

**REVISED SYLLABUS – 2008**

# **REVALIDATION TEST PAPERS**

**INTERMEDIATE**

**Group I**



**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**

**DIRECTORATE OF STUDIES**

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**PAPER - 5**  
**FINANCIAL ACCOUNTING**  
**QUESTIONS TO**  
**REVALIDATION TEST PAPER-RV/05/FAC/2010**

**Time Allowed : 3 Hours**

**Full Marks : 100**

Answer Question No. 1 which is compulsory and *five* from the rest.

1. (a) Distinguish between Liability and Provision. (3 marks)
- (b) A & B are two partners of a firm sharing the profits & losses in the ratio of 7/12 and 5/12 respectively. On 1st April 2009, they take C as a partner giving him 1/6 share. A & B agreed further to share the C future profits in the ratio of 13/12 & 7/24 resp. C, in addition to his capital, brings in Rs 96000 as his goodwill for 1/6 share. The goodwill is amount to be shared between A & B.  
The share of goodwill amount of A & B respectively will be  
A : Rs. 24000 & Rs. 72000  
B : Rs. 72000 & Rs. 24000  
C : Rs. 56000 & Rs. 40000  
D : Rs. 52000 & Rs. 44000  
Choose the correct answer. (3 marks)
- (c) Match the following : (4 marks)
- |             |   |
|-------------|---|
| (i) AS-4    | (1) Disclosure of Accounting Policies                             |
| (ii) AS-10  | (2) Contingencies & Events occurring after the Balance Sheet Date |
| (iii) AS-26 | (3) Accounting for Fixed Assets                                   |
| (iv) AS-1   | (4) Intangible Assets   |
- (d) Match the following : (3 marks)
- |                         |                           |
|-------------------------|---------------------------|
| (i) Cash Reserve        | (1) Electricity Supply Co |
| (ii) Clear Profit       | (2) Construction Co       |
| (iii) Escalation Clause | (3) Banking Co            |
- (e) Can a company change the method of providing Depreciation? (3 marks)
- (f) State whether each of the following statement is true or false (4 marks)
- (i) Dividend can be declared out of revaluation of fixed assets
- (ii) Calls in arrears is shown in the B/S under the heading current assets
- (g) Mention the funds out of which a company can purchase its own share? (3 marks)
- (h) Choose the correct answer : (2 marks)
- Under the Hire Purchase System the last installment paid comprises
- (i) Cash Price only
- (ii) Interest only
- (iii) Cash Price and Interest

2. (a) M/s Rama and Rina commenced business on 1st January 2005, when they purchased plant and equipment for Rs. 7,00,000. They adopted a policy of (i) charging depreciation at 15% p.a. on diminishing balance method and (ii) charging full year's depreciation on additions. Over the years, their purchases of plant have been :

Date	Amount
August 1, 2006	1,50,000
September 30, 2009	2,00,000

On January 1, 2009 it was decided to change the method and rate of depreciation to 10% p.a. on straight line method with retrospective effect from January 1, 2005, the adjustment being made in the accounts for the year ending 31st December, 2009. Kolkata the difference in depreciation to be adjusted in the Plant and Equipment Account on January 1, 2009 and show the ledger account for the year 2009. (10 marks)

- (b) Classify the following items as capital or revenue expenditure :
- An extension of railway tracks in the factory area;
  - Wages paid to machine operators;
  - Installation costs of new production machine;
  - Materials for extensions to foremen's offices in the factory;
  - Rent paid for the factory. (5 marks)
3. (a) The Bihar Coal Co. Ltd. holds a lease of coal mines for a period of twelve years, commencing from 1st April 2002. According to the lease, the company is to pay Rs 7.50 as royalty per ton with a minimum rent of Rs 150,000 per year. Short workings can, however, be recovered out of the royalty in excess of the minimum rent of the next two years only. For the year of a strike the minimum rent is to be reduced to 60%. The output in tons for the 6 years ending 31st March, 2008 is as under: 2002-03 : 10,000; 2003-04 : 12,000; 2004-05:25,000; 2005-06: 20,000; 2006-07: 50,000; and 2007-08:15,000 (strike). Write up the necessary Ledger Accounts in the books of Bihar Coal Co. Ltd. (10 marks)
- (b) Distinguish between Hire Purchase System and Instalment System. (5 marks)
4. (a) From the following information, calculate the value of goodwill by super profit method and Capitalisation method
- Average Capital employed in the business Rs. 7,00,000.
  - Net trading profit of the firm for the past three years Rs. 1,47,600; Rs. 1,48,100 and Rs.1,52,500.
  - Rate of Interest expected from capital having regard to the risk involved —18%.
  - Fair remuneration to the partners for their services 12,000 per annum.
  - Sundry Assets (excluding goodwill) of the firm Rs. 7,54,762.
  - Sundry Liabilities Rs. 31,329.
  - Goodwill valued at 2 years' purchase (10 marks)
- (b) Write a short Note on Segmental Reporting. (5 marks)
5. (a) Swapna Ltd. has two branches, at Mumbai and at Delhi. Goods are invoiced to Branches at cost plus 50%. Goods are transferred by/to another branch at its cost. Following information is available of the transactions of Mumbai for the year ended on 31st March 2008.

	Rs.
(a) Opening Stock at its cost	26,700
(b) Goods sent to Branch (including goods invoiced at to Branch on 31st March but not received by Branch before closing)	1,500
(c) Goods received from Delhi Branch	78,300
(d) Goods transferred to Delhi Branch	600
(e) Goods returned by Branch to H.O.	5,100
(f) Goods returned by Credit Customers to Branch	1,170
(g) Goods returned by Credit Customers directly to H.O.	570
	120

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(h) Agreed allowance to Customers off the selling price (already taken into account while invoicing)	100
(i) Normal loss due to wastage and deterioration of stock (at cost)	150
(j) Loss-in transit (at invoice price) Rs. 660 against which a sum of Rs. 400 was recovered from the Insurance Company in full settlement of the claim.	
(k) Cash Sales Rs. 3,200 and Credit Sales	72940
(l) Branch Expenses (including Insurance charges)	5,000
(m) Bad Debts Rs. 100 and Discount allowed to Customers	50

Prepare Branch Stock Account, Branch Adjustment Account and Branch Profit and Loss Account in the following case.

If the Closing Stock at Branch at its cost as per physical verification amounted to Rs. 20,000 (10 marks)

- (b) Write short notes on treatment of abnormal losses in Branch Account. (5 marks)
6. (a) Alpha Ltd issued a prospectus inviting applications for 2,000 shares of Rs.10 each at a premium of Rs. 2 per share, payable as follows :
- On Application Rs.2 On Allotment Rs. 5 (including premium)  
On First Call Rs.3 On Second & Final Call Rs. 2
- Applications were received for 3,000 shares and *pro rata* allotment was made on the applications for 2,400 shares. It was decided to utilise excess application money towards the amount due on allotment.
- Mohit, to whom 40 shares allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited.
- Jagat, the holder of 60 shares failed to pay the two calls and on his such failure, his shares were forfeited.
- Of the shares forfeited, 80 shares were sold to Rishav credited as fully paid for Rs. 9 per share, the whole of Mohit's shares being included.
- Give Journal Entries to record the above trasactions (including cash transactions) (10 marks)
- (b) Discuss the conditions of Companies Act with regard to buy back of shares. (5 marks)
7. (a) Hansa Ltd. was incorporated on 1st July, 2008 to acquire a running business with effect 1st April, 2008. The accounts for the year ended 31st March, 2009 disclosed the following :
- (i) There was a gross profit of Rs. 30,00,000.  
(ii) The sales for the year amounted to Rs. 1,20,00,000 of which Rs. 24,00,000 were for the first six months.  
(iii) The expenses debited to the Profit and Loss Account included—directors' fees :  
Rs. 1,50,000; bad debts : Rs. 36,000; advertising : Rs. 1,20,000 (under a contract amounting to Rs. 10,000 per month); salaries and general expenses : Rs. 6,40,000; preliminary expenses written off Rs. 50,000; and donation to a political party given by the company Rs. 50,000.
- Prepare a statement showing the amount of profit made before and after incorporation. (10 marks)
- (b) Distinguish between Statutory Reserve and Cash Reserve in respect of Banking Companies (5 marks)
8. Write note on :
- (a) Double Accounting System  
(b) Reinsurance  
(c) Materiality Concept  
(d) Minimum Rent  
(e) Bonus Share (15 marks)

**PAPER - 6**  
**COMMERCIAL AND INDUSTRIAL LAWS AND AUDITING**  
**QUESTIONS TO**  
**REVALIDATION TEST PAPER-RV/06/CIA/2010**

**Time Allowed : 3 Hours**

**Full Marks : 100**

**SECTION I : COMMERCIAL AND INDUSTRIAL LAWS**

Q. No. 1 is compulsory and any *two* questions from rest.

1. (a) Comment on following statement. (18 marks)
  - (1) Passing of risk is dependent on delivery of goods.
  - (2) Every trade practice in restraint of trade is not necessarily a restrictive trade practice.
  - (3) Lay off and retrenchment cans not the same meaning.
  - (4) Gratuity can be attached by an order of court.
  - (5) Eligibility of bonus depends on the period of actual service.
  - (6) Minor under Contract Act is always a beneficiary.
  - (7) An apprentice is a workman under Industrial Dispute Act.
  - (8) Acceptance for honour can be made only when the instruments becomes Dishonored by non acceptance or by non payment.
  - (9) Matters provided in first schedule, second schedule and third schedule of pay ment of Bonus Act.
- (b) Difference between bill of exchange and cheque. (4 marks)
2. (a) Discuss the essentials of a valid contract. (8 marks)
  - (b) Who cannot enter into a contract? (3 marks)
  - (c) Distinguish between void and illegal contracts. (3 marks)
3. (a) What are the remedies available to a worker who has paid less than the minimum rates of wages? State the procedure for determination of dispute. (4 marks)
  - (b) Who is occupier of a factory under Factories act? When can he be exempted from liability. (4 marks)
  - (c) Discuss rights of consumer under consumer protection act. (3 marks)
  - (d) Discuss rights of unpaid seller. (3 marks)
4. (a) Can a minor be liable for payment of supplies of necessities to him? (4 marks)
  - (b) Explain remedies available under consumer protection act. (4 marks)
  - (c) Write about 'Partnership by holding out.' (3 marks)
  - (d) When an offer lapses. (3 marks)
5. Write short notes (*any Two*) : (14 marks)
  - (a) Exceptions to the rule no. consideration no contract
  - (b) Anti Competitive Agreements
  - (c) Objectives of Right to Information Act.
  - (d) Monitoring and Reporting under Right to Information Act.

## SECTION II : AUDITING

**Q. No. 1** is compulsory and any *two* questions from rest.

1. State with reasons whether the following statements are **TRUE** or **FALSE**. (18 marks)
  - (i) Internal Audit is entrusted to the employees of the organization.
  - (ii) When there is a Statutory Audit, introduction of Internal Audit is not necessary at all.
  - (iii) Auditing is generally associated with only accounting and financial records.
  - (iv) Only the vouching to ascertain the arithmetical accuracy is not enough.
  - (v) Internal Audit is similar to that of internal control.
  - (vi) Detection of frauds is the duty of the Statutory Auditor and not necessarily that of an internal auditor.
  
2. What is audit evidence? Explain the different types of audit evidence and different methods of obtaining them. (16 marks)
  
3. What do you mean by CARO? Explain what is expected under the CARO regarding :
  - (a) Inventory
  - (b) Internal Audit
  - (c) Internal Control
  - (d) Deposit of Statutory Dues.
  - (e) Frauds(16 marks)
  
4. Answer in brief :
  - (a) What is the professional qualification of Company Auditor?
  - (b) Who can become a Cost Auditor of a company?
  - (c) A person disqualified for any reason to be a Co. Auditor is also disqualified to be an auditor of which companies?
  - (d) When Central Govt. appoints a Company Auditor?
  - (e) Who can remove the Co. Auditor?
  - (f) Give any two important rights of Co. Auditor.
  - (g) What is an important duty of Co. Auditor to shareholders of the Co.?
  - (h) To whom the auditor performs his duty of signing an Audit Report?(16 marks)
  
6. Write short notes on :
  - (a) Efficiency Audit.
  - (b) Qualified Report
  - (c) Auditing in EDI environment
  - (d) Audit checks in case of Depreciation.(16 marks)

**PAPER - 7**  
**APPLIED DIRECT TAXATION**  
**QUESTIONS TO**  
**REVALIDATION TEST PAPER-RV/07/ADT/2010**

**Time Allowed : 3 Hours**

**Full Marks : 100**

Answer Question **No. 1** which is compulsory and **five** from the rest.

1. (a) What is the tax incidence of contribution made by an employer to the pension scheme of Central Government? (2 marks)
- (b) What is the cost of acquisition of sweat equity shares in the hands of the employee? (2 marks)
- (c) Gratuity of Rs. 1,20,000 is received in August, 2007 by Mr. M, a legal heir of Mr. R aged 45 years who died on June 28, 2007. Is it taxable? (2 marks)
- (d) Cash gifts received under section 56(2)(vi) from non-relatives are not taxable upto -
  - (1) Rs. 1,00,000;
  - (2) Rs. 75,000;
  - (3) Rs. 50,000;
  - (4) Rs. 25,000. (2 marks)
- (e) Mr. A has three minor children deriving interest from bank deposits to the tune of Rs. 2,000, Rs. 1,300 and Rs. 1,600 respectively. Exemption available under section 10(32) of the Income-tax Act, 1961 is —
  - (1) Rs. 4,900;
  - (2) Rs. 4,300;
  - (3) Rs. 4,500;
  - (4) None of the above. (2 marks)
- (f) Miss Femina, aged 17, is married to Mr. Masculine. Her mother alone is alive. Income by way of interest on loans, of Miss Femina will be —
  - (1) Assessed to tax in the hands of Mr. Masculine;
  - (2) Assessed to tax in the hands of her mother;
  - (3) Taxable in her own hands;
  - (4) None of the above. (2 marks)
- (g) Mr. X gifts Rs. 60,000 to the HUF of which he is member; said amount will be treated as income of —
  - (1) Mr. X;
  - (2) The HUF;
  - (3) None, as it is exempt;
  - (4) None of the above (2 marks)
- (h) Short-term capital gains arising from sale of listed shares through a recognized stock exchange, for which security transaction tax has been paid, will be charged to tax at a concessional rate of 10%. (2 marks)
- (i) The following is not a venture capital undertaking for the purposes of section 10(23F), if engaged in business of :
  - (1) Generation of power;
  - (2) Telecommunications;
  - (3) Providing infrastructural facility;
  - (4) Dairy farming whose shares are not listed in a recognised stock exchange. (2 marks)

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- (j) In valuation of immovable property in Bangalore, the specified area means ..... of the aggregate area, for wealth-tax purposes.  
(1) 60 per cent;  
(2) 65 per cent;  
(3) 70 per cent;  
(4) 75 per cent. (2 marks)
- (k) The urban lands of Mr. A were required by the State Government 10 years back and compensation of Rs. 10 lakhs was awarded by the Court in February, 2008 and the same was received in May, 2008.  
State the consequences under the Income-tax Act, 1961, showing clearly the year of taxability. What will happen if Mr. A dies and Mr. L, his legal heir receives the enhanced compensation? (5 marks)
2. (a) Mr a has joined K ltd on July 2006 in the scale of Rs15000-1500-21000-2500-31000. Compute the Gross salary for the relevant Previous year. (4 marks)  
(b) Elaborate on what are to be taxed as profits in lieu of salary. (6 marks)  
(c) Mr B TAKES A INTEREST FREE LOAN OF Rs250000 on 1st November of the relevant Previous year to construct his house. The loan is repayable in 50 monthly instalments from January of the relevant previous year. Compute the value of perquisite. (SBI lending rate-8.5% p.a) (5 marks)
3. (a) Is it possible for the net annual value of a house property to be negative? What will be the tax treatment if income under the head 'income from house property' is negative? (6 marks)  
(b) What do you mean by composite rent? What is the tax treatment of Composite rent under the Income TAX Act-1961. (9 marks)
4. (a) Write a short note on –Special provisions for computing the profits and gains of civil construction u/s 44AD of The Income Tax Act 1961. (7 marks)  
(b) What are intangible assets? Give four examples. What is the rate of depreciation on a block of intangible assets? (8 marks)
5. (a) P commenced a business on 10/05/1992. The said business is sold by J ON 25<sup>TH</sup> August of the relevant previous year and he received Rs. 10 lacs towards goodwill. Compute Capital gain of the relevant previous year.  
What will be your answer in the above case, if P had acquired the goodwill for this business for a consideration of Rs. 300000. (8 marks)  
(b) What is slump sale? How is capital gain computed in case of a slump sale? (7 marks)
6. (a) Discuss the taxability of gifts received by an assessee. (7 marks)  
(b) F received the following gifts during the relevant previous year  
(i) Rs 40,000 from the elder sister  
(ii) Rs. 60,000 from the daughter of her elder sister  
(iii) Rs. 125,000 from various on the occasion of her marriage.  
(iv) Wrist watch valued at Rs. 40,000 from his friend. (8 marks)
7. (a) What is the due date of filling of return of income in case of a nonworking partner of a firm whose accounts are not liable to be audited?  
(b) Is e-filing of return mandatory? State the assessee's for whom e-filing of returns is mandatory?  
(c) Can a belated return of income filed u/s 139(4) be revised?  
(d) Can a revised return be further revised?  
(e) Who can sign the return of HUF, if HUF does not have a major member? (3×5 marks)
8. (a) State briefly the exemptions available u/s 5 of Wealth Tax Act, 1957. (7 marks)  
(b) Write a brief note on deduction available under section 80DD OF THE Income Tax Act, 1961 (8 marks)