

<b>CSM – 20/18</b>
<b>Commerce and Accountancy</b>
<b>Paper – I</b>

*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 three of the remaining questions, selecting at least one from each Section.*

**SECTION – A**

1. Write short notes on any three of the following in about 200 words each : 20×3 = 60
  - (a) How does a job-costing system differ from a process-costing system ?
  - (b) What are the general principles of verification and valuation of assets ?
  - (c) Examine the role of bank credit in financing of working capital needs.

- (d) Explain EBIT-EPS analysis. What is indifference level of EBIT ? Show graphically.
2. (a) Calculate the value of goodwill under annuity of super profits, from the following information : (a) Net profit for the last five years : Rs. 40,000 ; Rs.42,000 ; Rs.45,000 ; Rs. 46,000 and Rs. 47,000, (b) Capital employed in the business Rs. 4,00,000, (c) Reasonable rate of expected returns on capital 10% and (d) Present value of annuity of one rupee for five years at 10 percent interest as Rs. 3.78. 30
- (b) Explain the capital structure decision from the point of view of minimization of risk. 30
3. (a) A company produces a standard product. The estimated cost per unit are as follows :
- Raw material Rs. 4 per unit ; Wages Rs. 2 per unit; Variable overhead Rs. 5 per unit.  
The semi-variable costs are : Indirect material

Rs. 235 ; Indirect labour Rs. 156 ; Repairs Rs. 570. The variable costs per unit included in semi-variable are : Indirect materials Re. 0.05 per unit ; Labour Re. 0.08 per unit ; Repairs Re. 0.10 per unit. The fixed costs are : Factory Rs. 2,000 ; Administration Rs. 3,000 ; Selling and distribution Rs. 5,000. The above costs are for 70 % of normal capacity producing 700 units. The selling price is Rs. 10 per unit. Prepare flexible budget for 80% and 100% normal capacities from the above information. 30

(b) State the income tax provisions relating to set-off and carry forward of losses. 30

4. (a) Prepare an audit report to the shareholders of a company which has not made adequate provision of bad and doubtful debts and tax liability incurred, though not yet determine. 30

(b) "Voucher is the essence of audit". Discuss. 30

## SECTION – B

5. Answer any three of the following in not more than 200 words each :  $20 \times 3 = 60$

- (a) State the significance of the role of the Central Bank as regards credit control.
- (b) Why is the cost of capital most appropriately measured on after-tax basis ? What effect does this have on specific cost of capital ?
- (c) What are the merits and limitations of budgetary control ?
- (d) Narrate the deductions made from the annual value of house property.

6. (a) The management of Fast Ltd. desires to know the working capital required with effect from 1st January, 2014 to finance the production programme. Percentage of various elements of cost of selling price are :  
Raw material 50%, Labour 20% and Overheads 10%.

You are informed that :

- (i) Raw materials remain in the stores on an average for one month before issue of production.
  - (ii) Finished goods remain in the go-down for two months before sales.
  - (iii) Each unit of production will be in process for one month.
  - (iv) Credit allowed by creditors is one month and allowed to debtors is two months.
  - (v) Selling price is Rs. 9 per unit .
  - (vi) Production in 2014 is expected to be 1,00,000 units. 30
- (b) "The contention that dividends have an impact on the share price has been characterized as the bird-in-hand argument." Explain the essentials of this arguments. 30

7. (a) The given Balance Sheets are presented by X Ltd. and Y Ltd. on 31st December, 2014 which are amalgamated and form Z Ltd:

Liabilities	X Ltd.	Y Ltd.	Assets	X Ltd.	Y Ltd.
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
Equity Shares			Goodwill	40,000	50,000
of Rs. 10 each	1,00,000	1,50,000	Land	30,000	60,000
General			Plant and		
Reserve	10,000	10,000	Machinery	50,000	60,000
Profit and			Stock	30,000	40,000
Loss A/c	10,000	5,000	Debtors	30,000	40,000
Capital			Cash and		
Reserve	20,000	Nil	Bank	20,000	10,000
Unsecured					
Loans	20,000	65,000			
Sundry					
Creditors	40,000	30,000			
	<u>2,00,000</u>	<u>2,60,000</u>		<u>2,00,000</u>	<u>2,60,000</u>

**Additional Information :**

- (i) The shareholders of X Ltd. be allotted 20,000 equity shares of Rs. 10 each.

(ii) The shareholders of Y Ltd. be allotted 10,000 equity shares of Rs. 10 each.

Prepare the Opening Balance Sheet in the books of Z Ltd. assuming that (a) the amalgamation in the nature of Purchase and (b) Amalgamation in the nature of merger.

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(b) "Risk analysis of capital investment is one of the most complex and controversial area in finance". Critically comment. 30

8. (a) Distinguish between P / V Ratio and P / V graph. How is P / V graph technique helpful to the management? 30

(b) What do you understand by outstanding assets and outstanding liabilities? What are the duties of an auditor in relation thereto? 30



- (ii) The shareholders of Y Ltd. be allotted 10,000 equity shares of Rs. 10 each.

Prepare the Opening Balance Sheet in the books of Z Ltd. assuming that (a) the amalgamation in the nature of Purchase and (b) Amalgamation in the nature of merger.

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- (b) "Risk analysis of capital investment is one of the most complex and controversial area in finance". Critically comment. 30

8. (a) Distinguish between P / V Ratio and P / V graph. How is P / V graph technique helpful to the management? 30

- (b) What do you understand by outstanding assets and outstanding liabilities ? What are the duties of an auditor in relation thereto ?

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