COMMERCE AND ACCOUNTANCY

FIRST PAPER

Full Marks : 200

Time : 3 Hours

The figures in the margin indicate full marks for the questions

PART–A

Answer any EIGHT questions.

Each question carries its full marks.

The word limit for PART–A is 250 words for each theoretical answer and for PART–B it is 150 words for each answer.

1. (a) Explain the provision of Income Tax Act 1961 regarding 'Carry Forward and Set-off of Losses'.   10

    (b) What is meant by 'Capital Asset' as defined by the Income Tax Act 1961. Discuss the procedure of Computing Capital gains.   2+8=10

Contd.

2. (a) What is verification of Assets and Liabilities ? State the duties of an auditor in this regard. 3+7=10

(b) Define Financial Accounting, Cost Accounting and Management Accounting. Establish the relationship among these three concepts. 3+7=10

3. Explain the managerial applications of the following cost concepts : 5+5+5+5=20

(i) Opportunity Cost

(ii) Shut-Down Cost

(iii) Marginal Cost

(iv) Sunk Cost.

4. A product passes through processes A, B, and C. Normal wastage in each process is as below :

A : 5 per cent

B : 6 per cent

C : 10 per cent

Wastage of process A was sold at Rs. 2 per unit, that of process B at Rs. 5 per unit.

1,000 units were issued to Process A on 01-04-2014, the cost per unit being Rs. 2. Other expenses incurred are as below :

	A Rs.	B Rs.	C Rs.
Raw materials	2,000	3,000	1,000
Labourer	5,000	8,000	6,000
Direct Expenses	1,550	2,946	3,738
Actual Output (units)	950	910	810

Prepare process accounts assuming that there were no opening or closing stock. 20

5. Mr. X owns two houses which are occupied by him for his own residence. The detailed particulars of houses for the previous year 2014-15 are as below.

	House A Rs.	House B Rs.
Fair Rent :	5,00,000	6,00,000
Municipal Value :	4,20,000	5,50,000
Standard Rent :	4,50,000	6,20,000
Municipal taxes paid :	50,000	60,000
Interest on loan taken for the construction of the houses for the year 2014-15 :	1,40,000	2,20,000
Date of Loan :	01-12-2000	01-04-2003
Date of Completion :	31-03-2003	31-03-2004
Certificate of Interest attached with the Return :	No	Yes

Compute the income from house property and advise Mr. X on minimisation of tax liability on this account. 20

6. (a) Distinguish between Cost Control and Cost Reduction.

   (b) Write short notes on : Standard Costing and Variance Analysis.   10+5+5=20

7. Explain the meaning of capital budgeting. Briefly describe the following techniques of Capital budgeting : (a) Internal Rate of Return and (b) Net Present Value Method.
                                                    10+5+5=20

8. Critically evaluate Walter's Model on Dividend decision.   20

9. Describe the functions of Capital Market in a country like India. Examine the present position of Capital Market in India highlighting various challenges faced by it.   5+10+5=20

10. Critically evaluate the Credit Policies recently announced by the Reserve Bank of India. Do you think that these policies are conducive for the growth of Indian financial and capital market ? Give reasons.   10+10=20

11. (a) What is meant by 'Crossing' and 'endorsement' in regard to a cheque?
                                                    5

    (b) Explain the provisions under Banking Regulation Act 1949 in regard to the statutory protection to the Paying and Collecting bankers.   15

12. Write critical notes on : 4×5=20

   (a) Budgetary Control

   (b) Cost-Volume-Profit Relationship

   (c) Appointment of Auditors

   (d) Regional Rural Banks.

PART–B

*Answer **any FIVE** questions.*

13. Give *four* examples of income completely exempt from tax, giving a brief account of the conditions, if any, to be fulfilled. 8

14. What is BEP Analysis ? What are its applications ? 2+6=8

15. Describe the functions of Income Tax Officers. 8

16. List out the important points you will consider while conducting audit of a Bank. 8

17. What is Optimal Capital Structure ? How is it designed ? 2+6=8

18. Why is Debt Equity Ratio important in designing a capital structure ? Mention the norms and guidelines in this regard. 4+4=8

19. Do you think that the objectives of bank nationalisation could not be achieved ? Give reasons to your answer. 8

20. Critically evaluate the investment policy of Life Insurance Corporation of India. 8