

This question paper contains 8 printed pages]

Code No. : 07(I)

Roll No.

0(CCEM)9

COMMERCE AND ACCOUNTANCY

Paper : I

Time Allowed : 3 hours]

[Maximum Marks : 300

- Note :**
- (i) Answers must be written in English.
 - (ii) Number of marks carried by each question are indicated at the end of the question.
 - (iii) Part/Parts of the same question must be answered together and should not be interposed between answers to other questions.
 - (iv) The answer to each question or part thereof should begin on a fresh page.
 - (v) Your answers should be precise and coherent.
 - (vi) Candidates should attempt Question No. 1 and 5 which are compulsory, and any one in Section 'A' and any two in Section 'B' out of remaining questions.
 - (vii) Assume suitable data if considered necessary and indicate the same clearly.

P. T. O.

SECTION - A

1. (a) Present the following informations to show to the management : (a) the marginal product cost and the contribution per unit : (b) the total contribution and profits resulting from each of the following sales mixtures :

| | <i>Product</i> | <i>Per Unit</i> |
|------------------|----------------|-----------------|
| Direct materials | : A | Rs. 10 |
| | : B | Rs. 9 |
| Direct Wages | : A | Rs. 3 |
| | : B | Rs. 2 |

Fixed Expenses : Rs. 800

Variable expenses are allocated to products as 100% of direct wages.

Sales Price : A Rs. 20

: B Rs. 15

Sales Mixtures :

- (i) 1,000 units of product A and 2,000 units of B.
- (ii) 1,500 units of product A and 1,500 units of B.
- (iii) 2,000 units of product A and 1,000 units of B.

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- (b) "Cost may be classified in a variety of ways according to their nature and the information needs to management." Explain and discuss this statement giving examples of classifications required for different purposes.

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2. (a) Mrs. Anukriti Sharma is a Professor in the Department of Commerce in Delhi University. Following are the particulars of her income for the assessment year 2010-11 :

- (i) Basic pay Rs. 15,000 per month.
- (ii) Dearness allowance @ 10% of salary.
- (iii) House Rent Allowance 30% of basic salary.
- (iv) Medical Allowance Rs. 200 p.m. (amount actually spent on her own treatment is Rs. 2,000).
- (v) Warden Allowance Rs. 300 p.m.
- (vi) Rent from House Property Rs. 2,000 p.m.
- (vii) Interest received from Government securities Rs. 5,000.
- (viii) Dividend received from an Indian Company Rs. 1,200.
- (ix) Interest on Bank Deposits Rs. 2,000.
- (x) Contribution to Recognised Provident Fund 10% of basic salary.
- (xi) Premium paid by cheque on medical insurance policy on health of dependent mother Rs. 5,000, Rs. 2,000 for dependent mother in law and Rs. 1,000 for dependent brother.
- (xii) Donation to an approved charitable institution Rs. 25,000.
- (xiii) House rent paid Rs. 7,000 p.m.

Compute her Total Income for assessment year 2010-11.

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(b) How is the Total Income of an individual computed ? Discuss in brief, the deductions available to an individual from Gross Total Income.

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- (c) There are certain expenditures which are specifically disallowed while computing business income in the case of all assesses. Discuss. 15

3. Prepare a consolidated Balance Sheet as on 31st March, 2007 from the following informations : 60

Balance Sheet of Harry Co. Ltd.

as on 31st March, 2007

| <i>Liabilities</i> | <i>Rs.</i> | <i>Assets</i> | <i>Rs.</i> |
|-----------------------|------------|--|------------|
| Share Capital | 1,00,000 | Goodwill | 20,000 |
| General Reserve | 34,000 | Land & Buildings | 76,000 |
| Profit & Loss Account | 11,100 | Investment* | 28,800 |
| | | Stock | 52,000 |
| Bills Payable | 41,000 | Cash & Bank | 15,200 |
| Sundry Creditors | 63,900 | Sundry Debtors & Advances (including Loan to 'S' Ltd. Rs. 1,000) | 58,000 |
| | 2,50,000 | | 2,50,000 |

*The investment consists of 2400 shares of Rs. 10 each fully paid in its subsidiary 'S' Ltd. which was acquired on 1 July, 2006.

Balance Sheet of 'S' Ltd.

as on 31st March, 2007

| <i>Liabilities</i> | <i>Rs.</i> | <i>Assets</i> | <i>Rs.</i> |
|---------------------------|------------|-----------------------|------------|
| Share Capital (d) | 30,000 | Goodwill | 4,400 |
| General Reserve | 5,000 | Plant & Machinery (a) | 29,000 |
| Profit & Loss Account (e) | 4,400 | Stock | 6,000 |
| Loan | 21,000 | Sundry Debtors | 12,500 |
| Sundry Creditors | 28,400 | Bills Receivable (b) | 30,000 |
| | 88,800 | Cash at Bank (c) | 6,900 |
| | | | 88,800 |

- (a) On 1 April, 2006, the plant and machinery were revalued at Rs. 32,000 which should be taken in the consolidated balance sheet. Ignore depreciation. There were no additions or deletions to plant during the year.
- (b) Total bills receivable were Rs. 41,000 (all accepted by Harry Co. Ltd.) of which bills for Rs. 11,000 had been discounted with the banker and yet to be matured.
- (c) Cash and bank balances were arrived at after sending a cheque for Rs. 1,000 to Harry Co. Ltd. on account of repayment of loan.
- (d) Capital account of 'S' Ltd. consists of 3,000 equity shares of Rs. 10 each.
- (e) Balance as on 1 April, 2006 :
- | | |
|-------------------------|-------------|
| Profit and Loss Account | : Rs. 1,200 |
| General Reserve | : Rs. 4,000 |

4. (a) The Balance Sheet of Wye Ltd. revealed the following among other things :

| | 31.3.2000 (Rs.) | 31.3.2001 (Rs.) |
|-------------------------------------|--------------------|--------------------|
| Inventories | 5,50,000 | 6,10,000 |
| Book Debts | 4,50,000 | 5,50,000 |
| Cash at Bank | 60,000 | 80,000 |
| Advances for supply of materials | 1,00,000 | 1,26,500 |
| Due to suppliers | 2,50,000 | 3,22,000 |

During 2000-2001 materials prices rose by 15% and those of finished goods by 10%. Calculate the Monetary Working Capital Adjustment to be made under the Current Cost Accounting System. 30

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- (b) How can changes in the price level be reflected in the financial statement through the Current Purchasing Power Method ? 30

SECTION - B

5. (a) A limited company is considering investing in a project requiring a capital outlay of Rs. 2,00,000. Forecast for annual income after depreciation but before tax is as follows :

| Year | Rs. |
|------|----------|
| I | 1,00,000 |
| II | 1,00,000 |
| III | 80,000 |
| IV | 80,000 |
| V | 40,000 |

Depreciation may be taken as 20% on original cost and taxation at 50% of net income.

You are required to evaluate the project according to each of the following methods :

- (i) Pay-back method,
(ii) Rate of return on original investment method,
(iii) Discounted cash flow method taking cost of capital as 10%. 30

- (b) Critically examine the Net Income and Net Operating Income approaches to capital structure. What is the traditional view on this question ? 20

(c) Explain the following briefly :

- (i) Convertible debentures,
- (ii) Modigliani-Miller approach,
- (iii) Capital gearing.

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6. (a) Jahnavi Ltd. has under consideration the following two projects. Their details are as under :

| | Project 'X' | Project 'Y' |
|---|-----------------|---------------|
| Investment in Machinery | : Rs. 10,00,000 | Rs. 15,00,000 |
| Working Capital | : Rs. 5,00,000 | Rs. 5,00,000 |
| Life of Machinery | : 4 years | 6 years |
| Scrap value of Machinery | : 10% | 10% |
| Tax Rate | : 50% | 50% |
| Income before depreciation and tax at the end of year : | | |
| | Rs. | Rs. |
| | 1. 8,00,000 | 15,00,000 |
| | 2. 8,00,000 | 9,00,000 |
| | 3. 8,00,000 | 15,00,000 |
| | 4. 8,00,000 | 8,00,000 |
| | 5. - | 6,00,000 |
| | 6. - | 3,00,000 |

You are required to calculate the Accounting Rate of Return and suggest which project is to be preferred.

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- (b) Peacock Ltd. decides to increase its existing share capital by making a right issue to the existing shareholders in proportion of one new share for every four shares held. The market value of the share at the time of announcement of right issue is Rs. 250. The company offers, under right issue, a share of Rs. 100 at a premium of Rs. 25. Calculate the value of the right. 30
7. (a) What are the Constituents of Indian money market ? Do you think that the Indian money market is a perfect market ? 30
- (b) What suggestions have been made to strengthen RRBs ? Discuss their merits and demerits. 30
8. (a) What do you understand by cheque and what role is played by them to facilitate payment and transfer of money ? 20
- (b) Explain briefly the important functions of Life Insurance Corporation. 20
- (c) Discuss the duties of an auditor. 20