

Commerce & Accountancy**Paper: 1****Section – A****Q1. Write short notes on the following in about 150 words each: 10 x 5 = 50**

- (a) Conditions for availing of CENVAT credit under various categories of goods and services. **10**
- (b) Intangible assets and their treatment in the books of accounts of a firm. **10**
- (c) Assumptions and limitations of Cost-Volume-Profit analysis. **10**
- (d) Provisions of Indian Accounting Standards regarding treatment of depreciation when an asset is revalued. **10**
- (e) **Audit procedures to detect cash defalcations.** **10**

Q2. (a) Arvind Enterprises Ltd. Had issued Debentures amounting to Rs. 100 lakh on 1st January 2008. The Debentures are to be redeemed on 31st December 2012. In terms of the issue the company is required to create a Debenture Redemption Reserve Fund. The Trustees of the issue except to earn a net return of 10% p.a. on investment of the fund.

- (I) Ascertain the amount to be appropriated from profit every year to ensure full redemption of Debentures at the appropriate time. **10**
- (II) Draw up Debentures Redemption Fund Account for 5 years. **15**
- (b)** Define and distinguish between marginal and absorption costing with examples. What are their uses and limitations? **15**
- (c)** Explain whether services provided by a Veterinary clinic and Yoga establishment are exempt from service tax. **10**

Q3. (a) Mr. Asoke and his wife are partners in a trading firm. Their respective shares of profit for the **financial year 2011-12** were Rs. 50,000 and Rs. 30,000 respectively.

Their minor son has been admitted to the benefits of another firm manufacturing toys from which he received Rs. 45,000 as share of profit and Rs. 1,20,000 as interest on capital. The capital was invested out of the minor's own fund gifted to him by his uncle amounting to Rs. 10,00,000.

A house in the name of Mr. Asoke was transferred to his wife on 01.12.2011 for adequate consideration. The property has been let out throughout the financial year 2011-12 at a monthly rent of Rs. 50,000.

Non-convertible debentures of a limited company of Rs. 2,00,000 and Rs. 2,64,000 were purchased three years ago in the names of Mr. Asoke and his wife respectively, on which interest is payable at 10% p.a. Mrs. Asoke for purchase of debentures in Mr. Asoke's name.

Mr. Asoke had transferred Rs. 1,50,000 to Mrs. Asoke in the year 2008-09 without any consideration, which she lent to one Mr. X. Mrs. Asoke earned Rs. 60,000 as consolidated interest during earlier financial years, which was also given on loan to Mr. X. During the financial year 2011-12 Mr. Asoke received interest @ 10% p.a. on the loan amounting to Rs. 2,10,000.

Mr. Asoke transferred Rs. 1,50,000 to a Trust. The income accruing from its investment amounted to Rs. 15,000, out of which Rs. 10,000 shall be utilized for the benefit of his elder son's wife and Rs. 5,000 for the benefit of his minor grandchildren.

Calculate Gross Taxable Income of Mr. Asoke and Mrs. Asoke for the financial year 2011-12. 35

(b) Mention the cases where valuation of house property for purpose of income tax shall be NIL. Also mention the exceptions to such rules. 15

Q4. (a) KKC (P) Limited is engaged in manufacturing and selling components of television sets. After drawing up Trial Balance and making necessary adjustments the following account heads are finalized for drawing up Profit and Loss Accounts for the year ended 31.03.2012:

Account Heads	(Rs. In thousands) Amount
Sales	26681
Cost of materials	14872
Salaries and Wages (factory)	480
Contribution to PF and Welfare Expenses	
For workers	96
For office staff	218
Repairs and Maintenance	
Office premises	5
Plant and Machinery	90
Provision for gratuities	26
Interest	6
Consumables	77
Printing and Stationeries	26
Travelling expenses	47
Import and Transportation Costs	1027
Power, Electricity and Oil	1361
Opening Stock	883
Closing Stock	2054
Depreciation	
Plant and Machinery	901
Building and other office assets	60
Wastage	281
Packing materials	3868
Salaries and allowances	1125
Rent, Rates, Taxes and Insurance	
For factory	100

For office	94
Advertisement and Publicity	39
Postage and Telephones	10
Bank charges	9
Miscellaneous expenses	92
Scrap sales	8
Rent received	12
Interest earned on investments	60
Profit on sale of assets	20
Miscellaneous receipts	39
Calculate the following with your comments:	
I. Gross profit ratio	
II. Operating profit ratio	
III. Interest coverage ratio	

- (b) An auditor expresses an opinion on a company's financial statements taken as a whole, not on individual items on the statements."
Explain the above statement with examples. **10**
- (c) How should an auditor evaluate cost of gathering evidences for purpose of audit? **10**

Section – B

- Q5. Write short notes on the following in about 150 words each: 10x5 = 50**
- (a) **Risks associated** with variation between loan maturities and liability maturities of commercial banks and **minimization of these risks** without affecting profitability. **10**
- (b) Distinction between Baumol's Cash-EOQ Model, Miller & Orr Model and Stone Model pertaining to cash management of firms. **10**
- (c) Checks and balances in Algorithmic Trading as provided by SEBI. **10**
- (d) Information ratio as developed by Treynor and Black **10**
- (e) Trade-off theory in capital structure decisions. **10**
- Q6. (a)** "Rapid financial innovations have led to the emergence of several new near substitutes for money."
Discuss at least two such instruments and analyse their impact on the monetary policy of RBI. **15**
- (b) "Asset-based reserve requirement of financial institutions as against deposit-based reserve requirement of banks can go a long way in preventing slippage in monetary policy transmission."
Critically analyse the statement and discuss the mechanism and modalities of the two systems. **15**

(c) Classify various securities investment of **commercial banks**. Also mention how these are valued. Under what circumstances is migration of securities from one category to another allowed? **10**

(d) Define and distinguish between ROA and ROI. Decompose these two ratios into other ratios and interpret each of them. **10**

Q7. (a) What is a Credit Forward Contract? **5**

(b) An investor thinks that the credit spread will widen to more than the current 250 basis points for an issue.

Assume the notional amount is Rs. 10 lakh and the risk factor is 5. What shall be the amount receivable/payable by the credit spread on settlement date rises to 325 basis points or goes down to 190 basis points? **20**

(c) Explain ‘Security Market Line’ with illustration under the assumptions of CAPM. **10**

(d) “An analysis of the performance of IPOs post-listing in the last three years shows that two-thirds of the public issues were trading below their listing price even after adjusting for the general decline in the market. This has resulted in investors losing money on their IPO investments.”

Discuss the reasons behind such a state of affairs and critically analyse various steps taken by SEBI to remedy the situation. **15**

Q8. (a) Prof. James C. Van Horne, by way of example, used the following data to arrive at a Beta of 0.53.

Period	Market Return	Risk-free Return	Stock Return
1	0.11	0.05	0.091
2	0.17	0.07	0.110
3	(0.02)	0.06	0.024
4	0.25	0.08	0.234
5	0.18	0.06	0.132
6	0.28	0.07	0.275
7	(0.08)	0.07	0.121
8	0.27	0.09	0.292
9	0.14	0.07	0.105
10	0.00	0.08	0.077

Show the model and make detailed calculations to arrive at the Beta. **30**

(b) Interpret the Beta so arrived at. **5**

(c) What is Exchangeable Debt? When and why do companies issue Exchange Debt? What is the likely impact on the price of underlying assets when such an issues is made? **15**

Paper: 2

Section – A

Q1. Explain the following (each in about 150 words): **10 x 5 = 50**

- (a) Equity Theory of Work Motivation
- (b) Figure Ground Principle
- (c) Specialization vs. Professionalisation
- (d) Interpersonal Conflict and Johari Window
- (e) Concept of Diversity and Inclusion in the Organisation

Q2. (a) How do you differentiate Teams from Quality Circles in Total Quality Management Companies? Highlight the roles of various functionaries of quality circles. What steps would you suggest to implement quality circles in big organizations? **20**

(b) “Essentially, groupthink results from the pressures on individual members to conform and reach consensus. Committees that are suffering from groupthink are so bent on reaching consensus that there is no realistic appraisal of alternative courses of action in a decision, and deviant, minority or unpopular views are suppressed.” Making an analysis of this statement, state how management is expected to be inclusive of all views for creating dynamic organizational climate. **20**

(c) “Organisation structure influences the division of the tasks, grouping of activities coordinating the activities and the overall accomplishment of the tasks.” In the light of this statement, discuss various components of organization structure. **10**

Q3. (a) “In today’s dynamic business environment, continuous learning and innovation is important for survival of organization.” In view of this, explain the role of culture in increasing organisational effectiveness. How is the culture linked with size, structure, complexity, diversity and leadership? **20**

(b) “The organization is made up of overlapping and interlocking role sets. These role sets would normally transcend the boundaries of the classical conception of organization. In view of this statement, examine the important strategies that can be used to manage intergroup conflict effectively. How do these dynamics provide theoretical foundation for the need of today’s interfunctional team? **20**

(c) What is agency problem? Do you find any such problem in Indian organizations? What steps can be taken solve such problems? **10**

Q4. (a) Impression management is the process by which people attempt to manage or control the perceptions others form of them.” What are the

possible implications of this statement? What are its identifiable components? **20**

- (b) “Practically, is not possible to determine whether an organization is centralized or decentralized merely by looking at the organization chart. The determining factor is how much of the decision making is retained at the top and how much is delegated to the lower levels.” Examine this keeping in mind that team-oriented organizations have emerged in recent years. **20**
- (c) Differentiate the key characteristics of Transactional Leadership and Transformational Leadership. Why do most of Indian organizations need transformational leader? How can such leader be developed and promoted in the organization? **10**

Section – B

Q5. Explain the following (each in about 150 words): **10 x 5 = 50**

- (a) Effectiveness of Social Dialogue
(b) Retaining Talent
(c) General Prohibition on Strikes and Lockouts under IAD Act, 147
(d) Compensation Survey
(e) 360 degree Feedback System

Q6. (a) Professional students in India are facing the problem of un-employability and Indian employers are criticizing the professional institutions for not producing students as per their standards.” Explain this statement. Also identify the reasons and consequences for this issue, and suggest action plan to overcome this un-employability problem. **20**

(b) “In the current scenario, public enterprises are working as model employer but their downsizing programme has daunted this philosophy.” Comment on this statement in the context of Indian scenario and suggest an action plan for them. **20**

(c) “Workers’ participation in management scheme in India is almost a failure because it is neither based on sound foundation nor workable in practice.” Examine measures to make it more effective. **10**

Q7. (a) A process of digitalization in an organization requires training and re-skilling of employees. How should HR Department manage this in the organization? What steps and measure should they take to minimize the conflict arising out of the redeployment of employees after the training? **20**

(b) “Commitment to the organization plays an important role in developing relationship between job satisfaction and labour turnover.” Examine this statement in the context of major IT companies working in India. **20**

- (c) “Effective administration of incentive scheme is possible only when all the prerequisites such as good methods, good scheduling and good management practices are present.” Comment and evaluate the need for guaranteed day wages. **10**
- Q8. (a)** “The emergence of Talent Management is the result of changing orientations of Human Resources Management as it involves all the managers shaping the company, the jobs even the strategy to attract talented people.” Critically examine the statement and suggest strategies for attracting and retaining talent in the organization. **20**
- (b)** What type of provision relating to social security for workers are provided in the Constitution and Labour Laws in India? How can such social security benefits be improved through collective bargaining? **20**
- (c)** “The main objective of mentoring is to help an employee attain psychological maturity and effectiveness and get integrated with the organization.” Elucidate and discuss the essentials of successful mentoring. **10**

Ranker's Classes
www.rankersclasses.in
9818464467