

Commerce & Accountancy

Paper-I

Time Allowed: Three Hours

Maximum Marks: 300

- Note:*
1. The figures in the margin indicate full marks for the questions.
 2. Candidate should answer questions No. 1 and 5 which are compulsory and any **three** of the remaining questions, selecting at least **one** from each section.
 3. Assume suitable data if considered necessary and indicate the same clearly.

SECTION – A

1. Answer any **three** of the following in not more than **200** words each:
20×3=60
 - (a) Discuss the accounting standard AS-6 of depreciation.
 - (b) Explain CARO-2015
 - (c) Short term capital loss can be set off against long term capital gain. Discuss.
 - (d) Explain the concept of cost sheet.
2.
 - (a) P/V Ratio of a business is 30%. BER is 40% of the capacity, Capital Turnover Ratio is 2.5 and Profit is 15% on capital Employed. At what level (% of capacity) the business is operating. 30
 - (b) What are different categories into which assesses are divided with regard to residence? Explain with suitable examples. 30
3.
 - (a) The paid up share capital of a company consists of 2,000, 5% preference shares of Rs. 100 each and 4,000 equity of Rs. 100 each. In addition to a fixed dividend of 5%, the preference shareholders are also entitled to participate in the profit upto 4% after payment of a dividend of 10% on the equity shares. Any surplus profits being available to equity shareholders.

The annual average profits of the company are Rs. 1,00,000 after providing for depreciation and taxation and it is considered necessary to transfer Rs. 6,000 per annum to reserve fund. The normal rate of dividend expected on preference shares is 8% and that on equity shares is 10%.

Work out the value of each preference share and equity share in the company on the basis of dividend yield method. 30

- (b) Discuss various types of Audit Reports. 30
4. (a) Tanya Ltd. company, manufacturing a single product, is facing severe competition in selling it at Rs. 50 per unit. The company is operating at 60% level of capacity at which level the sales are Rs. 12,00,000 and variable costs are Rs. 30 per unit. Semi-variable costs may be considered as fixed at Rs. 90,000 when input is Nil and variable elements is Rs. 250 for each additional 1% level of activity. Fixed variable expenses are Rs. 15,000 at 60% capacity. Fixed costs are Rs. 1,50,000 at the present level of activity but at 80% level of activity or above, these costs are expected to increase by Rs. 50,000. To cope with the competition, the management of the company is considering a proposal to reduce the selling price by 5%. You are required to prepare a statement showing the operating profit at levels of activity of 60%, 70%, 80% and 90% assuming that :
- (i) The selling price remains at Rs. 50
- (ii) The selling price is reduced by 5% 30
- (b) Explain the methods of accounting for amalgamation of companies. 30

SECTION – B

5. Answer any **three** of the following in not more than **200** words each:

20×3=60

- (a) Explain the wealth maximization approach of financial management.
- (b) Discuss various motives for holding cash.
- (c) Explain the 'Trading on Equity' with suitable example.
- (d) Explain 'Sensitivity Analysis'.

6. (a) Discuss the role of capital market in economic development of a country. 30

(b) A company is considering the possibility of purchasing from a supplier, components it now makes. The supplier will provide the components in the necessary quantities at a unit price of Rs. 9. Transportation and Storage costs would be negligible. The company produces the components from a single raw material in economic lots of 2,000 units at a cost of Rs. 2 per unit. Average annual demand is 20,000 units. The annual holding cost is Re. 0.25 per unit and the minimum stock level is set at 400 units. Direct labour costs for the component are Rs. 6 per unit, fixed manufacturing overhead is charged at a rate of Rs. 3 per unit, based on a normal activity of 20,000 units. The company also hires the machine on which the components are produced at a rate of Rs. 200 per month. Should the company make the components or purchase? 30

7. (a) "Between the two extremes of Net Income (NI) and Net Operating Income (NOI) approaches to the capital structure, there is also a middle view which is perhaps nearer the truth....." Discuss this statement. 30

(b) Yogesh Ltd. requires additional finance for which it has decided to issue, 1,000, 9% debentures of Rs. 500 each at par redeemable after 8 years. The cost of issue is estimated to be as follows:

(i) Underwriting commission 1.5%

(ii) Brokerage 0.5%

(iii) Printing and other expenses Rs. 10,000 30

Calculate the after tax cost of debentures assuming that the corporate tax rate is 30%.

8. (a) What is factoring. Differentiate between factoring and forfaiting. 30

(b) Examine the banking sector reforms undertaken in India since 1991. Briefly discuss the recent changes in RBI monetary Policy. 30