

**HIMACHAL PRADESH PUBLIC SERVICE COMMISSION**  
**S.A.S. (OB)-(PART-II) EXAMINATION, 2016**

PAPER: IV

**ADVANCED COMMERCIAL ACCOUNTS & TAXATION**  
**(WITHOUT BOOKS)**

TIME ALLOWED: 3 HOURS

MAXIMUM MARKS: 100

Notes:

- i) Attempt any 3 questions from Part-I and 2 from Part-II including Question No. 1 & 6 which are compulsory.
- ii) Marks have been shown against each question.
- iii) All parts of a question should be attempted at one place.
- iii) Indicate the same question number & its part as assigned in the question number while answering the same failing which such answer shall not be evaluated.

**PART-I ACCOUNTING (75 MARKS)**

*(Answer Question No. 1 which is **COMPULSORY** and any **TWO** of the rest from this part)*

Q. No. 1

The following balances have been extracted from the books of ABC Ltd on 31<sup>st</sup> March, 2016. You are required to prepare Trading and Profit & Loss Account for the year ended on 31<sup>st</sup> March, 2016 and Balance Sheet as at that date after taking into consideration the following information:-

Credit	₹	Debit	₹
Share Capital	40,00,000	Premises	30,72,000
12% Debentures	30,00,000	Plant & Machinery	33,00,000
Sales	41,50,000	Stock	7,50,000
Bills Payable	3,70,000	Purchases	18,50,000
Bad Debt Provision (1 <sup>st</sup> April, 2015)	35,000	Salaries	2,02,250
General Reserve	2,50,000	Goodwill	2,50,000
Profit & Loss Account	2,62,500	Calls in Arrear	75,000
Creditors	4,00,000	General Expenses	68,350
		Wages	9,79,800
		Interim Dividend paid	3,92,500
		Bad Debts	21,100
		Debenture Interest paid	1,80,000
		Preliminary expenses	50,000
		Debtors	8,70,000
		Cash at Bank	4,06,500
<b>Total</b>	<b>1,24,67,500</b>	<b>Total</b>	<b>1,24,67,500</b>

Additional information:

(a) Stock on 31<sup>st</sup> March, 2016 was ₹ 9,50,000 (b) Provide for bad and doubtful debts @ 5% on debtors; (c) Make a provision for Income Tax @ 50%; (d) Depreciate Plant and Machinery @ 15% (e) A claim of ₹ 25,000 for workmen's compensation is being disputed by Company (f) Write off ₹ 5,000 from Preliminary Expenses (g) Half year's Debenture Interest is due. (25)

Q. No. 2.

From the following Summary Cash Account of X Ltd, prepare Cash Flow Statement for the year 2015-16 in accordance with Accounting Standard (AS) 3 using the direct method. The Company does not have any cash equivalents.

	₹		₹
Balance on 1.4.2015	50,000	Payment to Suppliers	20,00,000
Issue of Equity Shares	3,00,000	Purchase of Fixed Assets	2,00,000
Receipts from Customers	28,00,000	Overhead expense	2,00,000
Sale of Fixed Assets	1,00,000	Wages and Salaries	1,00,000
		Taxation	2,50,000
		Dividend	50,000
		Repayment of Bank Loan	3,00,000
		Balance of 31.3.2016	1,50,000
<b>Total</b>	<b><u>32,50,000</u></b>		<b><u>32,50,000</u></b>

(25)  
P.T.O.

- Q. No. 3 (a) What are the three fundamental accounting assumptions recognized as per Accounting Standard (AS) 1? Briefly explain each.
- (b) ABC Company has taken a Transit Insurance Policy. Suddenly in the year 2014-2015 the percentage of accident has gone upto 7% and the company wants to recognize insurance claim as revenue in 2015-2016 in accordance with relevant Accounting Standard. Do you agree? (12 ½ +12 ½)
- Q. No. 4 (a) What are the provisions contained in the Accounting Standard AS 2 Valuation of inventories? Explain in brief.
- (b) XYZ Ltd. purchased raw material @ ₹ 400/- per kg. for use in production of finished goods. The finished goods in which raw material is used are expected to be sold at below cost. At the end of the accounting year, company is having 20,000 kg. of raw material in stock. As the company never sells the raw material, it does not know the selling price of raw material and hence cannot calculate the realisable value of the raw material for valuation of inventories at the end of the year. However replacement cost of raw material is ₹ 300 per kg. How will you value the inventory of raw material? (12 ½ +12 ½)
- Q. No. 5 Write short note on:-
- (a) Advantages and disadvantages of setting of Accounting Standards.
- (b) Accounting for Fixed Assets. (12 ½ +12 ½)

## PART-II TAXATION: INCOME TAX 25 MARKS)

*(Answer Question No. 6 which is **COMPULSORY** and any **ONE** of the rest from this part)*

- Q. No. 6 (a) X is employed in 'A' Ltd. as on 31.03.2016, his basic salary is ₹ 16,000 p.m. He is also entitled to a dearness allowance of 100% of basic salary. 50% of the dearness allowance is considered for retirement benefits. The company gives him HRA ₹ 8,000 per month. From 1<sup>st</sup> January, 2016, he receives an increment @ ₹ 1,000/- per month in his basic salary and was staying with his parents till 31.10.2015. From 1<sup>st</sup> November, 2015 he hired a separate accommodation in Delhi on rent @ ₹10, 500/- pm. Compute taxable HRA for the assessment year 2015-16.
- (b) Mr. 'B' sold a house property in Mumbai for ₹ 45, 00,000 in March 2012. The property was purchased by him during 2004-05 for ₹ 30, 00,000. The Stamp duty was paid on the value of 52, 00,000. Determine the capital gains. The value adopted was not disputed in any court of law. "Cost Inflation Index" for the years 2004-05 is 480 and 2011-12 is 785.
- (c) A House property in Shimla, having a municipal value of ₹ 5 lakh and Fair Rental Value ₹ 6 lakh, was intended for let-out to tenants. Unfortunately, during the entire previous year, there was no tenant for this house property. Municipal Tax is ₹ 5,000 (of which ₹ 1,200 is payable). Interest paid on loan taken for purchase of this property ₹ 1, 79,000. Compute Income from House Property for the assessment year 2016-17. (5+5+5)
- Q. No.7 **"The incidence of income-tax depends upon the residential status of an assessee"**. Discuss. Also discuss the legal provisions in respect of the importance of determining the residential status of an individual to ascertain the income tax liability. (10)
- Q. No. 8 Explain the term "Business" as per the Income Tax Act, 1961. Discuss any six deductions which are specifically allowed as a deduction while computing income from business or profession with special reference to Depreciation. (10)