

## IAS Mains Commerce Papers 1982

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#### Paper I

#### Part I

Question No. 1 is compulsory

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

- While evaluating capital expenditure proposals on the basis of Net Present Values it becomes necessary to go beyond the values and the project itself in order to arrive at a proper decision. Explain.
- Explain how the Rate of Return on Capital Employed is a Composite ratio. How this ratio can be improved?
- It is wrong to Consider working capital requirement as wholly temporary. Comment.
- Define the term Fund and differentiate it from Cash. Give five transactions where fund inflow will equal fund outflow.

2. Mention various provisions of the Indian Income Tax Act, 1961, affecting business finance.

3. The present capitalisation of a company is as follows:

- Rs. 80, 000 Equity Shares of Rs. 10 each
- 8, 00, 000 9% 4, 000 Redeemable Preference Shares of Rs. 100 each
- 4, 00, 000 8% 800 Debentures of Rs. 1000 each
- 8, 00, 000 20, 00, 000

The present earnings of the company before interest and taxes are Rs. 3, 00, 000 per year.

The company is in need of Rs. 4, 00, 000 for purchasing a special machine. The additional investment is expected to earn 15 per year.

Advise the company as whether the requisite amount should be raised by issuing equity shares, or preference shares, or debentures (Assume Income Tax at 60%).

4. Answer the following questions

- A Performa cost sheet of a company provides the following details (Per unit cost):

- Raw Materials Rs. 40
- Direct Labour Rs. 15
- Overheads Rs. 30
- Total Cost Rs. 85
- Profit Rs. 15
- Selling Price Rs. 100

Level of activity will be 10, 000 units per month. Raw Materials are in stock for one month on an average. Materials are in process for  $\frac{1}{2}$  month and finished goods are in stock for one month on an average.

Credit allowed by raw material suppliers is one month. Credit allowed to buyers is two months. Time lag in payment of wages is 1 weeks. Lag in payment of overhead expense is one month.

Ratio of credit to cash sales is 3: 1. Cash Balance of Rs. 10, 000 is to be maintained.

Prepare a monthly working capital requirement forecast assuming that production and costs and revenue are evenly spread over throughout the period (One month is equal to 4 weeks).

- b. Explain the significance and application of the technique of discounted cash flow.

## Part II

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

- a. Define Holder in due course. What are his privileges? Explain the position of a holder of Not Negotiable crossed cheque.
- b. Explain the concept of Banking Business (Regulation) as given in the Banking Companies Act, 1949. What activities cannot be undertaken by a Bank?
- c. What is Cash Reserve Ratio? Examine the consequences of changes in this Ratio.
- d. Discuss the position of a Banker in respect of domiciled bills.

2. What are the main recommendations of Chore Committee? Analyse them from the viewpoint of Bankers and industrialists and point out the departures made from Tandon Committee recommendations.

3. Answer the following questions

- a. Mention the powers given to the Reserve Bank of India and to the Central Government under the Banking Companies Act, 1949.

- b. What are the elements of new banking policy? Examine its impact on the profitability of

Nationalised Banks in India.

4. Examine the role of specialised financial institutions in India. Suggest some measures to improve their working.

### Part III

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

- Accounting statements are based on subjective considerations. Discuss.
- Carefully examine the controversy of Last in First Out Vs. First in First Out basis of inventory valuation.
- Inflation Accounting creates more problems than. Does it solve. Examine this statement.
- How does audit of a Government Company differ from the audit of a non-Government

Company?

2. Answer the following questions

- Explain the various approaches to the valuation of human resources.
- What are the important provisions of the Companies Act, 1956 regarding Cost Audit?

Mention Cost Audit Report Rules.

3. Answer the following questions

- How will you compute taxable income from Business from a given profit and loss account? Illustrate your answer with a suitable example.
- Discuss various methods of valuation of goodwill.

4. Answer the following questions

- A Company with 1, 000 Equity Shares of Rs. 100 each fully paid and with retained earnings worth Rs. 1, 00, 000 decides to capitalise its profits by issuing bonus shares in ratio 1: 1. Ascertain the value of a bonus share.
- How will you compute the value of minority (interest) and Cost of Control? How these items will be presented in a consolidated Balance Sheet?

## Paper II

Time Allowed: 3 hours

Maximum Marks: 300

Candidates should attempt Questions I and 5 which are compulsory, and any three of the remaining questions selecting at least one question from each Section.

All questions carry equal marks.

### Section A

1. Write notes on any three of the following in not more than 200 words each:
  - a. Social Responsibility of Business Units in India.
  - b. Span of Supervision.
  - c. Need for Two-way Communication in an organisation.
  - d. Labour Participation in Management.
2. Explain and distinguish between vertical integration and horizontal integration. Briefly describe the various types of each and the circumstances under which each one of these types should be done.
3. Do you consider delegation necessary for good management in a big organization and, if so, why? Why does delegation often fail? What should be done to ensure that it works successfully?
4. Explain the Maslows Theory of Motivation and distinguish it from the Herzbergs Theory of Motivation. Which of them is more suitable to the present conditions in Indian industry?

### Section B

1. Write notes on any three of the following in not more than 200 words each:
  - a. Responsibility Centres
  - b. Standard Costs and their setting up
  - c. Concept of R. O. I.
  - d. Sunk Costs and their Relevance to Management Control.
2. Explain how cost-volume-profit relationship is relevant to profit planning. What other factors are relevant to profit planning and how?
3. The following cost data are available for half-year period in a manufacturing company:

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- Non-variable Expenses: Rs.
- Salaries and Wages 8, 00, 000
- Rent, Rates and Taxes 6, 00, 000
- Depreciation 7, 0, 000
- Sundry Administrative Expenses 9, 00, 000
- Semi-variable Expenses at 50% capacity:
- Maintenance and Repairs 2, 50, 000
- Indirect Labour 10, 00, 000
- Sales Department Salaries, etc. 3, 00, 000
- Sundry Administrative Expenses 2, 50, 000
- Variable Expenses at 50% capacity:
- Materials 24, 00, 000
- Labour 26, 00, 000
- Other Expenses 4, 00, 000

It is assumed that non-variable expenses remain constant for all levels of production while semivariable expenses increase by 10% between 65% and 80% capacity utilisation and by 20% between 80% and 100% capacity utilisation.

Sales at the various levels for the next six months are estimated as given below:

- Capacity Utilisation Rs. 60% 1, 20, 00, 000 75% 1, 40, 00, 000 90% 1, 60, 00, 000  
100% 1, 80, 00, 000

a. Prepare a flexible budget for the next half-year and forecast the profit at 60%, 75%, 90% and 100% capacity utilisations.

b. After preparing the Flexible Budget, as asked in a above, comment, in about 100 words, on the most favourable alternative amongst the given operating capacities.

4. Following are the cost figures per unit of Product X of Standard Product Co. For the month of July 1982:

- Material Standard Actual
- Quantity (kg)
- Unit Price (Rs.)

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- Total Cost (Rs.)
- Quantity (kg)
- Unit Price (Rs.)
- Total Cost (Rs.)
- A
- B
- C
- 8.0
- 4.0
- 4.0
- 2.00
- 4.00
- 8.00
- 16.00
- 16.00
- 32.00
- 4.0
- 2.0
- 6.0
- 5.00
- 4.00
- 6.00
- 20.00
- 8.00
- 36.00
- Total 16 64.00 12 64.00

a. Calculate the-various types of material variance.

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b. Is any analysis really called for in this situation? If yes, why and what steps are to be taken for control purposes?

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