PART - A

1. (a) X Ltd depreciates its machinery at 10% P.a. on diminishing balance method. A balance of Rs. 9,72,000 appeared on 1-1-2014 on the debit side of machinery account. During the year 2014, a machinery purchased on 1-1-2012 for Rs. 80,000 was sold for Rs. 45,000 on 1-7-2014 and a new machinery at a cost of Rs. 1,50,000 was purchased and installed on the same date, installation charges being Rs. 8,000. The company wanted to change the method of depreciation from diminishing balance method to straight line method w.e.f. 1-1-2012. The difference of depreciation up to 31-12-2014 is to be adjusted. The rate of depreciation remains the same as before. Assume scrap value to be zero for all the machines. Show machinery account. Working should form part of your answer. (14)

(b) Explain the different methods of depreciation. (6)

2. Which are the main principles of cost accounting? Elaborate the steps involved in installation of a proper costing system in a manufacturing concern. (5+15=20)

3. (a) The following are the particulars of income of Mr. Behl for the Assessment year 2016-17.

Income from House Property (Computed) Rs. 61,200
Business Income Rs. 1,80,000
Dividends (Gross) from a Cooperative Society Rs. 15,500
Long Term Capital gain :
    from Land Rs. 60,000
    from Jewellery Rs. 35,000

He paid Rs. 28,000 as Life Insurance Premium on his own life on a policy of Rs. 2,00,000 (Policy issued on May 1, 2013). He also paid Rs. 6,000 on a life policy of Rs. 50,000 which he acquired in 2010.

He gave Rs. 30,000 as donation to a charitable institution approved under Sec.80 G.

During the year he deposited Rs. 18,000 in an equity linked saving scheme (Dhan 80) notified under Section 80C.

He deposited Rs. 12,500 in National Savings Scheme 1992.

Interest accrued on NSC VIII Issue purchased in November 2014 for Rs. 30,000 is Rs. 2,260. Interest accrued on a Fixed Deposit in a Bank Rs. 6,000.

Compute his Total Income. (12)
(b) Give short answers on the following: \(4 \times 2 = 8\)
   
   (i) Services Tax
   (ii) Agricultural Income
   (iii) Previous Year
   (iv) Person

4. Discuss the matters that require preparation on the part of an auditor before commencement of a new audit. \(20\)

PART - B

5. Explain the objectives of financial management. How should the finance of an enterprise be organised? Discuss. \(10 + 10 = 20\)

6. A Company’s capital structure consists of the following: \(20\)
   
   Equity share capital of Rs. 100 each - Rs. 20,00,000
   Retained Earnings - Rs. 10,00,000
   9% Preference Shares - Rs. 12,00,000
   7% Debentures - Rs. 8,00,000

   The company earns 12% on its capital. The Income Tax rate is 50%. The company requires a sum of Rs. 25,00,000 to finance its expansion programme for which the following alternatives are available to it:
   
   (i) Issue of 20,000 equity shares at a premium of Rs. 25 per share
   (ii) Issue of 10% Preference shares
   (iii) Issue of 8% Debentures

   It is estimated that the P/E ratios in cases of equity, preference and debentures financing would be 21.4, 17 and 15.7 respectively. Which of the three financing alternatives would you recommend and why?

7. (a) ‘A financial system is a well integrated system whose parts interact with each other.’ Explain with special reference to the role of the Indian Financial System in the post liberalisation period. \(10\)
   
   (b) Write short notes on the following: \(2 \times 5 = 10\)
      
      (i) Treasury Bills
      (ii) Commercial Papers

8. (a) Explain the credit rating process and methodology adopted by various credit rating agencies in India to rate various securities. \(10\)
   
   (b) Analyse the factors which the entrepreneur should take into account while selecting the venture capitalists. \(10\)

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