

ST-F

10/2014

**SUBJECT : ECONOMICS [SET-II]**

**Time : 3 hrs.**

**M.M. : 100**

**General Instructions :**

- (i) All questions in both the sections are compulsory.
- (ii) Marks for questions are indicated against each.
- (iii) Questions Nos. 1-3 and 15-19 are multiple choice questions. Each question is followed by four options choose the correct option and write it in your answer sheet.
- (iv) Questions Nos. 4-8 and 20-22 are short answer questions carrying 3 marks each. Answer to them should not normally exceed 60 words each.
- (v) Questions Nos. 9-10 and 23-25 are also short answer questions carrying 4 marks each. Answer to them should not normally exceed 70 words each.
- (vi) Questions Nos. 11-14 and 26-29 are long answer questions carrying 6 marks each. Answer to them should not normally exceed 100 words each.
- (vii) Answer should be brief and to the point and the above word limit be adhered to as far as possible.

**SECTION-A**

- Q1. The rise in supply due to rise in price is shown by : (1)
- (a) upward movement along the supply curve
  - (b) downward movement along the supply curve
  - (c) rightward shift of supply curve
  - (d) leftward shift of supply curve.
- Q2. A consumer will purchase more of good Y than good X, only when (1)

(a)  $\frac{MU_x}{MU_y} = P_x$

(b)  $\frac{MU_x}{P_x} = \frac{MU_y}{P_y}$

(c)  $\frac{MU_x}{P_x} > \frac{MU_y}{P_y}$

(d)  $\frac{MU_x}{P_x} < \frac{MU_y}{P_y}$

(1)

- Q3. Which of the following statement is false? (1)
- (a) Massive unemployment shifts the PPC to left
  - (b) Technological advancement shifts the PPC to right
  - (c) Growth of resources shift the PPC to right
  - (d) Loss of manpower due to earthquake shift the PPC to left
- Q4. Price elasticity of demand is  $-1$ . At a given price, consumer buys 60 units of a good. How many units will the consumer buy if the price falls by 10%? (3)
- Q5. What do you understand by price floor? Explain with the help of a diagram. State two examples of imposition of price floor. (3)
- Q6. Explain how input prices are a determinant of supply of a good by a firm. (3)
- Q7. State the behaviour of Total Variable Cost (TVC). Draw total variable cost, total cost and total fixed cost curves in a single diagram. (3)

OR

Find out (a) explicit cost and (b) implicit cost.

(₹ crore)

- |  |       |
|--|-------|
| (i) Payment of wages and salaries during the year        | 500   |
| (ii) Investment in fixed assets                          | 2,500 |
| (iii) Borrowings at 12% interest per annum               | 1,500 |
| (iv) Annual rental value of the owner's factory building | 150   |
| (v) Estimated annual value of services of the owner      | 300   |
| (vi) Purchase of raw materials during the year           | 240   |

- Q8. Explain the Central Problem of 'what to produce'. (3)
- Q9. Define oligopoly. Why is number of firms small in oligopoly? Explain. (4)

OR

Define perfect competition. Why can a firm not earn abnormal profits under perfect competition in the long run?

(2)



Q10. State whether the following statements are true or false. Give reasons for your answer. (4)

- (a) When total revenue is constant, average revenue will also be constant.
- (b) The distance between average total cost curve and average variable cost curve is constant.
- (c) When marginal product falls, average product will also fall.
- (d) A monopolist can sell any quantity he likes at a price.

Q11. (a) Explain the difference between normal goods and inferior goods. Give an example in each case.

- (b) Good X and Y are substitutes. Explain the effect of fall in price of Y on demand for X. (3+3)

Q12. What are the conditions of consumer's equilibrium under the indifference curve approach? What changes will take place if the conditions are not fulfilled to reach equilibrium? (6)

Q13. A severe drought results in a drastic fall in the output of wheat. Analyse how will it affect the market price of wheat? (6)

Q14. Explain 'Law of Variable Proportions' with the help of a diagram. (6)

OR

Explain the profit maximizing conditions of a firm using marginal cost and marginal revenue curves.

#### SECTION-B

Q15. State which of the following is false (1)

- (a) APS can be negative
- (b) APS can be zero
- (c) APS can be more than one
- (d) APS can be less than one

Q16. Out of the following which one is not an economic activity? (1)

- (a) Medical services rendered by a dispensary
- (b) A housewife doing household work

(3)

- (c) A lawyer doing his practice
- (d) A maid working full time with a family

Q17. Which of the following is not an intermediate expenditure?

(1)

- (a) Fee paid to the lawyer by a producer
- (b) Milk purchased by a hotel
- (c) A machine purchased for installation in a factory
- (d) fertilizers purchased by a farmer

Q18. In order to correct deficient demand, Reserve Bank of India may :

(1)

- (a) increase the bank rate
- (b) increase cash reserve ratio
- (c) purchase securities in the open market
- (d) sell securities in the open market

Q19. Break-even point is achieved when :

(1)

- (a) national income = consumption
- (b) consumption = saving
- (c) consumption = investment
- (d) aggregate demand = aggregate supply

Q20. Define capital account. What are its components?

(3)

Q21. Explain the significance of 'standard of deferred payment' function of money.

(3)

Q22. What is fiscal deficit? What are the implications of a large fiscal deficit for the economy?

(3)

OR

Classify the following into revenue expenditure and capital expenditure. Give reason for your answer.

- (a) Repayment of loans
- (b) Grants given to state governments
- (c) Expenditure on purchase of land

Q23. Write down some of the limitations of using Gross Domestic Product as an index of welfare of a country.

(4)

(4)



Q24. Government has started spending more on providing free services like education and health to the poor. Explain the economic value it reflects. (4)

Q25. Explain the process of money creation by the commercial banks when initial deposits are ₹1000 and Legal Reserve Ratio is 10 per cent of total deposits.

OR

Explain 'Banker to the Government' function of the Central Bank. (4)

Q26. Calculate (a) Private Income and (b) Gross Domestic Product at factor cost (6)

(₹ crore)

(i) Miscellaneous receipts of government administrative departments	5
(ii) Savings of non-departmental enterprises	3
(iii) Savings of private corporate sector	10
(iv) Direct tax paid by households	30
(v) Net factor income to abroad	6
(vi) Corporation tax	20
(vii) Net current transfers from rest of the world	4
(viii) National debt interest	15
(ix) Current transfers from government	8
(x) Income from property and entrepreneurship accruing to the government administrative departments	12
(xi) Personal disposable income	200
(xii) Consumption of fixed capital	11

Q27. Explain the concept of inflationary gap with the help of a diagram. Also, explain the role of Bank rate in correcting it. (6)

Q28. Draw a straight line consumption curve. From it derive a saving curve. Explain the process of derivation. (6)

OR

Explain national income equilibrium through aggregate demand and aggregate supply. Use diagram. Also explain the changes that take place in an economy when the economy is not in equilibrium. (6)

Q29. State whether the following are included in national income or not. Give reasons. (6)

- (a) Profits earned by a branch of an Indian bank in Canada.
- (b) Scholarship given to Indian students studying in India by a foreign company.
- (c) Interest earned by residents from banks.
- (d) Free treatment of the poor in hospitals.



ST-F

9/2014

**SUBJECT : ACCOUNTANCY (SET-II)**

M.M.: 80

Time : 3 Hrs.

**Instructions :**

- (i) This question paper is divided into two parts - Part-A and Part-B.
- (ii) Part-A carries 60 marks and Part-B carries 20 marks.
- (iii) The question paper contains 23 questions.
- (iv) Marks for each question are indicated against it.
- (v) All questions of one part should be attempted at one place.

**Part-A (Accounting for Partnership Firms and Companies)**

- Q1. Which of the following is not incorporated in the Partnership Act? (1)
- (a) Profit and loss to be shared equally
  - (b) No interest to be allowed on capital
  - (c) All loans are to be allowed interest @ 6% p.a.
  - (d) All drawings are to be charged interest
- Q2. If equal amount is withdrawn by a partner at the end of each month during a period of six months, interest on the total amount will be charged for \_\_\_\_\_ months. (1)
- (a) 2.5
  - (b) 3
  - (c) 3.5
  - (d) 6
- Q3. A and B were partners in a firm sharing profits and losses equally. With effect from 1st April 2010, they agreed to share profits in the ratio of 4:3. Due to change in profit sharing ratio, B's gain or sacrifice will be :
- (a) Gain  $\frac{1}{14}$
  - (b) Sacrifice  $\frac{1}{14}$
  - (c) Gain  $\frac{4}{7}$
  - (d) Sacrifice  $\frac{3}{7}$  (1)
- Q4. What is 'minimum subscription'? (1)

(1)



- Q5. Differentiate between Capital Reserve and Reserve Capital on the basis of the time when it can be used. (1)
- Q6. Differentiate between Revaluation Account and Realisation Account. (3)
- Q7. Mention the provisions of Sec-79 of the Companies Act 1956. (3)
- Q8. Fill in the blanks in the journal entries given below: (3)

Date	Particulars	Lf	Debit (₹)	Credit (₹)
1	Share Capital A/c Dr. To share forfeited A/c To Share Allotment To Share I & Final Call (Being 3,200 shares of ₹10 each forfeited)		32,000	14,000 8,400 9,600
2	Bank A/c Dr. To Share Capital To Securities Premium (Being 3,200 shares reissued)		—	— 6,400
3	Share Forfeited A/c Dr. To Capital Reserve (Being profit on reissue transferred to capital reserve)		—	—

- Q9. (a) A business has earned average profits of ₹1,00,000 during the last few years and the normal rate of return in similar business is 10%. The assets of the business are ₹10,00,000 and its external liabilities are ₹1,80,000.  
Calculate goodwill on the basis of 3 years' purchase of super profits.
- (b) P, Q and R are equal partners in a firm. R retires and goodwill of the firm is valued at ₹36,000. P and Q agree to share future profits in the ratio of 3:2. Pass journal entry for goodwill. (2+2=4)

Q10. X, Y and Z were partners in the ratio of 5:3:2. They decide to share future profits and losses in the ratio of 2:3:5 with effect from 1st April 2010. They also decide to record the effect of the following revaluations without affecting their book values by passing a single adjustment entry.

	Book value	Revised value
	(₹)	(₹)
Land & Building	5,00,000	5,50,000
Plant & Machinery	2,50,000	2,40,000
Trade Creditors	60,000	55,000
Outstanding Expenses	60,000	75,000 (4)

Q11. Mohan Ltd. has an authorised capital of ₹10,00,000 divided into equity shares of ₹10 each. The company invited applications for 42,500 shares. Applications were received for 40,000 shares. All calls were made and were duly received except the final call of ₹2 per share on 500 shares. 250 of the shares on which final call was not received were forfeited. Show the relevant items in the Balance Sheet of the company as per Schedule VI revised. (4)

Q12. Pass journal entries in the following cases :

- (i) Partner A took over creditors of ₹50,000 at a discount of 10%.
- (ii) Creditors have accepted machinery of ₹20,000 in full settlement of their claim.
- (iii) There was a balance of ₹60,000 in Profit and Loss Account appearing on the liability side of the Balance Sheet where there were three partners A, B and C sharing profits in the ratio 3:2:1.
- (iv) Employees Provident Fund appears on the liability side of the Balance Sheet amounting to ₹6,000. It is already transferred to Realisation Account. No other information is given.
- (v) A claim against workmen compensation was given which amounted to ₹5,000. No workmen compensation fund appears in the Balance Sheet.



- (vi) Furniture amounting to ₹6,000 was given to the creditors towards the payment of ₹8,000. (6)

Q13. A and B are partners sharing profits and losses in the ratio of 3:1. On 1st April 2009 their capital were : A ₹50,000 and B ₹30,000. During the year ended 31st March 2010, they earned a net profit of ₹74,000. The terms of partnership are :

- (i) Interest on capital is to be allowed @ 6% p.a.
- (ii) A will get a commission at 2% on turnover.
- (iii) B will get a salary of ₹500 per month.
- (iv) B will get a commission of 5% on profits after deduction of interest, salary and commission (including his own commission).
- (v) A is entitled to a rent of ₹2,000 per month for the use of his premises by the firm. It is paid to him by cheque at the end of every month.

Partner's drawings for the year were : A ₹8,000 and B ₹6,000. Turnover for the year was ₹3,00,000. After considering the above factors, prepare Profit & Loss Appropriations Account and Capital Accounts of the partners. (6)

Q14. M, N and O were partners in a firm sharing profits and losses equally. Their Balance sheet as on 31-12-2009 was as follows :

Balance Sheet

Liabilities	₹	Assets	₹
Capitals :		Plant & Machinery	60,000
M - 70,000		Stock	30,000
N - 70,000		Debtors	95,000
O - 70,000	2,10,000	Bank	40,000
General Reserve	30,000	Cash	35,000
Creditors	20,000		
	<u>2,60,000</u>		<u>2,60,000</u>



N died on 14th March 2010. According to the partnership deed, executors of the deceased partner are entitled to :

- (i) Balance of partner's capital account.
- (ii) Interest on capital @ 5% p.a.
- (iii) Share of goodwill calculated on the basis of past three years' profits.
- (iv) Share of profit from the closure of the last accounting year till the date of his death on the basis of twice the average of three completed years' profits before death. Profit for 2007, 2008 and 2009 were ₹80,000, ₹90,000, ₹1,00,000 respectively. (a) Prepare N's capital account to be rendered to his executor showing the working clearly.  
(b) According to N's will, the executors shall donate his share to "Matri Chhaya - an orphanage for girls". Identify the values being highlighted. (4+2=6)

Q15. Jain Ltd. invited applications for issuing 35,000 equity shares of ₹10 each at a discount of 10%. The amount was payable as follows :

On application - ₹5 per share

On Allotment - ₹3 per share

On First & Final Call - Balance

Applications for 50,000 shares were received. Applications for 8,000 shares were rejected and the application money of these applicants was refunded. Shares were allotted on pro-rata basis to the remaining applicants and the excess money received with applications from these applicants was adjusted towards sums due on allotment.

Jeevan who had applied for 600 shares failed to pay allotment and first and final call money. Naveen, the holder of 400 shares, failed to pay first and final call money. Shares of Jeevan and Naveen were forfeited after giving

notice. Of the forfeited shares 800 shares were reissued at ₹15 per share fully paid up. The reissued shares included all the shares of Naveen.

- (i) Pass necessary journal entries in the books of Jain Ltd.
- (ii) Identify the values which motivated the company in serving proper notice before forfeiture. (6+2=8)

OR

Moneyplus Company Ltd. issued for public subscription 75,000 shares of the value of ₹10 each at a discount of 10% payable as follows :

On Application - ₹2 per share

On Allotment - ₹3 per share

On First & Final Call - ₹4 per share

The company received applications for 1,50,000 shares. The allotment was done as under :

- (a) Applicants of 15,000 shares were allotted 5,000 shares.
- (b) Applicants of 70,000 shares were allotted 40,000 shares.
- (c) Remaining applicants were allotted 30,000 shares. Money in excess of allotment was returned. Hari, a shareholder who applied for 3,500 shares out of group (b) failed to pay allotment and call money. Rohan, a shareholder who was allotted 3,000 shares paid the call money along with the allotment. Rohan also belonged to group (b).

- (i) Pass journal entries in the books of the company if the directors forfeited Hari's shares after giving due notice.
- (ii) Identify the values which motivated the company in serving proper notice before forfeiture. (6+2=8)



Q16. A and B were partners in the ratio of 3:2. Following was the Balance Sheet of A and B.

Balance Sheet as at 31st Dec 2013

Liabilities	₹	Assets	₹
Creditors	28,600	Cash	19,500
Bills Payable	3,900	Machinery	32,500
Bank Loan	39,000	Building	52,000
Contingency Reserve	15,600	Patents	15,600
Capitals :		Debtors	33,800
A - 52,000		- Provision for B/D	3,900
B - 42,900	94,900	Stock	10,400
		Goodwill	5,200
		Deferred Advertising Expense	1,300
		Profit & Loss A/c	2,600
		Investment (Market value 10,400)	13,000
	<u>1,82,000</u>		<u>1,82,000</u>

Additional information :

- C was admitted for 1/5th share which he acquires equally from A and B.
- Debtors are all good.
- Patents are valueless.
- Stock was found overvalued by ₹1,950.
- Creditors are to be written back by ₹2,600.
- Bank loan was paid off by A.
- C brings 1/5th of the total adjusted capital of A and B but is unable to bring ₹7,800 as share of goodwill. Prepare Revaluation Account, Capital Accounts and Balance Sheet of A, B and C. (8)

OR

Govind, Krishan and Ram were partners. Their Balance Sheet as at 31st March 2013 was as follows :

(7)



Balance Sheet as at 31-3-2013

Liabilities	₹	Assets	₹
Creditors	30,000	Bank	30,000
Outstanding Salary	7,500	Debtors	1,05,000
Employees Provident Fund	30,000	Investments	75,000
Profit & Loss A/c	1,12,500	Plant & Machinery	5,40,000
Workmen Compensation Fund	60,000		
Loan	1,20,000		
Capital Accounts :			
Govind	1,05,000		
Krishan	1,35,000		
Ram	1,50,000		
	3,90,000		
	<u>7,50,000</u>		<u>7,50,000</u>

Krishan retires on the above date. Following terms were agreed at the time of retirement :

- (i) Provisions for doubtful debts was made at 6% on Debtors.
- (ii) Goodwill of the firm is valued at ₹90,000.
- (iii) Depreciation of ₹60,000 was charged on Plant & Machinery.
- (iv) Investments were taken over by Krishan at ₹90,000.
- (v) Claim for workmen compensation was ₹24,000.
- (vi) Krishan was paid at the time of retirement which was contributed by Govind and Ram in such a manner as to make their capital proportionate to their profit sharing ratio which was 3:2.

Prepare Revaluation Account, Capital accounts and Balance Sheet of the new firm. (8)

**Part-B (Analysis of Financial Statement)**

Q. 17 State any one objective of financial statement analysis. (1)

Q. 18 Name any one tool for analysis of financial statement. (1)

- (a) Operating Activity (b) Financing Activity  
(c) Investing Activity (d) None of the above

Q19. 'Ratio analysis is affected by window dressing.' Comment.  
(1)

Q20. Under what heads and subheads will you show the following items in the Statement of Profit & Loss?

- (a) Cash discount recieved  
(b) Interest on Bank Overdrafts  
(c) Sale of scrap (3)

Q21. (a) From the following calculate Proprietary Ratio.

	₹
Long Term Borrowing	2,00,000
Long Term Provisions	1,00,000
Current Liabilities	50,000
Non-Current Assets	3,60,000
Current Assets	90,000

- (b) From the following particulars, determine the amount of Gross Profit and Revenue from Operations.

Average Inventory - ₹1,32,000

Inventory Turnover Ratio - 6 times

Selling Price - 25% above cost (2+2=4)

Q22. From the following statement of Profit & Loss of Delta Ltd., for the year ended 31st March 2012 and 2013. prepare Common Size Income Statement.

Particulars	31-3-2012 ₹	31-3-2013 ₹
I Revenue from Operations	15,00,000	18,00,000
II Expenses :		
Purchase of stock in trade	8,40,000	11,00,000
changes in Inventories of stock-in-trade	60,000	(40,000)
Employees Benefit Expenses	80,000	1,00,000
Depreciation & Amortization	70,000	80,000
Other Expenses	1,00,000	1,15,000
Total	11,50,000	13,55,000
III Profit (I-II)	3,50,000	4,45,000



Q. 23 (a) The current ratio of a company is 2:1 state, giving reasons, which of the following transactions would improve reduce or not change the current ratios. (2)

i. Repayment of current liability

ii. Purchasing goods on credit

(b) Current liabilities of XYZ Ltd. Are Rs. 700000 and Quick Ratio is 2 : 1 . Inventories are Rs. 600000. Find out current assets & current ratio. (4)