

CSM – 20/19
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 sinking fund method of depreciation.
For which types of assets is this method suitable ? Discuss.
- (b) Discuss the significance of responsibility accounting and explain various responsibility centres with suitable examples.

(c) How does audit of business organisations differs from charitable organisations ?

Discuss and explain the special points to be considered in audit of charitable societies.

(d) Briefly explain the income tax provisions related to capital gains.

2. (a) ABC Manufacturing Company is currently utilizing 80% capacity. Prepare a budget at 40%, 60% and 100% capacity level using the information given below : 30

Production at 80% capacity 800 units.

Material Rs. 90 per unit.

Labour Rs. 50 per unit.

Expenses Rs. 10 per unit.

Factory expenses Rs. 40,000 (40% fixed).

Administrative expenses Rs. 20,000 (60% fixed).

- (b) Discuss the various incomes which do not form part of total income and explain various deductions which are made in computing the total income. 30

3. (a) (i) What is the propriety audit ? Explain the objectives and scope of propriety audit.

(ii) Discuss the services which are prohibited to be rendered by an auditor appointed under Companies Act, 2013. 30

- (b) On 1st April, 2010, RP Ltd. issued 20,000, 13% debentures of Rs. 100 each at 5% discount. Debenture holders have an option to convert their holdings in 14% preference shares of Rs. 100 each at a premium of Rs. 25 per share.

On 31st March, 2011, one year's interest has accrued on these debentures and has remained unpaid. A holder of 100 debentures notified his intention to convert his holdings

in 14% preference shares. Journalise these transactions. Also show workings for number of preference shares to be issued in exchange. 30

4. (a) Discuss the significance of Cost Volume Profit analysis in managerial decisions. From the following data, calculate : 30

(i) Break-even point expressed in amount of sales in rupees.

(ii) Number of units that must be sold to earn a profit of Rs. 60,000 per year :

Data given :

Sales price Rs. 20 per unit

Variable manufacturing cost Rs. 11 per unit.

Variable selling cost Rs. 3 per unit.

Fixed factory overhead Rs. 5,40,000 per year.

Fixed selling cost Rs. 2,52,000 per year.

- (b) Discuss the objectives and advantages of Accounting Standards and explain the recent changes in Accounting Standards. 30

SECTION – B

5. Answer any **three** of the following in about **200** words each : 20×3 = 60

(a) With the help of suitable examples explain the Net Present Value (NPV) techniques of capital budgeting.

(b) Discuss the significance of working capital management and briefly explain the issues involved in inventory management of a large manufacturing firm.

(c) Critically examine the MM approach of capital structure at present.

(d) Briefly explain various sources of short term and long term sources of finance.

6. (a) Comment on the problems being faced by banking sector due to increasing Non Performing Assets (NPAs). Discuss the various remedial steps taken by RBI in this context.

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- (b) In wake of COVID pandemic, explain the various initiatives undertaken by the Government to support the financing of business firms in India. 30

7. (a) From the following information, you are required to prepare a Balance Sheet: 30

Current ratio : 1.75

Liquidity ratio : 1.25

Stock turnover ratio : 9

Gross Profit Ratio : 25%

Debt collection period : $1\frac{1}{2}$ months

Reserves and surplus : 0.2

Turnover to fixed assets : 1.2

Capital gearing ratio : 0.6

Fixed assets to net worth : 1.25

Sales for the year : Rs. 24,00,000

- (b) Discuss the significance of the following ratios in managerial decision making and explain

the process of computation with the help of
suitable examples : 30

- (i) Liquidity Ratios
- (ii) Solvency ratios
- (iii) Profitability ratios
- (iv) Efficiency / Activity ratios

8. (a) A firm finances its capital using 40% Equity and 60% Debt. The interest rate is 15%, the Tax rate is 35%. The total value of the firm is 100 Lakh. The expected annual earnings before Interest (EBIT) and tax is 15 Lakh.

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You are required to compute :

- (i) After tax cost of equity
 - (ii) After tax cost of debt
 - (iii) Weighted average cost of capital
- (b) ABC Ltd. has operating and capital structure with financial plan A and B under Situations I and II. Annual production and sales are 75% of installed capacity. 30

Compute the operating, financial and combined leverage of financial plan A and B

under Situation I and II. Also interpret combined leverage with reference to highest value and lowest value under both financial plans as well as situations from the following information :

Installed capacity : 10,000 units

Selling price : Rs. 40

Variable cost per unit : Rs. 20

Fixed costs :

Situation I : Rs. 15,000

Situation II : Rs. 18,000

Capital Structure	Financial Plan	
	A	B
Equity	30,000	40,000
Debt (12%)	40,000	30,000
Total	70,000	70,000

