

M.Com. (HPP) (Sem.-4) (Accounting) Examination

CC 16

Financial Accounting & Auditing-2

Time : 2-30 Hours]

March 2019

[Max. Marks : 70

CC-16 Financial Accounting & Auditing - 2

Q.1 (a) The following are the balance sheets of Ranveer Ltd. and Deepika Ltd. as on 31st March, 2018: (14)

Liabilities	Deepika Ltd. ₹	Ranveer Ltd. ₹	Assets	Deepika Ltd. ₹	Ranveer Ltd. ₹
Equity shares of Rs. 100 each fully paid up	60,00,000	30,00,000	Fixed Assets	75,00,000	33,00,000
12% Preference shares of Rs. 100 each fully paid up	9,00,000	6,00,000	Stock	18,00,000	12,00,000
General Reserve	30,00,000	12,00,000	Debtors	15,00,000	12,00,000
Investment Allowance Reserve	3,00,000	1,50,000	Cash and Bank	12,00,000	1,50,000
Profit & Loss A/c	9,00,000	4,50,000			
10% Debentures	-	1,80,000			
Creditors	9,00,000	2,70,000			
	1,20,00,000	58,50,000		1,20,00,000	58,50,000

Deepika Ltd. decided to take over Ranveer Ltd. on 1st April, 2018 on following terms:

- (1) Deepika Ltd. will issue 33,000 equity shares of ₹ 100 each fully paid to shareholders of Ranveer Ltd.
- (2) Deepika Ltd. will issue 6,300 12% Preference shares of ₹ 100 each fully paid to preference shareholder of Ranveer Ltd.
- (3) Debentures of Ranveer Ltd. will be exchanged for 12% New debentures so that they will get the same income of interest.
- (4) Investment allowance reserve is to be maintained for 2 more years.

Prepare the balance sheet of Deepika Ltd. after amalgamation on the assumption that:

- I. The amalgamation is in the nature of merger.
- II. The amalgamation is in the nature of purchase.

OR

Q.1 (a)(i) Explain the difference between Pooling of interest method and Purchase method. (7)

Q.1 (a)(ii) State which conditions are necessary to classify amalgamation into merger and purchase? (7)

Q.1 (b) Select the most appropriate answer from the alternatives given. (Any four) (4)

- 1) The excess of purchasing price over net assets is
 - (A) Capital Reserve
 - (B) Capital Loss
 - (C) Goodwill
 - (D) Reserve Capital
- 2) Which of the following is not a statutory reserve
 - (A) Development Rebate Reserve
 - (B) Investment Allowance Reserve

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- (C) Export Profit Reserve
(D) General Reserve
- 3) Which of the following reserve of transferor company should be included in the financial statement of transferee company.
(A) General Reserve
(B) Capital Reserve
(C) Statutory Reserve
(D) Dividend Equalisation Reserve
- 4) When amalgamation in the nature of merger, it should be accounted by which method?
(A) Purchase Method
(B) Pooling of Interest Method
(C) Net Assets Method
(D) None of the above
- 5) When one company absorbs the business of another company, then while making payment of purchase consideration, the shares are issued on the basis of its _____ value.
(A) Market Value
(B) Fair Value
(C) Intrinsic Value
(D) Face Value
- 6) In which of the following method for accounting treatment of amalgamation "Amalgamation adjustment account" is opened.
(A) Pooling of Interest Method
(B) Net Assets Method
(C) Purchase Consideration Method
(D) Purchase Method

Q.2 (a) From the following Balance Sheets of Riddhis Ltd. and Ram Ltd. Prepare Consolidated Balance Sheet as on 31st March, 2018 (14)

Liabilities	Riddhis Ltd. ₹	Ram Ltd. ₹	Assets	Riddhis Ltd. ₹	Ram Ltd. ₹
Share Capital: Equity Shares of ₹ 100 each Fully paid up	15,00,000	6,00,000	Goodwill	4,50,000	1,50,000
General Reserve	3,00,000	2,40,000	Investment in Ram Ltd.	7,20,000	---
Capital Reserve	60,000		Goods in stock	4,80,000	5,40,000
Profit and Loss A/c	1,80,000	1,20,000	Debtors	4,05,000	4,47,000
Creditors	1,80,000	1,80,000	Cash and Bank	1,65,000	3,000
	22,20,000	11,40,000		22,20,000	11,40,000

On 1st April, 2017, Riddhis Ltd acquired shares of Ram Ltd. at ₹ 150 per share. On that date, the positions of balances of some of the accounts are as follows:

General reserve ₹ 90,000; profit and Loss A/c (Cr.) ₹ 30,000; Debtors of Ram Ltd. include ₹ 1,20,000 due for goods sold to Riddhis Co. Ltd. at a profit of 10% on selling price. Out of these goods 25% of the goods are still in stock of Riddhis Ltd. on 31st March, 2018.

OR

Q.2 (a) (i) The Balance sheet of RUPAM Ltd. as on 31-12-2018 was as under:

(7)

Liabilities	₹	Assets	₹
Equity Shares of ₹ 100 each	15,00,000	Fixed Assets	18,00,000
General Reserve	3,00,000	Investments	2,00,000
Profit and Loss Account	12,00,000	Stock	9,50,000
Current Liabilities	10,00,000	Debtors	8,50,000
		Cash & Bank	75,000
		Bills Receivable	1,25,000
	40,00,000		40,00,000

Additional Information:

- (1) The Rekha Ltd. has purchased 80% shares of Rupam Ltd. at 40% premium on 1-1-2016. On that date the books of account of Rupam Ltd. show the balances of Profit and Loss account and general reserve as ₹ 3,20,000 and ₹ 1,00,000 respectively.
- (2) The dividend declared by Rupam Ltd. for the year 2016 and 2017 were 12% and 15% respectively. The profit of Rupam Ltd. for the year 2018 was ₹ 1,80,000 which is shown in above mentioned balance Sheet.
- (3) Rekha Ltd. prepares its final accounts on 31st March every year, while Rupam Ltd. prepares its final accounts on 31st December every year.
- (4) The books of Rupam Ltd. show the following changes during the period from 1-1-2019 to 31-3-2019
- Building of ₹ 20,00,000 purchased
 - Issue of 15% Debentures of ₹ 5,00,000

Prepare a statement, under Section 212 of Indian Companies Act to be attached with the final accounts of Rekha Ltd. of its subsidiary company Rupam Ltd. on 31-3-2018.

Q.2(a)(ii) Write notes any two:

- Capital Profit
- Minority Interest
- Unrealised profit on Stock

(7)

Q.2(b) Select the most appropriate answer from the alternatives given. (Any four)

(4)

- Minority interest includes:
 - Share in share capital
 - Share in capital profit
 - Share in revenue profit
 - All of the above
- Profit earned after acquisition of share is treated as
 - Revenue Profit
 - Capital Profit
 - Capital Reserve
 - Goodwill
- Holding company means
 - A company acquires more than 50% of shares from other company
 - A company holds on Board of Directors of other company
 - Both of (A) and (B)
 - None of the above
- What should be the maximum gap between the end of accounting years of Subsidiary and Holding Company?
 - 9 months
 - 5 months
 - 8 months

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- (D) 6 months
- 5) Which type of profits are shown in the statement under section 212 of the Companies Act?
(A) Capital profits
(B) Revenue profits
(C) Both Revenue and Capital profits
(D) None of the above
- 6) The claim by outsiders to assets featured on a consolidated balance sheet is known as
(A) Controlling Interest
(B) Minority Interest
(C) Non-Controlling Interest
(D) Both (B) and (C)

Q.3(a) Explain the types of EDP accounting system and discuss auditing in IT environment. (14)

OR

Q.3(a)(i) Discuss stages of operation and component parts of computers. (7)

Q.3(a)(ii) Write a note on structure of accounts and flow of funds. (7)

Q.3(b) Select the most appropriate answer from the alternatives given. (Any three) (3)

- 1) Memory storage unit is a part of –
(A) Input unit
(B) Output unit
(C) CPU
(D) None of the above
- 2) Which of the following is computer language?
(A) FORNET
(B) COBOL
(C) SCALE
(D) None of the above
- 3) The Supreme Audit Institution of India
(A) Institute of Chartered Accountants of India
(B) Indian Institute of Auditing
(C) Indian Audit and Accounts Department
(D) Indian Accounting Institute
- 4) Who can undertake test audit?
(A) Comptroller and Auditor General
(B) Chartered Accountant
(C) Both (A) and (B)
(D) None of the above
- 5) Which of the following is not an EDP application control?
(A) Control over Input
(B) Control over Output
(C) Control over organisation
(D) Control over processing

Q.4(a) What is cost audit? Explain the objectives and Legal provisions relating to cost audit. (14)

OR

Q.4(a)(i) Write a note on cost audit programme. (7)

Q.4(a)(ii) Explain the techniques of management audit. (7)

Q.4(b) Select the most appropriate answer from the alternatives given. (Any three) (3)

1) Cost audit was first time introduced in India.

(A) 1956

(B) 1965

(C) 1960

(D) 2008

2) Which of the following section deals with qualification of cost auditor?

(A) Section 233(A)

(B) Section 233(B)

(C) Section 233(C)

(D) Section 233(D)

3) Which of the following is related to management audit?

(A) Efficiency Audit

(B) Propriety Audit

(C) Operational Audit

(D) All of the above

4) The concept of Management audit was coined in _____

(A) India

(B) Australia

(C) USA

(D) Sri Lanka

5) In _____ audit, the auditor has to find out whether the stock is according to requirements of business or not.

(A) Cost audit

(B) EDP audit

(C) Special audit

(D) Financial audit

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Candidate's Seat No : _____

M.Com. (HPP) (Sem.-4) (Accounting) Examination

CC 17

Cost Accounting-2

Time : 2-30 Hours]

March 2019

[Max. Marks : 70

Q.1 (A) Hridit Ltd. has given the following budgeted information for next year 2018. (14)

Sales (2,00,000 units)	8,00,000
Variable Cost	3,20,000
Fixed Cost	2,00,000

Required:

1. P.V. Ratio, Break-even point and Margin of Safety.
2. Also evaluate the effect on about three measures due to following changes:
 - A. 20% increase in sales units
 - B. 5% increase in variable cost
 - C. 15% increase in fixed cost

OR

Q.1(A) 1. Define Marginal Costing and Discuss advantages of Marginal Costing. (7)

2. Define Absorption Costing and Discuss advantages of Absorption Costing. (7)

Q.1(B) Select the most appropriate answer from alternatives given. (Any Four) (4)

1. Marginal costs is taken as equal to

- a) Prime Cost plus all variable overheads
- b) Prime Cost minus all variable overheads
- c) Variable overheads
- d) None of the above

2. If total cost of 100 units is Rs 5000 and those of 101 units is Rs 5030 then increase of Rs 30 in total cost is

- a) Marginal cost
- b) Prime cost

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- c) All variable overheads
- d) None of the above

3. Marginal costing is also known as

- a) Direct costing
- b) Variable costing
- c) Both a and b
- d) None of the above

4. Marginal cost is computed as

- a) Prime cost + All Variable overheads
- b) Direct material + Direct labor + Direct Expenses + All variable overheads
- c) Total costs – All fixed overheads
- d) All of the above

5. Fixed expenses decrease per unit with the increases in production and increases per unit with the decrease in production.

- a) True
- b) False

6. Under absorption costing, managerial decisions are based on

- a. Profit
- b. Contribution
- c. Profit volume ratio
- d. None of the above

Q.2(A) Find the value of X_1, X_2 such that $Z=3x_1 + 4X_2$ is maximum subject to the following (14) constraints.

$$2X_1 + 5X_2 \leq 120$$

$$4X_1 + 2X_2 \leq 80$$

$$X_1, X_2 \geq 0$$

OR

Q.2(A)1. Give any two fundamental principles for solution of liner programming problem. (7)

2. Define liner programming problems. (7)

Q.2(B) Select the most appropriate answer from alternatives given.(Any Four) (4)

1. Objective of linear programming for an objective function is to

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a) maximize or minimize b) subset or proper set modeling

c) row or column modeling d) adjacent modeling

2. For a linear programming equations, convex set of equations is included in region of

- a) feasible solutions
- b) disposed solutions
- c) profit solutions
- d) loss solutions

3. In graphical solutions of linear inequalities, solution can be divided into

- a) one subset b) two subsets
- c) three subsets d) four subsets

4. In linear programming, objective function and objective constraints are

- a) solved b) linear c) quadratic d) adjacent

5. Linear programming used to optimize mathematical procedure and is

- a) subset of mathematical programming
- b) dimension of mathematical programming
- c) linear mathematical programming
- d) all of above

6. One subset which satisfies inequality part of equation is graphically represented by

- a) domain area of y intercept b) range area of x intercept
- b) straight line d) shaded area around straight line

Q.3(A) Define Differential Costing and discuss its advantages. (14)

OR

Q.3(A)1. Explain Concept of Opportunity Costing with example (7)

2. Define Relevant Costing and discuss Make or Buy Decision with example. (7)

Q.3(B) Select the most appropriate answer from alternatives given.(Any three) (3)

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(3)

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1. _____ is future cost that effects the current management decision.

- a) Sunk Cost
- b) Standard Cost
- c) Relevant Cost
- d) Irrelevant Cost

2. Opportunity cost is an example of which of the following?

- a) Sunk Cost
- b) Irrelevant Cost
- c) Relevant Cost
- d) Period Cost

3. The basic data use for differential cost

- a) Cost
- b) Revenue
- c) Investment data
- d) All of the above

4. A cost incurred in the past that cannot be changed by any future action is:

- a) Opportunity cost
- b) Sunk cost
- c) Relevant cost
- d) Avoidable cost

5. Which of the following is an irrelevant cost –

- (a) Sunk cost
- (b) Replacement cost
- (c) Opportunity cost
- (d) All of the above.

Q.4(A) Discuss the objective and characteristics of JIT. (14)

OR

Q.4(A)1. Write a note on life cycle costing. (7)

2. Write a note on Target Costing. (7)

Q.4(B) Select the most appropriate answer from alternatives given. (Any three) (3)

1. In Just-In-Time system

- a) There is no delay
- b) Conveyance times are balanced
- (c) Both (a) and (b)

(D) There is unequal production at different places

2. POK stands for

- a) Product ordering Kanban
- b) Process Ordering Kanban
- c) Production Ordering Kanban
- d) Plan Ordering Kanban

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3. Just-In-Time aimed at

a) Zero inventories

b) Reduced manpower

c) Over production

d) All of the above

4. A technique, which accumulates and tracks costs of business function in value chain attributed to each market, offering from R&D to final customer support, is called

a) product life cycle

b) life cycle budgeting

c) life cycle costing

d) target costing

5. Total cost incur by customer to use, acquire, maintain and dispose service or product is classified as

a) budgeted life cycle

b) targeted life cycle

c) customer life cycle

d) operating life cycle

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M.Com. (HPP) (Sem.-4) (Accounting) Examination**CC 18****Indirect Tax****March 2019****Time : 2-30 Hours]****[Max. Marks : 70**

Q-1 (A) Explain what is Goods & Service Tax council and its functions. (14)

OR

Q-1 (A)(i) What are the conditions specified in Section 16 for claiming Input Tax Credit under GST (7)

Q-1 (A)(ii) Turnover of M/s. ABC Ltd of previous year is 95,50,000. M/s ABC Ltd wants to confirm whether (7)

1. Can M/s. ABC Ltd. avail Composition Scheme?

2 M/s. ABC Ltd is having two branches and wants to opt for different schemes for both the branches can they do so?

3. Are they required to inform to each jurisdiction officer if they opt for composition scheme for both the branches.

Q-1 (B) Multiple Choice Questions (Any four out of Six) (4)

1. In case of sponsorship services provided by Mr. A to M/s AB Ltd., liability to pay GST is on:

- Mr. A
- M/s AB Ltd.
- Both
- None of the above

2. What is the threshold limit of turnover in the preceding financial year for opting to pay tax under composition scheme for States other than special category States ?

- Rs. 20 lacs
- Rs.10 lacs
- Rs.50 lacs
- Rs.1 crore

3. Mr. Richard, a trader in Delhi has opted for composition scheme of taxation under GST. Determine the rate of total GST payable by him under composition scheme:

- 0.5% CGST & 0.5% SGST
- 2.5% CGST & 2.5% UTGST
- 5% IGST
- 5% UTGST

4. A person dealing exclusively into supply of exempt goods and services, is he liable for registration under GST

- Yes
- No
- if his turnover exceeds 20 Lakh
- None of the above

5. GSTN stands for

- Goods and Service Tax Network
- Goods and Service Tax Net
- Goods and Service Tax Website
- None of the above

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6. Over the counter payment in GST is allowed,
- anytime
 - only where payment of GST is less than Rs. 10,000 per month per challan
 - only where payment is more than Rs. 10,000
 - All of the above

Q-2 (A) Mr. D of Delhi purchased goods of inter state and intra state levy by paying SGST & CGST of 12000 each and IGSt of 24000. Subsequently Mr. D sold goods to Mr. A of Chennai for 4,50,000. Thereafter Mr. A sold goods to Mr. C of Coimbatore for 6,25,000 . Find the net GST liability and net revenue in the hands of Government. Rate of GST: CGST & SGST 9% each and IGST @ 18%. (14)

OR

Q-2(A) (i) Determine the effective date of registration in following cases. (7)

- The aggregate turnover of D of delhi has exceeded 20 lakh on 01st September. It submits the application for registration on 20th September. Registration certificate is granted to it on 25th September.
- Mehta tele services is and internet service provider. Its aggregate turnover exceeds 20 lakhs on 25th October. It submits the application for registration on 27th November. Registration Certificate is granted on 5th December.

Q-2 (A)(ii) Explain Section 14 of time of supply which is applicable at the time of change in the rate of Tax. (7)

Q-2 (B) Multiple Choice Question (Any Four out of Five) (4)

- Can a registered person under composition scheme claim input tax credit?
 - Yes
 - No
 - Input tax credit on inward supply of goods only can be claimed
 - Input tax credit on inward supply of services only can be claimed
- In case of services by an insurance agent to Ms. ABC Insurance Co. Ltd., GST is to be paid by:
 - Insurance Agent
 - ABC Insurance Co. Ltd.
 - Both
 - None of the above
- What is the time of supply of vouchers when the supply with respect to the voucher is identifiable?
 - Date of issue of voucher
 - Date of redemption of voucher
 - Date of entry in books
 - Earlier of a or b or c
- What is the time of supply of service if invoice is issued within 30 days from the date of providing services?
 - Date of invoice
 - Date of receiving payment
 - Date of providing services
 - Earlier of a or b
- Value of supply under section 15 is
 - Wholesale price
 - Market price
 - Transaction value
 - None of the above

Q-3 (A) List the supply of goods or services or both on which Input Tax Credit cannot be availed U/s. 17(5). (14)

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OR

Q- 3 (A)(i) Find out the place of supply and calculate GST Liability @ 18% for Mr. X, Chennai. (7)

Write notes wherever necessary

Sr. No.	Particulars	Amount
1.	Mr. C Chennai supplied goods to spice jet air lines, Chennai flying between Delhi-Mumbai, where goods are loaded from Delhi	60,000
2.	Provided a service of grooming of horse in Chennai	10,000
3.	Organised an event in following cities: Delhi 12000, Chennai 18000, Mumbai 20000.	-
4.	Temporarily imported certain goods from its customer located in China for repairs, after repairs goods were sent back without use.	40,000
5.	Provided an architect services to Mr. K in Dubai for an immovable property situated in Singapore	36,000

Q-3 (A)(ii) Explain the term Valuation under Section 15 and also mention the items to be included and excluded at the time of finding value for supply. (7)

Q- 3 (B) Multiple Choice Questions (Any three out of Five) (3)

- Where the goods being sent or taken on approval basis for sale or return are removed before the supply takes place, the invoice shall be issued
 - Before or at the time of supply
 - 6 months from the date of removal
 - Earlier of a or b
 - None of the above
- In which of the following situations, taxpayer needs to reverse the credit already taken?
 - If payment is not made to the supplier within 45 days from the date of invoice
 - If payment is not made to the supplier within 90 days from the date of invoice
 - If payment is not made to the supplier within 180 days from the date of invoice
 - None of the above
- Agent include
 - factor
 - broker
 - Arhatia
 - All of the above
- The value for taxable supply as per section 15 will not only include the base price but _____.
 - Interest on delayed payment
 - All the taxes other than GST
 - Commission, incidental expenditure, etc.
 - All of the above
- Works Contract Services provided by a supplier will be considered as,
 - Supply of Services
 - Supply of Goods
 - supply of both of Goods and Services
 - None of the above

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N 350 4

- Q-4(A) Discuss Different Types of Forms for filing Returns (14)
OR
- Q-4(A)(i) Write a note on: Person with Composition Scheme (7)
- Q-4(A)(ii) Write a note on: Tax Deductor (7)
- Q-4(B) Multiple Choice Questions (Any Three out of Six) (3)
1. Form ___ is for Input Service Distributor (Business receives invoices for services used by its branches)
 - a) GSTR 6
 - b) GSTR 7
 - c) GSTR 8
 - d) GSTR 9
 2. GSTR 10 (Final Return) is filed ____
 - a) Monthly
 - b) Annually
 - c) Quarterly
 - d) Once
 3. Due date of Annual Return (Other than Input Service Distributor, Tax Deductor, Tax Collector, Non Resident Taxable Person) is ____
 - a) 10th of Next Month
 - b) 13th of Next Month
 - c) 20th of Next Month
 - d) 31st December of Next Financial Year
 4. fees for Late filing return is subject to maximum of Rs. ____
 - a) 500
 - b) 5000
 - c) 50000
 - d) 500000
 5. Methods of filing returns are ____
 - a) Online through GSTN Portal
 - b) Offline Utility
 - c) GST Suvidha Providers (GSPs)
 - d) All of above
 6. TDS with government shall be deposited to government within ___ days after the end of the month in which such deduction is Made.
 - a) 10
 - b) 15
 - c) 20
 - d) 30

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M.Com. (HPP) (Sem.-4) (Accounting) Examination

CC 19

Management Accounting-2

March 2019

[Max. Marks : 70]

Time : 2-30 Hours]

Q-1 A

(14)

A Steel company is considering replacing an existing machine with one costing Rs. 22,95,000. The existing machine was originally purchased two years ago for Rs. 21,84,000 and is being depreciated by the straight line method over its seven-year life period. It can currently be sold for Rs. 21,90,000 with no removal costs. The new machine would cost Rs. 21,30,000 to install and would be depreciated over five years. The management believes that the new machine would have a salvage value of Rs. 2,25,000 at the end of year 5. The management also estimates an increase in net working capital requirement of Rs. 21,30,000 as a result of expanded operations with the new machine. The company's expected after-tax profits for next 5 years with existing machine and with new machine are given as follows:-

Year	Expected After Tax Profits in Rs.	
	With Existing machine	With New Machine
1	6,00,000	6,42,000
2	4,50,000	4,50,000
3	5,40,000	6,00,000
4	6,30,000	7,20,000
5	6,60,000	6,90,000

- (a) Calculate the net investment required by the new machine.
 (b) If the company's cost of capital is 15%, determine whether the new machine should be purchased.

The present value of Re. 1 at the discount rate of 15% for the first five years is given below:-
 0.870, 0.756, 0.658, 0.572, 0.497

OR

Q-1 A(i)

(7)

XYZ Company Ltd. is considering investing in a project requiring a capital outlay of Rs. 5,00,000. Forecast for annual income after depreciation but before tax is as follows:

Year	Amount
1	2,50,000
2	2,50,000
3	2,00,000
4	2,00,000
5	1,00,000

Depreciation may be taken as 20% on original cost and taxation at 50% of net profit. You are required to evaluate the project according to each of the following methods:

- a) Pay-back method
 b) Rate of return on original investment method
 c) Rate of return on average investment method

Q-1 A (ii)

(7)

A company has to make a choice between two projects namely BOMEX and BRUCIL. Following details have been provided

Particulars	BOMEX	BRUCIL
Initial capital outlay	Rs. 2,70,000	Rs. 4,80,000

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Scrap value at the end of the life of both the projects	NIL	NIL
Opportunity cost of capital	16%	16%

The annual incomes with discounting factor details are as under

Year	Project BOMEX	Project BRUCIL	Discounting factor @ 16%
1	Nil	1,20,000	0.862
2	60,000	1,68,000	0.743
3	2,64,000	1,92,000	0.641
4	1,68,000	2,04,000	0.552
5	1,68,000	1,80,000	0.476

You are required to calculate Profitability Index for each project

Q-1 B MCQs (Any Four out of Six)

(4)

- Which of the following statement is correct?
 - Net Present value is expressed in absolute term and not in percentage
 - Payback period is expressed in percentage
 - Internal rate of return is expressed in absolute term and not in percentage
 - Accounting rate of return is expressed in absolute term and not in percentage
- Which of the following statement is correct?
 - Discounting factor is most essentially required to calculate payback period in absolute terms
 - Discounting factor is most essentially required to calculate Net Present value
 - Discounting factor is most essentially required to calculate Rate of return on original investment method
 - Discounting factor is most essentially required to calculate Rate of return on average investment method average investment method
- Which of the following statement is correct?
 - A "Zero" Net Present Value indicates Rate of return on Original Investment
 - A "Zero" Net Present Value indicates Rate of return on Average Investment
 - A "Zero" Net Present Value indicates Internal rate of Return
 - A "Zero" Net Present Value indicates Pay Back Reciprocal
- " _____ " is defined as the length of time required for the stream of cash proceeds produced by an investment to equal cash outlay required by the investment
 - Pay-back period
 - Net Present Value
 - Profitability Index
 - Rate of return on original investment
- IRR is _____
 - Intrinsic rate
 - Hurdle rate
 - Cut off rate
 - WACC
- _____ method assumes that each cash inflow is reinvested in another asset at a certain rate of interest
 - Terminal Value
 - IRR
 - Profitability Index
 - NPV

Q-2 A

(14)

XYZ Company Ltd is considering a proposal to buy one machine out of two machines . An investment of Rs 1,25,000 is required in each machine and useful life of each machine is estimated at 4 years. The suppliers of these machines have a guarantee to purchase these machines for Rs.

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10,000 at the end of their useful life. The company uses Certainty-Equivalent co-efficient to evaluate the risky projects. The risk adjusted rate of discount is 16%, while the riskless discount rate is 10%

Year	Machine P		Machine Q	
	Cash flow	C.E.	Cash flow	C.E.
1	75,000	0.8	45,000	0.9
2	75,000	0.7	90,000	0.8
3	75,000	0.6	60,000	0.7
4	75,000	0.5	80,000	0.4

Which machine should be purchased?

Discount factor at 10% are 0.909, 0.826, 0.751, 0.683. (Use riskless discount rate for calculation)

OR

Q-2 A(i)

Write Short Note on "Capital Budgeting decisions under uncertainty"

(7)

Q-2 A (ii)

XYZ Company Ltd. is considering taking a new project. The management of the company use Certainty Equivalent (CE) approach to evaluate such type of project.

(7)

Following information is available for the project:-

Year	Cash flow	C.E.
1	2,30,000	0.90
2	2,30,000	0.85
3	2,30,000	0.80
4	2,30,000	0.75
5	2,30,000	0.70

Project requires initial investment of Rs. 6,00,000. The risk free interest rate is 7%.

Advise the company whether it should take project or not.

Discount factor at 7% are 0.935, 0.873, 0.816, 0.763, 0.713

Q-2 B MCQs (Any Four out of Six)

(4)

1. Which of the following is not a statistical/mathematical technique used to deal with risk and uncertainty in capital projects

- (a) Risk-adjusted Discount Rate (b) Certainty Equivalent Co-efficient
(c) Sensitivity Analysis (d) Payback period

2. With respect to Sensitivity Analysis technique used in capital project decision, which of the following statement is incorrect?

- (a) The sensitivity analysis provides how sensitive the cash flow is to estimation errors
(b) The sensitivity analysis provides different cash flow estimates under three assumptions (most pessimistic, most likely and most optimistic)
(c) Sensitivity analysis can also be used to measure the uncertainty attached with a capital assets useful life
(d) As three estimates (most pessimistic, most likely and most optimistic) are used, sensitivity analysis method is regarded as inferior method to single-figure forecasts.

3. Which of the following is not regarded as a main characteristic of a decision tree approach used to evaluate risky proposals?

- (a) Several alternatives emerge out of a main business decision
(b) Probability theory is employed for decision making
(c) As the result of each decision, some events occur which are depicted in the decision tree.

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(d) It is not a graphical presentation but a mathematical and equation like presentation.

4. Which of the following is not a advantage of Decision Tree Approach

- (a) After determining proper alternatives, proper and rational decision can be taken
- (b) It is possible to know the risk and uncertainties arising from adopting different alternatives
- (c) Decision tree provides useful structure for the discussion of complex problems and their solutions.
- (d) Decision tree approach requires determining different alternatives; collecting data analyzing them etc. much time is consumed.

5. A company is planning to install a new machine. After installing the said the new machine. 0.6 is the probability that sales are likely to rise by Rs. 20,00,000 and 0.4 is the probability that sales are likely to decline by Rs. 16,00,000. Find the net cash inflow?

- (a) 12,00,000 (b) 6,40,000 (c) 18,40,000 (d) 5,60,000

6. Which of the following statement is correct?

- (a) (Risky Cash Flow) x (Certainty Equivalent Coefficient) = Riskless Cash Flow
- (b) (Risky Cash Flow) / (Certainty Equivalent Coefficient) = Riskless Cash Flow
- (c) (Risky Cash Flow) + (Certainty Equivalent Coefficient) = Riskless Cash Flow
- (d) (Risky Cash Flow) - (Certainty Equivalent Coefficient) = Riskless Cash Flow

Q-3 A

(14)

PQR Ltd has provided following information for 3 divisions

Particulars	Division P	Division Q	Division R
Sales (Rs.)	72,000	90,000	1,20,000
Operating Income (Rs.)	(?)	30,000	(?)
Operating Assets (Rs.)	40,000	(?)	60,000
Return on Investment (ROI)	14%	10%	18%
Minimum required rate of return	11%	(?)	(?)
Residual Income (RI) Rs.	(?)	6,000	Nil

Calculate the missing data of the information provided and comment on the relative performance of each division

OR

Q-3 A(i)

(7)

Divisions P and Q are currently considering an outlay on new investments projects

Particulars	Division P	Division Q
Investment outlay	Rs 4,00,000	Rs. 4,00,000
Net annual return	Rs. 64,000	Rs. 44,000
Target ROI	18%	11%

The group's cost of capital is 13%.

Should the projects be accepted or rejected?

Explain your answer on the basis of ROI and RI.

Q-3 A (ii)

(7)

Write a Short Note on 'Essentials of an effective Responsibility Accounting'

Q-3 B MCQs (Any Three out of Five)

(3)

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1. There are various types of responsibility centres. Which of the following is not regarded as a responsibility centre?
 (a) Cost centre (b) Revenue Centre (c) Budget Centre (d) Investment centre
2. Which of the following statement is correct?
 (a) Responsibility centre doesn't improve overall efficiency of the business
 (b) Responsibility accounting is an accounting technique
 (c) Responsibility accounting is a method of accounting
 (d) Under responsibility accounting, decision making is not delegated to managers of responsibility centres.
3. Which of the following statement is correct?
 (a) Cost centres are also called Revenue centres
 (b) Cost centres are also called expense centres
 (c) Revenue Centre have authority to set selling prices
 (d) A revenue centre is one where outputs are measured in non-monetary terms
4. Return on Investment (ROI) is derived by
 (a) $[(\text{Net Profit}) / (\text{Investment})] \times 100$ (b) $[(\text{Net Profit}) + (\text{Investment})] \times 100$
 (c) $[(\text{Net Profit}) \times (\text{Investment})] \times 100$ (d) $[(\text{Net Profit}) - (\text{Investment})] \times 100$
5. Which of the following statement is correct
 (a) Residual income = Operating Profit + Minimum required return
 (b) Residual income = Operating Profit x Minimum required return
 (c) Residual income = Operating Profit – Minimum required return
 (d) Residual income = Operating Profit / Minimum required return

Q-4 A

(14)

Division X is a profit centre which produces three products A, B and C. Each product has an external market.

Particulars	A	B	C
External market price per unit Rs.	240	230	200
Variable cost of production per unit Rs. in division X	168	120	140
Labour hours required per unit in division X	4	5	3

Product B can be transferred to Division Y, but the maximum quantity that might be required for transfer is 600 units of B.

Particulars	A	B	C
The maximum external sales are	1600 units	1000 units	600 units

Instead of receiving transfers of product B from Division X, Division Y could buy similar product in the open market at a slightly cheaper price of Rs. 224 per unit.

What should the transfer price be for each unit for 600 units of B, if the total labour hours available in Division X are restricted to 14,000 hours

OR

Q-4 A(i)

(7)

X Ltd. fixes the inter-divisional transfer prices for its products on the basis of cost plus an estimated return on investment in its divisions. The relevant portion of the budget for the Division P for the year 2018-19 is given below.

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Fixed Assets	Rs. 22,50,000
Current Assets (other than debtors)	Rs. 11,50,000
Debtors	Rs. 11,00,000
Annual fixed cost for the division	Rs. 48,00,000
Variable cost per unit of product	Rs. 30
Budgeted volume of production per year (units)	6,00,000
Desired Return on Investment	25%

You are required to determine the transfer price for Division P

Q- 4 (ii)

(7)

Write a short note on 'Objectives of Transfer Pricing'

Q-4 B MCQs (Any Three out of Five)

(3)

1. Transfer Price should allow _____ which means that the objectives of divisional managers match with those of the organisation.

- (a). Goal Congruence (b) Profit minimization (c). Loss Centre (d). Market Price

2. Which of the following statement is correct

- (a) Transfer pricing is useful for evaluating performance of an enterprise
(b) Transfer pricing is useful for evaluating performance of a department
(c) Transfer price is useful for evaluating performance of industry as a whole
(d) Transfer price is useful for calculating cost of a product

3. Transfer price can be calculated as

- (a). Marginal cost – Opportunity cost (b). Total cost – Marginal cost
(c) . Total Sales – Total cost. (d) . Marginal cost + Opportunity cost

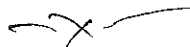
4. Which of the following statement is correct

- (a) Under Dual pricing method , two separate pricing methods are used.
(d) Under Negotiated Transfer price method, two separate transfer pricing methods are used.
(c) Under Market price method, two separate transfer pricing methods are used
(d) Under Total Cost method, two separate transfer pricing methods are used

5. Which of the following statement is correct

- (a) Negotiated transfer price is adopted when outside market price is not available
(b) Negotiated transfer price is adopted when business is operated in two different countries
(c) Negotiated transfer price is adopted when transfer price is based on marginal cost
(d) Negotiated transfer price is adopted when market prices are different

End of the paper



M.Com. (HPP) (Sem.-4) (Accounting) Examination

CC 20

International Accounting

March 2019

Time : 2-30 Hours]

[Max. Marks : 70

Q.1 (a) "International Accounting is emerged from international trade." Explain the importance of international accounting through other relevant items by including this statement. (14)

OR

Q.1(a)(i) Discuss about scope of International Accounting. (7)

Q.1(a)(ii) How would you distinguish between domestic and international accounting? Explain. (7)

Q.1(b) Select the appropriate answer from given alternatives (Any four) (4)

- 1) Multi-national corporations make accounting for _____
 - (A) Exchange rate difference
 - (B) Consolidated Accounts
 - (C) Transfer Price
 - (D) All of these
- 2) _____ is Global Financial Instrument.
 - (A) Shares
 - (B) Debentures
 - (C) Bonds
 - (D) ADRs
- 3) _____ is included in the International Accounting.
 - (A) Foreign Currency Transactions
 - (B) Effect of Inflation
 - (C) Integrated Accounts
 - (D) All of these
- 4) Which of the following is correct for International Accounting?
 - (A) Principles and conventions are same across the world.
 - (B) Statutory bodies are same.
 - (C) Professional bodies are same.
 - (D) All of the above
- 5) International Accounting has relation with
 - (A) Translation problem
 - (B) MNCs
 - (C) Global Economy
 - (D) All of the above
- 6) European Union and Multinational Corporations have forced the practice of International Accounting. The sentence is _____
 - (A) True
 - (B) False

- (C) Incomplete
- (D) None of the above

Q.2(a) What is IFRS? Discuss the scope and striking features of IFRS. (14)

OR

Q.2(a)(i) Discuss the challenges of convergence to IFRS. (7)

Q.2(a)(ii) Explain the historical development of IFRS. (7)

Q.2(b) Select the appropriate answer from given alternatives (Any four) (4)

- 1) Acceptance of IFRS by any nation to make common Accounting Standard is known as _____
 - (A) GAAP
 - (B) Ind AS
 - (C) Convergence
 - (D) International Accounting Standard
- 2) IFRS – 2 is related to _____
 - (A) Share based payment
 - (B) Business Combination
 - (C) Operating Segments
 - (D) Financial Instruments
- 3) Accounting Standards are issued by _____ in India.
 - (A) SEBI
 - (B) RBI
 - (C) ICAI
 - (D) ICSI
- 4) IFRS are issued by _____
 - (A) IASC
 - (B) IASB
 - (C) ICAI
 - (D) IASCF
- 5) _____ IFRS is related to business combinations.
 - (A) IFRS – 1
 - (B) IFRS – 2
 - (C) IFRS – 3
 - (D) IFRS – 4
- 6) In which year Financial Accounting Standard Board was established?
 - (A) 1971
 - (B) 1972
 - (C) 1973
 - (D) 1974

N412-3

Q.3(a) Bharat Ltd. Has its branch in Australia. Following are trial balances of Head Office and Branch as at 31/03/2018 (14)

Debit Balances	HO India ₹	Branch Australia \$	Credit Balances	HO India ₹	Branch Australia \$
Branch Account	6,75,000	--	Head Office		
Cash remitted to H.O.	--	6,000	Account	--	15,000
Fixed Assets	8,00,000	--	Cash received from branch	2,76,000	--
Debtors	1,60,000	4,000	Sales	11,00,000	38,000
Opening Stock	60,000	1,000	Capital	5,29,000	--
Goods received from H.O.	--	12,000	Creditors	72,000	2,000
Purchases	7,00,000	24,000	Goods sent to Branch	5,58,000	--
Wages	60,000	3,000			
Salary	50,000	3,000			
Cash	30,000	2,000			
	25,35,000	55,000		25,35,000	55,000

Additional information:

- 1) Closing Stock: HO IND ₹ 3,00,000
BR AUS \$ 2,000
- 2) Rate of Depreciation 10%
- 3) Exchange Rates:
 - (i) Opening 1 AUS \$ = IND ₹ 45
 - (ii) Closing 1 AUS \$ = IND ₹ 46
 - (iii) Average 1 AUS \$ = IND ₹ 45.50

Prepare:

- (1) Translated Trial Balance of Branch.
- (2) Final accounts of HO incorporating accounts of branch.

OR

Q.3(a)(i) Explain forward exchange contracts. (7)

Q.3(a)(ii) Discuss types of foreign currency transactions. (7)

Q.3(b) Select the appropriate answer from given alternatives (Any three) (3)

- 1) Which of the following system was not used for establishment of fixed exchange rate?
 - (A) Bimetallism
 - (B) Gold Standard
 - (C) Bretton Wood System
 - (D) Marshall Theory

P.T.O.

N412-4

- 2) Which of the following is not correct for International Accounting?
 (A) Import transactions in local Currency
 (B) Export transactions in Foreign Currency
 (C) Local transactions in Foreign Currency
 (D) None of the above
- 3) Under dual transaction approach, any fluctuation in exchange rate is recorded to
 (A) P & L A/c
 (B) Balance Sheet
 (C) Product or Service
 (D) None of these
- 4) The effect of exchange rate difference under single rate
 (A) is recorded to purchase sales account
 (B) is recorded to profit and loss account
 (C) is recorded as fictitious assets
 (D) None of the above
- 5) Currency translation is useful for
 (A) Consolidation of accounts
 (B) Computation of Gain/Loss
 (C) True and Fair Presentation
 (D) All of the above

Q.4 (a) The Balance Sheet of Wisdom Ltd. as on 1st April, 2017 and the Income Statement for the year ending on 31st March, 2018 are as under: (14)

Balance Sheet at 1st April, 2017

Liabilities	Amt.	Assets	Amt.
Share Capital	7,50,000	Machinery	11,25,000
10% Debentures	4,50,000	Stock	1,80,000
Creditors	2,70,000	Debtors	90,000
		Cash and Bank	<u>75,000</u>
	<u>14,70,000</u>		<u>14,70,000</u>

Income Statement for the year 2017-2018

Particulars	Amt.	Amt.
Sales		7,50,000
Less: Cost of Goods Sold:		
Opening Stock	1,80,000	
+ Purchase(Net)	<u>3,45,000</u>	
	5,25,000	
-Closing Stock(FIFO)	<u>1,50,000</u>	<u>3,75,000</u>
Gross Profit		3,75,000
Less: Operating expenses	60,000	
Depreciation	1,12,500	
Interest on Debenture paid on 31-3-	<u>45,000</u>	<u>2,17,500</u>
2018		1,57,500
Retained Earnings		

N4/2-5

Debtors and creditors balances remained constant throughout the year. General price indices were as given below:

On 1-4-2017 200

Average for the year 240

On 31-3-2018 300

You are required to prepare the final accounts for the year 2018 after adjusting for price level changes under CPP method.

OR

Q.4(a)(i) Discuss the scope of accounting for combination and consolidation. (7)

Q.4(a)(ii) Explain objectives of business combination. (7)

Q.4(b) Select the appropriate answer from given alternatives (Any three) (3)

- 1) For amount sent by foreign branch to HO is translated at
 - (A) Average Exchange Rate
 - (B) Opening Exchange Rate
 - (C) Closing Exchange Rate
 - (D) Actual Amount
 - 2) Line by Line consolidation method is used for
 - (A) Holding & Subsidiary
 - (B) Parent & Associate
 - (C) Parent & Joint Venture
 - (D) None of the above
 - 3) Under CPP methods which of the following is not the part of monetary items:
 - (A) Debtors
 - (B) Stock
 - (C) Cash
 - (D) None of the above
 - 4) Which of the following item is not included in monetary items?
 - (A) Debtors
 - (B) Bank Loan
 - (C) Stock
 - (D) Creditors
 - 5) Inflation accounting has basic objection against
 - (A) Stable money value
 - (B) Consistency
 - (C) Comparability
 - (D) All of the above
-

