

PUNJAB STATE TRANSMISSION CORPORATION LIMITED

Departmental Accounts Examination-2023 (2nd Session)

Roll No.

Category-SAS-I

PAPER-I (Works & Stores Accounts)

Max Marks - 100

Time Allowed: 3 Hours.

NOTE: All Questions are compulsory

Q-1 Write cash Book of XYZ Division, Bathinda on the basis of following particulars:-

1.05.2023	<u>Opening Balance</u> Currency Note Coins Revenue Stamps Postage Stumps Revenue Stamps for fixing <u>Consumer Receipts</u> Cheque in favour of contractor NSC. Postal Order Self Cheque	Rs. 22,000 Rs. 100/- Rs. 500/- Rs. 800/- Rs. 300/- Rs. 5000/- Rs. 450/- Rs. 400 - Rs. 2500/-
02.05.2023	Self Cheque Encashed	
04.05.2023	Issued U-Cheque to Xen Const. Division for Rs. 8000/- on account of Transfer of material.	
07.05.2023	Issued advance of Rs.15000/- to AEE for making payment for furniture purchase for office use.	
09.05.2023	AEE submitted the bill for furniture For Rs. 15000	
14.05.2023	Purchased postage stamps for Rs. 5000/-	
18.05.2023	Paid to contractor for white washing of office building as under:- Gross amount of Bill <u>Deductions</u> Cost of water Penalty/fine for delay in work Income Tax Paid net amount by cheque No. 3/1600	Rs. 20000 - Rs 100 - Rs.1000 - Rs. 400 -
21.05.2023	Purchased stationery from market Stationery issued to A.B Sub-Divn Divisional Office Use	Rs. 3000 - Rs. 1000/- Rs. 2000/-
31.05.2023	Issued cheque No. 4/1600 for the pay of establishment in favour of Manager, SBI. Gross amount <u>Deductions</u> a (i) GPF Subscription (ii) Refund of Advance b) LIC c) Income Tax d) Net	Rs. 1000000 Rs. 500000 Rs. 300000 Rs. 10000 Rs. 10000 Rs. 900000

(20 Marks)

Q-2 Write short notes on the followings

1. Piecemeal Rebuilding
2. Assets of Common retirement Date.
3. Additions, Improvements, Replacements and Repairs
4. Treatment of Excess/ shortage on physically verification
5. Stock Return Warrant

(5*4=20 Marks)

Q-3 (A)

- a) As per chart of Accounts Give correct nomenclature to the following Account Codes:
- i) 76.102
 - ii) 76.142
 - iii) 22.810
 - iv) 28.868
 - v) 46.910
- b) Mention chargeable account codes in respect of the followings:
- i) Terminal benefit of employees recruited by PSTCL
 - ii) Provision for Gratuity of employees recruited by PSTCL
 - iii) Provision for Leave Encashment of employees recruited by PSTCL
 - iv) Depreciation on Computer
 - v) Punjab State Development Tax liability

Q-3 (B)

Pass necessary Accounting Entries regarding receipt of deposit from a consumer for contribution work and refund of balance amount after completion of work on the basis of following data:

Amount received from consumer	Rs.2,00,000/-
Cost of Material drawn from store	Rs.1,00,000/-
Labour Charges paid to employees Specifically employed for work	Rs.30,000/-
Administration & General Expenses paid	Rs.2,000/-
Allocated Employee Cost for work Executed by regular staff	Rs.20,000/-
Departmental Charges as per rules	16%
Balance (if any) refunded to consumer	

(5+5+10=20 Marks)

Q-4

- (a) What is Material Cost Variance and how it is treated at year end in Capital Stores as per Commercial Accounting system adopted by erstwhile PSEB now PSPCL/PSTCL. Explain by quoting relevant instructions of the manual.
- (b) A computer costing Rs. 35000 is depreciated on straight line basis, assuming 10 years working life and NIL residual value, for four years. The estimate of remaining useful life after fourth year was reassessed at 3 years. Calculate depreciation as per the provisions of relevant accounting standard.

(10 + 10 = 20 marks)

Q.5

Write short notes on the followings:-

- (a) As per accounting standard 2 what is to be excluded while - calculating cost of Inventory.
- (b) Explain Going Concern Concept under BAPP.
- (c) Explain Consistency concept under BAPP.
- (d) Inter Unit accounts – Head office Reserve Account
- (e) Material at site of Work in Progress is verified at year end. What are the Exceptions?

(5*4=20 Marks)

CASH BOOK OF XYZ DIVISION, BATHINDA

RECEIPT SIDE							PAYMENT SIDE										
Date of Receipt	Voucher No./Receipt No	Particulars of Receipt	Amount	Receipt by Adjustment	Sl. Folio	Classification		Date of Payment	Voucher No./Receipt No	Particulars of Payment	Cash Payment	Bank Payment		Payment By Adjustment	Sl. Folio	Classification	
						Account Code	Name of the Work Etc					Cheque no	Amount			Account Code	Name of the Work Etc
01.05.2023		Opening Balances															
		1. Currency Notes Rs 22000															Remittance into Bank
		2. Coins Rs 100															
		3. Revenue Stamps Rs 500															
		4. Postal Order Rs 400															
		5. Self Cheque Rs 2500															
			25500	0		24.110	cash in hand	2.5.2023	P 15	By remittance into bank	400					24.501	
								7.5.2023	1	By issue of temporary advances to SDO for making payment	15000					24.230	Temporary advance to staff
09.05.2023	Contra entry of voucher no.2	To Adjustment of Temporary advance given to SDO on 07.05.2023	0	15000		24.230	Temporary advance to staff	9.5.2023	2	By adjustment of temporary advances issued to SDO on 8.10.2023 vide Vr. No 1				15000		10	purchase of furniture
								14.5.2023	3	Purchase of postage stamps						76.112	postage and telegram
8.5.2023	Contra entry of voucher no.4	To adjustment of recoveries made from the bill of the contractor paid vide voucher no 4 dated 18.05.2023 water charges penalty/ fine for delay in work income tax		100 1000 400		62.930 62.930 46.923	other income income Tax	18.5.2023	4	By payment to contractor Gros- Amount=20000 cost of water=100 Penalty for delay in work =1000 income tax=4 net payable=18500		1/1600	18500	1500		74.2	work contracted
								21.5.2023	5	Purchase of stationery						76.153	Printing and stationery
2023	Contra entry of voucher no 6	To adjustment of recoveries made from the pay of employees paid vide Vr. No. 6 dated 31.05.2023 GPF subscription Refund of advances LIC income tax		50000 30000 10000 10000		44.326 44.326 44.409 44.401	PF trust PF trust LIC Income Tax	31.5.2023	6	Payment of salary through bank account the cheque drawn in favour of Manager SBI		4/1600	900000	100000		75.1. 75.3. 75.4	salary, ADA and other allowances
								31.5.2023	8	Closing balance Certificate -- certified that the cash in chest on this day checked and counted by me and found rs 2100/- (Rs. Three thousand one hundred only) which is correct. XEN/XYZ Bathinda	2100						
			25500	116500							25500			116500			

Model Solution of Paper-1 of SAS-I PSTCL
Paper-1 (Works and Stores Accounts)
2023 (2nd Session)

Solution -2

(1) Piecemeal Rebuilding:- As per Para 2.31 of Basic accounting principle & policies (part-II) an asset may be rebuilt by replacement of its components over a period of time instead of at one time. The criteria fixed for 'minor' and major replacement shall in such cases be applied to the aggregate of expenditures on replacement in an asset and accounted for accordingly.

(2) Assets of Common retirement Date. As per Para 2.64 of Basic accounting principle & policies (part-II) asset which are used only collectively in a group and an individual asset in that group is of no use in isolation after the other assets of the group are retired scrapped are defined as "Asset of common retirement Date". The "period of estimated useful life" adopted for the purpose of charging depreciation shall be "common" for all the asset in the group of "Asset of Common Retirement Date"

(3) Additions, Improvements, Replacements and Repairs

Additions may bring into existence a new asset or increase the physical size of an asset through expansion/extension etc. Expenditures on additions is capitalized.

An expenditure having the effect of extending the useful life of an asset or increasing output or capacity or efficiency of asset or decreasing its operating costs is improvement. Expenditures on improvement shall be capitalized. Improvement may or may not involve replacement of an asset.

Replacement can be defined as substitutions of one fixed asset by another, of an old asset by a new asset or of a old part by a new part. Expenditures on minor replacements is charged to Revenue as repair & Mtc. while major replacement Expenditures is charged to capital.

Expenditures incurred on restoring an asset to its original level of performance at which it was when it was first put to use (irrespective of quantum) is charged to repair & maintenance (Revenue Expenditures).

Model Solution of Paper-1 of SAS-I PSTCL
Paper-1 (Works and Stores Accounts)
2023 (2nd Session)

✍ **(4) Treatment of Excess/ shortage on physically verification:-**

For shortages or excesses, found as result of physical verification of stores, necessary corrections be noted in stock cards/SVRs and SVRs should be sent to the accounting unit for making entries in the VLCs. The shortages/excesses be evaluated with respect to the latest issue rate and percentage for SIE in case of shortages. Necessary accounting entries are passed as follows:

Shortages	Dr 22.830	Cr 22.5
Surpluses	Dr 22.5	Cr 22.810

Adjustment after investigation:

Shortages	Dr 28.401	Dr 79.510	Cr 22.830
Surpluses	Dr 22.810	Cr 62.905	

✍ **(5) Stock Return Warrant**

As per Material manual Store Return Warrant is a Format MAT-34 in which store items are returned by offices/contractor to store by giving reasons for returns. It contains item no., code no., material description, sr.no. and date under which stores were originally drawn, quantity of return, rate, amount etc. It signed by the concerned SDO and JE and then official/officer of stores.

Model Solution of Paper-1 of SAS-I PSTCL
Paper-1 (Works and Stores Accounts)
2023 (2nd Session)

Solution -3 (A)

(a) Nomenclature

i.	76.102	Rates and Taxes
ii.	76.142	Vehicle Running Exp. Petrol & oil -Jeeps
iii.	22.810	Expenses Recoverable from suppliers
iv.	28.868	Misc. Advances account
v.	46.910	Stale cheques

b) Accounts codes

i.	Terminal benefit of employees recruited by PSTCL	75.881
ii.	Provision for Gratuity of employees recruited by PSTCL	44.161
iii.	Provision for Leave Encashment of employees recruited by PSTCL	44.162
iv.	Depreciation on Computer	12.904
v.	Punjab State Development Tax liability	44.443

Model Solution of Paper-1 of SAS-I PSTCL
Paper-1 (Works and Stores Accounts)
2023 (2nd Session)

Solution. 3 (B) Accounting entries:

Date/ Sr. No.	Particulars	Debit (Amount in Rs.)	Credit (Amount in Rs.)
1	Amount received from consumer: Cash in Hand (GH-24.110) Dr. To Deposit for Contribution Works (GH- 47.309)	2,00,000	2,00,000
2	Material drawn from store: Capital Work in Progress (GH-14) Dr. To Stock Account (GH-22)	1,00,000	1,00,000
3	Labour Charges paid to employees specifically employed for work: Employee Cost (GH-75) Dr. To Cash in Hand (GH-24.110)	30,000	30,000
4	Administration & General Expenses paid: Admn. & General Expenses (GH-76) – Dr. To Cash in Hand (GH-24.110)	2,000	2,000
5	At the end of month: For capitalization of Employee Cost and Admn.& General Expenses: Capital Work in Progress (GH-14) Dr To Employee Cost (GH-75.9) To Admn. & General Expenses (GH-76.9)	32,000	30,000 2,000
6	Allocated Employee Cost for work executed by regular staff: Capital Work in Progress (GH-14) Dr To Misc./Other income (GH-62.930)	20,000	20,000
7	Departmental Charges as per rules @ 16%: Capital Work in Progress (GH-14) Dr To Misc./Other income (GH-62.930) [(1,00,000+30,000+2,000+20,000)x16/100]=24320	24,320	24,320
8	On Completion of work: (a) Fixed Assets (GH-10) Dr To Capital Work in Progress (GH-14) (b) Deposit for Contribution Works) - (GH-47.309) To Consumer Contribution towards Capital Assets (GH-55.1)	1,76,320 1,76,320	1,76,320 1,76,320
9	Amount refunded to consumer: Deposit for Contribution Works) - (GH-47.309) To Bank Account (GH- 24.401) (2,00,000-1,76,320-23,680)	23,680	23,680

Model Solution of Paper-1 of SAS-I PSTCL
Paper-1 (Works and Stores Accounts)
2023 (2nd Session)

Solution: 4

(a) As per Chapter 50 of Material Accounting Manual- Stores meant exclusively for capital works will be called Capital Stores. Store Incidental Expenses shall be booked initially under Group Heads 74.75 and 76. At the end of each month, expenses shall be transferred to Account Head, 15.331- 'Store Incidental Expenses/Storage Charges - Capital Stores (debits)', per contra credit to Account Heads-74.9, 75.9 and 76.9.

These expenses will be capitalized by applying them at the percentage rate to all issues of material to (1) Capital works, (ii) Contractors for works and (iii) other divisions not having Stores for Capital works. The credits will be classified under the Account Head 15.371- 'Store Incidental Expenses/ Storage Charges - Capital Stores (Credit).

The above mentioned percentage rate of store incidental charges will be determined on the basis of estimated annual issues of materials. The estimate shall be got sanctioned from the competent authority as per Delegation of Powers.

Treatment of difference between Store incidental charges and their recovery:

The difference between Store incidental/Storage Charges and their recovery (15.331 and 15.371) will be adjusted to the Account Head 79.110- **Material Cost Variance Account (Capital).**

The balance under the Material Cost Variance Account at the year-end shall be treated in accordance with Para 2.22 of the Basic Accounting Principles and Policies (Page-42) reproduced below:

(1) Credit balance will be credited to a Reserve called 'Reserve for Materials Cost Variance.'

(2) Debit balance shall be debited to the 'Reserve for Materials Cost Variance. If, as a result of such debit, the net balance in this Reserve Account is a debit balance, the amount of debit balance shall be charged to Revenue Account for the year.

**Model Solution of Paper-1 of SAS-I PSTCL
Paper-1 (Works and Stores Accounts)
2023 (2nd Session)**

4 (b) **Depreciation for the first four years:-**

Cost = 35000

Estimated Life = 10 years Residual Value = NIL.

So, depreciation per annum will be:-

$$(35000 - 0) / 10 = \text{Rs } 3500 \text{ per annum.}$$

Depreciation after fourth year:-

$$\text{Book value} = 35000 - (3500 * 4) = 21000$$

Remaining useful Life = 3 years, Residual Value = NIL

So, depreciation per annum will be:-

$$(21000 - 0) / 3 = \text{Rs } 7000 \text{ per annum.}$$

Model Solution of Paper-1 of SAS-I PSTCL
Paper-1 (Works and Stores Accounts)
2023 (2nd Session)

Solution -5

(a) **As per AS-2, following costs are excluded from the cost of Inventories:**

- i) Abnormal amount of wasted materials, labour, other production Costs.
- ii) Storage Cost.
- iii) Administrative overhead.
- iv) Selling and distribution Cost
- v) Interest and borrowing cost.

(b) **Going Concern concept:-** As per para 1.7 of Basic accounting principle & policies financial statements of a Board shall be drawn up on the premise that its business will continue indefinitely.

(c) **Consistency Concept:-** As per para 1.8 of Basic accounting principle & policies Uniform accounting policies shall be applied on the same basis from year to year. Even the accounting policies followed in respect of areas not specifically covered hereafter or in cases where departure from the prescribed accounting policy is permitted, shall be followed consistently from year to year.

(d) **Inter Unit accounts – Head office Reserve Account**

As per IUT Manual(38). At the year end, the annual closure entry passed by each Division/Accounting Unit, debiting all income heads and crediting all expense heads as appearing in the Trial balance and debiting/ crediting the net surplus/deficit shall appear under this head.

(e) As per reg. 15.8 of chapter XV of CEFA material at site of all the works which were in progress on the last day of financial year shall be verified physically with paper Balance as per register and submitted to Divisional office. It is however not necessary that the Balance should be verified at the close of year it.

- (i) The work has been under construction for not more than 3 months
- (ii) The account of works are expected to be closed within 3 months or
- (iii) The balances were verified at any time during year.