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St. Aloysius College (Autonomous)
Mangaluru
Semester III – P.G. Examination - M.Com
November/December - 2023

EQUITY RESEARCH AND SECURITY MARKET OPERATIONS

Time: 3 hrs

Max Marks: 70

SECTION – A

Answer any **FIVE** questions out of seven questions.

(5×4=20)

1. How do time deposits differ from demand deposits?
2. What is equity research?
3. Design a presentation for potential investors, highlighting the advantages and disadvantages of investing in debentures.
4. Devise a set of industry-specific key performance indicators (KPIs) for evaluating companies within that industry.
5. Give an overview of forecasting techniques and their significance.
6. Evaluate the role of stock exchanges in promoting capital formation and economic growth.
7. What is the purpose of an initial public offering (IPO)?

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SECTION – B

Answer any **FOUR** questions out of six questions.

(4×10=40)

8. Assess the suitability of value and growth investing strategies for specific investor profiles and financial goals.
9. Describe the key economic variables that an investor must monitor as a part of his fundamental analysis.
10. What factors should the analyst examine to assess whether a firm's competitive strategy has the potential to create value?
11. Explain the purpose of company analysis and how it differs from industry analysis.
12. Design an investment strategy that integrates fundamental and technical analysis to make well-informed decisions.
13. From the following information compute market index using value weighted index and price weighted index:

Company	Average price (₹)	Number of share outstanding	Current price (₹)	Base price (₹)
ABC	100	10,000	1001	901
ACD	88	10,000	886	947
XYZ	12	1,00,000	1202	1101
GTA	11	1,00,000	1108	889

SECTION - C

(Compulsory)

(1X10=10)

14. Following data has been extracted from popular index:

Day	Value of index
1/3/2022	57100
2/3/2022	57200
3/3/2022	57350
4/3/2022	57100
5/3/2022	56850

The 100 day simple moving average as on 28/2/2022 is 57000. You are required to calculate the 100 day exponential moving average starting from 1/3/2022. The value of exponent for 100 days may be taken as 0.02.

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Mangaluru
Semester III – P.G. Examination - M.Com
November / December - 2023

MERGERS, ACQUISITIONS AND CORPORATE RESTRUCTURING

Time: 3 hrs

Max Marks: 70

SECTION – A

Answer any **FIVE** questions out of seven questions. (5×4=20)

1. Evaluate the practical application of valuation theory in financial markets despite its apparent contradiction to the efficient market theory.
2. Analyze the various challenges that can result in the downfall of mergers and acquisitions.
3. Distinguish between sell off and spin off
4. Describe the diverse approaches to taking over a company.
5. Provide a detailed examination of the provisions of Ind AS 103.
6. Analyze the potential benefits of entering into a Joint Venture.
7. Discuss the key features and mechanics of Employee Stock Ownership Plans.

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SECTION – B

Answer any **FOUR** questions out of six questions. (4×10=40)

8. Discuss the active takeover strategies, target companies implement to protect themselves from takeovers
9. Ram Ltd. is intending to acquire Shyam Ltd. by merger and the following information is available in respect of the companies:
Required:

	Ram Ltd	Shyam Ltd
Number of equity shares	1,00,000	60,000
Earnings after tax (₹)	5,00,000	1,80,000
Market value per share (₹)	42	28

- i. What is the present EPS of both the companies?
 - ii. If proposed merger takes place, what would be the new earning per share for Ram Ltd. Assume that the merger takes place by exchange of equity shares and the exchange ratio is based on the current market price?
 - iii. What should be the exchange ratio, if Shyam Ltd. wants to ensure the earnings to members are as before the merger takes place?
10. Explain the steps involved in a Leveraged Buyout (LBO) facilitated by a Management Buyout (MBO)?
 11. Elrond Ltd. plans to acquire Doom Ltd. The relevant financial details of the two firms prior to the merger announcement are:

	Elrond Ltd.	Doom Ltd.
Market Price per share	₹ 50	₹ 25
No. of outstanding shares	20 lakhs	10 lakhs

The merger is expected to generate gains, which have a present value of ₹ 200 lakh. The exchange ratio agreed is 0.5. what is the true cost of the merger from the point of view of Elrond Ltd

12. Break down the various factors that make a merger rationale sensible or dubious.
13. Analyse the implications of Companies Act of 2013 on Mergers & restructuring.

SECTION – C

(Compulsory)

(1X10=10)

14. Company A is planning to acquire Company B. Following information is related to company A and company B.

	Company A	Company B
Total current earnings (₹)	1800000	600000
Number of outstanding shares	900000	600000
Earnings per share (₹)	2	1
P/E ratio	12	8

Using above information:

- i) Find out the maximum exchange ratio
- ii) Find out the minimum exchange ratio
- iii) Determine negotiable exchange ratio by assuming P/E ratio as 3 times, 11 times, 12 times and 15 times

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Semester III – P.G. Examination - M.Com
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INVESTMENT BANKING AND FINANCIAL SERVICES

Time: 3 hrs

Max Marks: 70

SECTION – A

Answer any FIVE questions out of seven questions. (5×4=20)

1. Describe the key steps involved in the depository process.
2. Describe the lifecycle of private equity.
3. Define underwriting in the context of investment banking.
4. Discuss the meaning and features of Financial Services
5. Distinguish between Fixed Price offers and Book Building Offers.
6. Describe the importance of Rating Revisions
7. Distinguish between Factoring and Forfaiting

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SECTION – B

Answer any FOUR questions out of six questions. (4×10=40)

8. Explain the business portfolio of investment banking
9. Analyse the issue management process.
10. Explain different forms of underwriting.
11. Demonstrate the legal aspects governing leasing transactions in India
12. Critically evaluate types of Transaction Structuring under Private Equity
13. Interpret the rating methods of following Credit Rating Agencies

SECTION – C

(Compulsory)

(1×10=10)

14. BC 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 percent 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. Assume no salvage value after the 8 year useful life and 50 per cent tax rate. Develop a decision as to which of the financing alternatives should it select?

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CORPORATE TAX PLANNING

Time: 3 hrs

Max Marks: 70

SECTION – A

Answer any **FIVE** questions out of seven questions.

(5×4=20)

1. How do we understand the term 'block of assets'?
2. How does Tonnage Tax affect the taxation of shipping companies?
3. "Ms. Z, a Resident of India, shares the following income details for the Assessment Year 2023-24:
 - Interest earned from savings account: ₹ 22,000
 - Rent received from a property: ₹ 50,000
 - Profits from freelance work: ₹ 4,50,000
 - Foreign dividends (no agreement for relief or avoidance of double taxation exists): ₹ 1,10,000
 - Income tax paid on foreign dividends: ₹ 15,000

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Calculate the total income and the income tax payable in India by Ms. Z."

4. What aspects are included in Tax Management?
5. What are the eligibility criteria and tax benefits provided under Section 80-IA of the Income Tax Act for businesses engaged in infrastructure development, specifically focusing on tax holidays and exemptions for profits and gains?
6. How does double taxation relief differ from double taxation avoidance?
7. List the payments falling under TCS, indicating the types of transactions that mandate the collection of tax at the source by the seller?

SECTION – B

Answer any **FOUR** questions out of six questions.

(4×10=40)

8. "A domestic company in which public are substantially interested furnishes the subsequent income particulars for the previous year ending March 31, 2023:
 - Profits from business after deduction of donations to approved charitable institution: ₹ 1,90,000
 - Donations to the charitable institution by cheque: ₹ 45,000
 - Interest on government securities: ₹ 13,000
 - Dividend from a domestic company (gross): ₹ 90,000
 - Dividend from a foreign company: ₹ 11,000
 - Long term capital gain: ₹ 55,000
 - Short term capital gain: ₹ 40,000
 - Book Profits u/s 115 JB: ₹ 8,50,000
 During the financial year 2022-23, the company deposited ₹ 18,000 in Industrial Development Bank of India. The company distributed a gross dividend of ₹ 1,25,000 on 6.12.2022. Compute the taxable income of the company and the tax payable by it for the Assessment Year 2023-24."

9. From the following information determine whether the assessee should purchase an asset or take on lease.
- Cost of asset ₹1,00,000
 - Rate of depreciation 15%. Additional depreciation is applicable for the first year.
 - Rate of interest 10%
 - Repayment of loan by the assessee ₹ 20,000 p.a.
 - Rate of tax 30%
 - Residual value 20,000 after 5 years
 - Lease rent ₹ 30,000 p.a.
- P.V. Factor at 10%.

Year	1	2	3	4	5
P.V.	0.909	0.826	0.751	0.683	0.621

10. From the following information compute the tax payable by a tonnage tax company for the Assessment Year 2023-24.
- The company has two qualifying ships. The net tonnage of ship I is 27,749 Ton and 400 kg and ship II 16,750 ton and 50 kg.
 - Ship I runs for 365 days and ship II for 150 days.
 - Turnover from core activities ₹ 20 crore.
 - Profit from incidental activities ₹ 5.5 lakh.

11. What is tax planning with regard to buy or lease decisions?

12. Mr. Ravi is an employee of a Company in Delhi (population exceeding 25 lakh). He would receive the following during the financial year 2022-23:

- Salary: ₹ 11,20,000
- Dearness Allowance: ₹ 3,50,000
- Bonus: ₹ 1,20,000
- Children Education Allowance: ₹250 per month for one child
- Rent-free House – FRV: ₹ 2,50,000
- Annual contribution to Provident Fund: ₹ 1,25,000
- Life Insurance Premium: ₹18,000
- Donation to Prime Minister's National Relief Fund: ₹ 15,000 by cheque

Compute his Income from salary liable to deduction of tax at source and the amount of tax to be deducted.

13. How do the tax provisions under section 10AA support the growth of recently established businesses in Special Economic Zones?

SECTION – C

(Compulsory)

(1X10=10)

14. Rao Ltd a Domestic Ltd Co., provides you following statement of Profit and Loss showing a net profit of ₹ 18,88,000.

Expenses Charged		Incomes included	
Purchases	1,87,5000	Sales	75,25,000
Direct wages	8,45,000	Closing stock a/c	1,10,000
Freight	12,500	Dividends from Indian Domestic Company	17,500
Salaries	8,50,000		
General expenses	4,35,000		
Sales expenses	2,15,000		
Directors remuneration	8,22,000		
Income tax	1,82,222		
Penalty (excise)	10,000		
Proposed dividend	3,20,000		
Provision for losses of subsidiary company	2,00,000		

Additional:

1. Purchases include one bill of ₹ 60,000 against which payment was made in cash.
2. General expenses include ₹ 15,000 as interest on loan taken from Scheduled Bank. This interest has not been paid so far.
- 3.

	As per I.T. Ltd	As per books of A/c
B/F losses	2,80,000	1,40,000
Unabsorbed depreciation	1,70,000	50,000

Calculate tax liability for the Assessment year 2023-24.

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CONTEMPORARY ISSUES IN ACCOUNTING

Time: 3 hrs

Max Marks: 70

SECTION – A

Answer any FIVE questions out of seven questions. (5×4=20)

1. What is Shareholder Value Added (SVA)?
2. Explain the utility of forensic accounting.
3. List the main drawbacks of EVA
4. Define international accounting and briefly discuss the concept of accounting clusters, highlighting their relevance in global financial reporting.
5. What is window dressing in the context of financial reporting, and why do companies engage in it?
6. If you were a manager in a manufacturing plant, how would you identify and prioritize opportunities for adding value to the production process?
7. Briefly explain the Opportunity Cost Approach of Human Assets valuation.

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SECTION – B

Answer any FOUR questions out of six questions. (4×10=40)

8. Delve into a comprehensive comparison between IFRS and Indian GAAP.
9. What is environmental accounting?
10. Elaborate convergence benefits and challenges of IFRS.
11. Examine motives and techniques of creative accounting.
12. Describe the difference between human resource accounting and traditional financial accounting
13. From the following information in respect of Beta Limited calculate the total value of human capital using Lev & Schwartz model. Apply a discount factor of 18%.

Age	Unskilled		Semi-Skilled		Skilled	
	Number	Average Annual Earnings (₹)	Number	Average Annual Earnings (₹)	Number	Average Annual Earnings (₹)
30-39	70	5,000	50	7000	30	9,000
40-49	20	6,000	15	8,000	15	11,000
50-54	10	7,000	10	99,000	5	12,000

SECTION – C

(Compulsory)

(1X10=10)

14. Ranbaxy Ltd engaged in manufacturing business furnished the following Profit & Loss A/c for the year ended March 31, 2022.

(₹ in Lakhs)

Particulars	Notes		Amount
Income:			
Sales			1,780
Other Income			110
			1,890
Expenditure:			
Production & Operational Expenses	(a)	1,282	
Administration Expenses (factory)	(b)	66	
Interest	(c)	58	
Depreciation		34	1440
Profit before taxes			450
Provision for taxes	(d)		60
Profit after taxes			390
Balance as per last Balance Sheet			20
			410
Transferred to General Reserve		90	
Dividend Paid		190	280
Surplus carried to Balance Sheet			130
			410

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Notes

(a) Production & Operational Expenses:	(₹ in Lakhs)
Consumption of raw materials	586
Consumption of stores	118
Salaries, Wages, Gratuity etc. (Administration)	164
Cess & Local taxes etc.	196
Other manufacturing Expenses	218
	1,282

(b) Administration expenses include Salaries, Commission to Directors- ₹ 18 Lakhs, provision for Doubtful Debts ₹ 12.60 Lakh .

(c)	(₹ in Lakhs)
Interest on loan from ICICI Bank for working capital	18
Interest on loan from ICICI Bank for fixed loan	20
Interest on loan from IFCI for fixed loan	16
Interest on Debentures	4
	58

(d) The charges for taxation include a transfer of ₹ 6.00 lakh to the credit of Deferred Tax Account.

(e) Cess and Local taxes include Excise Duty, which is equal to 10% of cost of bought-in material.

Required:

Prepare a Gross Value Added Statement of Ranbaxy Ltd and also show the reconciliation between Gross Value Added and Profit before Taxation.
