

# ARUNACHAL PRADESH PUBLIC SERVICE COMMISSION

**Subject: - COMMERCE**

Time: 3 (three) hours

Full Marks: 100

(Group A is compulsory. Attempt any FOUR questions from Group- B)

## **GROUP-A (Compulsory Group)**

**Q.1. Attempt any 10 (ten) questions from the following (10x2 =20)**

- a) Define operating profit. How will you calculate such profit?
- b) Write a short note on Manufacturing Account.
- c) What do you mean by gross and net concept of working capital?
- d) Explain the concept of Bureaucracy.
- e) What do you mean by budget?
- f) Define Master budget.
- g) What is the agency problem?
- h) Explain the Business Entity Concept of accounting.
- i) Name the different types of functional budgets prepared by a business.
- j) Define average investment.
- k) Explain the meaning and significance of The Historical Cost Concept.
- l) What is a cash budget?

## **Group B (Answer any four)**

**Q.2. Attempt any 4(four) questions from the following (4x5 =20)**

- a) What are the three major functions of the financial managers? How are they related?
- b) How do all financial decisions involve risk-return trade off?
- c) State the factors that pushed the development of modern management theories.
- d) What is the Hawthorne effect and why is it important to managers?
- e) Differentiate between budget, budgeting and budgetary control.
- f) Compare FIFO and LIFO methods of inventory valuation?
- g) Explain the concept of moving average in weighted average method of inventory valuation.

h) Using the following data, calculate working capital cycle for A Ltd.

	(Rs. in ,000)
Average Raw Material	300
Average Work in Progress	240
Average Finished Stock	400
Average Debtors	900
Average Creditors	250
Total Raw Material	1500
Total Cost of Production	5600
Total Credit Sales	7000
Total Credit Purchases	1800

(Assuming 365 days in a year)

**Q.3.** Attempt any 4(four) questions from the following **(4x5 =20)**

- Describe the features of classical theory and critically evaluate it.
- Discuss the contributions of Henry Fayol to the development of management thought.
- Differentiate between fixed and flexible budget.
- Explain all the control ratios.
- Accountants frequently refer to a procedure as being conservative Explain what is meant by 'Conservative Accounting Procedures'. State some of the applications of the concept of conservatism.
- What are accounting principles? What is their necessity?
- What is the difference between NPV and IRR method?

**Q.4.** Attempt any 4(four) questions from the following **(4x5 =20)**

- Differentiate the working capital requirement based on cash cost basis and total cost basis.
- Describe the salient features of the modern approaches to financial management.
- Explain the theory X and Y? Provide appropriate examples to elucidate.
- Define budgetary control. State the limitations of budgetary control.
- Write the circumstances in which flexible budget is found to be stable.

**Q. No. 5** Attempt any 4(four) questions from the following **(4x5 =20)**

- What do you understand by directing in an organization?
- What is the contribution of Chris Argyle in the development of neo-classical management thought?
- Think and write about the possible factors which should be considered for a project which is mandatory in nature but the economic sense says otherwise.

- d) What do you mean by working capital management? What are the elements of working capital management?
- e) Discuss the various sources of working capital finance.

**Q.6.** What do you mean by planning in an organization? How are planning and controlling interlinked? **(20)**

**Q.7.** What do you understand by systems approach? How systems approach is different from contingency approach? **(20)**

**Q.8.** A company is considering which of two mutually exclusive projects it should undertake. The finance director thinks that the project with higher NPV should be chosen as both projects have the same initial outlay and length of life. The company anticipates a cost of capital of 10% and the net after tax cashflows of the project are as follows:

(Rs.'000) **(20)**

Year	0	1	2	3	4	5
Project X	-210	40	80	90	75	25
Project Y	-210	222	10	10	6	6

Compute:

- The NPV and PI of each project.
- State with reasons which project you would recommend.