

COMMERCE & ACCOUNTANCY

PAPER - I

Time Allowed : 3 hours

Full Marks : 100

Marks for each question is indicated against it.

Attempt any 5 (five) questions taking not more than 3 (three) questions from each Part.

PART A

1. (a) X Ltd. Company produces a product which has monthly demand of 4000 units. The product requires a component X which is purchased at Rs.20. For every finished product, one unit of component is required. The ordering cost is Rs.120 per order and the holding cost is 10% p.a.
 - (i) Calculate Economic Order Quantity (EOQ). **(5)**
 - (ii) If the minimum lot size to be supplied is 4000 units, what is the extra cost the company has to incur? **(5)**
- (b) P. Ltd. has 50,000 equity shares of Rs.10 each and its current market value is Rs.45 each. The after tax profit of the company for the year ended 31st March, 2009 is Rs.9,60,000. Calculate the total earnings per share. **(3)**
- (c) Give the format of a typical cash flow statement with hypothetical figures showing the cash flow from operating expenses, investment and financial activities. **(5)**
- (d) What are the main objectives of a Cash Flow Statement? **(2)**
2. (a) "A good costing system is an invaluable aid to the management". Enumerate the chief points in support of your answer **(8)**
- (b) From the following particulars, find out: **(12)**
 - (i) The cost of raw materials consumed
 - (ii) Factory cost
 - (iii) Prime Cost and
 - (iv) The cost of production and the profit on goods sold.

Opening stock of Raw materials	Rs.30,400
Purchases of Raw materials	Rs.66,800
Carriage inwards	Rs.1,460
Closing stock of Raw materials	Rs.18,600

Opening stock of Finished goods	Nil
Closing stock of finished goods	Rs.28,000
Opening stock of work in progress	Rs.18,000
Closing stock of work in progress	Rs.10,000
Sale of scrap	Rs.2,000
Depreciation on plant	Rs.4,400
Steam and Power	Rs.1,460
Rent of factory building	Rs.1,800
Productive Wages	Rs.80,300
Non-productive wages	Rs.1,200
Administration expenses	Rs.14,200
Selling and distribution expenses	Rs.22,000
Sales	Rs.2,50,000

3. (a) As per Income Tax Act, 1961, show how GAV is calculated. **(5)**
- (b) Compute the taxable salary of Mr. A from the following details of income earned till March 2011. **(15)**
- (i) Basic Salary Rs.10,000 per month.
 - (ii) Dearness allowance and Transport being 50% and 3% of salary respectively.
 - (iii) Conveyance allowance received Rs.10,000 but actually spent Rs.4,000
 - (iv) He is provided a rent free furnished house by his employer. Cost of furniture Rs.1,00,000 (population 18 lakhs)
 - (v) His employer paid life insurance of Rs.3,000 for him.
 - (vi) He is provided with a motor car along with chauffer, the engine capacity is 2 litres. The expenses on car are met by employer.
 - (vii) The following are the investments:
 - a. Contribution to RPF Rs.1,00,000
 - b. Life insurance premium paid Rs.10,000 for a policy of Rs.1,50,000 on Jeevan Suraksha Bhima
 - c. Medical insurance paid for him Rs.12,000
4. (a) What are the various objectives of an audit? **(8)**
- (b) Draft an audit programme for a large manufacturing company. **(12)**

PART B

5. (a) What is capital budgeting? Why is it significant for a firm? (2+3=5)
- (b) A company is considering the replacement of an existing obsolete machine. It is faced with two alternatives: (15)
- (i) To buy machine A which is similar to the existing machine.
- (ii) To buy machine B which is more expensive and has a higher capacity.

The cash flow after taxes at present level of operations for the two alternatives are as follows:

After tax Cash Flows (in lakhs of Rs.) At the end of year		
Year	A	B
0	(-) 25	(-) 40
1	-	10
2	5	14
3	20	16
4	14	17
5	14	15

Cost of capital is 10%. Calculate:

- (i) Net present Value
- (ii) Profitability Index

Advice the company about the better alternative.

6. (a) Describe the components of working capital. (10)
- (b) Evaluate the accounting rate of return method of assessing capital budgeting proposals. Use a hypothetical example. (10)
7. (a) Discuss in brief the structure of Indian financial system. (10)
- (b) Outline the various contributions of financial institutions to an Indian economy. (10)
8. (a) Discuss the constitution of Mutual Funds. Highlight the problems faced by mutual Funds in India. (5+5=10)
- (b) Elaborate on the various kinds of insurance. (5)
- (c) Explain the merits of venture capital financing. (5)