dividend does not affect the value of the firm and show the current value of the firm? (10)

(b) The controller of the West Bengal Industries Development Corporation Ltd. has been analysing the firm's policy regarding computers, which are now being leased on a yearly basis on rental amounting to ₹1,00,000 per year. The computers can be bought for ₹ 5,00,000. the purchase would be financed by 16 percent loan repayable in 4 equal annual installments.

On account of rapid technological progress in the computer industry, it is suggested that a 4 year economic life should be used , instead of the 10 year physical life. it is estimated that the computers would be sold for ₹ 2,00,000 at the end of 4 years. (10)

The company uses the straight line method of depreciation. Corporate tax rate is 50 percent.

(i) Comment on whether the equipment should be brought or leased?

(ii) Analyse the financial viability from the point of vies of the lessor, assuming 14 percent cost of capital.

(iii) Determine the minimum lease rent at which the lessor would break out.

(iv) Determine the lease rent which will yield an IRR of 16 percent to the lessor.

5. (a) A trader whose current sales are in the region of ₹8,00,000 per annum and an average collection period of 30 days wants to pursue a more liberal policy to improve sales. A study made by a management consultant reveals the following information.

Credit policy	**Increase in collection period**	**Increase in Sales Sales**	**Present default anticipated**
A	10 days	₹ 30,000	1.5%
B	20 days	₹ 48,000	2%
C	30 days	₹ 75,000	3%
D	40 days	₹ 90,000	4%

The selling price per unit is ₹ 3. Average cost per unit is ₹ 2.25 and variable costs per unit are ₹ 2.

The current bad debt loss is 1%. Required return on additional investment is 20%. Assume a 360 days year.

Which of the above policies would you recommend for adoption? (8)

(b) Satyam Sundaram Ltd.'s profit and loss a/c and Balance sheet for the year ended 31.3.10 are given below. You are required to calculate the working capital requirement under operating cycle method :

TRADING AND PROFIT AND LOSS ACCOUNT

For the year ended 31.3.10

Dr. **Cr.**

Particulars	₹	**Particulars**	₹
To Opening Stock :		By Credit Sales	1,00,000
Raw materials	10,000	By Closing Stock :	
Work-in-progress	30,000	Raw Materials	11,000
Finished goods	5,000	Work-in-progress	30,500
To Credit purchase	35,000	Finished goods	8,500
To Wages & Manufacturing exp.	15,000		
To Gross profit c/d	55,000		
	1,50,000		**1,50,000**
To Administrative exp.	15,000	By Gross Profit b/d	55,000
To Selling and Dist. Exp.	10,000		
To Net Profit	30,000		
	55,000		**55,000**

BALANCE SHEET

As at 31.3.10

Liabilities	₹	**Assets**	₹
Share Capital (16,000 equity shares of ₹ 10 each)	**1,60,000**	Fixed assets	1,00,000
Profit and Loss account	**30,000**	Closing Stock :	
Creditors	**10,000**	Raw Materials	11,000
		Work-in-progress	30,500
		Finished goods	8,500
		Debtors	30,000
		Cash and Bank	20,000
	2,00,000		**2,00,000**

Opening debtors (excluding profit element) and Opening creditors were ₹ 6,500 and ₹ 5,000 respectively. (12)

6. (a) Consider the following Euro/USS direct quote: 0.9345-0.9375

a. What is the cost of buying Euro 125,000?

b. How much would you receive by selling 49,300 Euro?

c. What is the cost of buying USD 78,500?

d. What is your receipt if you sell USD 63,400? (8)

(b) The following spot rates are observed in the foreign currency market :

Currency	**Rate per U.S $**
U.K.£	00.62
Netherlands Guilder	01.90
Sweden Krona	06.40
Switzerland Franc	01.50
Italy Lira	1,300.00
Japan Yen	140.00

Compute the following :

(i) U.K £ that can be acquired for $ 1,000

(ii) $ that 50 Dutch Guilders will buy.

(iii) Swedish Krona that can be acquired for $ 40.

(iv) Dollars that 2000 Swiss francs can buy.

(v) Italian Lira that can be acquired for $20.

(vi) Dollars that 1,000 Japanese yen will buy. (12)

PAPER 12

FINANCIAL MANAGEMENT & INTERNATIONAL FINANCE

TEST PAPER — III/12/AFM/2008/T-2

Time Allowed : 3 hours **Full Marks : 100**

(Answer Question No. 1 and any four Questions from the rest)

1. (a) MICOM Ltd. manufacturer of Mini Computers, commenced business on 1.4.2009 with a paid-up capital of ₹ 5,00,000. On the same date is also obtained a specific term loan at 20% interest towards 100% of the cost of a special machine from the State Financial Corporation. The loan is to be repaid over five years in equal annual installments exclusing interest, the first installment being due on 31.3.2010

For the first year ended 31.3.2010 the Company's final accounts were prepared and stored in a Personal Computer. The company had retained and transferred to reserve a sum of ₹ 2,00,000 after providing for taxes (tax rate 40%) and proposed a dividend of 20%. The company had invested the entire reserve amount of ₹ 2,00,000 on 31.3.2009 in Government Securities. It had also paid the first installment of the loan.

Unfortunately, due to a computer virus, the data has been lost. However, the chief accountant is able to provide the following information:

Debt Service Coverage Ratio	2.5 times
Interest Coverage Ratio	6 times
Creditor's Turnover Ratio	1 month
Stock Turnover Ratio (Based on Closing Stock)	5 times
Debtors' Turnover Ratio	2 months
Current Ratio	2
Gross Profit Ratio to Sales	33 1/3%
Selling and Administration Expenses	₹ 3,00,000

You are required to prepare the profit and loss account and Balance Sheet of MICOM Ltd. for the year ended 31.3.2010. (10)

(b) The following Balance Sheets of Adma Products Ltd. for the year 2008-09 and 2008-09 are available.

Liabilities	**2007-08** ₹	**2008-09** ₹
Share Capital	6,00,000	7,00,000
General Reserve	2,00,000	2,50,000
Capital Reserve (Profit on sale of investment)	–	10,000
Profit and Loss account	1,00,000	2,00,000
7% Debentures	3,00,000	2,00,000
Creditors for expenses	10,000	12,000
Creditors for supply of goods	1,60,000	2,50,000
Proposed dividend	30,000	35,000
Provision for taxation	70,000	75,000
	14,70,000	**17,32,000**
Assets		
Fixed Assets	10,00,000	12,00,000
Less : Accumulated Depreciation	2,00,000	2,50,000
	8,00,000	9,50,000
Investment at cost	1,80,000	1,80,000
Stock at cost	2,00,000	2,70,000
Sundry Debtors (*Less* : Provision of ₹20,000 & ₹25,000 respectively)	2,25,000	2,45,000
Bills Receivable	40,000	65,000
Prepayment of expenses	10,000	12,000
Miscellaneous expenditure	15,000	10,000
	14,70,000	**17,32,000**

Other information :

(i) During the year 2009-10 fixed assets, WDV ₹ 10,000 (depreciation written off ₹ 30,000) was sold for ₹ 8,000

(ii) During the year 2009-10 investments costing ₹ 80,000 were sold and later in the year investments of the same cost were purchased.

(iii) Debentures were redeemed at a premium of 10% in 2009-10

(iv) Liabilities for taxation for 2008-09 came to ₹55,000.

During the year 2008-09 bad debts written off was ₹15,000 against the provision account. Prepare Funds Flow statement. (10)

2. (a) In considering the most desirable capital structure of a company, the following estimates of the cost of debt and equity capital (after tax) have been made at various levels of debt-equity mix :

Debt as percentage of total capital employed	**Cost of debt %**	**Cost of equity %**
0	5.0	12.0
10	5.0	12.0
20	5.0	12.5
30	5.5	13.0
40	6.0	14.0
50	6.5	16.0
60	7.0	20.0

You are required to determine the optimal debt-equity mix for the company by calculating composite cost of capital. (8)

(b) The following financial data relate to CBA Ltd :

Year ended March	Earnings Per Share (EPS) (₹)	Net Dividend Per Share (DPS) (₹)	Share Price (SP) (₹)
2000	42	17	282
2001	46	18	184
2002	51	20	255
2003	56	22	275
2004	62	25	372

A firm of market analysis predicts that CBA Ltd.'s earnings and dividends will grow at 25% for the next 2 years. Thereafter, earnings are likely to increase at a lower annual rate of 10%.

If this reduction in earnings growth occurs, the analysts consider that the Dividend Pay out Ratio will be increased to 50%.

CBA Ltd. Is all equity-financed and has 10 lakhs ordinary shares in issue. The tax rate of 35% is not expected to change in the foreseeable future.

Requirement :

Calculate the estimated share price and P/E Ratio, which the analysts now expect for CBA Ltd., using the Dividend Valuation model.

Assume a constant post-tax cost of Capital of 15% and a constant annual growth of 10% P.V. of Re. 1 at 1% : (12)

Year	0	1	2	3
P.V.	1	0.8695	0.7561	0.6575

3. (a) Bharat Petroleum Ltd. proposes to install a pipeline for transport of crude oil from wells to refinery. Investments and operating costs of the pipeline vary from different diameter of pipes. The following details have been provided :

Pipeline diameter	3"	4"	5"	6"	7"
Investment required (₹ in lakh)	16	24	36	64	150
Gross annual savings in operating costs before depreciation	5	8	15	30	50

Estimated life after the installation is 10 years. Tax rate is 35 percent. Calculate the net savings after tax, and the cash flow generation; from these recommend the largest pipeline to be installed if the company desires a 15 percent after tax return and follows straight line method of depreciation for tax purposes. (10)

(b) Following are the details regarding three companies A Ltd., B Ltd. and C Ltd. :

A Ltd	B Ltd	C Ltd
r = 15%	r = 5%	r = 10%
ke = 10%	ke = 10%	ke = 10%
E = ₹8	E = ₹8	E = ₹8

Calculate the value of an equity share of each of these companies applying Walter's formula when dividend payment ratio(D/P ratio) is:

(a) 25%, (b) 50%, (c)75%.

What conclusions do you draw? (10)

4. (a) Agrani Ltd is in the business of manufacturing bearings. Some more product lines are being planned to be added to the existing system. The machinery required may be bought or may be taken on lease. The cost of machine is ₹40,00,000 having a useful life of 5 years with the salvage value of ₹8, 00,000. The full purchase value of machine can be financed by 20% loan repayable in 5 equal installments falling due at the end of each year. Alternatively, the machine can be procured on a 5-year lease, year-end lease rentals being ₹12,00,000 pa. The company follows the w.d.v. of depreciation at the rate of 25%. Company's tax rate is 35% and cost of capital is 16%.

(i) Advise the company, which options it, should choose- lease or borrow.

(ii) Assess the proposal from the lessor's point of view examining whether leasing the machine is financially viable at 14% cost of capital (detailed working notes should be given. Calculations can be rounded off to ₹ Lakhs). (10)

(b) Mumbai Flashbulbs Ltd. a household name of the manufacture of electrical appliances has 16 area offices in major cities in India. The company has an agreement with a nationalized bank, whereby the bank branches will collect money from the company's area offices and send it by telegraphic Transfer (TT) to the company's main branch account in Mumbai. It takes, on an average, five days for the main account to be credited this way. A private bank, which has a fast collection system, offers its services which take only one day for the accounts to be credit. For this, the company has to maintain a minimum of ₹ 10,00,000 in the main branch account: The firm's total collections per day are ₹ 6,00,000 and its opportunity cost of funds is 10%.

(i) If the nationalized bank does not charge any fee, should the firm accept the private bank's scheme?

(ii) Instead of ₹ 10,00,000 minimum balance if the private bank asks for an annual fee of ₹ 40,000, should the firm accept it? (10)

5. (a) The U.S. Dollar in selling in India at ₹ 45.50. If the Interest rate for a 6 months borrowing in India is 8% p.a. and the corresponding rate in US.S. in 2%.

(i) Do you expect U.S. $ to be at premium or at discount in the Indian forward market?

(ii) What is the expected 6 months forward rate for $ in India, and

(iii) What is the rate of forward premium or discount? (10)

(b) (i) From the following data, compute beta of Security-J:

$\sigma_j = 12\%$ $\sigma_m = 9\%$

$cor_{jm} = +0.72$

(ii) Merry Ltd. has earning before interest and taxes (EBIT) of ₹ 30,00,000 and a 40% tax rate. Its required rate of return on equity in the absence of borrowing is 18%. In the absence of personal taxes, what is the value of the company in an MM world (i) with no leverage; (ii) with ₹40,00,000 in debt; and (iii) with ₹ 70,00,000 in debt?

(iii) The following rates appear in the foreign exchange market :

Re/US$	Spot rate	2 Month Forward
	₹ 45.80/46.05	₹ 46.50/47.00

(a) How many dollars should a firm sell to get ₹ 5 crore after 2 months?

(b) How many rupees is the firm required to pay to obtain US$ 2,00,000 in the spot market?

(c) Assume the firm has US$ 50,000. How many rupees does the firm obtain in exchange of US$? (10)

6. (a) An Indian customer approaches a bank for a two-month forward contract to help it to settle a DM 200,000 payable maturing on 1/4/2010. The bank quotes a rate of ₹21.00/DM. On 1/4/2010,the customer requests the bank to extend the contract for one more month. If the rates prevailing on 1/4/2010 are as follows, what should the bank charge for extending the contract?

Spot : ₹ 36.00/$,DM 1.60/$

One-month forward : ₹ 36.50/$, OM 1.61/$

Ignore interest rates. (10)

(b) On 15th March Kaif Ltd., entered into a forward sale contract for US $ 5000 with it's banker at the rate of ₹35.05 delivery due on 15th June. On 5th May the company requests the bank to postpone the date to 15th July. Calculate the extension charges payable to the banker assuming the following rates in the market on 5th May. Ignore interest charges.

Spot	₹/$	35.00/02
Spot June		5.04/06
Spot July		35.04/10
Spot August		35.10/14

(10)

PAPER 13

MANAGEMENT ACCOUNTING-STRATEGIC MANAGEMENT

TEST PAPER – III/13/MSM/2008/T-1

Time Allowed : 3 hours **Full Marks : 100**

Answer Part A and any five Questions from Part B

PART A

Objective-type :

1. Portfolio management reduces
   a. Systematic risk
   b. Unsystematic risk
   c. Interest rate risk
   d. Default risk
   e. Inflation risk

2. Enterprise Risk Management do not include
   a. Corporate risk governance
   b. Portfolio management
   c. Risk analytics
   d. Exploit bottle neck
   e. Risk transfer

3. CSR stands for
   a. Corporate social responsibility
   b. Cultural social responsibility
   c. Classic social responsibility
   d. Corporate society responsibility

4. For an entrepreneur

a. Vision is before the mission
b. Mission is before the vision
c. Both are developed simultaneously
d. Vision or mission are un-important issue
e. Profitability is most critical

5. Porter's Model of Generic Strategy does not include
a. Cost leadership
b. Cost reduction
c. Differentiation
d. Cost focus
e. Differentiation focus

6. Which one of the following is not the form of restructuring ?
a. Expansion
b. Reengineering
c. Sell offs
d. Corporate control
e. Change in ownership structure

7. Steps of crisis management do not include
a. Identification of areas of risk
b. Stock options
c. Avoid chances of risks becoming crisis
d. Train crisis management team
e. Clear communication strategy which is transparent

8. Target price is
a. Market driven
b. Product driven
c. Cost driven
d. Investment driven
e. Customer driven

9. Risk management strategies are

a. Avoid risk, reduce risk, retain risk

b. Combine risks, transfer risk, share risk

c. Hedge risk

d. Both (a) and (c)

e. All of the above

10. Solvency related risk measures do not include

a. Probability of ruin

b. Short fall risk

c. Value at risk

d. Return on equity

e. Tail value at risk (20)

PART B

Answer any *five* questions :

11. Explain the concept of product-life-cycle. Show how it is related to marketing planning. (16)

12. Differentiate 'Mission' from 'Objectives'. Identify and discuss the key elements in developing a mission statement. (16)

13. Short Note :

a. Contractual Liability

b. Skimming Pricing Method

c. Strategic capability of a business firm. (16)

14. What are the characteristics of insurance exposures? (16)

15. A good 'Corporate Governance' should have certain basic principles. Enumerate them. (16)

16. What motivates executives to initiate Mergers and Acquisition? (16)

17. Suggest alternative strategic choices open to a firm for increasing penetration of existing markets with existing products. (16)

PAPER 13

MANAGEMENT ACCOUNTING-STRATEGIC MANAGEMENT

TEST PAPER — III/13/MSM/2008/T-2

Time Allowed : 3 hours **Full Marks : 100**

Answer Part A and any five Questions from Part B

PART A

Objective-type :

1. EPD in risk management means

a. Economic policy holder deficit

b. Expected probability of holder deficit

c. Expected policy holder deficit

d. Expected policy holder default

e. None of the above

2. When two firms together produce, warehouse, transport and market products, it is said to be a case of

a. Consolidation

b. Amalgamation

c. Joint venture

d. Strategic alliance

e. All of the above

3. Backward integration occurs when

a. A company produces its own inputs

b. An integrated company disintegrates into units

c. A company is concentrated in a single industry

d. There are no linkages among the business units

e. A company consumes its own finished products,

4. Major reason for the lower success in cross border merger is

a. Difference in cultures

b. Shortage of finance

c. Distance

d. Difference in language

e. Technology transfer

5. Instruments that hedge against risk do not include

a. Letter of credit

b. Forward rate contract

c. Factoring

d. Guarantee

e. Right issue

6. The BCG growth matrix is based on two dimensions

a. Market size and competitive intensity

b. Relative market share and market/industry growth rate

c. Profit margins and market size

d. Market size and market share

e. Relative market share and profitability margin

7. Which of the following does not relate to EVA?

a. Customer satisfaction

b. Operating profit

c. Tax

d. Cost of capital

e. Sales value

8. Types of risk do not include

a. Business risks

b. Market risks

c. Interest rate risk

d. Default risks

e. Uncertainty

9. MTS stands for
  a. Make to sell
  b. Make to stock
  c. Move to sell
  d. Move to store
  e. Mail to store

10. Benchmarking focuses on
  a. Production
  b. Best practices
  c. Best performance
  d. Supply chain management
  e. Profit (20)

PART B

Answer any *five* questions :

11. Define 'corporate objective'. Why are formal objectives necessary? (16)

12. Explain how the BCG matrix can help guide the selection of business unit managers in a company's portfolio. Discuss also the problems and difficulties, if any. (16)

13. What do you understand by the term 'competitive advantage'? Identify and examine 'major competitors' against which a business requires competitive advantage. (16)

14. What are the phases of a value engineering job plan? (16)

15. Short Notes :
  a. Product differentiation
  b. channels of distribution (16)

16. State the advantages and disadvantages of simulation model. (16)

17. What do you mean by 'Forecasting' ? What are the different techniques of Forecasting ? What are the criterion for choosing any technique of forecasting? (16)

PAPER 14

INDIRECT AND DIRECT TAX MANAGEMENT

TEST PAPER — III/14/TXM/2008/T-1

Time Allowed : 3 hours **Full Marks : 100**

Answer All questions

1. (a) Compute the total income of Mr. Budhiraja for the relevant Assessment Year and Calculate his tax liability :

	₹
Income from Salary	8,20,000
Income from House property	40,000
Business loss	1,80,000
Short-term capital loss	2,60,000
Long-term capital gain	1,40,000

($2\frac{1}{2}$)

(b) Compute the total income for the relevant A.Y. ($3\frac{1}{2}$)

	₹
Income from Business A (Non-speculation)	15,00,000
Income from Business B (Speculation)	8,00,000
Loss from Business C (Non-speculation)	18,00,000
Loss from Business D (Speculation)	2,00,000

Unabsorbed depreciation :		₹
A.Y. :	2008-09	4,25,000
	2009-10	3,00,000
	2010-11	4,00,000

Unabsorbed business loss ;		₹
Business B : A.Y. :	2010-11	50,000
	2011-12	90,000

	₹
Long term Capital Gain	3,00,000
Short term Capital Gain	2,00,000
Short term Capital Loss	4,00,000

Loss from owning & maintaining race loses ₹ 90,000

Income from Salary ₹ 9,00,000

Loss from self-occupid property ₹ 1,50,000

2. (a) Mrs. Yadav received the following amounts during the financial year 2011-12 :

Gross Salary ₹ 6,00,000

Family Pension @ ₹ 3,000 p.m.,

Income of a minor child ₹ 4,900

Accumulated balance of P.F. of her husband after his death ₹ 3,50,000

Gratuity received after the death of husband ₹ 5,00,000.

Compute tax liability. $(2\frac{1}{2})$

(b) Mr. A gifted a house property of ₹ 2 crore to Miss B on 15.06.11. Miss B got married to Mr. C, son of Mr. A on 30.6.11. The income from the gifted property was ₹ 5,00,000, which was added by the Assessing officer in the hands of Mr. A u/s64(1)(vi). Is this inclusion justified in law? $(1\frac{1}{2})$

(c) Mrs. K started the business in 2011. Her capital in the business as on 1.4.11 was ₹ 3,00,000. Mr. K (her husband) gifted a sum of ₹ 2,00,000 to Mrs. K on 10.09.11, which was also invested in the business on the same date. She earned a profit of ₹ 1,50,000 and ₹ 3,90,000 during the previous year 2010-11 and 2011-12 respectively.

Compute the amount to be clubbed in the hands of Mr. K. (2)

3. **H & CO. (a partnership firm of C. A's)**

Profit Loss Account for the year ending 31.3.12

	₹		₹
To Expenses	4,00,000	By Receipts from Clients for Consultation	6,00,00
To Depreciation	1,20,000	By Audit fees	2,00,000
To Remuneration to Partners	5,00,00	By Dividend from Indian Co.	1,20,000
To Interest on Capital to partners @14%	1,40,000	By Rent from House property (owned by the Firm)	2,40,000
To Municipal Tax of HP	20,000		
To Donations to C.M. Flood Relief Fund	30,000	By Net Loss	50,000
	12,10,000		**12,10,000**

Additional Information :

(a) Expenses include ₹ 25,000 paid in cash

(b) Depreciation as per IT Act ₹ 1,40,000

Compute the total income of the firm. (10)

4. Discuss the liability for tax deduction in these cases :

(a) Star plus, a TV channel pays ₹ 1 lakh on 1.10.11 as prize money to the winner of a quiz programme, "Kaun Banega Lakhpati"?

(b) A television company pays ₹ 80,000 to a cameraman for shooting a documentary film.

(c) Royal Calcutta Turf Club (RCTC) awards a jackpot of ₹ 3 lakhs to the winner of one of its races.

(d) R Ltd. let out its building to G Ltd. from 1.4.10 and received the following :

	₹
Areas of Rent received	70,000
Rent for the year	2,40,000
Non-refundable deposit	1,00,000

What is the liability of G Ltd. for TDS?

(e) Future Group is setting up an outlet at Rajarhat. They have given an advertisement contract to "AD-JUNCT", an advertising agency for ₹ 60,000.

The construction of a building was provided to M/s. Ahluwalia construction for ₹ 8 crores. M/s Ahluwalia construction again appointed M/s. Churiwala, as a labour contractor for ₹ 1.2 crores.

Discuss the liability for TDS. (10)

5. (a) Estimated Gross Total Income of Raghavan is ₹ 6 lacs which includes ₹ 1.5 lacs on account of LTCG earned on 16.9.11 & Winning from Race Horses ₹ 1,60,000 on 30.09.2011.

Compute Advance Tax Payable, assuming TDS ₹ 80,000 during the financial year 2011-12. ($1\frac{1}{2}$)

(b)

Tax on total income (paid on 30.9.10)	₹ 75,000
Due Date of filling the return	31.08.11
Return filed on	01.11.12

Calculate total interest payable u/s 234A and 234B [no advance tax paid] ($1\frac{1}{2}$)

(c) Mr. Daulatram made the following payments of advance tax during the financial year 2010-11 :

15-09-10	6,00,000
15-12-10	14,00,000
15-03-10	5,00,000
	25,00,000

The total income consists of ₹ 80 lakhs from business and ₹ 10 lakhs on capital gains on sale of property effected on 1.03.11. What is the interest payable u/s 234B and 234C ? (2)

6. (a) Ms. Shilpa had a loss from business for ₹ 2 lakhs. She has not submitted her return of income. What did she loose? ($1\frac{1}{2}$)

(b) For the previous year 2010-11, the assessee who has not submitted the return of income, wants to submit the same on :

(i) 2-4-11 (ii) 29-3-12 (iii) 2-4-12

Can he file the return? ($1\frac{1}{2}$)

(c) R filed a return of income for the assessment year 2011-12 on 31.7.11. He later files a revised return on 15.12.11 declaring a loss of ₹ 2,00,000. Can the loss be allowed to be carried forward? (1)

(d) Write short note on PAN (1)

(e) Mention the circumstances where PAN shall have to be quoted. ($1\frac{1}{2}$)

(f) What is "Best Judgement Assessment"? ($1\frac{1}{2}$)

(g) Mr. Z, a handicapped businessman furnishes his details as follows :

Profit & Loss Account
for the year ending 31st March of the relevant A.Y

	₹		₹
To Establishment expensess	2,20,000	By Gross Profit	6,00,000
To Travelling expenses	30,000	By Dividend from Indian Co.	20,000
To Rent and taxes	6,000	By Share of profit from a	1,00,000
To Municipal tax of property held as self-occupied	20,000	By Winning from lottery (after TDS @ 30.9%)	3,47,045
To Depreciation	30,000	By Sale of H.P. Block (WDV of Block 5,00,000)	20,00,000
To Interest on H.P.	1,20,000		
To LIC for premium	40,000		
To Medical insurance prem.	14,000	By Sale of H.P. (in herited from father during 2000-01 cost to his father purchased : 1981-82 ₹ 4,00,000)	20,00,000
To Donation to political party	40,000		
To Medical expenses of – self (suffering from neurological problem)	25,000		
– son (suffering from antism)	42,000		
To Tuition fees on Sons & Daughters Son : 25,000 D1 : 24,000 D2 : 36,000	85,000		
To Adance tax paid	5,60,000		
To Net profit	22,85,045		
	35,17,045		**35,17,045**

Compute tax liability. (8)

7. (a) H owns a house property which was purchased by him on 1.6.79 for ₹ 3,00,000. (F.M.V on 1.4.81 ₹ 4,00,000) This property was destroyed by fire on 10.3.11 and H received a sum of ₹ 30,00,000 from the insurance company on 28.09.11. Compute capital gain for the assessment year 2012-13. (3)

(b) G acquired a plot of land on 1.7.72 for ₹ 4,00,000. He converts the plot into stock-in-trade of his real estate business on 16.3.06, when fair market value of the plot was ₹ 40,00,000. The stock was sold by G for ₹ 42,00,000. (FMV on 1.4.81 ₹ 6,00,000) in this financial year.

Compute tax liability. (3)

(c) X acquired a house for ₹ 50,000 in 1978-79. On his death in December 1986 the property was inherted by his son Y. (FMV on 1.4.81 ₹ 2,80,000). This house was acquired by the Government on 15.3.08 for ₹ 10,00,000 and a compensation of ₹ 7,00,000 is paid on 25.3.11 and the balance on 16.4.11. Y filed a suit against the Government challenging the qauantum of compensation. The court ordered for giving an additional compensation of ₹ 4 lacs, which was received on 17.09.2011.

Compute Capital gains chargeable to tax. (4)

(d) Sudhir acquired shares in Z Ltd. on 15.12.98 for ₹ 4,00,000 which was sold on 15.5.11 for ₹ 18,00,000. Expenses on transfer ₹ 20,000. He invests ₹ 10 lacs in bonds of Rural Electrification corporation on 20.09.11.

(i) Compute capital gain for A.Y. 2012-13

(ii) What will be the consequence if Sudhir takes a loan against the security of such bonds (3)

8. (a) Compute deduction u/s 35D

Preliminary Expenses (Actual)	16,00,000	
Cost of project	90,00,000	
Capital Employed	1,10,00,000	(1)

(b) X Ltd. engaged in a special business and has entered into agreement with the prescribed authority for co-operation in research and development. The company spent

(i) ₹ 3,00,000 for in house research

(ii) ₹ 4,00,000 donated to University for research.

Compute deduction u/s 35. (2)

9. Compute total customs duty liability. $(7\frac{1}{2})$

CIF value in French France (FF) : 20,000

Exchange Rate : FF = ₹ 7.25

Additional information :

(a) CIF value includes Air freight 3000 FF and insurance 300 FF.

(b) Basic Customs Duty 25%.

(c) Excise duty on similar goods in India is 10% (as per tariff rate).

However, as per an exemption notification the effective rate is 8%.

10. A SSI unit effected clearances of goods of ₹ 445 lakhs in 2011-12 as follows : (without excise duty & sales tax)

(a) Clearances with own brand name : ₹ 100 lakhs

(b) Export to Nepal ₹ 30 lakhs

(c) Clearances with customer's brand name : ₹ 240 lakhs

(d) Clearances to 100% EOU ₹ 50 lakhs.

Normal Excise Duty : 10%

The unit wants to avail Cenvat credit on inputs of goods supplied to the brand name owner and SSI exemption on his own clearances.

Determine duty liability. $(7\frac{1}{2})$

11. (a) Define Cascading effect.

(b) State the conditions for availing CENVAT credit on (i) Input (ii) Capital goods.

(c) Difference between Identical goods & similar goods under Customs Act.

(d) Difference between Transit and Transhipment of goods.

(e) Difference between Sec. 74 and Sec. 75 of Duty Drawback.

$(1+2+1+1+2\frac{1}{2}=7\frac{1}{2})$

12. (a) The duty payable for October 2011 on final products : Basic Ex. Duty ₹ 2,00,000. He received input Credit Basic Excise Duty : ₹ 50,000; Excise Duty on capital goods received during the month : ₹ 12,000. Service tax paid on input services ₹ 10,000.

How much will the assesee pay under GAR-7 challan, if the assessee has no opening balance in PLA? What is the last date of payment? (5)

(b) Calculate Customs Duty Payable :

(i) Mr. Z returning to India after 7 days stay in Switzerland carrying goods of ₹ 50,000 including 2 litres of Scotch for ₹ 23,000.

(ii) Mr. Hassan is returning back to India after 3 years, from UK. He is carrying goods of ₹ 2 lacs including professional equipment worth ₹ 1,40,000. ($2\frac{1}{2}$)

[**Note :** Relevant Assessment Year for June 2012 Examination — 2012-2013]

PAPER 14

INDIRECT AND DIRECT - TAX MANAGEMENT

TEST PAPER — III/14/TXM/2008/T-2

Time Allowed : 3 hours **Full Marks : 100**

1. Answer any *three* questions : 3×5=15

(a) On 6th May, 2011, Mr. Anant Agarwal started a business of manufacturing PVC pipes. The following expenses were incurred by Mr. Agarwal before commencement of production —

	₹
Cost of feasibility report	30,000
Cost of Project report	40,000

On 31st March, 2011, Balance Sheet of Agarwal's business shows Plant and Machinery ₹ 10,00,000 and Furniture ₹ 2,00,000.

Compute allowable deduction under section 35D for the relevant assessment year. (2+3=5)

(b) Miss Tulip having age of twelve years is a child actor and acting in different TV serials. During the year 2011-12, she received fees of ₹ 50,000 for acting. She lost her father and living with her mother Jasmine. Jasmine made a fixed deposit in the name of Tulip and interest received by Tulip during the year 2011-12 is ₹ 28,000. Jasmine's income during the year 2011-12 is ₹ 2,50,00.

Compute total income of Tulip and Jasmine for the assessment year 2012-13. (2+3=5)

(c) "It is necessary to file return of loss". In the light of the above statement state the relevant date of filing of return of loss by an individual assessee. What are the consequences for non filing of such return? Is it necessary to file return of loss in order to avail the benefit of unabsorbed depreciation? (1+3+1=5)

(d) Mr. Saikat Sanyal furnished the following information for the relevant previous year : (1+4=5)

		₹
(i)	Tax payable on taxable inccome	92,000
(ii)	Tax deducted by employer from salary	75,000
(iii)	Tax deducted from bank interest	6,300

Is he liable to pay advance tax? If yes, state the dates and amount of advance tax payable during the relevant year. (1+4=5)

(e) Can an employer deduct tax in respect of other income of an employer? You are asked to state the relevant provisions in this respect (Mode of computation of TDS is not required). (1+4=5)

2. Answer any *five* questions : 5×8=40

(a) (i) Mrs. Sakuntala Sahai is running a pharmaceutical business. She furnished the following information in relation to scientific research expenditure for the relevant previous year :

- paid ₹ 70,000 as salary to research staff for in house research.
- purchased plant & machinery for ₹ 1,00,000 and a piece of land for ₹ 75,000 for the purpose of in house research.
- paid ₹ 30,000 to Calcutta University in relation to an approved scientific research not related to business
- profit of the business for the relevant previous year (before considering above expenses) ₹ 7,00,000.

Compute allowable deduction under section 35 and taxable income from business for the relevant assessment year. (5+1=6)

(ii) Madhumita is working in a firm where her husband is a partner. She draws a salary of ₹ 10,000 p.m. However, considering her qualification and experience, she can expect salary of ₹ 7,000 p.m.

Compute the amount of disallowance for computation of 'Book Profit' under the relevant section. (2)

(b) Sujata inherited a two storied house in Kolkata from her father on 18th January 2001. The house was acquired by her father on 8th July 1979 for ₹ 1,20,000. Fair market value of the house on 1.4.81 was ₹ 2,00,000. She constructed another floor in August 2003 at a cost of ₹ 5,00,000. On 3rd September '11 she sold the house for ₹ 35,00,000. However, the valuation adopted by the registration authority for stamp duty was ₹ 28,00,000. She paid brokerage @ 1% on Sales value.

Compute taxable capital gain for the assessment year 2012-2013. What will happen if she purchased a flat for ₹ 17,50,000 in January 2012? (6+2=8)

(c) Mr. Kuber Prasad furnished the following information for the previous year 2011-2012 :

	₹
Income from house property	90,000
Income from business (non-speculative)	60,000
Income from business (speculative)	50,000
Short term capital loss	68,000
Long term capital gain	61,500
Income from owing and maintaining race horses	13,000

He has the following brought forward loses and allowances :

Non speculative business loss of the A.Y. 04-05	50,000
Unabsorbed depreciation of the A.Y. 01-02	28,000
Speculative business los of the A.Y. 06-07	45,000
Long term Capital los of the A.Y. 07-08	45,000
Loss from owing and maintaining race horses of the A.Y. 05-06	27,000

Compute total income of Mr. Prasad and losses and allowances to be carried forward. (5+3=8)

(d) Mr. Tony Paul owns the following business assets and furnishes the following information for the previous year 2011-2012 :

	Plant & Machinery	**Computers**
	(₹)	**(₹)**
WDV as on 1.4.11	3,50,000	1,20,000
Additions during 2011-12	1,30,000	60,000
Rate of depreciation	15%	60%

Other Information :

(i) Out of purchase of plant and machinery, a machine costing ₹ 80,000 was purchased on 18.06.11 but put to use on 08.11.11. Other machines were purchased and put to use on 05.05.11.

(ii) During 2010-11, a machine having WDV of ₹ 1,00,000 was sold at a loss of ₹ 20,000.

(iii) During 2011-12, 2 computers were purchased on 11.07.11 and 6 computers were sold on 03.10.11 for ₹ 2,00,000.

(iv) Rate of additional depreciation is 20%.

(v) Profit earned during 2011-12 : ₹ 75,000 (before charging depreciation).

Compute normal and additional depreciation and capital gain/loss, if any. What will be the tax implications of charging depreciation? (4+3+1=8)

(e) (i) Mrs. Kaberi Krishnamurti having age of 66 years furnished the following information :

	₹
Income declared and assessed	8,35,000
Advance tax paid during F/Y 2011-12	92,000
Tax deducted at source	18,000
Self assessment tax paid under section 140A on the date of filing of return	20,000
Actual date of filing of return	3rd October, 2011

Other Information :

1. Due date of filing of return under section 139(1) is 31st July 2011.
2. Rounding off is not necessary.

3. Education cess @ 2% and Secondary & Higher Education cess @ 1% are applicable on Computed tax.

   Compute interest payable under section 234A. (5)

(ii) Mentions the cases when Assessing Officer can make Best judgement assessment. (3)

(f) (i) Define personal effect. Is transfer of personal car chargeable to Capital gain? When is agricultural land not treated as Capital asset? (2+1+1=4)

(ii) Shubhobrata purchasd 100 shares of Sun Pharma Ltd., @ ₹ 320 per share on 08.05.04. On 17.12.07 the company allotted bonus shares at the rate of one share for every four shares held. On 12.09.11, he sold entire shares @ ₹ 3.00 per share.

Compute Capital gain for the AY 2012-2013. (4)

(g) (i) Mention the cases when refund can be granted even if it is not claimed by the assessee. (2)

(ii) An assessee submitted his return of income two years from the end of the previous year. He now wants to submit a revised return. Discuss the validity of revision. (4)

(iii) Mention any two transactions prescribed by the CBDT where quoting of PAN is necessary. (2)

(h) (i) Mr. Basu is employed simultaneously under more than one employer, who is responsible for deducting tax at source?

Discuss the provision in this regard.

(ii) Mr. Jhunjhunwala acquired a machine for his business on 15.10.06 for ₹ 2,50,000 for the purpose of scientific research related to its business. The machine is sold on 10.8.11 without having been used for other purposes :

(a) ₹ 1,50,000 (b) ₹ 3,85,000

Discuss the tax treatment of the above transactions. (3+5=8)

3. Answer any *one* questions : 1×15=15

(a) Akash, Baivab and Chandrani are partners of ABC & Co. a firm of Cost Accountants sharing profits and losses in the ratio 3:2:1. The firm's Profit & Loss Account for the year ending 31st March, of the relevant A.Y. is given below :

			₹				₹
To Salary to employee			40,900	By Gross profit b/d			2,75,000
To Fringe benefit tax			3,000	By Bad debt recovered (Previously allowed)			10,000
To Business expenses			15,800				
To Interest			10,000	By Interest on govt. securities (Gross)			20,000
To Loss on Sale of Car			5,000				
To Fines paid to Customs authority			2,000	By Dividend from Indian Co.			15,000
To Salary to partners				By Interest on drawings			
	A	54,000			A	2,500	
	B	36,000			B	1,500	
	C	30,000	1,20,000		C	1,000	5,000
To Interest on Capital				By Bank interest			12,000
	A	3,500					
	B	3,200					
	C	3,600	10,300				
To Commission to C			5,000				
To Donation to P.M.'s National Relief Fund			2,000				
To Depreciation			20,000				
To Provision for Bad Debt			1,000				
To Net Profit c/d			1,02,000				
			3,37,000				**3,37,000**

Other Information :

(i) Depreciation allowable as per IT Rules : ₹ 40,000.

(ii) On 21.09.10 the firm paid outstanding excise duty of 20,500 for the previous yer '09-10. The amount was debited to last year's Profit & Loss Account.

(iii) As per partnership deed, interest on Capital will be allowed to Akash at 14% p.a., Baivab at 16% p.a. and Chandrani at 18% p.a.

(iv) The firm satisfies all the conditions under section 184 and under section 40(b).

Compute the total income of the firm for the relevant assessment year.

(b) Mr. Roy a resident individual (Age 50 years) for the year 2011-12 submits the following information :

	₹
Income from Salary	4,90,000
Share of Profit from :	
FIRM	60,000
HUF	30,000
Income from Business	60,000
Income from Lottery (Gross)	58,735
Income from House (Gross)	4,500
Long term Capital gain from sale of Building	1,80,000
He has made the following contribution/investments during the year :	
Own LIC Premium (sum assured ₹ 1,00,000)	21,000
Repayment of House Building Loan (including interest ₹ 15,000)	35,000
Tuition Fee of three children (₹20,000; ₹5,000; ₹15,000)	40,000
Investment in NSC VIII issue	15,000
Investments in Infrastructure Bond	25,000
Health insurance premium by crossed cheque	16,000

Compute total income and tax liability of Mr. Roy for the relevant Assessment Year.

4. Answer any *one* questions : 1×5=5

(a) Write a short note on Anti-Dumping duty under Customs Act, 1962. (5)

(b) Write a short note on the essential features of the CENVAT credit scheme in relation to the Capital goods under CENVAT Crdit Rule 2004. (5)

5. Answer any *one* questions : 1×8=8

(a) Define bonafide baggage and unaccompanied baggage as per Customs Act 1962. What is the relevant date for determination of rate of duty and tariff valuation in case of a baggage? (3+2+3=8)

(b) Mr. Q, an Indian resident visiting London, brought the following goods while returning to India. (8)

(i) personal effects values at ₹ 20,000

(ii) 3 litres of liquor valued at ₹ 5,400

(iii) New camera of ₹ 45,000

What is the Customs duty payable?

6. Answer any *two* questions : $2 \times 8\frac{1}{2} = 17$

(a) Sunflower Ltd., imported a machine from USA by air for its factory in Silvasa. The FOB value of the machine is $ 30,000. Other expenses incurred were as follows :

(i) Freight from USA to India $ 4,500.

(ii) Insurance premium is not shown/available in the invoice.

(iii) Transportation charges from "Indian airport" to "Silvasa factory" is ₹ 12,500.

Basic customs duty 20%; Additional Customs duty u/s 3(1) 16%; Education cess 2% and Secondary and Higher Education cess 1%.

Compute : Assessable value and Customs duty payable; asuming an Exchange Rate of $1 = ₹ 46. $(5+3\frac{1}{2} = 8\frac{1}{2})$

(b) Discuss in brief the provisions relating to exemptions available to small-scale units under Central Excise Act, 1944. $(8\frac{1}{2})$

Explain the provisions relating to drawback in case of imported materials used in the manufacture of goods which are exported. $(8\frac{1}{2})$

[**Note :** Relevant Assessment Year for June 2012 Examination — 2012-2013]