

IAS Mains Commerce 2006

Paper I

Section A

1. Answer any three of the following questions. The answer of each question should not exceed 200 words

- a. Accounting is the language of business. Discuss (20).
- b. What are the functions of Cost Accounting (20)?
- c. What are the deductions that are to be made in computing total income (20)?
- d. Critically examine the terms true and fair that are used in Auditors Report (20).

2. Answer the following questions

- a. Define Goodwill. Explain in detail different methods of valuation of goodwill (30).
- b. Prepare a Flexible Budget from the following data made available in respect of half-yearly period and forecast the working results at 70%, 85% and 100% of capacity when the respective sales are Rupees 50 lakhs, Rupees 60 lakhs and Rupees 85 lakhs. While fixed expenses remain constant, semi-variable expenses also remain constant between 55% and 75% of capacity, increasing by 10% between 75% and 90% and 100% of capacity. The expenses at 60% capacity are as follows: (30)

- Semi-variable
- Rupees in lakhs
- Maintenance and Repair
- 1.25
- Indirect Labour
- 5.00
- Sales Department Expenses
- 1.50
- Sundry Overheads
- 1.25
- Variable
- Rupees in lakhs
- Materials
- 12.00
- Labour
- 13.00
- Other Expenses
- 2.00

- Fixed
- Rupees in lakhs
- Wages and Salaries
- 4.20
- Rent Rates and Taxes
- 2.80
- Depreciation
- 3.50
- Sundry Overheads
- 4.50
- 51.00

3. Answer the following questions

- a. What is Share as understood from Company Accounts? When and why does the question of valuation of share arise? What are the different methods of valuation of share (30)?
- b. Draft a comprehensive Capital Reduction Scheme taking into account appropriate imaginary figures (30).

4. Answer the following questions

- a. Explain the Civil Liability of a Company Auditor (30).
- b. Discuss the relevant provisions of Income Tax concerning Salary (30).