

before tax (after depreciation) during the expected life of the machine are given below :

Year	Machine E (Rs.)	Machine F (Rs.)
1	15,000	5,000
2	20,000	15,000
3	25,000	20,000
4	15,000	30,000
5	10,000	20,000
<b>Total</b>	<b>85,000</b>	<b>90,000</b>

Following the method of return on investment ascertain which of the alternatives will be more profitable. The average rate of tax may be taken at 50%. 30

- (b) What are the determinants of Dividend Policy ? 30
7. (a) What is Capital Market ? State the structure of capital market in India. Who are the players in the capital market ? 30
- (b) State the main activities of IFCI Ltd. Enumerate the resources of IFCI Ltd. 30
8. (a) What is the meaning of a cheque ? Mention requisites of a cheque. Explain the difference between a cheque and Bill of Exchange. 20
- (b) Define Banking and Banking Company as per Banking Regulation Act, 1949. State its functions. Explain important provisions relating to final accounts of a Banking Company. 20
- (c) Write a note on present state of Stock Exchanges and their regulations. 20

Roll No. ....

Total No. of Pages : 8

1(CCE.M)3

Commerce and Accountancy-I

(07)

Time : Three Hours]

[Maximum Marks : 300

**INSTRUCTIONS**

- (i) Answers must be written in English.
- (ii) The number of marks carried by each question is indicated at the end of the question.
- (iii) The answer to each question or part thereof should begin on a fresh page.
- (iv) Your answer should be precise and coherent.
- (v) The part/parts of the same question must be answered together and should not be interposed between answers to other questions.
- (vi) Candidates should attempt question nos. **1** and **5** which are compulsory and any **three** more questions selecting at least **one** question from each Section.
- (vii) If you encounter any typographical error, please read it as it appears in the text-book.
- (viii) Candidates are in their own interest advised to go through the General Instructions on the back side of the title page of the Answer Script for strict adherence.
- (ix) No continuation sheets shall be provided to any candidate under any circumstances.

(b) How would you audit (i) Share Capital (ii) Transfer of Shares and (iii) Managerial Remuneration ? 30

4. (a) Standard labour hours and rate for production of one unit of Article 'A' is given below :

	Per unit (hr.)	Rate per hour (Rs.)	Total (Rs.)
Skilled worker	5	1.50	7.50
Unskilled worker	8	0.50	4.00
Semi-skilled worker	4	0.75	3.00
			<u>14.50</u>

Actual Data	Rate per hour (Rs.)	Total (Rs.)
Articles produced 1,000 units		
Skilled worker 4,500 hrs	2.00	9,000
Unskilled worker 10,000 hrs	0.45	4,500
Semi-skilled worker 4,200 hrs	0.75	3,150
		<u>16,650</u>

Calculate :

- (i) Labour cost variance
- (ii) Labour rate variance
- (iii) Labour efficiency variance
- (iv) Labour mix variance
- (v) Labour yield variance
- (vi) Labour efficiency sub-variance. 30

(v) One machine was purchased for Rs. 25,000 on December 31.

The general price index was as follows :

On January 1	300
Average for the year	350
On July 1	360
On December 31	400

You are required to compute the general purchasing power, gain or loss, for the year stated in terms of the current year end rupee. 30

(b) Give the meaning of accounting for changing prices. State the approaches to price level accounting. 30

2. (a) The following is the Balance Sheet of A Ltd. as on 31-3-2009 :

Liabilities	Rs.	Assets	Rs.
Share capital :		Goodwill	20,000
Issued and paid up :		Premises	2,10,000
30,000 Pref. Shares		Plant and Machinery	70,000
of Rs. 10 each	3,00,000	Patents	1,70,000
30,000 Equity Shares		Stock	35,000
of Rs. 10 each	3,00,000	Debtors	60,000
Liabilities :		Cash	2,000
Sundry Creditors	50,000	Preliminary Expenses	2,000
Bank Overdraft	44,000	Profit and Loss A/c	1,25,000
	<b>6,94,000</b>		<b>6,94,000</b>

The company proved unsuccessful and resolutions were passed to carry out the following scheme of reconstruction by reduction of capital :

- (i) Preference shares to be reduced to an equal number of fully paid shares of Rs. 7 each.
- (ii) Equity shares to be reduced to an equal number of fully paid shares of Rs. 3 each.

Amount so available to be utilised towards wiping out losses and reduction of assets as follows :

Preliminary Expenses, Goodwill and Profit and Loss Account to be written off entirely, Rs. 25,000 to be written off premises, Rs. 15,000 to be written off stock, Rs. 5000 to be provided for doubtful debts, 20% should be written off Plant and Machinery and the balance be written off patents.

Pass journal entries in the books of the company and prepare the Balance Sheet giving effect to the scheme. 30

- (b) Give the meaning of internal reconstruction. How a company alters the share capital ? 15
- (c) Differentiate between pooling of Interest method and Purchase method. 15

- 3. (a) The following information at 50% capacity is given. Prepare a flexible budget and forecast the profit or loss at 60%, 70% and 90% capacity :

Expenses at 50% Capacity	
Rs.	
Fixed Expenses :	
Salaries	50,000
Rent and Taxes	40,000
Depreciation	60,000
Administrative Expenses	70,000
Variable Expenses :	
Materials	2,00,000
Labour	2,50,000
Others	40,000
Semi variable expenses :	
Repairs	1,00,000
Indirect Labour	1,50,000
Others	90,000

It is estimated that fixed expenses will remain constant at all capacities. Semi variable expenses without change between 45% and 60% capacity, will rise by 10% between 60% and 75% capacity, a further increase of 5% when capacity crosses 75%.

Estimated Sales at various levels of capacity are :

Capacity	Sales (Rs.)
60%	11,00,000
70%	13,00,000
90%	15,00,000

- (x) Candidates shall put a cross (x) on blank pages of Answer Script.
- (xi) No blank page be left in between answer to various questions.
- (xii) No programmable Calculator is allowed.
- (xiii) No stencil (with different markings) is allowed.

**SECTION–A**

1. (a) A company had the following monetary items on January 1 :

	Rs.	
Debtors	41,000	
Bills Receivable	10,000	
Cash	<u>20,000</u>	
	71,000	
Less : Bills payable	10,000	
	<u>25,000</u>	<u>35,000</u>
Net Monetary Assets	<u>36,000</u>	

The transactions affecting monetary items during the year were :

- (i) Sales of Rs. 1,40,000 made evenly throughout the year.
- (ii) Purchases of goods of Rs. 1,05,000 made evenly during the year.
- (iii) Operating expenses of Rs. 35,000 were incurred evenly throughout the year.
- (iv) One machine was sold for Rs. 18,000 on July 1.

- (b) What is meant by Standard Costing ? Distinguish between Standard Cost and Estimated Cost. Also discuss the limitations of Standard Costing. 30

**SECTION–B**

5. (a) From the following data, you are required to calculate break-even point and net sales value at this point :

	Rs.
Direct material cost per unit	10
Direct labour cost per unit	5
Fixed overhead	50,000
Variable overheads @ 60% on direct labour	
Selling price per unit	25
Trade discount	<u>4%</u>

If sales are 10% and 25% above the break even volume, determine the net profits. 30

- (b) Critically examine the Net Income and Net Operating Income approaches to Capital Structure. What is the traditional view on this question ? 20
  - (c) Write any ten exempted incomes from tax. 10
6. (a) X Ltd. is considering the purchase of a machine. Two machines are available, E and F. The cost of each machine is Rs. 60,000. Each machine has an expected life of 5 years. Net profits