

**DEPARTMENTAL EXAMINATION OF THE INDIAN REVENUE SERVICE (CUSTOMS
AND CENTRAL EXCISE) GROUP 'A' PROBATIONERS – SEPTEMBER, 2007**

PART I – PAPER IV
ELEMENTS OF ACCOUNTANCY AND AUDIT (WITHOUT BOOKS)

Date: 21.09.2007
Time: 1430 to 1730 hours

Maximum Marks: 100
Pass Marks: 50

NOTE: Attempt **FIVE** Questions in all. **PART-A** and **PART-C** are **COMPULSORY**.
Select **TWO** questions from **PART-B** and **ONE** question from **PART-D**. All
questions carry equal marks. You can reply either in Hindi or English.

PART – A (COMPULSORY)

Q.1 From the following Trial Balance of M/s. XYZ and the additional information provided, prepare Trading and Profit and Loss Account for the year ended 31st March, 2007 and Balance Sheet as on that date: (20)

Sl. No.	Particulars	Debit Amount	Credit Amount
1.	Capital		160000/-
2.	Drawings	45000/-	
3.	Buildings	60000/-	
4.	Goodwill	90000/-	
5.	Machinery	40000/-	
6.	Bills payable		33800/-
7.	Bills receivable	3000/-	
8.	Creditors		70000/-
9.	Debtors	45000/-	
10.	Return Outwards		2650/-
11.	Return Inwards	2000/-	
12.	Carriage Inwards	1000/-	
13.	Carriage Outwards	500/-	
14.	Furniture	4200/-	
15.	Salaries	35000/-	
16.	Wages	25800/-	
17.	Opening Stock	40000/-	
18.	Sales		218000/-
19.	Purchases	51000/-	
20.	Bad Debts	1200/-	

21.	Rent	6100/-	
22.	General Expenses	9250/-	
23.	Cashi-in-Hand	25400/-	

Additional Information:

1. Closing stock is valued at Rs. 4000/-
2. Salary outstanding Rs. 5000/-
3. Wages outstanding Rs. 200/-

PART – B (Answer any two questions)

Q.2 Distinguish between

- | | |
|--|-----|
| (a) Financial Accounting and Management Accounting | (5) |
| (b) Financial Accounting and Cost Accounting | (5) |
| (c) LIFO and FIFO methods of valuation of stock | (5) |
| (d) Trial Balance and Balance Sheet | (5) |

Q.3 (1) Fill in the blanks by indicating 'Debit' or 'Credit' as you deem correct. (10)

- (a) If Hari starts a business with cash, cash account will be _____.
Hari's capital account will be _____.
- (b) If the business pays Rent, Rent Account will be _____ and
Cash Account will be _____.
- (c) If business purchases goods for cash, Cash Account will be
_____.
- (d) If the business received interest in cash, Cash Account will be
_____ and Interest Account will be _____.

(2) Classify the following under Personal, Real and Nominal Accounts. (10)

(i) Stock (ii) Loan (iii) Fixtures (iv) Capital (v) Rent Paid (vi) Sundry Creditors (vii) cash (viii) Interest Received (ix) Land & Building (x) Central Excise Duty.

Q.4 What is the Annual Report? What are its constituents and what is the relevance of cash constituent to a Central Excise/Service Tax Officer? (20)

Q.5 (a) From the following details, prepare a Trial Balance: (10)

	Amount (Rs.)
Building	60000/-
Capital	73600/-
Machinery	17000/-
Purchase Returns	2600/-
Bad Debts	2800/-
Cash	400/-
Discount Received	3000/-
Bank Overdraft	10000/-
Creditors	50000/-
Purchases	100000/-
Fixtures	5600/-
Sales	104000/-
Debtors	60000/-
Interest Received	2600/-
Dividend Received	24000/-

- (b) What are Adjustments in the context of 'Finalization of Accounts'? Give three examples of such adjustments. (10)

PART – C (COMPULSORY)

- Q.6 During the course of audit of the records of M/s. ABC Co. Ltd., the following situation was observed: (20)

All the goods received in the factory are first recorded in the Security Register at the gate wherein the Delivery Challan No. is entered and then the goods are received in the Stores. The Stores Department on receipt of the goods conducts physical verification of the goods and then prepares an Inspection-cum-Receipt Report (ICRR). ICRR along with the Invoice copy is forwarded by the Stores Department to Taxation Cell for availing CENVAT Credit. Simultaneously ICRR along with goods is sent to Inspection Department for Quality Test. The Inspection Department after conducting necessary checks makes endorsements regarding the quantity to be accepted and the quantity to be rejected. Accordingly the BIN is updated by the Stores Department. A copy of the ICRR duly endorsed by the Inspection Department is forwarded to Accounts Department. Based on the ICRR Accounts Department issues Debit Notes and releases the payment to the suppliers. Once Debit Note is raised, the Stores Department returns the rejected goods under the cover of Non-Returnable Delivery Challan.

1. Identify and explain in detail your understanding about the relevant EA-2000 process through which the above situation was observed.
2. Point out the irregularity noticed in the above system. Explain in detail the deficiencies noticed and suggest corrective measures.

PART – D (Answer any one question)

- Q.7 (a) What is a Cost Sheet? Is there any standard format of Cost Sheet prescribed or adopted under the Central Excise Law? If so, give details. (10)
- (b) From the following particulars prepare a Cost Sheet Giving the details of Prime Cost, Works Cost, Cost of goods sold and the Profit. (10)

Sl. No.	Particulars	Amount
1	Opening Stock of finished goods	19500/-
2	Closing Stock of finished goods	22200/-
3	Raw Materials purchased	70500/-
4	Carriage on Materials purchased	1700/-
5	Direct Wages	36900/-
6	Factory Expenses	5500/-
7	Selling Expenses	4900/-
8	Office on cost	3700/-
9	Sales	150000/-
10	Sale of Scrap	500/-

- Q.8 (a) Explain various methods of Depreciation. (10)
- (b) Pick the correct alternative: (10)
- (i) Straight Line method of depreciation charges
- (a) Same amount every year (b) Amount is reduced every year (c) Amount is increased every year
- (ii) Depreciation is provided on

(a) Current Assets (b) Fixed Assets (c) Fictitious Assets

(iii) The Annual instalment of Depreciation Fund for replacement of a fixed asset is

(a) A charge on the profits (b) An appropriation of Profits (c) Neither a or b

(iv) A dinishing balance method of providing for depreciation is one according to which

(a) The rate of depreciation to be written off goes on decling from year to year

(b) The amount on which depreciation is provided is reduced from year to year

(c) The rate percent and also the amount are reduced from year to year

(v) Depreciation arises from

(a) Physical wear and tear (b) Fall in the value of money (c) Fall in the market value of the Asset.

Q.9 What is Internal Control? How is it different from Internal Audit? What is the significance of 'Review of Internal Control' in an organization taken up for EA-2000 Audit?

(20)

Q.10 (a) What is Form 3CD?

Under which Act Form 3CD is prescribed as Annexure to Tax Audit Report?

(10)

(b) Why is it relevant in conducting EA-2000 Audit?

Explain various methods of Costing.

(10)
