PH 312.4

Reg. No. | | | | | | | |

St Aloysius College (Autonomous)
Mangaluru
Semester IV– P.G. Examination – M.Com
May – 2024
INTERNATIONAL FINANCIAL MANAGEMENT

Time: 3 hrs. **Max Marks: 70**

SECTION – A

Answer any FIVE questions. **(5x4=20)**

1. Write a note on international liquidity.
2. Elaborate on the distinctions between the current account and capital account in a BOP statement.
3. Write a note on the functions of foreign exchange market.
4. What are the factors that influence exchange rates?
5. Evaluate the role of cryptocurrencies in the modern financial landscape.
6. What is currency invoicing and how does it impact currency exposure?
7. Examine the characteristics of project finance.

SECTION – B

Answer any FOUR questions. **(4x10=40)**

8. Examine the challenges of international finance.
9. Explain the various forms of exchange rates arrangements used worldwide.
10. A series of transactions between United States and the rest of the world are given below:
    Prepare the balance of payment for the United States
    a) An American company exports goods to a British company for $ 20,000.
    b) The British company signs a bill of exchange for its imports. An American Chemical company decides to build a chemical plant in Hong Kong.
    c) The American company ships $40,000 worth of materials for this purpose to Hong Kong.
    d) An Italian American ships $30,000 worth of goods to his relatives in Italy
    e) An American citizen buys Russian government bonds for $30,000 in cash.
    f) An American company imports $5,000 worth of goods from America.
    An American citizen goes to Brazil for a vacation. He spends $5,000 before he returns to America.
11. Examine the PPP theory with its drawbacks.
12. Examine the strategies for managing economic exposure.
13. Discuss the significance of Working Capital Management for an multi national company.

SECTION – C (Compulsory)

(1x10=10)

14. *Spot rate = ₹ 82.0030/$; 6 months forward rate = ₹ 83.0010/$*
    Rupee interest rate = 12%
    Dollar interest rate = 8%
    Given the above data, is there an arbitrage possibility? If yes, show the gain and assume a loan of $200,000 or its equivalent in Indian rupees at the current spot rate.

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St Aloysius College (Autonomous)

Mangaluru

Semester IV– P.G. Examination – M.Com

May – 2024

DERIVATIVES AND RISK MANAGEMENT

Time: 3 hrs. **Max Marks: 70**

SECTION – A

Answer any FIVE questions. **(5x4=20)**

1. List the features commonly associated with derivatives.
2. Discuss the different methods employed in the classification and management of risks.
3. Elaborate on the distinctive features of futures contracts and their significance.
4. State the different types of orders commonly used in derivatives exchanges.
5. Three call options A,B and C with exercise price of ₹ 100, ₹ 105 and ₹ 110 are trading at ₹ 2, ₹ 8 and ₹ 14 respectively, while the underlying stock is trading at ₹ 105.

   What is the moneyness of each option

   If the call prices increased by ₹ 1 would your answer to the moneyness change?
6. On May 10[th] Meenakshi Rolling flour mills estimates that it will require 50 MT of wheat on June 20. The spot price of wheat on May 10 is ₹ 1,214. It wants to hedge the risk of increase in the price of wheat in the future. The futures contract are available with delivery on June 20, with futures price of ₹ 1,205. The contract size for wheat futures is 10MT. Since the hedge lasts from May 10 to June 20, for a period of 42 days, the manager of the mills finds the following with respect to the spot price and futures price of wheat.

   Standard deviation of changes in spot price ₹105

   Standard deviation of changes in futures price ₹120

   Correlation between the spot price and futures price changes =0.96

   Calculate hedge ratio and optimal contract size.
7. Classify the types of financial swaps.

SECTION – B

Answer any FOUR questions. **(4x10=40)**

8. Discuss the role and criticisms of Derivative Market.
9. Explore the methodologies and stages that constitute the risk management process.
10. Assume that Tata Motors stock is currently selling for ₹ 750. There is a call option on Tata motors with a maturity month of 3 and strike of ₹ 800. The stock price on expiration date would take either of two values ₹ 720 or ₹ 840. The risk free rate of return is 10%. Determine the call option price.

Contd...2

11. Today is 24 March. A refinery needs 1075 barrels of crude oil in the month of September. The current price of crude oil is ₹ 3000 per barrel. September futures contracts at MCX are trading at ₹ 3200. The firm expects the price to go up further, and even beyond ₹ 3200 in September. It has the option of buying the stock now. Alternatively, it can hedge through a futures contract. The size of futures contract is 100 barrels.

Answer the following:

a) If the cost of capital, insurance and storage is 15% p.a., examine whether it is beneficial for the firm to buy now.

b) If the firm decides to hedge through futures, find out the effective price it would pay for crude oil if at the time of lifting the hedge the spot and future prices are: i) ₹ 2900 and ₹ 2910 ii) 3300 and 3500 respectively.

12. Using this information, help an investor to create a bought strangle and written strangle.

Option	Expiry	Exercise Price	Premium
Nifty Call	25th April	1140	14
Nifty Put	25th April	1120	4

Assuming the following are the likely stock price:-

₹1000	₹1100	₹1140	₹1200	₹1350	₹1600

13. Company A and B requires funds in 2 different currencies i.e., company A requires British pound and B requires Japanese yen. Company A has been charged with 12% interest in British pound market and 8 % in Japanese market. Similarly Co. B is charged with 10% in British pound market and 9.5% in Japan. A bank has decided to act as a swap facilitator for a commission of 50 bps. Design a swap where both the firms should enjoy equal benefits.

SECTION – C (Compulsory) (1x10=10)

14. Amit, a cashew producer, wants to sell five cashew contracts on March 5 at ₹ 5,600 each. The initial margin for Amit is 5.5% of the contract size is 50 cartons. The futures prices from March 6 to March 16 are shown below. The variation margin is ₹ 50,000. Prepare a margin account for Amit. March 5 is a Monday, and trading takes place only on weekdays.

Date	**Future price (₹)**	**Date**	**Future price (₹)**
March 5	5,600	March 12	5,520
March 6	5,650	March 13	5,400
March 7	5,675	March 14	5,480
March 8	5,610	March 15	5,570
March 9	5,570	March 16	5,650

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Semester IV– P.G. Examination – M.Com
May – 2024
COST AND MANAGEMENT ACCOUNTING

Time: 3 hrs. Max Marks: 70

SECTION – A

Answer any FIVE questions. (5x4=20)

1. What are the essentials of good cost accounting system?
2. In Process B 75 units of the commodity were transferred from Process A at a cost of ₹ 1310. The additional expenditure incurred by the process were ₹ 190. 20% of units entered are normally lost and are sold at ₹ 4 per unit. The output of the process was 70units. Prepare Process B account and abnormal gain account.
3. You are provided with the following data:
   Standard Hours - 2,750
   Standard Hours for actual level of activity – 2,400
   Actual Hours - 2,650
   The Standard Wage Rate per hour was ₹ 6.50.
   The Actual Wage Rate per hour was ₹ 7.00.
   a. The Adverse Labour Rate Variance amounts to ___________
   b. The Labour Efficiency Variance is ___________
4. What is CVP Analysis? How does it help the managers in decision making?
5. What are the main objectives of transfer pricing policies within an organization?
6. Distinguish between Volume based product costing system and activity based costing system.
7. The cost structure of a product is :

Direct materials	₹6
Direct labour	₹2
Variable overheads	₹4
Fixed overheads	₹5,10,000

   Sales 50,000 units per annum
   The capital employed is fixed assets is ₹12 lakh and the current assets is 50% of sales.
   Determine the selling price per unit to earn a return of 20% on capital employed.

SECTION – B

Answer any FOUR questions. (4x10=40)

8. What are the different pricing methods used to for determine the price.
9. The product of the company passes through three distinct process and are known as A, B, and C respectively. From the past experiences it is ascertained that the loss incurred in each process is : Process A - 2%, Process B - 5%, Process C - 10%. In each case the percentage of loss is computed on the number of units entering the process concerned. The loss of each process posses a scrap value. The loss of Process A and B is sold at ₹ 5 per 100 units and that of Process C at ₹ 20per 100 units. The output of each processes passes immediately to the next process and the finished units are passed from Process C into the stock market.

Contd...2

Particulars	Process A	Process B	Process C
Material Consumed	6000	4000	2000
Direct Labor	8000	6000	3000
Manufacturing Expenses	1000	1000	1500

20000 units have been issued to process A at a cost of Rs.10000. The output of each process has been as under:

Process A - 19,500

Process B - 18,800

Process C - 16,000

Prepare process accounts. Calculations should be made to the nearest rupee.

10. Describe the steps involved in the unit costing process.

11. Statusline & Company is a manufacturer of a range of white goods. Cost Structure of its different products is as follows:

Standard cost of the products is shown as under:

Particulars	Product P	Product Q	Product R
Direct Materials	25.00	20.00	20.00
Direct Labour @ ₹5/hr	15.00	20.00	25.00
Production overheads*	15.00	20.00	25.00
	55.00	60.00	70.00
Quantity Produced (Units)	10,000	20,000	30,000

The production overheads is absorbed on the basis of direct labour hours. Statusline wishes to introduce activity-based costing (ABC) system and has identified four major cost pools for production overhead and their associated cost drivers. Information on these activity cost pools and their drivers is given as under:

Activity cost pool	Cost driver	Cost associated with activity cost pool (₹)
Stores receiving	Purchase requisitions	1,48.000
Inspection/Quality Control	Number of production runs	4,47,000
Material handling and despatch	Orders executed	1,05,000
Production scheduling/machine set ups	Number of set-ups	6,00,000

Further, the relevant information on the three products is given as under:

Particulars	Product P	Product Q	Product R
No. of purchase requisitions	300	450	500
No. of production runs	750	1050	1200
No. of orders executed	180	270	300
No of set ups	360	390	450

Required:

1. Calculate the activity based production cost of all the three products
2. Comment on the differences between the original traditionally calculated costs and the activity based cost you calculated.

Contd...3

12. 1. Find the BEP sales if budgeted output is 80,000 units, fixed costs ₹4,00,000, sales per unit is ₹20 and variable cost per unit is ₹10.

2. Calculate sales, if marginal cost is ₹2,400 and P/V ratio is 20%.

3. Find the Margin of Safety if profit is ₹20,000 and P/V ratio is 40%.

4. From the following data calculate

a. BEP expressed in amount of sales in rupees and

b. Number of units that must be sold to earn a profit of ₹ 1,60,800 per year

Selling price	₹20 per unit
Variable manufacturing cost	₹11 per unit
Variable selling cost	₹3 per unit
Factory fixed overheads	₹5,40,000 per year
Fixed selling cost	₹2,52,000 per year

5. R.S manufacturing Ltd budgets production of 3,00,000 units at a variable cost of ₹10 each. The fixed costs are ₹20,00,000. The selling price is fixed to yield 20% on cost. You are required to calculate

a. P/V ratio b) Break even Production units

6. Find P/V ratio, if fixed cost is ₹10,000 and Break Even Sales are ₹25,000

7. From the following information calculate

a. contribution per unit

b. Margin of safety and c)volume of sales to earn a profit of ₹24,000

Total fixed costs ₹18,000, Total Variable costs ₹30,000: Total sales ₹50,000: Units sold 20,000

13. Enumerate the essential requirements for operating a variance analysis control system.

SECTION – C (Compulsory) (1x10=10)

14. A company manufacturing 'distempers' operates a costing system. The standard cost of one of the products of the company shows the following standards:

Materials	Quantity	Standard price per kg (₹)	Total (₹)
A	40 kg	75	3000
B	10Kg	50	500
C	50 Kg	20	1000
Material Cost per unit (Total)			4500

The standard input mix is 100 kg and the standard output of the finished product is 90 kg.

The actual results for the period are:

Material Used

A = 2,40,000 kg @ ₹ 80/kg

B = 40,000 kg @ ₹ 52/kg

C = 2,20,000 kg @ ₹ 21/kg

Actual output of the finished product = 4,20,000 kg

You are required to calculate the material variances.

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May – 2024

PORTFOLIO THEORY AND MANAGEMENT

Time: 3 hrs. **Max Marks: 70**

SECTION – A

Answer any FIVE questions. **(5x4=20)**

1. What is semi-strong form of market efficiency?
2. Define cumulative wealth index.
3. List the assumptions of capital asset pricing model.
4. List the different phases in portfolio management.
5. Define the Sharpe's Single Index Model.
6. Write a note on security market line.
7. What are the objectives of personal financial planning?

SECTION – B

Answer any FOUR questions. **(4x10=40)**

8. A company paid dividends amounting to ₹ 0.75 per share during the last year. The company is expected to pay ₹ 2 per share during the next year. Investors forecast a dividend of ₹ 3 per share in the year after that. Thereafter, it is expected that dividends will grow at 10% per year into an indefinite future. Would you buy/sell the share if the current price of the share is ₹54? Investor's required rate of return is 15%.

9. An indifference curve represents the various combinations of risk and return that the investors find equally desirable. Explain.

10. Discuss the financial goals of retired people.

11. The following data are available to you as a portfolio manager:

Security	Estimated Return (%)	Beta	Standard Deviation (%)
A	30	2.0	50
B	25	1.5	40
C	20	1.0	30
D	11.5	0.8	25
E	10.0	0.5	20
Market Index	15	1.0	18
Govt. Security	7	0	0

a. In terms of the security market line, which of the securities listed above are underpriced?

b. Assuming that a portfolio is constructed using equal proportions of the five securities listed above, calculate the expected return and risk of such a portfolio.

12. Discuss the 'twelve pillars of wisdom' spelt out by John Bogle.

13. The expected rates of return and the possibilities of their occurrence for Alpha Company and Beta Company scrips are given below:

Probability of Occurrence	Return on Alpha's Scrip (%)	Return on Beta's Scrip(%)
0.05	-2.0	-3.0
0.20	9.0	6.0
0.50	12.0	11.0
0.20	15.0	14.0
0.05	26.0	19.0

a. Find out the expected rates of return for Alpha and Beta scrips.

b. If an investor invests equally in both the scrips what would be the return.

c. If the proportion is changed to 25% and 75% and then to 75% and 25%, what would be the expected rates of return.

SECTION – C (Compulsory) (1x10=10)

14. Use the following information to answer the questions

Mutual Fund Name	E(Rp)	σ_p	Beta
HDFC Balanced Fund – A	0.20	0.10	0.80
ICICI Balanced Fund - A	0.30	0.18	1.50
BSE Sensex	0.22	0.12	1.0
Risk-free rate	0.07	--	--

a) Calculate Treynor's ratio and Sharpe's ratio for the mutual funds and market index.

b) Calculate Jensen's alpha for each mutual fund.

c) Rank the mutual funds and market index as per Treynor's ratio and Sharpe's ratio.

Are they consistent in ranking? If so, what does that imply about the funds? If not, what does that imply about the fund?

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Semester IV– P.G. Examination – M.Com

May– 2024

COMPUTER APPLICATIONS IN BUSINESS

Time: 3 hrs. **Max Marks: 70**

SECTION – A

Answer any FIVE questions. **(5x4=20)**

1. List any 4 applications of spreadsheet.
2. Describe the relevance of tally in Financial Reporting.
3. Explain the payroll voucher in Tally.
4. Analyse the features of chart in Spreadsheet.
5. List out the legal risk involved in E-Payment.
6. State the importance of IT Act 2000.
7. Explain the relevance of technology of internet under cyber law.

SECTION – B

Answer any FOUR questions. **(4x10=40)**

8. Explain the 5 components of Information Technology.
9. Analyse different functions of MS Excel.
10. Discuss various models of E-Commerce
11. Analyse the threats involved and measures to mitigate the risks of Internet.
12. Examine different types of E-Payments.
13. What do you understand by Tally ERP? Explain the meaning of payment voucher and highlights the procedure to entry Payment vouchers in Tally.

SECTION – C (Compulsory) **(1x10=10)**

14. Explain the applications of computer in business.

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