G 301.6 **Reg. No. :** | | | | | | |

St Aloysius College (Autonomous)
Mangaluru
B.Com. Semester VI – Degree Examination
May/June - 2023
CORPORATE ACCOUNTING-II

Time: 3 hrs. **Max Marks: 100**

SECTION – A

Answer any FIVE questions of the following: **(5x2=10)**

1. What is Alteration of Capital?
2. What do you mean by Minority Interest?
3. What is holding company?
4. What do you mean by Creative Accounting?
5. What is Economic Value added?
6. Define Business combination as per IFRS-3.
7. What do you mean by External Reconstruction?

SECTION - B

Answer any FOUR questions of the following: **(4x12=48)**

8. Q Ltd. decided to sell its business to the Avenue Corporation Ltd. as on 31-12-2022. On that date its Balance Sheet was as follows.

Liabilities	₹	Assets	₹
Paid up capital: 8000 shares of ₹ 10 each	80,000	Freehold property	66,000
5% debentures	40,000	Stock	14,000
Creditors	12,000	Debtors	16,000
Reserve fund	20,000	Bills receivable	8,000
Profit and Loss A/c	8,000	Goodwill	16,000
		Cash at Bank	40,000
	160,000		**160,000**

The Avenue Corporation Ltd. agreed to take over the assets (excluding cash) at the amount stated in the Balance Sheet except goodwill for which the Co. agreed to pay ₹ 40,000 and discharge the liabilities to sundry creditors. The purchase price was to be discharged by the allotment of 4400 shares of ₹ 10 each at ₹ 12.50 per share and the balance in cash. The expenses of liquidation amounted to ₹ 1200.

Show the necessary Ledger Accounts in the books of Q Ltd.

9. The Balance Sheet of Maju Ltd. as on 31-3-2022 is given below.

Liabilities	₹	Assets	₹
2500 Preference shares of ₹ 100 each	2,50,000	Goodwill	80,000
3000 Equity shares of ₹ 100 each	3,00,000	Fixed Assets	4,40,000
Creditors	2,50,000	Current assets	1,80,000
		Preliminary Expenses	40,000
		P & L A/c	60,000
	8,00,000		**8,00,000**

Following scheme of capital reduction was sanctioned by the court.

i) Equity shares are to be reduced to shares of ₹ 50 fully paid.

ii) Preference shares are to be reduced to shares of ₹ 70 fully paid.

The amount so available is to be applied to cancel P & L A/c, Preliminary expenses, goodwill and reduce fixed assets by ₹ 25,000. Give necessary Journal entries and show capital reduction account.

Contd...2

10. The capital of Unfortunate Pvt. Ltd. was as follows :
    a) 40,000 ordinary shares of ₹ 100 each fully paid.
    b) 30,000 ordinary shares of ₹ 100 each ₹ 80 paid.
    c) 10,000 preference shares of ₹ 100 each fully paid (having priority as per articles)

    The various creditors amounted in all ₹ 10,00,000 including liquidators remuneration of ₹25,000. He also realized all the assets amounting to ₹ 19,10,000. A call of ₹ 15 per share was made on the ordinary shares which were partly paid. This was paid in full.
    Prepare Liquidators Final Statement of Accounts.

11 Write a note on IFRS 11.

12 Define value added. Explain the classification and application of value added.

13 Following is the Balance Sheet of Poornima Ltd as on 30-06-2022.

Liabilities	₹	Assets	₹
2000 share of ₹ 10 each	2,00,000	Goodwill	35,000
Reserve	20,000	Building	85,000
Debentures	1,40,000	Plant	1,60,000
Creditors	80,000	Stock	55,000
		Debtors	65,000
		Cash	40,000
	4,40,000		**4,40,000**

The business was taken over by Bhaskara Ltd on the following terms :

1) To take over all the assets except cash at 10% less than the book value (except goodwill). The goodwill is taken at ₹ 50,000.
2) To take over trade liabilities subject to 5% discount.
3) Purchase price has to be paid in cash to the extent of ₹ 150000 and the balance in fully paid equity shares of Rs. 10 valued at 12.50 per share.

Calculate the amount of Purchase consideration and show the mode of payment.

SECTION – C

Answer any <u>TWO</u> questions of the following: (2x16=32)

14. The following is the Balance sheet of Mihir Ltd.

Liabilities	Indra ₹	Assets	Indra ₹
Paid up share capital (Shares of ₹ 100 each)	8,00,000	Goodwill	1,60,000
Profit and Loss A/c	2,80,000	Fixed Assets	9,60,000
Debentures	4,00,000	Current Assets	4,80,000
Creditors	1,20,000		
	16,00,000		**16,00,000**

Contd...3

Raja Ltd. agreed to takeover the business of Mihir Ltd. on the following terms :

i. Assets to be taken over at 10% less than Book values.

ii. To discharge trade liabilities.

iii. To pay ₹ 2,40,000 for goodwill.

The purchase price was to be discharged by the issue of 8,000 equity shares of ₹ 100 each, at a market value of ₹ 150 per share and balance in cash.

Liquidation expenses amounted to ₹ 16000.

Prepare Ledger Accounts in the books of Mihir Ltd. Journal entries in the books of Raja Ltd.

15. On 31st December 2022 Rashmi Ltd with an approval of Court decided upon a scheme of capital reduction and reorganization when their Balance Sheet was as follows :

Liabilities	₹	Assets	₹
40,000, 6% preference shares of ₹10 each	4,00,000	Goodwill	3,00,000
80,000 equity shares of ₹10 each	8,00,000	Land & Building, Plant & Machinery	9,00,000
Debenture of ₹ 100 each	6,00,000	Stock	3,40,000
Bank overdraft	3,00,000	Debtors	1,12,645
Reserves	60,000	Investments	3,62,472
Creditors	1,15,117	P & L A/c	2,60,000
	22,75,117		**22,75,117**

According to the scheme :

1) Each convertible debentures of ₹100 was to be exchanged for 7% preference shares of ₹10 each

2) Each existing preference share to be written down from ₹10 to ₹5 per share, with the rate of dividend to be increased from 6% to 7%.

3) Each existing equity share to be written down from ₹10 to ₹4 per share, and the written off amount is to be paid by the shareholders.

4) Bank overdraft to be paid off from the money received.

The reduction of capital to be applied in writing off fictitious assets and in writing down land, building, plant & machinery.

Give Journal entries for recording the reduction and reorganization and summarised Balance Sheet as on 1st January 2023.

Contd...4

16. The following are the Balance Sheets of N Ltd. and Q Ltd. as on 30th December, 2022.

Liabilities	**N Ltd. ₹.**	**Q Ltd. ₹**
Share Capital:		
Equity Shares (₹ 100 each)	3,00,000	1,25,000
Reserves & Surplus :		
General Reserve	50,000	30,000
Profit & Loss Account	75,000	45,000
Current liabilities & Provisions:		
Creditors	30,000	35,000
Income Tax	35,000	30,000
Total	**4,90,000**	**2,65,000**
Assets		
Fixed Assets:		
Goodwill	30,000	20,000
Machinery	50,000	30,000
Vehicles	90,000	35,000
Shares in S Ltd. at Cost	1,90,000	-
Furniture	25,000	15,000
Current Assets :		
Stock	35,000	70,000
Debtors	50,000	83,000
Bank Balance	20000	12000
Total	**4,90,000**	**2,65,000**

Additional Information:

a. N Ltd. acquired 1200 Equity shares on 01.10.2022.

b. The Profit and Loss Account of Q Ltd. had a credit balance of ₹ 15,000 and General Reserve of ₹ 25,000 on 01.10.2022.

c. On 31st December Q Ltd. declared a dividend out of its pre-acquisition profits of @12% on its Share capital. N Ltd., credited the receipt of dividend to it's Profit & Loss Account.

d. On 1.4.2022 Q Ltd. issued one equity share for every three shares held in as bonus shares at a face value of ₹ 100 per share out of its General Reserve. No entry had been made in the books of N Ltd. for the receipt of bonus shares.

e. Q Ltd. owed N Ltd. ₹ 10,000 for purchase of Stock from N Ltd. The entire stock is held by Q Ltd. on 30.9.2022. N Ltd, made a profit of 25% on cost.

Prepare Consolidated Balance Sheet.

Contd...5

SECTION – D

Answer the following: Compulsory **(10)**

17. The following information is given to you:

Balance sheet of Unstable Ltd. on 31st March 2023.

Liabilities	₹	Assets	₹
2,000, 14% preference shares of ₹ 100 fully paid	2,00,000	Land & Buildings	1,00,000
		Machinery & Plant	2,50,000
		Patents	40,000
1000 equity shares of ₹ 100 each ₹ 75 paid	75,000	Stock	55,000
3000 equity shares of ₹ 100 each ₹ 60 paid	1,80,000	Debtors	1,10,000
14% debentures with a floating charges	1,00,000	Cash at Bank	75,500
O/s interest on debentures	14,000	P & L A/c	83,500
Creditors	1,45,000		
	7,14,000		**7,14,000**

The company went into liquidation on the above date. The preference dividend were in arrears for 2 years, which are payable on liquidation. Assets realized ₹ 4,90,000 (except cash at Bank). Liquidation expenses amounted ₹ 10,900. Liquidator is entitled to a commission of 3% on all assets realized except cash and 2% on the amounts distributed to unsecured creditors. Preferential creditors amount to ₹ 15,000. Assume the payment was made on 30th September 2023.

Prepare liquidators final statement of accounts

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G 302.6

Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

B.Com. Semester VI – Degree Examination

May /June - 2023

FOREIGN EXCHANGE MANAGEMENT

Time: 3 hrs. **Max Marks: 100**

SECTION – A

Answer any FIVE questions of the following: **(5x2=10)**

1. Differentiate between FERA and FEMA.
2. What is flexible exchange rate?
3. State Nostro and Vostro A/c.
4. Differentiate between arbitrage and swapdeals.
5. Write a note on intrinsic value.
6. Define exchange rate.
7. What is the difference between dealer and a broker in forex.

SECTION - B

Answer any FOUR questions of the following: **(4x12=48)**

8. Explain determination of exchange rate.
9. Explain the objectives and functions of world Bank.
10. Explain the types of NRI A/c in India.
11. Explain the role of players in foreign exchange market.
12. Explain the regulations of foreign exchange market under FEMA.
13. Explain foreign exchange trading in India.

SECTION – C

Answer any TWO questions of the following: **(2x16=32)**

14. What is exchange rate? Explain the causes for the fluctuations in exchange rate.
15. Critically examine the purchasing power parity theory of International trade.
16. Explain the functions of International Monetary Fund.

SECTION – D

Answer the following: Compulsory **(10)**

17. Write a note on International Fisher effect.

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Reg. No. :

St Aloysius College (Autonomous)
Mangaluru
B.Com. Semester VI – Degree Examination
May /June - 2023
INVESTMENT MANAGEMENT

Time: 3 hrs. **Max Marks: 100**

SECTION – A

Answer any FIVE questions of the following: **(5x2=10)**

1. State any four objectives of investment.
2. List any four types of Mutual Fund Schemes.
3. What is money market? State any two instruments of money market.
4. What is lease financing?
5. State any four credit rating agencies in India.
6. Who is a Merchant Banker? State any two functions of Merchant Banker.
7. Expand:
   (a) IDBI (b) ICICI

SECTION - B

Answer any FOUR questions of the following: **(4x12=48)**

8. Explain briefly the stages involved in investment process.
9. What is a Mutual Fund? Explain the Structure of Mutual Funds.
10. Discuss briefly the various investment ideas elaborated by Warren Buffet.
11. What is the procedure involved in Venture Capital Financing? Explain.
12. Explain the Evolution of LIC.
13. What are the obligations and responsibilities of a merchant banker? Explain.

SECTION – C

Answer any TWO questions of the following: **(2x16=32)**

14. Explain the SEBI regulations of Merchant Banking in India.
15. What is Credit Rating? Explain the various factors affecting Credit Rating and its advantages?
16. ABC Machine Tool Company Ltd is considering the acquisition of a large equipment to set up its factory in a backward region for ₹ 12,00,000. The equipment is expected to have an economic useful life of 8 years. The equipment can be financed either with an 8-year term loan at 14% interest, repayable in equal instalments of ₹2,58,676 per year, or by an equivalent amount of lease rent per year. In both cases, payments are due at the end of the year. The equipment is subject to the straight-line method of depreciation for tax purposes. Assuming no salvage value after the 8-year useful life and 50% tax rate. Which of the financing alternatives should it select?

SECTION – D

Answer the following: Compulsory **(10)**

17. What are the various qualities of a successful investor? Explain.

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G 303.6a

Reg. No. :

St Aloysius College (Autonomous)
Mangaluru

B.Com. (ACCA) Semester VI – Degree Examination
May/June - 2023
ADVANCED FINANCIAL MANAGEMENT-II

Time: 3 hrs. **Max Marks: 100**

SECTION – A

Answer any FIVE of the following. **(5x2=10)**

1. Company X wishes to raise $50 million. It would prefer to issue fixed rate debt and can borrow for one year at 6% fixed or SOFR + 80 points. Company Y also wishes to raise $50 million and to pay interest at a floating rate. It can borrow for one year at a fixed rate of 5% or at SOFR + 50 points. Calculate the effective swap rate for each company – assume savings are split equally.
2. An initial investment of $2,000 in a project yields cash inflows of $500, $500, $600, $600 and $440 at 12 months' intervals. There is no scrap value. Funds are available to finance the project at 12%. Decide whether the project is worthwhile, using net present value approach.
3. Dodgy Co's 6% coupon bonds are currently priced at $89%. The bonds are redeemable at $100 nominal value in 5 years. Corporation tax is 30%. Calculate the post-tax cost of debt.
4. From the perspective of a corporate financial manager, write an advantage and a potential problem of using currency swaps.
5. An Australian firm has just bought some machinery from a US supplier for US$250,000 with payment due in 3 months' time. Exchange rates are quoted as follows:
   Spot rates: (US$... to A$1): 0.7785 – 0.7891
   Three months' forward rates: 0.7764 – 0.7873
   Calculate the amount payable if a forward contract is used.
6. Explain the different methods of dealing with a capital rationing problem, in the circumstances where i) capital is rationed in a single period ii) capital is rationed in several periods
7. The current rate of inflation in Costovia is 65%. Government action is helping to reduce this rate each year by 10% of the previous rate. The Costovian peso/ US dollar exchange rate is currently 144 pesos to 1 US dollar, and the inflation rate in the US over the next three years is expected to be 4%, 3.5% and 3% respectively. Calculate the exchange rate for the Costovian peso against the US dollar for the next three years.

Contd...2

SECTION – B

Answer any FOUR of the following. **(4x12=48)**

8. A company plans to invest $7m in a new product. Net contribution over the next five years is expected to be $4.2m per year in real terms. Marketing expenditure of $1.4m per year will also be needed. Expenditure of $1.3m per year will be required to replace existing assets which will now be used on the project but are getting to the end of their useful lives. This expenditure will be incurred at the start of each year. Additional investment in working capital equivalent to 10% of contribution will need to be in place at the start of each year. Working capital will be released at the end of the project. The following forecasts are made of the rates of inflation each year for the next five years:

   Contribution 8%
   Marketing 3%
   Assets 4%
   General prices 4.7%
   The real cost of capital of the company is 6%.
   All cash flows are in real terms. Ignore tax. Forecast the free cash flows of the project and determine whether it is worthwhile using the NPV method.

9. Rounding plc is a company currently engaged in the manufacture of baby equipment. It wishes to diversify into the manufacture of snowboards.

   The investment details:

   The company's equity beta is 1.27 and is current debt to equity ratio is 25:75, however the company's gearing ratio will change as a result of the new project.

   Firms involved in snowboard manufacture have an average equity beta of 1.19 and an average debt to equity ratio of 30:70.

   Assume that the debt is risk free, that the risk-free rate is 10% and that the expected return from the market portfolio is 16%.

   The new project will involve the purchase of new machinery for a cost of $800,000 (net of issue costs), which will produce annual cash inflows of $450,000 for 3 years. At the end of this time, it will have no scrap value.

   Corporation tax is payable in the same year at a rate of 33%. The machine will attract tax allowable depreciation of 25% pa on a reducing balance basis, with a balancing allowance at the end of the project life when the machine is scrapped.

   The financing details:

   The new investment will be financed as follows:

   Bonds (redeemable in three years' time): 40%

   Rights issue of equity: 60%

   The issue costs are 4% on the gross equity issued and 2% on the gross debt issued. Assume that the debt issue costs are tax deductible.

   Calculate the adjusted present value of the project.

Contd...3

10. What do you understand by risk awareness and risk assessment? What are the ways in which risk management can be done?
11. Marcus is based in France has recently imported raw materials from the USA and has been invoiced for US$240,000, payable in three months' time.

    In addition, it has also exported finished goods to Japan and Australia. The Japanese customer has been invoiced for US$69,000, payable in three months' time, and the Australian customer has been invoiced for A$295,000, payable in four months' time.

    Current spot and forward rates are as follows:

    US$ ... /1 Euro

    Spot: 0.9830 – 0.9850

    3 months forward: 0.9520 – 0.9545

    Euro... /1 A$

    Spot: 1.8890 – 1.8920

    4 months forward: 1.9510 – 1.9540

    Current money market rates (pa) are as follows:

    US$: 10.0% – 12.0%

    A$: 14.0% – 16.0%

    Euro: 11.5% – 13.0%

    Show how the company can hedge its exposure to foreign exchange risk using:

    (a) forward contracts

    (b) money market hedges

    and for each transaction, determine which is the best hedging technique.
12. M Co is a mineral extraction company based in the UK but with plants based in many countries worldwide. Following recent discovery of mineral reserves in Mahastan in Central Asia, M Co has acquired a license to extract the minerals from the recently elected Mahastani government and plans to commence work on the plant there within the next six months.

    In the past ten years, Mahastan has seen significant unrest, following the deposing of the previous dictator in a military coup. However, the recent election of the newly fledged democracy is hoped to be the beginning of a new era of stability in the region. The currency of Mahastan is the puto.

    It is not traded internationally and the preferred currency for international business is the US dollar. There are currently no double tax treaties between Mahastan and the rest of the world, but the prime minister has signalled her intention to develop them within her first term of office to encourage inward investment.

    Assess the exposure of M Co to political, economic, regulatory and fiscal risk and suggest how these risks may be mitigated.

Contd...4

13. a) The directors of Moorland Co, a company which has 75% of its operations in the retail sector and 25% in manufacturing, are trying to derive the firm's cost of equity. However, since the company is not listed, it has been difficult to determine an appropriate beta factor. Instead, the following information has been researched:

Retail industry – quoted retailers have an average equity beta of 1.20, and an average gearing ratio of 20:80 (debt: equity).

Manufacturing industry – quoted manufacturers have an average equity beta of 1.45 and an average gearing ratio of 45:55 (debt: equity).

The risk free rate is 3% and the equity risk premium is 6%. Tax on corporate profits is 30%. Moorland Co has gearing of 50% debt and 50% equity by market values. Assume that the risk on corporate debt is negligible.

Calculate the cost of equity of Moorland Co using the CAPM model **(7 marks)**

b) Moondog Co is a company with a 20:80 debt: equity ratio. Using CAPM, its cost of equity has been calculated as 12%. It is considering raising some debt finance to change its gearing ratio to 25:75 debt to equity. The expected return to debt holders is 4% per year, and the rate of corporate tax is 30%. Calculate the theoretical cost of equity in Moondog Co after the refinancing.

(5 marks)

SECTION – C

Answer any <u>TWO</u> of the following. **(2x16=32)**

14. Chesterfield Co needs to borrow $5 million for 6 months, starting in 4 months' time on 1st August.

The current SOFR rate is 3.50% but there is a risk that interest rates will change over the next few months by up to 0.5% either way, so the company's treasurer is considering hedging the interest payments using futures contracts or options. Chesterfield Co can borrow at 25 basis points above the SOFR rate.

Current futures/options information:

Futures ($500,000 3 month contracts)
June 96.40
September 96.10
December 95.86
Options on futures (premia quoted as an annual percentage)

Exercise price	Calls			Puts		
	June	Sept	Dec	June	Sept	Dec
96.40	0.155	0.260	0.320	0.305	0.360	0.445

Estimate the likely financial position if Chesterfield Co hedges the interest rate risk using:

(a) futures contracts

(b) options over futures contracts.

and recommend which method the company should use in this case.

Contd...5

15. Tisa Co is considering an opportunity to produce an innovative component which, when fitted into motor vehicle engines, will enable them to utilize fuel more efficiently. The component can be manufactured using either process Omega or process Zeta. Although this is an entirely new line of business for Tisa Co, it is of the opinion that developing either process over a period of four years and then selling the productions rights at the end of four years to another company may prove lucrative.

The annual after-tax cash flows for each process are as follows:

Process Omega

Year	0	1	2	3	4
After-tax cash flows ($000)	(3,800)	1,220	1,153	1,386	3,829

Process Zeta

Year	0	1	2	3	4
After-tax cash flows ($000)	(3,800)	643	546	1,055	5,990

Tisa Co has 10 million 50c shares trading at 180c each. Its loans have a current value of $3.6 million and an average after-tax cost of debt of 4.50%. Tisa Co's capital structure is unlikely to change significantly following the investment in either process.

Elfu Co manufactures electronic parts for cars including the production of a component similar to the one being considered by Tisa Co. Elfu Co's equity beta is 1.40, and it is estimated that the equivalent equity beta for its other activities, excluding the component production, is 1.25. Elfu Co has 400 million 25c shares in issue trading at 120c each. Its debt finance consists of variable rate loans redeemable in seven years. The loans paying interest at base rate plus 120 basis points have a current value of $96 million. It can be assumed that 80% of Elfu Co's debt finance and 75% of Elfu Co's equity finance can be attributed to other activities excluding the component production. Both companies pay annual corporation tax at a rate of 25%. The current base rate is 3.5% and the market risk premium is estimated at 5.8%.

a) Provide a reasoned estimate of the cost of capital that Tisa Co should use to calculate the net present value of the two processes. Include all relevant calculations. **(6 marks)**

b) Calculate the net present value (NPV), the internal rate of return (IRR) and the modified internal rate of return (MIRR) for Process Omega. Given that the NPV, IRR and MIRR of Process Zeta are $1.64 million, 26.6% and 23.3% respectively, recommend which process, if any, Tisa Co should proceed with and explain your recommendation. **(10 marks)**

Contd...6

16. Puxty plc is a specialist manufacturer of window frames. Its main UK manufacturing operation is based in the south of England, from where it distributes its products throughout the UK.

The directors are now considering whether they should open up an additional manufacturing operation in France – which they believe there will be a good market for their products.

A suitable factory has been located just outside Paris that could be rented on a 5-year lease at an annual charge of €3.8m, payable each year in advance. The manufacturing equipment would cost €75m, of which €60m would have to be paid at the start of the project, with the balance payable 12 months later.

At the start of each year the French factory would require working capital equal to 40% of that year's sales revenues. It is expected that the factory will be able to produce and sell 80,000 window units per year although, in the first year, because of the need to 'run in' the machinery and its new workforce, output is only expected to be 50,000 window units. Each window is likely to be sold for €750, a price that represents a 150% mark up on cash production costs.

The French factory would be set up as a wholly-owned subsidiary of Puxty plc. In France, 25% straight-line depreciation on cost is an allowable expense against company tax. Corporation tax is payable at 40% at each year-end without delay and any unused losses can be brought forward for set off against the following year's profits. No UK tax would be payable on the after-tax French profits.

All amounts in € are given in current terms. Annual inflation in France is expected to run at 6% per year in the foreseeable future. All € cash flows involved are expected to increase in line with this inflation rate, with the exception of the factory rental and the cost of the manufacturing equipment, both of which would remain unchanged.

The French factory would be producing windows to a special design patented by Puxty. To protect its patent rights, Puxty plc will charge its French subsidiary a fixed royalty of £20 per window. This cost would be allowable against the subsidiary's French tax liability.

The current €.../£1 spot rate is 1.5. Inflation in the UK is expected to be 4% per year over the period. There are no remittance restrictions between France and the UK.

Puxty plc is an all-equity financed company that is quoted on the London Stock Exchange. Its shares have a beta value of 1.25. The current annual return on UK Government Treasury Bills is 10% and the expected return on the market is 18%. In the UK Corporation Tax is payable at 35%, one year in arrears.

Contd...7

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Puxty operates on a 5-year planning horizon. At the end of five years, assume that working capital would be fully recovered and the production equipment would have a scrap value, at that time, of €70m before tax.

Proceeds on asset sales are taxed at 40%. Assume all cash flows arise at the end of the year to which they relate, unless otherwise stated.

Evaluate the proposed investment in France and recommend what investment decision should be made by Puxty plc. State clearly any assumptions you make and work all calculations rounded to nearest 10,000 (either € or £) – i.e. €0.01 m or £0.01m.

SECTION – D

Answer the following: (Compulsory) **(10)**

17. A manufacturing company based in the United Kingdom is evaluating an investment project overseas – in REBMATT a politically stable country. It will cost an initial 5.0 million REBMATT dollars (RM$) and it is expected to earn post-tax cash flows as follows:

Year	1	2	3	4
Cash flow RM$'000	1,500	1,900	2,500	2,700

The following information is available:

i) Real interest rates in the two countries are the same. They are expected to remain the same for the period of the project.

ii) The current spot rate is RM$ 2 per £1 Sterling.

iii) The risk-free rate of interest in REBMATT is 7% and in the UK 9%.

iv) The company requires a sterling return from this project of 16%.

Calculate the £ Sterling net present value of the project using the standard method i.e., by discounting annual cash flows in £ Sterling.

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G 303.6b

Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

B.Com. (BPS) Semester VI – Degree Examination

May/June - 2023

MANAGING BUSINESS PROCESS

Time: 3 hrs. Max Marks: 100

SECTION – A

Answer any FIVE questions of the following: (5x2=10)

1. What is a process?
2. Define quality.
3. Differentiate between Design FMEA and Process FMEA.
4. Define Risk.
5. What is a quality audit?
6. Expand SIPOC.
7. Define First Pass Yield.

SECTION - B

Answer any FOUR questions of the following: (4x12=48)

8. a) What are the 4 basic steps of risk analysis? (5 marks)
   b) Explain the types of risks in today's competitive world. (7 marks)
9. It's been said that a picture speaks a thousand words and so the tool Graph was born. Discuss the statement.
10. a) Write a short note on containment action. (5 marks)
    b) Explain the concept of quality. (7 marks)
11. Explain:
    a) Process mapping techniques (4 marks)
    b) Process flow chart (4 marks)
    c) Swim lane process map (4 marks)
12. What are quality control tools? Why are the seven basic quality tools useful?
13. How does transaction monitoring help an organisation to maintain the quality?

SECTION – C

Answer any TWO questions of the following: (2x16=32)

14. a) Who are the internal and external customers? (5 marks)
    b) How is a customer need discovered? (5 marks)
    c) Write a short note on Quality Management Systems given by ISO. (6 marks)
15. a) Explain Understanding customer needs with the help of Kano model. (5 marks)
    b) How does a standard operating processes help organisations to develop? (6 marks)
    c) Write a short note on SOP format. (5 marks)
16. Elaborate the general procedure to conduct Process Decision Programme chart for an organisation.

SECTION – D

Answer the following: Compulsory (10)

17. Problem solving has four basic steps. Explain.

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G 304.6

Reg. No. :

St Aloysius College (Autonomous)
Mangaluru
B.Com. Semester VI – Degree Examination
May/June - 2023
CORPORATE LAW AND GOVERNANCE

Time: 3 hrs.

Max Marks: 100

SECTION – A

Answer any FIVE questions of the following: (5x2=10)

1. Define Joint Stock Company as per companies Act of 2013.
2. State any two duties of Chief Executive Officer
3. What do you mean by quorum?
4. Mention the clauses in Memorandum of Association.
5. Give any two benefits of CSR activities.
6. What do you mean by doctrine of constructive notice?
7. Bring out any two differences between members and shareholders.

SECTION - B

Answer any FOUR questions of the following: (4x12=48)

8. What is Prospectus? Elucidate the contents of prospectus.
9. Discuss the modes of acquiring membership in a company.
10. Enumerate the functions of National Financial Reporting Authority (NFRA).
11. Who is an Official Liquidator ?Write a note on powers and duties of official liquidator
12. What is Corporate Governance? Explain the benefits of Good Corporate governance.
13. Explain briefly the legal provisions governing appointment and dismissal of company secretary.

SECTION – C

Answer any TWO questions of the following: (2x16=32)

14. Define a Company .Explain the characteristics of a Company.
15. Enumerate the Rights and Liabilities of a member in a company.
16. What do you mean by Winding up of Company? Explain the two modes of winding up of a company?

SECTION – D

Answer the following: Compulsory (10)

17. Explain the principle of Doctrine of Indoor Management and illustrate it with reference to a case study.

****

G 305.6

Reg. No. :

St Aloysius College (Autonomous)
Mangaluru
B.Com. Semester VI – Degree Examination
May /June - 2023
MANAGEMENT ACCOUNTING

Time: 3 hrs. Max Marks: 100

SECTION – A

Answer any FIVE questions of the following: **(5x2=10)**

1. Write any two differences between financial accounting and management accounting
2. What is Cash flow statement?
3. What is financial forecasting?
4. What is cost-volume-profit analysis?
5. Write the meaning of balanced scorecard
6. Write any two advantages of Standard costing
7. Current ratio is 2:1, Working capital = 10,00,000. Find Current assets and current liabilities

SECTION - B

Answer any FOUR questions of the following: **(4x12=48)**

8. The following information is available for the year ending 2022.

Liabilities	**Sun Ltd**	**Moon Ltd.**	**Assets**	**Sun Ltd**	**Moon Ltd.**
Equity share capital	20,00,000	40,00,000	Land and Buildings	12,00,000	28,00,000
Preference share capital	6,00,000	5,00,000	Plant and Machinery	60,00,00	18,00,000
Reserves and surplus	1,00,000	2,00,000	Prepaid expenses	2,00,000	3,00,000
Proposed Dividend (CL)	2,00,000	4,00,000	Bills Receivable	9,00,000	5,00,000
Bills payable	1,20,000	NIL	Stock	4,00,000	3,00,000
Sundry Creditors	6,00,000	5,00,000	Debtors	6,00,000	2,00,000
Bank overdraft	4,00,000	3,00,000	Cash at Bank	1,80,000	10,000
O/s Expenses	80,000	20,000	Cash in Hand	20,000	10,000
Total	**41,00,000**	**59,20,000**	**Total**	**41,00,000**	**59,20,000**

Prepare a statement showing changes in working capital

9. Standard hours required for manufacturing 1 unit of a product is 12 hours at ₹ 10 per hour. If the company incurred ₹ 1,43,000 for manufacturing 1000 units at ₹ 11 per hour. calculate Labour Cost Variance, Labour Price Variance and Labour Efficiency Variance

Contd...2

10. Draw a Break-Even Chart with imaginary figures and Show following in the chart
    a) Break Even Sales
    b) Break Even Point
    c) Angle of Incidence
    d) Sales Curve
    e) Total Cost Curve
    f) Fixed Cost Curve
    g) Profit Area
    h) Loss Area
    i) Margin of Safety
11. Explain advantages and limitations of ratio analysis.
12. Explain merits and demerits of management accounting.
13. Define responsibility accounting. Explain various centres

SECTION – C

Answer any TWO questions of the following: **(2x16=32)**

14. From the following information of Raj And Co. prepare cash flow statement

Liabilities	2021	2022	Assets	2021	2022
Equity Share capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
Long term Loan	1,50,000	1,00,000	Buildings	2,00,000	1,70,000
Reserves	10,000	18,000	Plant	80,000	2,00,000
Profit & Loss A/C	60,000	1,00,000	Debtors	77,000	1,09,000
Creditors	97,000	1,33,000	Stock	20,000	30,000
Bills payable	20,000	16,000	Bank	25,000	18,000
Provision for taxation	40,000	50,000	Bills Receivable	1,60,000	2,00,000
Total	**6,77,000**	**8,17,000**	**Total**	**6,77,000**	**8,17,000**

Additional information

1. Depreciation of ₹ 10,000 and ₹ 20,000 have to be charged on Building and Plant respectively.
2. Dividend paid ₹ 20,000.
3. Plant Costing ₹ 20,000 sold for ₹ 25,000
4. Building Costing ₹ 1000 Sold for ₹ 2,000
5. 5. Provision for tax ₹ 20,000

Contd...3

15. Raj Company Ltd furnished following information of its cost and profit for the year 2021 and 2022

Year	Cost (₹)	Profit (₹)
2021	12,00,000	2,00,000
2022	15,00,000	3,00,000

Compute the following

a) P/V ratio

b) Fixed Cost

c) Variable Cost

d) Margin of safety

e) Estimated profit when sales are ₹ 20,00,000

f) Estimated Sales When Profit is ₹ 2,50,000

g) BEP

16. The Standard mix to produce 10 unit of product is as follows

Material A	600 units @ ₹ 15 per unit =	9,000
Material B	800 units @ ₹ 20 per unit =	16,000
Material C	1000 Units @ ₹ 20 per unit =	25,000
Total	2400 Units	₹ 50,000

During the month of April, 10 units were actually produced and consumption was as follows:

Material A	640 units @ ₹ 17.50 per unit =	11,200
Material B	950 units @ ₹ 18.00 per unit =	17,100
Material C	870 Units @ ₹ 27.50 per unit =	23,925
Total	2460 Units	₹ 52,225

Calculate Material Cost, Price, Usage, Mix Variances

SECTION – D

Answer the following: Compulsory **(10)**

17. From the following data calculate

a) Gross profit ratio

b) Net profit ratio

c) Stock turnover ratio

d) Current ratio

e) Liquid ratio

Particulars	**Amount (₹)**
Sales	50,40,000
Cost of Sales	38,40,000
Net Profit	7,20,000
Inventory	16,00,000
Other Current Assets	15,20,000
Fixed Assets	28,80,000
Net worth	30,00,000
Debt	18,00,000
Current liabilities	12,00,000

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G 305.6a

Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

B.Com. (ACCA) Semester VI – Degree Examination

May/June - 2023

ADVANCED PERFORMANCE MANAGEMENT - II

Time: 3 hrs. **Max Marks: 100**

SECTION – A

Answer any FIVE questions of the following: **(5x2=10)**

1.

	Company A $	Company B $
Profit from operations	20,000	1,000,000
Sales	200,000	2,000,000
Capital employed	100,000	10,000,000

Calculate the ROCE of both the companies.

2. State any four Measures and methods to assess the profitability of an organisation
3. How a multinational company could avoid the problem of blocked remittances?
4. A government has decided to improve school performance by the use of league tables with schools assessed on the following:
   - Percentage pass rates in examinations
   - Absenteeism.

   It has been proposed that funding be linked to these measures.

   Required:

   Suggest any two potentially negative outcomes of this system.
5. State any four drawbacks of reliance on financial performance measures for assessing the performance of a company.
6. What is performance pyramid? Suggest measures (KPIs) for each of the three categories at the business operating systems level, i.e. customer satisfaction, flexibility and productivity.
7. What is Value For Money? Explain the meaning of economy, efficiency and effectiveness for a publicly funded school.

SECTION - B

Answer any FOUR questions of the following: **(4x12=48)**

8. What is balance scorecard? Using the four perspectives of the balanced scorecard, suggest some performance measures for a building company involved in house building and commercial property and operating in several different countries.

Contd...2

9. Manuco has been offered supplies of special ingredient Z at a transfer price of $15 per kg by Helpco, which is part of the same group of companies. Helpco processes and sells special ingredient Z to customers external to the group at $15 per kg. Helpco bases its transfer price on total cost-plus 25% profit mark-up. Total cost has been estimated as 75% variable and 25% fixed.

   Discuss the transfer prices at which Helpco should offer to transfer special ingredient Z to Manuco in order that group profit maximising decisions may be taken on financial grounds in each of the following situations:

   a) Helpco has an external market for all its production of special ingredient Z at a selling price of $15 per kg. Internal transfers to Manuco would enable $1.50 per kg of variable packing cost to be avoided.

   b) Conditions are as per (i) but Helpco has production capacity for 3,000 kg of special ingredient Z for which no external market is available.

   c) Conditions are as per (ii) but Helpco has an alternative use for some of its spare production capacity. This alternative use is equivalent to 2,000 kg of special ingredient Z and would earn a contribution of $6,000.

10. Explain the types of quality- related costs.
11. What are responsibility centres? Describe in detail the types and the performance measurement of responsibility centres?
12. Describe in detail the various techniques used for appraising individual projects.
13. Explain the problems associated with performance management of Not-for-profit organisations.

SECTION – C

Answer any <u>TWO</u> questions of the following: **(2x16=32)**

14. Describe in detail the various quality practices adopted by organisations.
15. Public versus private sector

    The objective of a health authority (a public sector organisation) is stated in its most recent annual report as: 'To serve the people of the region by providing high-quality health care within expected waiting times'. The mission statement of a large company in a manufacturing industry is shown in its annual report as: 'In everything the company does, it is committed to creating wealth, always with integrity, for its shareholders, employees, customers and suppliers and the community in which it operates.'

    Required:

    Required: (a) Discuss the main differences between the public and private sectors that have to be addressed when determining corporate objectives or missions. **(10 marks)**

Contd...3

(b) Describe three performance measures which could be used to assess whether or not the health authority is meeting its current objective.

(3 marks)

(c) Explain the difficulties which public sector organisations face in using such measures to influence decision making. **(3 marks)**

16. FL provides training on financial subjects to staff of small and medium- sized businesses. Training is at one of two levels – for clerical staff, instructing them on how to use simple financial accounting computer packages, and for management, on management accounting and financial management issues. Training consists of tutorial assistance, in the form of workshops or lectures, and the provision of related material – software, texts and printed notes. Tuition days may be of standard format and content, or designed to meet the client's particular specifications. All courses are run on client premises and, in the case of clerical training courses, are limited to 8 participants per course.
FL has recently introduced a 'helpline' service, which allows course participants to phone in with any problems or queries arising after course attendance. This is offered free of charge.
FL employs administrative and management staff. Course lecturers are hired as required, although a small core of technical staff is employed on a part-time basis by FL to prepare customer-specific course material and to man the helpline.
Material for standard courses is bought in from a group company, who also print up the customer-specific course material.
Suggest a measure for each of the six dimensions of the building block model

SECTION – D

Answer the following: Compulsory **(10)**

17. KM is considering a new project and has gathered the following data: The initial investment is $66 million which will be required at the beginning of the year. The project has a three year life with a nil residual value. Depreciation is calculated on a straight-line basis.
The project is expected to generate revenue of $85m in year 1, $90m in year 2 and $94m in year 3. These values may vary by 6%.
The direct costs will be $50m in year 1, $60m in year 2 and $70m in year 3. These may vary by 8%. Cost of capital may also vary from 8% to 10% for the life of the project. Use the written down value of the asset at the start of each year to represent the value of the asset for the year.
Required: Prepare two tables for: (a) the best outcome and (b) the worst outcome showing the annual operating profit, residual income and return on investment for each year of the project and the NPV. Ignore tax.

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G 306.6

Reg. No. | | | | | | |

St Aloysius College (Autonomous)
Mangaluru

B.Com. Semester VI – Degree Examination
May/June - 2023

SECURITY ANALYSIS & PORTFOLIO MANAGEMENT

Time: 3 hrs. Max Marks: 100

SECTION – A

Answer any FIVE questions of the following: (5x2=10)

1. What is Portfolio Revision?
2. Distinguish between Bull and Bear with regard to Stock Market.
3. What do you mean by Systematic Risk?
4. State any two assumptions of Technical Analysis?
5. What is Capital Market Line?
6. What is Arbitrage theory?
7. Give the meaning of Commodity Market.

SECTION - B

Answer any FOUR questions of the following: (4x12=48)

8. The following are different state of economy, the probability of occurrence of that state and the expected rate of return from Security A and B in these different states.

State	Probability	Rate of Return	
		Security A	Security B
Recession	0.20	-0.15	0.20
Normal	0.50	0.20	0.30
Boom	0.30	0.60	0.40

Find out the expected returns and the standard deviations for these two securities. Suppose, an investor has Rs.20000 to invest, and he invests Rs. 15000 in security A and balance in Security B, what will be the expected return and the standard deviation of the portfolio?

9. Assume yourself as a portfolio manager and with the help of the following details find out the securities that are overpriced and underpriced in terms of the security market line.

Security	Expected Return	β	σ
A	.33	1.7	.50
B	.13	1.4	.35
C	.26	1.1	.40
D	.12	.95	.24
E	.21	1.05	.28
F	.14	.70	.18
Nifty Index	.13	1.00	.20
T-Bills	.09	0	0.0

Contd...2

10 The return on market and on the security of Sunshine Limited are given below. Calculate the Beta of security of Sunshine Limited.

Month	Return on Market (%)	Return on Sunshine Limited (%)
January	8	7
February	12	14
March	6	9
April	11	16
May	14	11
June	12	10
July	13	9
August	9	16
September	7	13
October	6	6
November	12	7
December	10	14

11. Write short notes on:
    - (a) Bombay Stock Exchange(BSE)
    - (b) National Stock Exchange(NSE)

12. What is derivatives? Distinguish between Futures & options.

13. Explain portfolio Management process.

SECTION – C

Answer any TWO questions of the following: **(2x16=32)**

14. An investor is constructing an optimum portfolio. The market return forecast says that it would be 13.5% for the next two years with the market variance of 10%. The risk –free rate of return is 5%. The following securities are under review. Find out the optimum portfolio.

Company	R_i	β	Residual Variance
A	17.09	0.99	9.35
B	17.75	1.27	5.92
C	13.37	0.96	9.79
D	16.12	1.21	5.39
E	10.58	0.75	4.52

15. Assume a CAPM equilibrium model with unlimited borrowing and lending at the risk –free rate of Interest. Compute the blanks in the following tables:

Security	E(R)	σ	β	Residual Variance
A	0.15	-	2.0	0.10
B	-	0.25	0.75	0.04
C	0.09	-	0.50	0.17

16. What is Fundamental Analysis? Explain Economy, Industry and Company Analysis as a tool for Fundamental Analysis.

SECTION – D

Answer the following: Compulsory **(10)**

17. Explain the various investment avenues available to an investor.

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G 314.6a

Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

B.Com. (ACCA) Semester VI – Degree Examination

May/June - 2023

MODERN BANKING OPERATIONS

Time: 3 hrs. Max Marks: 100

SECTION – A

Answer any FIVE questions of the following: (5x2=10)

1. What is meant by Banking?
2. Define a Cheque.
3. Expand MICR.
4. What is meant by Acquisition?
5. Give the meaning of Pay Order.
6. Define Core Banking.
7. What is meant by Foreign Trade Transactions?

SECTION - B

Answer any FOUR questions of the following: (4x12=48)

8. Explain the functions of Modern Banks.
9. Explain the Accounts and Auditing powers of RBI.
10. Write a brief note on different types of cheques.
11. Explain the advantages and disadvantages of Mobile Banking.
12. Describe International Banking v/s Domestic Banking.
13. Explain the rights of a banker as Holder and Holder in due course of negotiable instrument.

SECTION – C

Answer any TWO questions of the following: (2x16=32)

14. What is meant by Wrongful Dishonour of Cheques? Explain the circumstances under which banker can Dishonour Cheques.
15. Explain the functions of Investment Banks.
16. Explain the recent technological development in the field of Banking.

SECTION – D

Answer the following: Compulsory (10)

17. What is meant by Crossing of Cheques? Explain the types of Crossing of Cheques with examples.

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G 361.6

Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

B.Com. (Vocational) Semester VI – Degree Examination

May/June - 2023

ADVANCED ACCOUNTING II

Time: 3 hrs.

Max Marks: 100

SECTION – A

Answer any FIVE questions of the following: **(5x2=10)**

1. What is External Reconstruction and How does it differ from Internal Reconstruction?
2. ₹ 40,00,000 in 9% Debentures of ₹ 100 each are exchanged for same number of ₹ 75 each in a scheme of reconstruction with the interest inversely increased. What is the new issue of Debentures?
3. What is the entry for eliminating unrealized profit in stock under purchase method of amalgamation?
4. What do you mean by Grants related to assets?
5. Define Operating Segments.
6. What is the Journal Entry for payment of penalty paid for violation of capital commitment in a scheme of reconstruction?
7. Total Assets of Book Value of ₹ 40 lakhs have been taken over @ a fair value of ₹ 48 lakhs and the liabilities taken over are ₹ 9 lakhs. What is the Purchase Consideration?

SECTION - B

Answer any FOUR questions of the following: **(4x12=48)**

8. A. What are the conditions to be complied with for an Amalgamation in the nature of merger?

   B. Define Purchase consideration as per AS 12.
9. Anjana Ltd. is absorbed by Sanjana Ltd.; the consideration being the takeover of liabilities, the payment of cost of absorption not exceeding ₹ 10,000 (actual cost ₹ 9,000); the payment of the 9% debentures of ₹ 50,000 at a premium of 20% in form of 8% debentures issued at a premium of 25% at face value and the payment of ₹ 15 per share in cash and allotment of three 11% preference share of ₹ 10 each at a discount of 10% and four equity share of ₹ 10 each at a premium of 20% fully paid for every five shares in Anjana Ltd. The number of shares of the vendor company are 1,50,000 of ₹ 10 each fully paid.

   Calculate Purchase Consideration as per Accounting Standard 14.

Contd...2

10. Pass Journal Entry for the following transactions:

a) Conversion of 2 lakh fully paid equity shares of ₹ 10 each into stock of ₹ 1,00,000 and balance has 12% fully convertible Debentures.

b) Consolidation of 40 lakh fully paid equity shares of ₹ 2.50 each into 10 lakh fully paid equity share of ₹ 10 each.

c) Sub-division of 10 lakh fully paid 11% preference shares of ₹ 50 each into 50 lakh fully paid 11% preference shares of ₹ 10 each.

d) Conversion of 12% preference shares of ₹ 5,00,000 into 14% preference shares ₹ 3,00,000 and remaining balance as 12% non-cumulative preference shares.

11. A. Mr. X is the financial controller of ABC Ltd., a listed entity which prepares consolidated financial statements in accordance with Ind AS. Mr. X has recently produced the final draft of the financial statements of ABC Ltd. for the year ended 31st March, 20X2 to the managing director Mr. Y for approval. Mr. Y, who is not an accountant, had raised following query from Mr. X after going through the draft financial statements:

One of the notes to the financial statements gives details of purchases made by ABC Ltd. from PQR Ltd. during the period 20X1-20X2. Mr. Y owns 100% of the shares in PQR Ltd. However, he feels that there is no requirement for any disclosure to be made in ABC Ltd.'s financial statements since the transaction is carried out on normal commercial terms and is totally insignificant to ABC Ltd., as it represents less than 1% of ABC Ltd.'s purchases.

Provide answers to the query raised by the Managing Director Mr. Y as per Ind AS.

(6 Marks)

B. On 01.04.20X1, ABC Ltd. Received Government grant of ₹ 300 lakhs for acquisition of machinery costing ₹ 1,500 lakhs. The grant was credited to the cost of the asset. The life of the machinery is 5 years. The machinery is depreciated at 20% on WDV basis. The company had a refund the grant in May 20X4 due to non-fulfillment of certain conditions. Find out the revised WDV of the asset after refund if no depreciation was charged in 20X4.

(6 Marks)

12. A. Mention all the Quantitative thresholds for identifying reportable segments.

(3 Marks)

Contd...3

B. X Ltd. has identified the following business components.

Segment	Revenue (₹)		Profit (₹)	Assets (₹)
	External	Internal		
Pharma	97,00,000	Nil	20,00,000	55,00,000
FMCG	Nil	4,00,000	2,50,000	25,00,000
Ayurveda	3,00,000	Nil	2,00,000	4,00,000
Others	8,00,000	41,00,000	5,50,000	6,00,000
Total for the entity	1,08,00,000	45,00,000	30,00,000	90,00,000

Which of the segments would be reportable as per the criteria prescribed in Ind AS 108? **(9 Marks)**

13. The following information is being provided by Fortunate Ltd. as on 31st March, 2022.

Particulars	Amount (₹)
Authorized and Issued Share Capital	
a) 15,000 8% Preference shares of ₹ 50 each	7,50,000
b) 18,750 Equity shares of ₹ 50 each	9,37,500
Profit and Loss Account (Dr. Balance)	5,63,750
Loan	7,16,250
Trade Payables	2,58,750
Other Liabilities	43,750
Building at cost less depreciation	5,00,000
Plant at cost less depreciation	3,35,000
Trademarks and goodwill at cost	3,97,500
Inventory	5,00,000
Trade Receivables	4,10,000

(Note: Preference shares dividend is in arrear for last five years).

The Company is running with the shortage of working capital and not earning profits. A scheme of reconstruction has been approved by both the classes of shareholders. The summarized scheme of reconstruction is as follows:

i. The Equity shareholders have agreed that their ₹ 50 shares should be reduced to ₹ 5 by cancellation of ₹ 45 per share. They have also agreed to subscribe for three new equity shares of ₹ 5 each for each equity share held.

ii. The preference shareholders have agreed to forego the arrears of dividends and to accept for each ₹ 50 preference share, 4 new 6% preference shares of ₹ 10 each, plus 3 new equity shares of ₹ 5 each, all credited as fully paid.

iii. Lenders to the company for ₹ 1,87,500 have agreed to convert their loan into shares and for this purpose they will be allotted 15,000 new preference shares of ₹ 10 each and 7,500 new equity shares of ₹ 5 each.

Contd...4

iv. The directors have agreed to subscribe in cash for 25,000 new equity shares of ₹ 5 each in addition to any shares to be subscribed by them under (i) above.

v. Of the cash received by the issue of new shares, ₹ 2,50,000 is to be used to reduce the loan due by the company.

vi. The Equity share capital cancelled is to be applied:

a) To write off the debit balance in the Profit and Loss A/c, and

b) To write off ₹ 43,750 from the value of plant.

Any balance remaining is to be used to write down the value of trademarks and goodwill.

The nominal capital, as reduced, is to be increased to ₹ 8,12,500 for preference share capital and ₹ 9,37,500 for equity share capital.

You are required to pass journal entries to show the effect of above scheme and prepare the balance sheet of the company after reconstruction.

SECTION – C

Answer any TWO questions of the following: **(2x16=32)**

14. The following information is being provided by VT Ltd. and MG Ltd. as on 31st March, 2022:

Particulars	**VT Ltd. (₹)**	**MG Ltd. (₹)**
Equity shares of ₹ 10 each	12,00,000	6,00,000
10% Preference shares of ₹ 100 each	4,00,000	2,00,000
Reserve and Surplus	6,00,000	4,00,000
12% Debentures	4,00,000	3,00,000
Trade Payables	5,00,000	3,00,000
Fixed Assets	14,00,000	5,00,000
Investment	1,60,000	1,60,000
Inventory	4,80,000	6,40,000
Trade Receivables	8,40,000	4,20,000
Cash at Bank	2,20,000	80,000

Details of Trade Receivables and Trade Payables are as under:

	VT Ltd. (₹)	**MG Ltd. (₹)**
Trade Receivables		
Debtors	7,20,000	3,80,000
Bills Receivables	1,20,000	40,000
	8,40,000	**4,20,000**
Trade Payables		
Sundry Creditors	4,40,000	2,50,000
Bills Payable	60,000	50,000
	5,00,000	**3,00,000**

Fixed Assets of both the companies are to be revalued at 15% above book value.

Inventory in Trade and Debtors are taken over at 5% lesser than their book value.

Both the companies are to pay 10% equity dividend, Preference dividend having been already paid.

After the above transactions are given effect to, VT Ltd. will absorb MG Ltd. on the following terms:

Contd...5

i. VT Ltd. will issue 16 Equity Shares of ₹ 10 each at par against 12 shares of MG Ltd.

ii. 10% Preference Shareholders of MG Ltd. will be paid at 10% discount by issue of 10% Preference Shares of ₹ 100 each, at par, in VT. Ltd.

iii. 12% Debentures holders of MG Ltd. are to be paid at 8% premium, by 12% Debentures in VT Ltd., issued at a discount of 10%.

iv. ₹ 60,000 is to be paid by VT Ltd. to MG Ltd. for Liquidation expenses.

v. Sundry Debtors of MG Ltd. includes ₹ 20,000 due from VT Ltd.

You are required to prepare:

1. Journal Entries in the books of VT Ltd.
2. Statement of consideration payable by VT Ltd.

15. High Ltd. and Low Ltd. were amalgamated on and from 1st April, 2020. A new company, Little Ltd. was formed to take over the business of the existing companies. The Balance sheets of High Ltd. and Low Ltd. as on 31st March, 2020 are as under:

(₹ in Lakhs)

Liabilities	High Ltd.	Low Ltd.	Assets	High Ltd.	Low Ltd.
Share Capital			**Plant, Property and Equipment:**		
Equity shares of ₹ 100 each	1000	850	Land & Building	670	385
14% Preference shares of ₹ 100 each	320	175	Plant & Machinery	475	355
Reserve & Surplus			Investments	95	80
Revaluation Reserve	225	110	**Current Assets:**		
General Reserve	360	240	Stock	415	389
Investment Allowance Reserve	80	40	Sundry Debtors	322	213
P & L Account	85	82	Bills Receivables	35	-
Non- Current Liabilities			Cash & Bank	303	166
Secured Loan:					
13% Debentures (₹ 100 each)	100	56			
Unsecured Loans (Public Deposits)	50	-			
Current Liabilities & Provisions					
Sundry Creditors	65	35			
Bills Payable	30	-			
Total	**2315**	**1588**	**Total**	**2315**	**1588**

Contd...6

Other Information:

1. 13% Debentures holders of High Ltd. & Low Ltd. are discharged by Little Ltd. by issuing such number of its 15% Debentures of ₹ 100 each so as to maintain the same amount of interest.
2. Preference Shareholders of the two companies are issued equivalent number of 15% Preference Shares of Little Ltd. at a price of ₹ 125 per share (face value ₹ 100).
3. Little Ltd. will issue 4 Equity shares for each Equity Shares of High Ltd. & 3 Equity shares for each Equity shares of Low Ltd. The shares are to be issued at ₹ 35 each having a face value of ₹ 10 per share.
4. Investment Allowance Reserve is to be maintained for two more years.

Prepare Balance Sheet of Little Ltd. as on 1st April, 2020 after the amalgamation has been carried out in basis of in the nature of Purchase.

16. The Balance sheet of Mitra Limited as on 31st March was as follows:

Liabilities	₹	Assests		₹
Share Capital:		**Fixed Assets:**		
1,00,000 Equity shares of ₹ 10 each fully paid up	10,00,000	Land and Building		7,64,000
Reserve and surplus:		**Current Assets:**		
Capital Reserve	42,000	Stock		7,75,000
Contingency Reserve	2,70,000	Sundry Debtors	1,60,000	
Profit and Loss A/c	2,52,000	Less: Provision for Doubtful Debts	(8,000)	1,52,000
Current Liabilities and provisions:		Bills Receivable		30,000
Bills payable	40,000	Cash at Bank		3,29,000
Sundry Creditors	2,26,000			
Provision for Income Tax	2,20,000			
Total	**20,50,000**	**Total**		**20,50,000**

On 1st April, Jagan Limited agrees to absorb Mitra Limited on the following terms and conditions:

1. Jagan Limited will take over the Assests at the following values – (a) Land and Building - ₹10,80,000, (b) Stock - ₹ 7,70,000, (c) Bills Receivable - ₹ 30,000.
2. Purchase Consideration will be settled by Jagan Ltd as under – 4,100 fully paid 10% Preference Share of ₹ 100 will be issued, and the balance will be settled by issuing Equity shares of ₹ 10 each at ₹ 8 paid up.
3. Liquidation Expenses are to be Reimbursed by Jagan Ltd to the extent of ₹ 5,000.

Contd...7

4. Sundry Debtors realized ₹ 1,50,000. Bills Payable were settled for ₹ 38,000. Income Tax Authorities fixed the Taxation Liability at ₹ 2,22,000 and the same was paid.
5. Creditors were finally settled with the cash remaining, after meeting Liquidation Expenses amounting to ₹ 8,000.

Required

a) Calculate the Number of Equity and Preference Shares to be allotted by Jagan Ltd, in discharge of Purchase - Consideration,

b) Prepare Realization A/c, Bank A/c, Equity Shareholders A/c and Jagan Ltd.'s A/c, in the books of Mitra Ltd.

SECTION – D

Answer the following: Compulsory **(10)**

17. X Ltd. has identified 4 operating segments for which revenue data is given below:

	External Revenue (₹)	Internal Revenue (₹)	Total (₹)
Segment A	30,00,000	Nil	30,00,000
Segment B	6,50,000	Nil	6,50,000
Segment C	8,50,000	1,00,000	9,50,000
Segment D	5,00,000	49,00,000	54,00,000
Total Revenue	**50,00,000**	**50,00,000**	**1,00,00,000**

Additional information:

Segment C is a new business unit and management expect this segment to make a significant contribution to external revenue in coming years.

Which of the segments would be reportable under the criteria identified in Ind AS 108?

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G 362.6

Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

B.Com. (Vocational) Semester VI – Degree Examination

May/June - 2023

INTERNATIONAL TAXATION

Time: 3 hrs.

Max Marks: 100

SECTION – A

Answer any FIVE questions of the following: **(5x2=10)**

1. Mention any 4 cases where two enterprises are deemed to be associated enterprises.
2. When is a company said to be resident in India?
3. What is the application fee where an advance ruling is to be filed for a transaction worth Rs. 200 crores?
4. Mention the 2 types of Double Taxation Avoidance Agreements.
5. Briefly explain G2C transactions with examples.
6. What is a Notified Jurisdictional Area (NJA)?
7. Q, a non-resident, made an application to the Authority for Advance Rulings on 2.7.2020 in relation to a transaction proposed to be undertaken by him. On 31.8.2020, he decides to withdraw the said application. Can he withdraw the application on 31.8.2020?

SECTION - B

Answer any FOUR questions of the following: **(4x12=48)**

8. (a) Mr. Q, a non-resident, operates an aircraft between Singapore and Chennai. He received the following amounts while carrying on the business of operation of aircrafts for the year ended 31.3.2021:

   Rs. 2 crores in India on account of carriage of passengers from Chennai.

   Rs. 1 crore in India on account of carriage of goods from Chennai.

   Rs. 3 crores in India on account of carriage of passengers from Singapore.

   Rs. 1 crore in Singapore on account of carriage of passengers from Chennai.

   The total expenditure incurred by Mr. Q for the purposes of the business during the year ending 31.3.2021 was Rs. 6.75 crores.

   Compute the income of Mr. Q chargeable to tax in India under the head "Profits and gains of business or profession" for the assessment year 2021-22.

   What would be your answer in case the business was carried on by a foreign company, Q Airlines (P) Ltd? **(6 marks)**

Contd...2

(b) M/s. Kaveri Ltd., Kolkata, entered into the following agreements with various non-resident entities during the previous year 2020-21:

(i) Rs. 4,00,000 is payable to M/s. Andes Inc., a Washington based company, for online advertisement of its products. M/s. Andes Inc. does not have a PE in India.

(ii) Rs. 50,000 is payable to Mr. Thomas, a non-resident individual, against providing digital space for online advertisement of its products.

Examine the equalization levy implications of such payments. Also, state the consequence of non-deduction of equalization levy. **(6 marks)**

9. (a) Sea Port Shipping Line, a non-resident foreign company, is engaged in the business of carriage of goods shipped at Mumbai port. During the previous year ended on 31.3.2021, it had collected freight of Rs. 100 lakhs, demurrages of Rs. 20 lakhs and handling charges of Rs. 10 lakhs. The expenses of operating its fleet during the year for the Indian Ports were Rs. 110 lakhs. Compute its income applying the presumptive provisions under section 44B. **(6 marks)**

(b) Mr. Balram is a non-resident. The appeal pertaining to the assessment year 2019-20 is pending before the Income-tax Appellate Tribunal, the issue involved being computation of export profit and tax thereon. The same issue persists for the assessment year 2020-21 as well. Mr. Balram's brother Mr. Krishna has obtained an advance ruling under Chapter XIX - B of Income-tax Act, 1961 from the Authority for Advance Rulings on an identical issue. Mr. Balram proposes to use the said ruling for his assessment pertaining to the assessment year 2020-21. Can he do so? **(6 marks)**

10. a) Hyundai Motors Ltd., an Indian Co. declared income of Rs. 300 crores before making any adjustments in respect of the following transactions for the year ended 31-03-2021.

i. 10000 cars sold to Ridha Ltd. which holds 30% shares in Hyundai Motors Ltd. at a price which is less by \$200 each car than the price charged from Shingto Ltd.

ii. Royalty of \$12000000 was paid to Kyoto Ltd. for the use of technical knowhow in the manufacturing of a car. However Kyoto Ltd. had provided the same knowhow to another Indian Co. for \$9000000.

iii. Loan of EURO 1000 crores carrying interest @ 10% p.a. advanced by Dorf Ltd. a German Co. was outstanding on 31-03-2021. The total book value of assets of Hyundai Motors Ltd. on the date was Rs. 90000 crores. The said German Co. had also advanced a loan of similar amount to another Indian Co. @ 9% p.a. Total interest paid for the year was EURO 100 crores.

Contd...3

Explain in brief the provisions of the Act affecting all these transactions and compute the income of the Co. chargeable to tax for AY 2021-22 keeping in mind that the value of 1$ and of 1EURO was Rs. 50 and Rs. 55 respectively throughout the year. **(6 marks)**

b) Mr. Hari holds 30% of voting power in ABC Inc, a company incorporated under the laws of Country A. For the purpose of expansion of business, the said company enters into an agreement with XYZ Ltd., a company incorporated under the Indian laws. As per one of the clauses of the agreement, ABC Inc has the power to appoint 6 directors of XYZ Ltd., which has 12 directors on the board. Further, total purchases by XYZ Ltd. for the F.Y. 2020-21 is estimated to be Rs. 500 crores, out of which, purchases of Rs. 48 crores has been sourced locally and the balance shall be supplied by ABC Inc. The price for entire purchase has been fixed in the agreement and the conditions for supply are determined by ABC Inc. Advise Mr. Hari as to whether ABC Inc and XYZ Ltd are Associated Enterprises, based on the provisions of the Income-tax Act, 1961. **(6 marks)**

11. Briefly explain the basic principles of interpretation of law for interpreting a treaty.

12. (a) M/s India Chem Ltd. is a company incorporated in India. It sets up a unit in a Special Economic Zone (SEZ) in F.Y. 2016-17 for manufacturing of chemicals. It claims 100% deduction of profits earned from that unit in F.Y. 2020-21 and subsequent years as per section 10AA of the Act. Is GAAR applicable in such a case?

(b) Let us presume M/s India Chem Ltd. has another unit for manufacturing chemicals in a non-SEZ area. It then diverts its production from such manufacturing unit and shows the same as manufactured in the tax exempt SEZ unit, while doing only the process of packaging there. Is GAAR applicable in such a case?

(c) Let us presume that M/s India Chem Ltd. does not show production of non SEZ unit as a production of SEZ unit but transfers the product of non-SEZ unit at a price lower than the fair market value and does only some insignificant activity in SEZ unit. Thus, it is able to show higher profits in SEZ unit than in non-SEZ unit, and consequently claims higher deduction in computation of income. Can GAAR be invoked to deny the tax benefit?

Contd...4

13. Mr. Suresh, an individual resident in India aged 37 years, furnishes you the following particulars of income earned in India, Countries "S" and "T" for the previous year 2020-21.

Particulars	Amount (Rs.)
Indian Income:	
Income from business carried on in Mumbai	4,40,000
Interest on savings bank with ICICI Bank	42,000
Income earned in Foreign Country "S" [Tax – 16%]:	
Agricultural income in Country "S"	94,000
Royalty income from a book on art from Country "S" (Gross)	7,80,000
Expenses incurred for earning royalty	50,000
Income earned in Foreign Country "T" [Tax – 20%]:	
Dividend received from a company incorporated in Country "T"	2,65,000
Rent from a house situated in Country "T" (gross)	3,30,000
Municipal tax paid in respect of the above house (not allowed as deduction in Country "T")	10,000

Compute the total income and tax payable by Mr. Suresh in India for A.Y. 2021-22 assuming that India has not entered into double taxation avoidance agreement with Countries S & T.

SECTION – C

Answer any <u>TWO</u> questions of the following: **(2x16=32)**

14. Smith, a foreign national and a cricketer came to India as a member of Australian cricket team in the year ended 31st March, 2021. He received Rs. 5 lakhs for participation in matches in India. He also received Rs. 1 lakh for an advertisement of a product on TV. He contributed articles in a newspaper for which he received Rs. 10,000. When he stayed in India, he also won a prize of Rs. 20,000 from horse racing in Mumbai. He has no other income in India during the year.

(i) Compute tax liability of Smith for Assessment Year 2021-22.

(ii) Are the incomes specified above subject to deduction of tax at source?

(iii) Is he liable to file his return of income for Assessment Year 2021-22?

(iv) What would have been his tax liability, had he been a match referee instead of a cricketer?

Contd...5

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15. What is Arm's Length Principal?

Examine whether Transfer Pricing would be applicable in the following cases:

Case	Income as per assessee	Income as per ALP	Expense as per assessee	Expense as per ALP	P/L as per assessee	P/L as per TP	Has TP resulted in reduction of taxable income?	Will TP provisions apply?
1	100	150	70	70				
2	100	90	70	70				
3	100	90	110	110				
4	100	100	70	110				
5	100	90	80	80				
6	100	130	80	120				
7	100	80	90	80				
8	100	130	70	90				

Draw the table in the answer sheet and fill in the blanks.

16. 'A' Ltd., an Indian company, was incorporated in the year 2010. It is a wholly owned subsidiary of A Inc, USA. A Ltd. is engaged in the business of manufacturing and selling virtual reality cameras. During the previous year 2020-21, A Ltd. entered into various transactions with the following enterprises for purchase of raw materials, use of technology and sale of finished goods. The earnings before interest, dividend, tax and amortization of A Ltd for F.Y. 2020-21 is Rs. 200 crores. The details of the transactions entered into by A Ltd. during F.Y.2020-21 are given hereunder:

Sl. No.	Transaction	Enterprise	Amount (Rs. in crores)
1	Purchase of Raw Materials	AA Ltd, China	150
2	Payment of Royalty	A Inc, USA	5
3	Sale of finished goods	AAA Ltd, Taiwan	50

Prior to F.Y.2020-21, A Ltd. had obtained loan of Rs. 1000 crores @8% from A LLC, Cyprus in April, 2019.

The following additional information pertaining to loans obtained by A Ltd. is provided for the previous year 2020-21:

- Interest of Rs. 80 crores paid to A LLC, Cyprus on the loan of Rs. 1000 crores. The book value of the total assets of A Ltd is Rs. 1800 crores.
- A Ltd. obtained loan of Rs. 100 crores from Bank of Chennai, India based on a guarantee provided by A Inc., USA. Interest of Rs. 8 crores paid on such loan and guarantee fee of Rs. 50 lacs paid to A Inc., USA.
- A Ltd. obtained loan of Rs. 50 crores from TN Mercantile Bank, India based on a letter of comfort provided by Mr. Balaji, who is an Indian resident and director of A Ltd. Interest of Rs. 4 crores is paid towards such loan.

Contd...6

- A Ltd. obtained an independent loan of Rs. 300 crores from Union City Bank, India for which interest of Rs. 3 crores has been paid to the bank.
- A Ltd. obtained loan of Rs. 50 crores from Bank of Taiwan, India Branch. Guarantee was provided by AAA Ltd., Taiwan. Interest paid for the concerned year is Rs. 3 crores. Guarantee fees paid to AAA Ltd. is Rs. 25 lakhs. A Ltd. holds shares carrying 25% voting power in AAA Ltd., Taiwan.
- A Ltd. obtained interest-free loan of Rs. 50 crores from A Pty, Singapore. Out of the 25 directors of A Pty., Singapore, 10 are appointed by A Ltd.
- A Ltd. obtained foreign currency loan of $ 10 million from Wells Cargo Bank of USA, in USA, based on a back to back deposit made by A Inc. USA to the tune of $ 5 million in the bank. Interest of Rs. 6 crores is paid on such loan.
- A Ltd. obtained foreign currency loan of $ 20 million from Bank of USA, in USA, based on a back to back deposit made by A Inc., USA to the tune of $ 20 million in the bank. Interest works out to Rs. 12 crores.
- A Ltd. had to incur a sum of Rs. 1 crore as an interest towards the delayed payment to AA Ltd. China, being its creditor for supply of raw material. 90% of raw materials required by A Ltd. is supplied by AA Ltd., China. The price and other conditions for supply of raw material are influenced by AA Ltd., China.

Determine the amount of interest to be disallowed for A.Y.2021-22 under the relevant provisions of the Income Tax Act, 1961 relating to limitation of interest deduction, giving reasons for treatment of each item of interest. Consequently, determine the permissible interest deduction while computing income under the head "Profits and gains of business or profession".

SECTION – D

Answer the following: Compulsory **(10)**

17. Answer the following questions in brief in the context of Equalization Levy:
(i) Rate of Equalization Levy
(ii) 2 specified services
(iii) Threshold limit for Equalization Levy
(iv) Time period for remittance of Equalization Levy
(v) Rounding off Equalization Levy
(vi) Time Limit for furnishing statement
(vii) Time Limit for furnishing revised statement
(viii) Interest on delayed payment of Equalization Levy
(ix) Penalty for failure to deduct Equalization Levy
(x) Penalty for failure to furnish statement

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Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

B.Com. (Vocational) Semester VI – Degree Examination

May/June -2023

STRATEGIC FINANCIAL MANAGEMENT

Time: 3 hrs. Max Marks: 100

SECTION – A

Answer any FIVE questions of the following: (5x2=10)

1. What is SENSEX?
2. What is a Block deal?
3. Mr. X invested ₹30,000 at the beginning of the year, during the year he received dividend of 800, the Market Value of the investment at the end of the year is 31,000. Calculate his Annualised Rate of Return?
4. What is strike price?
5. Name any four pharma stocks which are listed in Indian Stock Markets.
6. What is FOMO in relation to stock market?
7. What are mutual funds?

SECTION - B

Answer any FOUR questions of the following: (4x12=48)

8. Briefly explain the objectives of Portfolio Management?
9. The Rate of Return on the security of Company X and market portfolio for 10 period are given below:

Period	Return of Security X (%)	Return on Market Portfolio (%)
1	30	22
2	42	30
3	25	18
4	21	26
5	18	20
6	-5	18
7	7	-6
8	19	5
9	-7	6
10	20	1

What is the Beta of Security X?

10. Explain Efficient Frontier as developed by Markowitz?
11. Calculate Risk of the Security & Market

Market Returns	Security Returns
10	8
12	4
23	18
14	9
8	6
1	5
9	2
4	1
-1	1
8	-1

Also calculate Beta.

Contd..2

12. Briefly explain Straddle option strategy & also show the pay off graph for the buyer & seller of the option.
13. State any 6 differences between a forward contract & future contract.

SECTION – C

Answer any <u>TWO</u> questions of the following: (2x16=32)

14. Briefly Explain the Phases of Portfolio Management?
15. **A.** Underlying: ITC

    Buy 500 call 1 lot @ 8.

    Sell 520 call 2 lot @ 4.

    Buy 540 call 1 lot @ 2.

    Draw the payoff graph.

    (8 Marks)

    B. What is NAV in Mutual fund? Explain using an example.

    (4 Marks)

    C. What is expense Ratio in mutual fund?

    (4 Marks)

16. **A.** What is mark to market?

    (2 Marks)

    B. What is margin money?

    (2 Marks)

    C. What is bid ask spread?

    (2 Marks)

    D. If Sun Pharma spot is at 950 on 5th April & its future of May expiry is at 955 expiring on 25th May 2023 & ₹3 dividend is payable on 10th May, design an arbitrage strategy if risk free rate is 6.5% p.a.

    (10 Marks)

SECTION – D

Answer the following: Compulsory (10)

17. Briefly explain different types of Mutual funds.

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G 364.6 Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

B.Com. (Vocational) Semester VI – Degree Examination

May/June - 2023

FINANCIAL MANAGEMENT II

Time: 3 hrs. **Max Marks: 100**

SECTION – A

Answer any FIVE questions of the following: **(5x2=10)**

1. What is Stock Dividend?
2. What is Risk? How is it measured?
3. What is factoring?
4. X Ltd. is a no growth company, pays a dividend of ₹ 5 per share. If the cost of capital is 10%, what should be the current market price of the share?
5. What are Deep Discount Bonds?
6. What is Debt Securitisation?
7. The dividend payout ratio of H Ltd. is 40%. If the company follows traditional approach to dividend policy with a multiplier of 9, COMPUTE P/E ratio.

SECTION - B

Answer any FOUR questions of the following: **(4x12=48)**

8. What is Venture Capital Financing? Briefly explains the different methods.
9. A. A firm had paid dividend at ₹ 2 per share last year. The estimated growth of the dividends from the company is estimated to be 5% p.a. DETERMINE the estimated market price of the equity share if the estimated growth rate of dividends

   a. rises to 8%, and

   b. falls to 3%.

   Also FIND OUT the present market price of the share, given that the required rate of return of the equity investors is 15%.

   (6 Marks)

   B. Engineering Ltd. belongs to a risk class for which the capitalization rate is 10%. It currently has outstanding 10,000 shares selling at ₹ 100 each. The firm is contemplating the declaration of a dividend of ₹ 5/ share at the end of the current financial year. It expects to have a net income of ₹ 1,00,000 and has a proposal for making new investments of ₹ 2,00,000. CALCULATE the value of the firms when dividends

   a. are not paid.

   b. are paid.

   (6 Marks)

Contd...2

10. A. An enterprise is investing ₹ 100 lakhs in a project. The risk-free rate of return is 7%. Risk premium expected by the management is 7%. The life of the project is 5 years. The following are the cash flows that are estimated over the life of the project.

Year	Cash flows (₹)
1	25,00,000
2	60,00,000
3	75,00,000
4	80,00,000
5	65,00,000

CALCULATE Net Present Value of the project based on Risk free rate and also on the basis of Risks adjusted discount rate. **(6 Marks)**

B. A&R Ltd. is considering one of two mutually exclusive proposals, Projects - X and Y, which require cash outlays of ₹ 42,50,000 and ₹ 41,25,000 respectively. The certainty- equivalent (C.E) approach is used in incorporating risk in capital budgeting decisions. The current yield on government bonds is 5.5% and this is used as the risk-free rate. The expected net cash flows and their certainty equivalents are as follows:

	Project X		Project Y	
Year-end	Cash Flow (₹)	C.E.	Cash Flow (₹)	C.E.
1	16,50,000	0.8	16,50,000	0.9
2	15,00,000	0.7	16,50,000	0.8
3	15,00,000	0.5	15,00,000	0.7
4	20,00,000	0.4	10,00,000	0.8
5	21,00,000	0.6	8,00,000	0.9

The Present value (PV) factor @ 5.5% is as follows:

Year	0	1	2	3	4	5
PV factor	1	0.947	0.898	0.851	0.807	0.765

Required:

DETERMINE the project that should be accepted? **(6 Marks)**

11. PQ Ltd., a company newly commencing business in 2020 has the following projected

Profit and Loss Account:

	(₹)	(₹)
Sales	2,10,000	
Cost of goods sold	1,53,000	
Gross Profit		**57,000**
Administrative Expenses	14,000	
Selling Expenses	13,000	
		27,000
Profit before tax	30,000	
Provision for taxation	10,000	
Profit after tax		**20,000**
The cost of goods sold has been arrived at as under:		
Materials used	84,000	
Wages and manufacturing Expenses	62,500	
Depreciation	23,500	
	1,70,000	
Less: Stock of Finished goods (10% of goods produced not yet sold)	17,000	
	1,53,000	

Contd...3

The figure given above relate only to finished goods and not to work-in-progress. Goods equal to 15% of the year's production (in terms of physical units) will be in process on the average requiring full materials but only 40% of the other expenses. The company believes in keeping materials equal to two months' consumption in stock.

All expenses will be paid one month in advance. Suppliers of materials will extend 1 -1/2 months credit. Sales will be 20% for cash and the rest at two months' credit. 70% of the Income tax will be paid in advance in quarterly instalments. The company wishes to keep ₹ 8,000 in cash. 10% has to be added to the estimated figure for unforeseen contingencies.

PREPARE an estimate of working capital.

Note: All workings should form part of the answer.

12. XYZ Corporation is considering relaxing its present credit policy and is in the process of evaluating two proposed policies. Currently, the firm has annual credit sales of ₹ 50 lakhs and accounts receivable turnover ratio of 4 times a year. The current level of loss due to bad debts is ₹ 1,50,000. The firm is required to give a return of 25% on the investment in new accounts receivables. The company's variable costs are 70% of the selling price. Given the following information, IDENTIFY which is the better option?

(Amount in ₹)

	Present Policy	Policy Option I	Policy Option II
Annual credit sales	50,00,000	60,00,000	67,50,000
Accounts receivable turnover ratio	4 times	3 times	2.4 times
Bad debt losses	1,50,000	3,00,000	4,50,000

13. Slow Payers are regular customers of Goods Dealers Ltd. and have approached the sellers for extension of credit facility for enabling them to purchase goods. On an analysis of past performance and on the basis of information supplied, the following pattern of payment schedule emerges in regard to Slow Payers:

Pattern of Payment Schedule	
At the end of 30 days	15% of the bill
At the end of 60 days	34% of the bill.
At the end of 90 days	30% of the bill.
At the end of 100 days	20% of the bill.
Non-recovery	1% of the bill.

Slow Payers want to enter into a firm commitment for purchase of goods of 15 lakhs in 2020, deliveries to be made in equal quantities on the first day of each quarter in the calendar year. The price per unit of commodity is ₹ 150

Contd...4

on which a profit of ₹ 5 per unit is expected to be made. It is anticipated by Goods Dealers Ltd., that taking up of this contract would mean an extra recurring expenditure of ₹ 5,000 per annum. If the opportunity cost of funds in the hands of Goods Dealers is 24% per annum, would you as the finance manager of the seller recommend the grant of credit to Slow Payers? ANALYSE. Workings should form part of your answer. Assume year of 365 days

SECTION – C

Answer any TWO questions of the following: **(2x16=32)**

14. M.A. Limited is commencing a new project for manufacture of a plastic component. The following cost information has been ascertained for annual production of 12,000 units which is the full capacity:

	Costs per unit (₹)
Materials	40.00
Direct labour and variable expenses	20.00
Fixed manufacturing expenses	6.00
Depreciation	10.00
Fixed administration expenses	4.00
	80.00

The selling price per unit is expected to be ₹ 96 and the selling expenses ₹ 5 per unit, 80% of which is variable.

In the first two years of operations, production and sales are expected to be as follows:

Year	Production (No. of units)	Sales (No. of units)
1	6,000	5,000
2	9,000	8,500

To assess the working capital requirements, the following additional information is available:

a	Stock of materials	2.25 months' average consumption
b	Work-in-process	Nil
c	Debtors	1 month's average sales.
d	Cash balance	₹ 10,000
e	Creditors for supply of materials	1 month's average purchase during the year.
f	Creditors for expenses	1 month's average of all expenses during the year.

PREPARE, for the two years:

a) A projected statement of Profit/Loss (Ignoring taxation); and

b) A projected statement of working capital requirements.

Contd...5

15. A. PNR Ltd. is considering a project with the following Cash flows:

Years	Cost of Plant (₹)	Running Cost (₹)	Savings (₹)
0	12,00,00,000		
1		4,00,00,000	12,00,00,000
2		5,00,00,000	14,00,00,000
3		6,00,00,000	11,00,00,000

The cost of capital is 12%. Measure the sensitivity of the project to changes in the levels of plant cost, running cost and savings (considering each factor at a time) such that the NPV becomes zero. The P.V. factors at 12% are as under:

Year	0	1	2	3
PV factor @12%	1	0.892	0.797	0.711

DETERMINE the factor which is the most sensitive to affect the acceptability of the project?

(8 Marks)

B. DETERMINE the risk adjusted net present value of the following projects:

	X	Y	Z
Net cash outlays (₹)	2,10,000	1,20,000	1,00,000
Project life	5 years	5 years	5 years
Annual Cash inflow (₹)	70,000	42,000	30,000
Coefficient of variation	1.2	0.8	0.4

The Company selects the risk-adjusted rate of discount on the basis of the coefficient of variation:

Coefficient of Variation	Risk-Adjusted Rate of Return	P.V. Factor 1 to 5 years at risk adjusted rate of discount
0.0	10%	3.791
0.4	12%	3.605
0.8	14%	3.433
1.2	16%	3.274
1.6	18%	3.127
2.0	22%	2.864
More than 2.0	25%	2.689

(8 Marks)

16. The following information relates to Zeta Limited, a publishing company:

The selling price of a book is ₹ 15, and sales are made on credit through a book club and invoiced on the last day of the month.

Variable costs of production per book are materials (₹ 5), labour (₹ 4), and overhead (₹ 2)

Contd...6

The sales manager has forecasted the following volumes:

Month	No. of Books
November	1,000
December	1,000
January	1,000
February	1,250
March	1,500
April	2,000
May	1,900
June	2,200
July	2,200
August	2,300

Customers are expected to pay as follows:

One month after the sale	40%
Two months after the sale	60%

The company produces the books two months before they are sold and the creditors for materials are paid two months after production.

Variable overheads are paid in the month following production and are expected to increase by 25% in April; 75% of wages are paid in the month of production and 25% in the following month. A wage increase of 12.5% will take place on 1st March.

The company is going through a restructuring and will sell one of its freehold properties in May for ₹ 25,000, but it is also planning to buy a new printing press in May for ₹ 10,000. Depreciation is currently ₹ 1,000 per month and will rise to ₹ 1,500 after the purchase of the new machine.

The company's corporation tax (of ₹ 10,000) is due for payment in March.

The company presently has a cash balance at bank on 31 December 2019, of 1,500.

You are required to PREPARE a cash budget for the six months from January to June, 2020.

SECTION – D

Answer the following: Compulsory **(10)**

17. The Dolce Company purchases raw materials on terms of 2/10, net 30. A review of the company's records by the owner, Mr. Gautam, revealed that payments are usually made 15 days after purchases are made. When asked why the firm did not take advantage of its discounts, the accountant, Mr. Rohit, replied that it cost only 2 per cent for these funds, whereas a bank loan would cost the company 12 per cent.

    a) ANALYSE what mistake is Rohit making?

    b) If the firm could not borrow from the bank and was forced to resort to the use of trade credit funds, what suggestion might be made to Rohit that would reduce the annual interest cost? IDENTIFY.

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Reg. No. :

St Aloysius College (Autonomous)
Mangaluru
B.Com. (Vocational) Semester VI – Degree Examination
May/June - 2023
AUDITING AND ASSURANCE II

Time: 3 hrs. Max Marks: 100

SECTION – A

Answer any FIVE questions of the following: (5x2=10)

1. Explain the objectives of Analytical Procedures.
2. Explain the important functions of Reserve Bank of India.
3. Write a short note on Assignment.
4. Explain any two advantages of auditing a Partnership Firm.
5. When is Dividend Income recognised in the statement of profit and loss?
6. State the objectives of the auditor as per SA 700 (Revised) – "Forming an Opinion and Reporting on Financial Statements".
7. Define Audit Sampling.

SECTION - B

Answer any FOUR questions of the following: (4x12=48)

8. (a) What is Internal Financial Controls?
   (b) Explain the regulatory requirements laid down by the Companies Act, 2013 on the Board of Directors, Independent Directors and the Audit Committee with regard to effective implementation and reporting on the internal controls for a company.
9. Explain the types of modified opinions.
10. (a) State the duties of the Comptroller & Auditor General (C&AG) concerning general provisions relating to audit .
    (b) State the various powers of the C&AG in the performance of his duties.
11. There are different provisioning requirements as regards to categories of NPA such as Sub-standards assets, Doubtful assets and loss assets. Explain in detail.
12. Explain the various techniques available as Substantive Analytical Procedures.
13. State the audit procedures to be undertaken while auditing the following 'Other expenses' with regards to their measurement assertion:
    (i) Rent expense
    (ii) Power and fuel expenses
    (iii) Legal and professional expenses
    (iv) Insurance expenses

SECTION – C

Answer any TWO questions of the following: (2x16=32)

14. As the auditor of Freedom Bank Limited, what is your audit approach and procedures during verification of the Bank's Income?
15. Cinescreen Multiplex Ltd. is operating cinemas in different locations in Mumbai and has appointed you as an internal auditor. What are the steps to be undertaken and areas to be verified as an internal auditor?
16. Sample should be selected in such a manner that it is representative of the population from which the sample is being selected. It will necessitate that each item in the population has an equal chance of being included in the sample.
    Explain the various methods of audit sampling.

SECTION – D

Answer the following: Compulsory (10)

17. State any five special features to be borne in mind in general, while conducting a co-operative audit.

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G 366.6 Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

B.Com. (Vocational) Semester VI – Degree Examination

May/June - 2023

ENTERPRISE INFORMATION SYSTEMS

Time: 3 hrs. **Max Marks: 100**

SECTION – A

Answer any FIVE questions of the following: **(5x2=10)**

1. Explain Data Flow Diagram.
2. Define Data Analytics.
3. Explain the term 'Cryptography'.
4. Describe the term 'Digital Library'.
5. Define Proxy Server.
6. What is a 'Christmas Card'?
7. What is Data Mining?

SECTION - B

Answer any FOUR questions of the following: **(4x12=48)**

8. a) General Controls are pervasive controls and apply to all systems components, processes and data for a given enterprise or systems environment. As an IT consultant, discuss some of the controls covered under general controls which you would like to ensure for a given enterprise. **(8 Marks)**

   b) Explain different types of Electronic Fund Transfer. **(4 Marks)**

9. a) Explain different types of clouds in Cloud Computing Environment. **(6 Marks)**

   b) Banks face the challenge of addressing the threat of money laundering on multiple fronts as banks can be used as primary means for transfer of money across geographies. Considering the above statement, discuss the Money Laundering process and its different stages. **(6 Marks)**

10. a) Explain the various Business Models of E-Commerce? **(8 Marks)**

    b) What are the Benefits of Automating Business Processes? **(4 Marks)**

11. a) SA315 provides the definition of Internal Control that are required to facilitate the effectiveness and efficiency of business operations in an organization. Explain all components of Internal Control as per SA315. **(8 Marks)**

    b) Discuss the key activities which require special attention for auditing the user access provisioning. **(4 Marks)**

Contd..2

12. a) Which Business Processes should be automated? **(6 Marks)**

    b) List few differences between Traditional Commerce and E-Commerce **(6 Marks)**

13. Explain the following:
    1. Quality Management Module
    2. Supply Chain Module
    3. Customer Relationship Management Module

SECTION – C

Answer any TWO questions of the following: **(2x16=32)**

14. Explain the risks and controls related to ERP Implementation.
15. Explain data related risks in the context of BPA.
16. Explain all the steps involved in the implementation of BPA.

SECTION – D

Answer the following: Compulsory **(10)**

17. Discuss the components of ERM Framework.

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