

IAS Mains Commerce 2003

Paper I

Section A

1. Answer any three of the following questions. The answer of each question should not exceed 200 words:

- The financial books have a specific purpose to serve and the information available through them has to be supplemented through other records. Discuss the necessity of having cost records (20).
- What is Amalgamation of Companies? How does it differ from Absorption and Reconstruction of Companies (20)?
- Discuss the powers of Incomes Tax officers (20).
- How will you audit the cash transactions of a Company (20)?

2. Answer the following

- It is said that the success of a Standard Cost Accountancy System is dependent on the extent of responsibility which the top management assumes in correcting the conditions which cause variance from standards. Discuss the extent to which this responsibility should be delegated to lower levels and outline a method by which the performance of the individuals responsible can be watched.
- A factory manufacturing readymade garments uses the cut pieces of cloth to manufacture dolls. The following cost information has been prepared to show that the manufacture of dolls results in a loss of Rs. 500. Hence there is a suggestion to discontinue the manufacture of dolls. What is your advice? Give reasons. Note: The cut pieces used in dolls will fetch a waste value of Rs. 1,000, if sold (30)

Item	Ready-made Dolls	Garments	Total
Direct materials	Rs. 40,000	Rs. 3,000	Rs. 43,000
Direct Labour	Rs. 6,500	Rs. 600	Rs. 7,100
Other variable costs	Rs. 8,500	Rs. 1,400	Rs. 9,900
Fixed overheads	Rs. 12,000	Rs. 1,500	Rs. 13,500
Total	Rs. 67,000	Rs. 6,500	Rs. 73,500
Sales value	Rs. 85,000	Rs. 6,000	Rs. 91,000
Profit	Rs. 18,000	Rs. 17,500	NA
Loss	Rs. 500	NA	NA

3. Answer the following questions

- a. Write a note on the powers and duties of a company auditor (30).
- b. The actual production was only 60 units, materials used 40 units of X and 60 units of Y. Calculate material yield variance (30).

Material	Units	Rate	Total
X	Rs. 30	Units: 4	Rs. 120
Y	Rs. 70	Units: 3	Rs. 210

4. Answer the following questions

- a. Explain the term Budgetary Control. On what factors does the success of such control depend (30)?
- b. Find out the income from house property chargeable to tax for the assessment year 2002 – 03 in the following cases (30)

Item	X	Y
Municipal value	Rs. 1, 20, 000	Rs. 1, 20, 000
Fair rent	Rs. 1, 30, 000	Rs. 1, 30, 000
Standard rent under the Rent Control Act.	Rs. 1, 10, 000	Rs. 1, 10, 000
Actual rent if property is let out throughout the pervious year	Rs. 1, 26, 000	Rs. 1, 26, 000
Unrealised rent of the previous year 2001 – 02	Rs. 10, 500	Nil
Period when the property remained vacant in number of month	Month 1	Nil
Loss due to vacancy	Rs. 10, 500	Nil
Municipal Taxes-Tax of the year 2001 – 02	Rs. 18, 000	Rs. 18, 000
Paid by X and Y during 2001 – 02	Rs. 17, 000	Rs. 8, 000
Paid by X and Y after March 31, 2002	Rs. 1, 000	Rs. 1, 000

Section B

5. Answer any three of the following in not more than 200 words each:

- a. Wealth maximization is the main function of financial management. Comment (20).
- b. Define lease financing (20)
- c. What is a new issue market (20)?
- d. Write a note on trading on equity (20).

6. Answer the following questions

- a. Explain the term Capital Structure. What should generally be the features of an appropriate capital structure for a company (30)?
- b. A Company offers to its shareholders the right to buy 2 shares of Rs. 130 each for every five share of Rs. 100 each held in the company. The market value of the share is Rs. 200 each.

Calculate the value of Right (30).

7. Answer the following questions

- a. Explain the concept of Venture Capital and discuss its salient features in the Indian Context (30).
- b. Discuss the powers and role of Securities and Exchange Board of India (SEW) (30).