

IAS Mains Commerce Papers 2007

IAS Mains Commerce 2007

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.

Paper I

Section A

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

- a. Explain Accounting Standard related to Depreciation Accounting (20).
- b. Distinguish between Cost Control and Cost Reduction (20).
- c. Discuss Agricultural Income (20).
- d. Discuss appointment of an auditor under Companies Act, 1956 (20).

2. Answer the following questions

- a. What do you mean by Reconstruction of Company? State the essential features of internal reconstruction of a company. Does it necessarily involve reduction of capital (30)?
- b. The following particulars relate to Reliance Ltd:
 - i. Average capital employed in the company Rs. 5, 00, 000.
 - ii. Net trading profits of the company for the past three years (after taxation) were Rs. 1, 05, 000, Rs. 94, 000 and Rs. 1, 10, 000.
 - iii. Rate of expected return 15% per annum.
 - iv. Fair remuneration to the directors for their services Rs. 13, 000 per annum.
- c. Calculate the goodwill on the following basis: Five years purchase of the annual average of super-profits, Capitalisation of the annual average of super-profits at the reasonable return of 15% and An annuity of super-profits, taking the present value of annuity of one rupee for five years at 15% interest as Rs. 3.87 (30).

3. Explain the term Budgetary Control. How does it operate as a tool of management control (30)?

a. The following informations relate to Good Luck Limited for the year 2005:

- Variable Expenses (at 50% of capacity)
- Materials
- Labour
- Other Expenses
- Rs. 21, 70, 000
- Rs. 20, 40, 000
- Rs. 7, 90, 000
- Semi-Variable Expenses (at 50% of capacity)
- Repairs and Maintenance
- Indirect Labour
- Sales Department Salaries
- Sundry Administrative Expenses
- Rs. 3, 70, 000
- Rs. 7, 50, 000
- Rs. 4, 00, 000
- Rs. 2, 80, 000
- Fixed Expenses
- Salaries
- Wages
- Rs. 8, 50, 000
- Rs. 2, 50, 000
- Rent and Rates
- Insurance
- Depreciation
- Sundry Administrative Expenses

- Rs. 4, 60, 000
- Rs. 3, 50, 000
- Rs. 5, 40, 000
- Rs. 5, 50, 000

- b. Assume that the fixed expenses remain constant for all levels of production, semi-variable expenses remain constant between 45% and 65% of capacity, increase by 10% between 65% and 80% of capacity and by 20% between 80% and 100% of capacity. Sales at various levels are: Rs. (lakhs). 50% capacity 100, 60% capacity 120, 75% capacity 150, 90% capacity 180, 100% capacity 200.
- c. Prepare a flexible budget for the year and forecast the profits at 60%, 75%, 90% and 100% of capacity (30).

4. Answer the following questions

- a. What do you understand by capital gains? What are the incomes included under the head capital gains (30)?
- b. Under what circumstances may an auditor be held liable criminally? Explain the provisions of Companies Act 1956 in this regard (30).

Section B

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

- a. Explain objectives of Financial Management (20).
- b. Discuss Capital Budgeting (20).
- c. Distinguish between Money Market and Capital Market (20).
- d. What are the causes of industrial sickness?

2. Answer the following questions

- a. What do you mean by financial leverage? Write the importance and limitations of it (30).
- b. The capital structure of Microsoft Ltd. Is as follows: Rs. (lakhs). Equity Share Capital 400, 12% Debentures 400 & 18% Term Loan 1200
- i. Determine the weighted average cost of capital of Microsoft Ltd. It has been paying dividend at a consistent rate of 20% pa.

- ii. What difference will it make in the weighted average cost of capital if the current market price of the Rs. 100 equity share is Rs. 160 (30)?

3. Answer the following questions

- a. What do you understand by dividend policy? Explain the various factors which influence the dividend decision of a company.
- b. The Progressive Corporation Ltd. Currently has an equity share capital of Rs. 40 lakh consisting of 40, 000 equity shares of Rs. 100 each. The management of the company is planning to raise further Rs. 30 lakh to finance a major expansion project through one of the four possible financial plans. The options are
- Entirely through issue of equity shares.
 - Rs. 15 lakh from the issue of equity shares of Rs. 100 each and the balance from the issue of 8% Debentures.
 - Rs. 10 lakh from the issue of equity shares of Rs. 100 each and the balance through long term borrowings at 9% interest p. a.
 - Rs. 15 lakh from the issue of equity shares of Rs. 100 each and the balance through issue of preference shares with 5% dividend per annum.

The corporations expected earning before interest and taxes will be Rs. 15 lakh.

Assuming tax rate of 50%, you are required to determine the earning per share.

Comment on the financial leverage that will be authorised under each of the above schemes of financing (30).

4. Answer the following questions

- a. Define capital structure. Discuss the factors which influence the planning of capital structure (30).
- b. The Birla Manufacturing buys and uses a component for its production at Rs. 10 per unit.

Annual requirement is 2000 units. Carrying cost of inventory is 10% p. a. And ordering cost is

Rs. 40 per order. The purchase manager proposes that as the ordering cost is very high, it is advantageous to place a single order for the entire annual requirement. He also says that if we order 2000 units at a time, we can get 2% discount from the supplier. Evaluate the proposal and make your recommendations (30).

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Paper II

Section A

1. Write notes on any three of the following hi about 200 words each: (20 × 3 = 60)
 - a. Matrix organisation
 - b. Perkinsons law
 - c. Leadership styles
 - d. Bounded rationality
2. How does the informal organisation emerge? Explain the issues involved in monitoring of informal organisations (60).
3. What is meant by the halo effect? Critically examine the current studies on this halo effect (60).
4. How do the organisations managers judge its effectiveness? What standards are they using to evaluate performance? How well is the organisation doing when judged by the criteria of control, innovation and efficiency (60)?

Section B

1. Write notes on any three of the following in about 200 words each: (20 × 3 = 60)
 - a. Human engineering
 - b. Model employer
 - c. Customary bonus
 - d. Check-off system.
2. The rural background of the industrial workers has been an obstacle to industrial commitment and stability of workforce. Elucidate this statement and formulate a suggestive policy framework to overcome this problem in the era of liberalisation, privatisation and globalisation (60).
3. Evaluate the role and effectiveness of outside leadership in trade unions. How do adverse consequences of outside leadership be avoided in Indian scenario? Explain (60).
4. Workers participation in management is a myth. Do you agree with this statement? What measures do you advocate for improving effectiveness of workers participation in management in public enterprises (60).

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Discussions & Questions

I completed my graduation in Bcom and PG in MBA specialization in HR - Marketing. Coming to the point I had full confusion on my optional selection, please guide me. AS soon as possible.. (- pr...@ on 27-Feb-2017)

1 Answer

For deciding optional visit - https://www.youtube.com/watch?v=TfCOXor_EKA

- Examrace on 15-Mar-2017