

IAS Mains Commerce 2004

Paper-I

Section-A

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

- a. Discuss the methods of valuation of shares. 20
- b. Discuss the techniques of segregating semivariable cost into fixed and variable costs. 20
- c. How do you calculate annual let out value of house property. 20
- d. An auditor's role is that of a watch-dog and not a bloodhound. Comment. 20

2. Answer the following questions

- a. How does budget differ from forecast? Discuss the relevance of budgetary control. 30
- b. The following Balance Sheets of X Ltd. and Y Ltd. as on 31st December, 2003 are given below:

- Items
- X Ltd.
- Y Ltd.
- Assets
- Rs.
- Rs.
- Fixed Assets 10,00,000 50,000
- Sundry Debtors Stock 2,90,000 1,50,000
- Stock 4,80,000 2,10,000 1,000 shares in Y Ltd. 1,50,000 _____ 3,000 shares in X Ltd. --5,00,000
- Cash at Bank 1,40,000 90,000
- Total 20,60,000 10,00,000
- Liabilities Fully paid Equity shares of Rs. 100 each 15,00,000 5,00,000
- General Reserve 2,00,000 1,00,000
- Profit & Loss A/c 1,60,000 10,000 12% Debentures _____ 3,00,000
- Current Liabilities 2,00,000 90,000
- Total 20,60,000 10,00,000

Y Ltd. Traded in raw materials which were required by X Ltd. For manufacturing its products. Stock of X Ltd. Includes Rs. 1,00,000-for purchases made from Y Ltd. On which the company made a profit of 20% on selling price, X Ltd. Owed Rs. 40,000 to Y Ltd. In this respect. It was decided that X Ltd. Should absorb Y Ltd. On the basis of intrinsic value of the shares of the two companies. Before absorption X Ltd. Declared a

dividend of 8%. X Ltd. Also decided to revalue the shares in Y Ltd. Before recording entries relating to the absorption.

- c. Show the journal entries in the books of X Ltd. To record the acquisition and prepare its Balance Sheet immediately thereafter. 30

3. Answer the following questions

- a. "Business firms rarely operate at their breakeven points. Therefore, the breakeven analysis is of very limited use to management." Comment in brief. 30
- b. In a manufacturing company, the standard quantity of material was fixed at 10 kg and the standard price was fixed at Rs. 2 per kg; The actual quantity consumed came to be 12 kg and the actual price paid was Rs. 1.90 per kg. You are required to calculate:
- Material Cost Variance
 - Material Rate Variance
 - Material Usage Variance

4. Answer the following questions

- a. Discuss the relevant provisions concerning set off and carry forward of losses. 30
- b. What is a capital asset as defined in Income Tax Act Can the following be included under capital asset Give reasons.
- Stock-in-trade
 - Personal effects of the assessee
 - Goowill 30

Section B

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

- Discuss the role of financial analysis as a diagnostic tool. 20
- Discuss the components of working capital. 20
- What are the sources for raising long term capital 20
- What is the role of the World Bank in financing Indias development 20

6. Answer the following questions

- What is meant by weighted...Average cost of capital Illustrate your answer with assumed figures. 30
- A company is considering installing a new machine. Machine X costs

Rs. 4, 00, 000 and its life is 8 years. Machine Y costs Rs. 10, 00, 000 and its life is 10 years. After deducting the operating expenses, the estimated annual return from Machine X is Rs. 80, 000 and from Machine Y is Rs. 1, 50, 000. On the basis of average rate of return on investment, which machine will be most profitable 30.

7. Answer the following questions

a. What are the basic considerations influencing debt-equity mix in a corporate capital structure Examine the merits and demerits of debt financing. 30

b. The capital structure of the two companies is given below:

- Item
- A
- B
- Capital sources
- Rs.
- Rs.
- Paid up Capital 5, 00, 000 1, 00, 000
- Reserve Fund 3, 00, 000 1, 00, 000
- Preference Shares 9% 1, 00, 000 1, 00, 000
- Debentures 8% 1, 00, 000 7, 00, 000

c. Calculate Capital Gearing Ratio. 30

8. Answer the following questions

a. Critically evaluate the money and credit policy of Reserve Bank of India. 30

b. What is meant by inter-bank lending How is it regulated and controlled

Discuss. 30