

CSM – 20/20
Commerce & Accountancy
Paper – I

Time : 3 hours

Full Marks : 300

The figures in the right-hand margin indicate marks.

*Candidates should attempt Q. No. 1 from
Section – A and Q. No. 5 from Section – B
which are compulsory and any **three** of
the remaining questions, selecting
at least **one** from each Section.*

SECTION – A

1. Answer any **three** of the following in about
200 words each : 20×3 = 60
 - (a) Explain the provisions contained in
Accounting Standard-6 in respect of
depreciation accounting.
 - (b) Discuss the utility of marginal costing in
solving the management problem regarding
'Make or Buy Decisions'.

- (c) State briefly the deductions to be allowed in computing the total income of an assessee.
- (d) Discuss the legal status of a company auditor.

2. (a) Following is the Balance Sheet of ABC Ltd. as on 31st March 2017 :

Liabilities	Amount ₹	Assets	Amount ₹
Share capital :		Plant and	
2,00,000 Equity		Machinery	9,00,000
shares of ₹ 10 each		Furniture and	
fully paid up	20,00,000	Fixtures	2,50,000
6,000 8% preference		Patents and	
shares of ₹ 100 each	6,00,000	copyrights	70,000
9% Debentures	12,00,000	Investments	
Bank Overdraft	1,50,000	(at cost Market	
Sundry Creditors	5,92,000	value ₹ 55,000)	68,000
		Stock	14,00,000
		Sundry debtors	14,39,000
		Cash and bank	
		balance	10,000
		Profit & Loss A/c	4,05,000
	45,42,000		45,42,000

The following scheme of reconstruction was finalised :

- (i) Preference share holders would give up 30% of their share capital in exchange for allotment of 11% Debentures to them.
- (ii) Debenture holders having charge on plant and machinery would accept plant and machinery in full settlement of their dues.
- (iii) Stock equal to ₹ 5,00,000 in book value will be taken over by sundry creditors in full settlement of their dues.
- (iv) Investment value to be reduced to market price.
- (v) The company would issue 11% Debentures for ₹ 3,00,000 and augment its working capital requirement after settlement of bank overdraft.

Pass necessary Journal Entries in the books of the company. Prepare capital Reduction Account and Balance Sheet of the company after internal reconstruction.

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- (b) What is the need for valuation of shares ?
Discuss the factors which affect the valuation
of shares. 30

3. (a) Explain the concept and characteristics of
responsibility accounting. What steps are
taken for introducing it ? Explain. 30

- (b) Following records are available from the
accounting records of Zebra Ltd : 30

Year		Sales(₹)	Profit/Loss(₹)
2017	—	25,000	5,000 (Loss)
2018	—	75,000	5,000 (Profit)

Find out the following from the above data :

- (i) P/V Ratio
 - (ii) Fixed Cost
 - (iii) Marginal Cost for 2017 and 2018
 - (iv) Break-even point
 - (v) Margin of safety for the profit of ₹ 10,000
4. (a) What special points should the auditor
consider while conducting audit of charitable
societies ? Discuss. 30

- (b) Explain the concept and value of auditor's report. What are the essentials of a good audit report ? Explain. 30

SECTION – B

5. Write short notes on any **three** of the following in about **200** words each : 20×3 = 60

(a) "Liquidity and profitability are conflicting while risk and return go together." Examine this statement.

(b) Explain the nature and scope of Capital Budgeting.

(c) What is financial leverage ? Discuss its importance and limitations.

(d) Describe, in brief, the characteristics of Indian Money Market. What are the defects of Indian Money Market ?

6. (a) "The wealth maximisation objective is superior to the profit maximisation objective." Examine this statement. 30

- (b) Explain the concepts of 'gross working capital' and 'net working capital'. Discuss the factors which influence the requirement of working capital for a manufacturing concern.

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7. (a) The capital structure of ABC Ltd. is as under :

₹

2,000 6% ₹ 100 Debentures (first issue)	2,00,000
1,000 7% 100 Debentures (Second issue)	1,00,000
2,000 8% cumulative preference shares of ₹ 100 each	2,00,000
4,000 Equity Shares of ₹ 100 each	4,00,000
Retained Earnings	1,00,000

The earnings per share of the company in the past many years have been ₹ 15. The shares of the company are sold in the market at book value. The company tax rate is 50%.

Find out the weighted Average Cost of Capital.

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(b) Explain the concept of risk. Is it different from uncertainty ? Discuss the various non-financial factors influencing risk and uncertainty. 30

8. (a) What is a stable dividend policy ? Why should it be followed ? What can be the consequences of changing a stable dividend policy ? 30

(b) What are the objectives of monetary policy in India ? How far the Reserve Bank of India has been successful in achieving them ? 30

