

**DEPARTMENTAL EXAMINATION OF THE INDIAN REVENUE SERVICE (CUSTOMS
AND CENTRAL EXCISE) GROUP 'A' PROBATIONERS - APRIL-MAY, 2009**

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

Date: 24.04.2009

Maximum Marks: 100

Time: 1430 to 1730 hours

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	Particulars	Debit Amount	Credit Amount
1.	Capital		75,000
2.	Drawings	20,000	
3.	Building	1,00,000	
4.	Plant & Machinery	75,000	
5.	Sundry Debtors	65,000	
6.	Sundry Creditors		78,000
7.	Bank Overdraft		48,750
8.	Bills Receivable	7,000	
9.	Bills Payable		12,000
10.	Furniture	35,000	
11.	Return Inwards	6,000	
12.	Return Outwards		8,000
13.	Carriage Inwards	7,500	
14.	Carriage Outwards	3,000	
15.	Purchase	67,000	
16.	Sales		2,28,000
17.	Wages	15,000	
18.	Salaries	6,500	
19.	Opening Stock	9,000	
20.	Bad Debts	4,500	
21.	Cash-In-Hand	12,000	
22.	Electricity Charges	7,250	
23.	Rent	10,000	

Additional Information

1. Closing stock is valued at Rs 7,000/-
2. Depreciation on Plant & Machinery @ 10%

3. Wages outstanding Rs 2,500/-

PART-B

Q.2. From the following details, prepare a Trial Balance:

Particulars	Amount (Rs)
Goodwill	65,000
Machinery	48,000
Capital	1,02,000
Discount Received	3,000
Purchase	89,000
Sales	2,05,000
Furniture	10,000
Rent	12,000
Wages	21,000
Carriage Inward	4,000
Return Inward	6,000
Bad Debts	2,500
Bank	46,000
Opening Stock	6,500

Q.3. (i) State if the following statements are "true" or "false".

- a) In any Trial Balance Bank loan is shown as a debit entry (2)
- b) Financial accounting is of no use in tracking decisions by Managers (2)
- c) The Central Excise Act/Rules has a provision for debarring C&AG from Auditing the records of the factory (2)
- d) I — C Balance sheet wages outstanding is reported as credit (2)
- e) A manufacturing process chart is a useful link for production records. (2)

(ii) What is the difference between depreciation and amortization (5)

(iii) Briefly state the difference between depreciation under the Companies Act and Income Tax Act. Are they one and the same? (5)

Q.4. Write a brief Note on ABC analysis. To what extent, in your view, this analysis will be of use to an Auditor of the Central Excise Department.

Q.5. Journalize the following transactions (or) Record the following Transactions in a Journal:

- 1. 15th June: Ibrahim a sole proprietor commenced business with a capital of Rs. 2,00,000.
- 2. 17th June : Bought Furniture for cash Rs. 20,000/-

3. 17th June : Paid Rent to the shop owner Mr. Murugan Rs. 5,000/-
4. 18th June: Paid cash into Bank Rs. 1,50,000/-
5. 18th June : Bought goods for cash Rs. 10,000/- from M/s. Shamir Jain & Co.
6. 18th June: Bought goods on credit from M/s. Ramdas & Bros. for Rs. 10,000/-
7. 19th June: Sold goods for cash Rs. 12,000/- to Mr. Narayan Tiwari
8. 20th June: Bought Machinery from M/s. Boolani Machinery and paid by cheque Rs. 25,000/-
9. 21st June : Sold goods on credit to Mr. Natekar for Rs. 8,000/-
10. 21st June : Paid weekly wages to workers Rs. 5,000/-
11. 24th June : Paid M/s. Ramdas and Brothers by cheque Rs. 5,000/-
12. 24th June : Received from Mr. Natekar Rs. 2,000/-
13. 24th June : Received commission from M/s. Orion Traders for giving a trade lead Rs. 500/-

PART-C – (COMPULSORY)

- Q.6 During the audit of a manufacturer of a bulk drug, trend analysis of raw material consumption ratio was conducted. The major input utilised in the manufacture of the bulk drug is CS lye, Para Nitro Chloro Benzene (PNCB), Acetic Anhydride etc. As a sample check, the consumption trend of one input namely PNCB (**being the high value material**), in relation to production, was studied for 3 years. Following is the statistical data:

Year	Consumption (in Kgs. Of PNCB)	Production (in Kgs.) of bulk drug	Ratio (per one Kg. of production)
2002-03	2578520	1613292	1.598
2001-02	2371110	1869111	1.268
2000-01	2019000	1859675	1.085

- (i) What are your observations and conclusion from the above study?
- (ii) What remedial action you would suggest, if anything is required.

PART-D

- Q.7. From the following particulars prepare a Cost Sheet giving the details of Prime Cost, Works Cost, Cost of goods sold and the Profit

Sr. No.	Particulars	Amount (Rs)
1.	Opening Stock of finished goods	13500
2.	Closing Stock of finished goods	10750
3.	Raw Materials Purchased	65,000

4.	Carriage on Material purchased	2,600
5.	Direct Wages	29,500
6.	Factory Expenses	7,200
7.	Selling Expenses	3,600
8.	Office on cost	4,650
9.	Sales	1,40,000
10.	Sale of Scrap	800

Q.8. Define Ledger. Central Excise Audit Manual (EA 2000) speaks of three types of Ledgers. What are they and in brief state the types of Verification to be carried out of each Ledger by an auditor.

(20)

Q.9. (i) In brief, state what is Management Accounting, Financial Accounting and Cost Accounting.

(10)

(ii) What are "accruals" in costing? Give a few examples. (10)

Q.10 Explain in brief the following tell is:

- (i) Auditing (5)
- (ii) Declining Balance method of Depreciation (5)
- (iii) Activity Depreciation (5)
- (iv) Straight line method of depreciation (5)
