

CSM – 20/21
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 important provisions given in Accounting Standard – 10 on 'Property, Plant and Equipment' in relation to revaluation of an asset.
 - (b) What is shut-down point ? What are qualitative factors that should be considered before taking a decision about shut down of the business ?

- (c) When is an individual said to be 'resident' and 'ordinary resident' in India ?
- (d) What are the provisions under Companies Act, 2013 regarding compulsory rotation of an Auditor ?
2. (a) Explain the term 'Purchase Consideration' as per Accounting Standard 14. Also, explain 'Net Assets Method' and 'Net Payments Method' of computing purchase consideration. 30
- (b) Following is the balance sheet of AB Ltd. as on 31st March, 2021 :

Equity and Liabilities	Amount (₹)
48,000 equity shares of ₹ 50 each	24,00,000
24,000, 10% preference shares of ₹ 50 each	12,00,000
Reserves and Surplus	(14,40,000)
Non-Current Liabilities	
12% debentures	6,00,000
Current Liabilities	
Trade payables	6,00,000
Short-term borrowings	3,00,000
Total	36,60,000

Assets	Amount (₹)
Non-current assets	
Land and Building	12,00,000
Plant & Machinery	18,00,000
Goodwill	90,000
Current Assets	
Inventories	2,40,000
Trade receivables	3,00,000
Cash	30,000
Total	<u>36,60,000</u>

On the above date, the company adopted the following scheme of reconstruction :

- Equity shares are to be reduced to shares of ₹ 20 each fully paid and the preference shares are to be reduced to shares of ₹ 37.50 each fully paid.
- Debenture holders took over the inventories and receivables in full satisfaction of their claims.
- Land and Building to be appreciated by 30% and Plant and Machinery to be depreciated by 30%.

- (d) Debit balance of P and L account and intangible assets are to be eliminated.
- (e) Expenses of reconstruction amounted to ₹ 5,000.

Give journal entries incorporating the above scheme of reconstruction and a reconstructed balance sheet. 30

3. (a) The expenses for the production of 5000 units in a factory are given as follows : 30

	Per unit (₹)
Materials	50
Labour	20
Variable overheads	15
Fixed overheads (50000)	10
Administrative Expenses (5% variable)	10
Selling Expenses (20% fixed)	6
Distribution expenses (10% fixed)	5
Total cost of sales per unit	<u>116</u>

You are required to prepare budget for the production of 7000 units.

- (b) Define 'annual value' and state the deductions that are allowed from the annual value in computing the income from house property. 30
4. (a) What are the provisions under Companies Act, 2013 for the removal of Auditors appointed under Section 139 of the Act ? 30
- (b) Who is eligible to be appointed as Statutory Auditor of a company ? Briefly, explain the qualifications and disqualifications of an Auditor of a Company according to the provisions of Companies Act, 2013. 30

SECTION – B

5. Write short notes on any **three** of the following in about **200** words each : $20 \times 3 = 60$
- (a) "Profit maximization is not an operationally feasible criterion". Elaborate.

- (b) Explain the situations when Net Present Value (NPV) and Internal Rate of Return (IRR) methods of project appraisal may give conflicting results. Which of the two methods should be preferred in such situations ?
- (c) What is leverage analysis ? How does it help in the measurement of risk of a firm ?
- (d) "Securities and Exchange Board of India (SEBI) was established with the objective of protecting the interest of the investors". In the light of this statement, write the objectives and functions of SEBI.
6. (a) Can a firm have an optimal capital structure ? Briefly, explain five factors which influence the planning of capital structure in business firm. 30
- (b) What is the concept of Working Capital Cycle ? How is working capital requirement affected by – sales, technology, production policy and inflation ? Explain. 30

7. (a) A firm which has a cost of capital 10% is considering two mutually exclusive projects X and Y the details of which are : 30

Particulars	Year	Project X	Project Y
		₹	₹
Cost	0	100,000	100,000
Cash Inflows	1	10,000	50,000
	2	20,000	40,000
	3	30,000	20,000
	4	45,000	10,000
	5	60,000	10,000

Which of the two projects should be selected based on Net Present Value method.

- (b) "In the computation of Weighted Average Cost of Capital (WACC), book value weights are more operational but market value weights are more logical to use". Examine the statement and write the advantages of using the market value weights. 30

8. (a) Explain the important factors that determine the working capital requirement of a firm.

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- (b) Explain the following tools of monetary policy used by RBI in maintaining price stability – Repo rate, Reverse Repo rate, Bank Rate, Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR) and Open Market Operations (OMOs).

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