

CC/M/EXAM.
2020
COMMERCE AND ACCOUNTANCY
PAPER—I

Time : 3 hours]

[Full Marks : 250

Note : Question Nos. **1** and **5** are compulsory and out of the remaining, any **three** are to be attempted choosing at least ONE question from each Section. The number of marks carried by a question/part is indicated against it.

SECTION—A

1. Answer *any five* of the following questions : 10×5=50

- (a) How is accounting standard different from GAAP? Elucidate the process of setting accounting standard.
- (b) "It is not important to consider when cash is received and disbursed for accounting". Examine the statement and give your opinion with suitable examples.
- (c) "Estimated useful life and residual value of long-term asset related to current owner or users rather than to all potential users". Elucidate this statement.
- (d) What are the provisions of accounting standard in relation to foreign exchange? Elucidate.
- (e) What is transfer pricing? Elucidate the types of transfer pricing.
- (f) Review the various provisions related to Goods and Services Tax (GST).
- (g) From the following information, you are required to calculate—
 - (i) P/V ratio;
 - (ii) Break-even sale with the help of P/V ratio;
 - (iii) Break-even point in units;
 - (iv) Sales required to earn a profit of ₹ 4,50,000 :
Fixed Expenses = ₹ 90,000
Variable cost per unit :
 Direct material = ₹ 5
 Direct labour = ₹ 2
 Direct overheads = 100% of direct labour
Selling price per unit = ₹ 12

2. Answer the following questions :

- (a) Why is Balance Sheet important for different stakeholders of a company? From the following information of a textile company, complete the Proforma Balance Sheet if its sales are ₹ 32,00,000 :

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Sales to net worth	2.3 times
Current debt to net worth	42%
Total debt to net worth	75%
Current ratio	2.9 times
Net sales to inventory	4.7 times
Average collection period	64 days
Fixed assets to net worth	53.2%

Proforma Balance Sheet

Liabilities	Amount	Assets	Amount
Share capital	10,00,000	Fixed assets	?
Reserve and surplus	?	Cash	?
Long term debt	?	Stock	?
Current debt	?	Sundry debtors	?
Total		Total	

- (b) How is the issue of bonus share different from buyback of share? What is the significance of buyback of share?
- (c) Describe the incomes which do not form the part of total income under the Income Tax Act, 1961.

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3. Answer the following questions :

- (a) What is process costing? Define the terms 'Abnormal loss', 'Normal loss' and 'Abnormal effectiveness' and state their treatments in process costing.
- (b) State the accounting process related to amalgamation and takeover of a business.
- (c) What are the differences between cost accounting and financial accounting? Write the process of installation of cost accounting system.

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4. Answer the following questions :

- (a) What are the incomes derived from house property? Describe the provisions of the Income Tax Act, 1961 related to income from house property.
- (b) Is standard cost different from target cost? Write the steps involved in standard costing.
- (c) Elucidate the distinctions between investigation and audit. Write the process of investigation.

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SECTION—B

5. Answer *any five* of the following questions :

10×5=50

- (a) Elucidate the computations of specific cost and weighted average cost in the context of valuation of inventories.
- (b) Elaborate the methods of risk and uncertainty adjustment in weighing capital budgeting decisions.
- (c) What is cost of capital? How does the cost of capital contribute in financial decision making?
- (d) What is the cost of retained earning? How is it different from cost of debenture?
- (e) Explain the functions of the Insurance Regulatory and Development Authority of India.
- (f) Elaborate the capital asset pricing model for determining the cost of equity capital.
- (g) Elucidate the differences among operating leverage, financial leverage and combined leverage with suitable examples.

6. Answer the following questions :

- (a) What is the scope of cash flow statement? The Balance Sheets of ABC Ltd and PQR Ltd are given below :

Liabilities	ABC Ltd	PQR Ltd	Assets	ABC Ltd	PQR Ltd
	Amount in ₹			Amount in ₹	
Share capital	1,30,000	1,58,000	Cash	15,000	52,000
Bank loan	45,000	55,000	Debtors	35,000	55,000
Loan from financial institution	30,000	0	Stocks	40,000	30,000
Credit	45,000	49,000	Machinery	85,000	60,000
Profit & loss A/C	10,5,000	1,25,000	Land	45,000	50,000
			Buildings	35,000	60,000
			Goodwill	1,00,000	80,000
Total	3,55,000	3,87,000	Total	3,55,000	3,87,000

Other information :

- (i) Dividend paid ₹15,000 during the year
- (ii) ₹20,000 worth of machinery was sold at book value

With the help of the above information, prepare a Cash Flow statement.

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- (b) What are the precautions for use of ratios for managerial decisions? State the limitations of ratio analysis.
- (c) Critically analyze the M.M. Approach of Dividend Policy.

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7. Answer the following questions :

- (a) What are the components of financial system? Critically analyze the role of Indian financial system for the economic development of the nation. 20
- (b) Critically review the reforms in Indian banking sector in recent years. 15
- (c) Explain the basic characteristics of primary and secondary capital markets. 15

8. Answer the following questions :

- (a) Make a comparative elaboration on financial market instruments. 20
- (b) How does SEBI play its role as regulator of capital market? Make a clear explanation. 15
- (c) State the meaning and significance of mutual funds. What are its various types? 15

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