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

St Aloysius College (Autonomous)

Mangaluru

B.Com. Semester VI – Degree Examination

August - September 2021

CORPORATE ACCOUNTING - II

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

SECTION – A

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

1. What do you mean by External Reconstruction?
2. Who is a Liquidator?
3. What is capital reserve?
4. What is purchase consideration?
5. What do you mean by Human Resource Accounting?

6. State any two differences between value added and economic value added.
7. What is Alteration of capital?

SECTION - B

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

8. Explain the classification of value added.
9. From the Balance Sheet given below, prepare a Consolidated Balance Sheet of Rajath Ltd and its subsidiary Bharath Ltd and also calculate, pre acquisition profit, post acquisition profit, minority interest and goodwill. Shares acquired on 1-10-2020.

Balance sheet of Rajath Ltd on 31-03-2021 is as follows:

Liabilities	Amt (₹)	Assets	Amt (₹)
Share capital: 15000 shares of 10 each	150000	Fixed assets	140000
General reserve	20000	Investments: 2000 shares of ₹ 10 each in Bharath ltd	27000
Profit / loss A/c	30000	Current assets	58000
Creditors	25000		
	225000		225000

Balance sheet of Bharath Ltd as on 31-03-2021

Liabilities	Amt (₹)	Assets	Amt (₹)
Share capital: 3000 shares of ₹ 10 each	30000	Fixed assets	30000
Profit/ Loss A/c Balance on 1-7-2019 4500 + Net profit for the yr 6000	10500	Current assets	20000
Sundry creditors	9500		
	50000		50000

Contd...2

10. Following is the Balance Sheet of Parinita Ltd as on 31-03-2020.

Liabilities	₹	Assets	₹
2000 share of ₹ 10 each	200000	Goodwill	35000
Reserve	20000	Building	85000
Debentures	140000	Plant	160000
Creditors	80000	Stock	55000
		Debtors	65000
		Cash	40000
	440000		**440000**

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

i. To take over all the assets except cash at 10% less than the book value (except goodwill). The goodwill is taken at ₹ 40,000.

ii. To take over trade liabilities subject to 5% discount.

iii. Purchase price has to be paid in cash to the extent of ₹ 150000 and the balance in fully paid equity shares of ₹ 10 valued at 12.50 per share.

Calculate the amount of Purchase consideration and show the mode of payment. Prepare Realisation A/c and Shareholders A/c in the book of Parinita Ltd.

11. The following was the Balance Sheet of Athul Ltd as at 31st March 2020.

Liabilities		₹	Assets	₹
Authorised capital : 20000 equity shares of ₹ 10 each		200000	Goodwill Land & building	10000 20500
Issued, Subscribed & called up capital:			Machinery	50850
12000 equity shares of ₹ 10 each	120000		Preliminary expenses	1500
Less : Calls in arrears @ ₹ 3 per share on 300 shares	9000	111000	Stock Book debts Cash at Bank	10275 15000 1500
Sundry creditors		15425	P & L A/c	20800
Provision for tax		4000		
		130425		**130425**

The directors find that the machinery is overvalued by ₹ 10000. It is now proposed to write down this asset to its true value and extinguish goodwill account, Profit & Loss account and preliminary expenses by adopting the following scheme of reconstruction.

a) Forfeit the shares on which calls are outstanding.

b) Reduce the paid up capital by ₹ 3 per share.

c) Reissue the forfeited shares at ₹ 5 per share.

d) Utilise the provision for tax if necessary.

Draft journal entries and prepare the Balance sheet after reconstruction.

12. Write a detailed note on IFRS 10.

13. The following information is given to you:

Balance Sheet of Umbrella Ltd. on 31st March 2020.

Liabilities	₹	Assets	₹
2000, 14% preference shares of ₹ 100 each fully paid	200000	Land & Buildings	100000
		Machinery & Plant	250000
		Patents	40000
1000 equity shares of ₹ 100 each ₹ 75 paid	75000	Stock	55000
3000 equity shares of ₹ 100 each ₹ 60 paid	180000	Debtors	110000
14% debentures with a floating charges	100000	Cash at Bank	75500
O/s interest	14000	P & L A/c	83500
Creditors	145000		
	714000		**714000**

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 2020.

Prepare liquidators final statement of accounts.

SECTION – C

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

14. Honey Ltd agreed to acquire the business of Hard Ltd as on 31st December 2020. The Balance Sheet of Hard Ltd on that date is given below :

Liabilities	₹	Assets	₹
Share Capital in fully paid shares of ₹ 10 each	600000	Goodwill	120000
General Reserve	130000	Land & Building	560000
Profit & Loss a/c	150000	Plant	40000
6% debentures	100000	Stock	200000
Creditors	20000	Debtors	50000
		Bank	30000
	1000000		**1000000**

The purchase consideration payable was agreed as follows :

a) A cash payment of ₹ 3 for every share in Hard Ltd.

b) An issue of 90000 ₹ 10 shares fully paid in Honey Ltd at an agreed value of ₹ 15 per share.

c) An issue of such an amount of fully paid 8% debentures of Honey Ltd at 96% as is sufficient to discharge the 6% Debentures of Hard Ltd at a Premium of 20%.

While acquiring the business, the directors of Honey Ltd valued Land & Building at ₹ 1300000, Plant at ₹ 30000, Stock ₹ 142000 and debtors subject to a reserve of 5% for doubtful debts. The cost of liquidation came to ₹ 5000 and was met by Honey Ltd.

Write up the ledger A/c's in the books of Hard Ltd and draft Journal entries in the books of Honey Ltd.

15. H Ltd Acquired 80000 shares of Rs. 10 each in S Ltd on 1-10-2020. The summerised balance sheet of H Ltd and S Ltd on 31-3-2021 were

Liabilities	H Ltd (₹)	S Ltd (₹)	Assets	H Ltd (₹)	S Ltd (₹)
Share capital: In shares of ₹ 10 each	2000000	1000000	Machinery	600000	450000
Reserves	100000	150000	Furniture	20000	40000
P/L A/c	50000	45000	Shares in S Ltd	880000	
9% Debentures	......	200000	9% debentures in S Ltd	80000	
Creditors	400000	200000	Stock	520000	650000
Bills payable	20000	10000	Debtors	180000	270000
			Bills receivable	10000	15000
			cash	280000	180000
	2570000	1605000		2570000	1605000

Bills receivable of S Ltd include bills for ₹ 8000 accepted by H Ltd and creditors of S Ltd include ₹ 20000 due to H Ltd. An amount of ₹ 30000 was transferred by S Ltd from the current years profits to reserves. Stock of S Ltd. ₹ 650000 includes ₹ 100000 goods purchased from H Ltd. which was charged profit at 25% on cost. Prepare Consolidated Balance Sheet as on 31.03.2021.

16. The Ostrich Ltd, having proved un successful resolved by special resolution to wind up for the purpose of reconstruction and sale to a new company called the Newton Ltd. The Balance Sheet of Ostrich Ltd on the date of confirmatory resolution was as follows :

Liabilities	₹	**Assets**	₹
100000 Equity shares of ₹ 10 each fully paid	1000000	Land & Building	450000
Sundry creditors	30000	Machinery & Plant	240000
Bills payable	20000	Sundry Debtors	100000
		Stock	50000
		Cash at Bank	10000
		P & L A/c	200000
	1050000		**1050000**

The Scheme of reconstruction assented to by all parties was as follows :

a) The Newton Ltd was to take over all the assets of the Ostrich Ltd but not the liabilities.

b) The authorized capital of the Newton Ltd was to be ₹ 15,00,000 in 1,50,000 equity shares of ₹ 10 each.

c) The Newton Ltd was to purchase the goodwill, business and assets of the Ostrich Ltd for the sum of ₹ 8,00,000, payable as to ₹ 700000 by the issue of ₹ 140000 equity shares of ₹ 10 each with ₹ 5 per share credited as paid up and as to ₹ 100000 in cash.

d) The members of Newton Ltd were to pay the balance of ₹ 5 per share due upon the shares issued to them. The expenses of reconstruction amounted to ₹ 5000. There were no dissentient shareholders and all calls were duly paid. No further shares were issued beyond those forming part of the purchase consideration for the transfer of the business.

Pass Journal entries to close the books of the Ostrich Ltd and show the opening Balance Sheet of the Newton Ltd.

SECTION – D

Answer the following: (Compulsory)

17. The capital of Union Pvt. Ltd. was as follows : **(10)**

a) 40000 ordinary shares of ₹ 100 each fully paid.

b) 30000 ordinary shares of ₹ 100 each ₹ 80 paid.

c) 10000 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 ₹ 25000. 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 with the exception of that on 1000 shares. Prepare Liquidators Final Statement of Accounts.

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St Aloysius College (Autonomous)

Mangaluru

B.Com. ACCA - Semester VI – Degree Examination

August / September 2021

ADVANCED FINANCIAL MANAGEMENT - II

Time: 3 hrs. Max Marks: 100

SECTION – A

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

1. 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.
2. Inflation is currently 80% in Brazil, although the government hopes to reduce it each year by 25% of the previous year's rate. What will the inflation rate be in Brazil over the next four years?
3. Four million pesos are required in working capital immediately. The inflation rate in the South American country is expected to remain constant for the next six years at a rate of 6%. Identify the working capital flows for the NPV calculation, assuming the working capital is released at t = 7.
4. Mackay Co has some irredeemable, 5% coupon bonds in issue, which are trading at $94.50 per $100 nominal. The tax rate is 30%. Calculate Mackay Co's post-tax cost of debt.
5. Comment on a strategy of vertical integration in the context of real options.
6. What is the advantage of arranging a swap through a bank rather than negotiating directly with a counterparty?
7. A film studio has three new releases planned for the Christmas period but does not know which will be the biggest hit for allocating marketing resources. It thus decides to do a trial screening of each film in selected cinemas and allocates the marketing budget on the basis of the results. Comment on this plan using real option theory.

SECTION – B

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

8. It is now the 31st of July.

   Tolhurst Co needs to borrow $10m in 1 months' time, for a 6-month period. The current market interest rate is 5%. The following information is available regarding $500,000 3-month September interest rate options:

Contd...2

Exercise price	Call	Put
94.50	1.39	-
94.75	1.02	0.18
95.00	0.65	0.65
95.25	0.21	1.12

Premia are quoted in %.

Calculate the result of the options hedge if the interest rate has risen to 7.5% and if the September futures price has moved to 93.00 in one-months' time.

9. B plc is a hot air balloon manufacturer whose equity: debt ratio is 5:2. The company is considering a waterbed-manufacturing project. B plc will finance the project to maintain its existing capital structure.

   S plc is a waterbed-manufacturing company. It has an equity beta of 1.59 and a Ve:Vd ratio of 2:1.

   The yield on B plc's debt, which is assumed to be risk free, is 11%. B plc's equity beta is 1.10. The average return on the stock market is 16%. The corporation tax rate is 30%.

   Calculate a suitable cost of capital to apply to the project.

10. Pongo plc is a UK-based import-export company. It has an invoice, which it is due to pay on 30 June, in respect of $350,000.

    The company wishes to hedge its exposure to risk using traded options.

    The current $/£ spot rate is 1.5190 – 1.5230.

    On LIFFE, contract size is £25,000.

Exercise price ($/£)	June contracts	
	Calls	Puts
1.45	8.95	10.20
1.50	6.80	12.40

    Option premia are given in cents per £.

    Assume that it is now the 31 March.

    Calculate the cash flows in respect of the payment if the spot rate is: $1.4810 – $1.4850 to £1 on the 30 June.

11. Discuss the relative advantages and disadvantages of the use of a money market

    hedge compared with using exchange traded derivatives for hedging a foreign exchange exposure.

12. 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.

13. 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...4

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SECTION – C

(2x16=32)

Answer any TWO of the following.

14. Assume that it is now 1 June. Your company expects to receive £7.1 million from a large order in five months' time. This will then be invested in high-quality commercial paper for a period of four months, after that it will be used to pay part of the company's dividend. The company's treasurer wishes to protect the short-term investment from adverse movements in interest rates, by using futures or forward rate agreements (FRAs).

The current yield on high-quality commercial paper is LIBOR + 0.60%.

LIFFE £500,000 three-month sterling futures. £12.50 tick size.

September	96.25
December	96.60

Futures contracts mature at the month end. LIBOR is currently 4%.

FRA prices (%)

4 v 5	3.85 – 3.80
4 v 9	3.58 – 3.53
5 v 9	3.50 – 3.45

a) Devise a futures hedge to protect the interest yield of the short-term investment, and estimate the expected lock-in interest rate as a result of the hedge. **(5 marks)**

b) Ignoring transactions costs, explain whether the futures or FRA hedge would
provide the higher expected interest rate from the short-term investment. **(3 marks)**

c) If LIBOR fell by 0.5% during the next five months, show the expected outcomes of each hedge in the cash market, futures market and FRA market as appropriate. **(8 marks)**

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

Contd...5

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)**

16. Explain the term Risk. Write the note on Risk Management. Explain in detail about political risk faced by business entities.

SECTION – D

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

17. a) Goldsmith Co, a mining company based in the fictitious country of Krownland, wishes to hedge 1 - year foreign exchange risk, which will arise on an investment in Chile. The investment is for 800m escudos and is expected to yield an amount of 1,000m escudos in 1 year time.

Goldsmith cannot borrow escudos directly and is therefore considering two possible hedging techniques:

i) Entering into a forward contract for the full 1000m escudos receivable.

ii) Entering into a forex swap for the 800m escudos initial investment, and then a forward contract for the 200m escudos profit element.

The currency spot rate is 28 escudos to the krown, and the bank has offered a forex swap at 22 escudos/krown with Goldsmith making a net interest payment to the bank of 1% in krowns (assume at T1).

Contd...6

Interest rates	Borrowing	Lending
Krownland	15%	12%
Chile	N/A	25%

A forward contract is available at a rate of 30 escudos per krown.

Determine whether Goldsmith should hedge its exposure using a forward contract or a forex swap. **(5 marks)**

b) Four million pesos are required in working capital immediately. The inflation rate in the South American country is expected to remain constant for the next six years at a rate of 6%. Identify the working capital flows for the NPV calculation, assuming the working capital is released at t = 7. **(5 marks)**

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B.Com. Semester VI – Degree Examination
August / September 2021

FOREIGN EXCHANGE MANAGEMENT

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

SECTION – A

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

1. Define foreign exchange market.
2. What is FEMA?
3. What is Nostro account?
4. What is cross rates?
5. What is ready exchange rate?
6. What is cover deal?
7. What is an arbitrage operation?

SECTION - B

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

8. Explain the evolution of Foreign Exchange Market.
9. Write a note on participants in foreign exchange market.
10. On 25th July, your customer has presented to you at sight documents for USD 50,000 under an irrevocable letter of credit. The letter of credit provides for reimbursement by the negotiating banks own demand draft on the opening bank at New York.

    Assuming Rupee/Us Dollar are quoted interbank market as under :

Spot	USDI= ₹ 72.6525/6650
Spot/August	.6000/5700
Spot/September	1.0000/9700

    Transit period of bill is 25 days. What rate will you quote to your customer provided you require an exchange margin of 0.15%? Also calculate the amount in Rupee payable to the customer.

11. What are the merits and demerits of flexible exchange rates?
12. Explain the BOP theory of foreign exchange Rate.
13. Explain provisions of FEMA.

SECTION – C

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

14. What is foreign Exchange Rate? Explain the determination of Exchange rate.
15. What is correspondent Banking? Explain the services of correspondent Banking.
16. Explain the features and operations of forward contracts.

Contd...2

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SECTION – D

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

17. On 17th February bank receive a mail transfer from a New York. Correspondent for USD 10,000 payable to the customer. Bank account with the correspondent bank has been credited with the amount of mail transfer in reimbursement. Assuming Rupee/ US Dollar are quoted in the local interbank market as under.

Spot	USDI= ₹ 64.2500/2700
Spot/March	.2200/2300

Exchange Margin of 0.08% loaded. What will be the exchange rate to be quoted to the customer and rupee amount payable to him?

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B.Com. Semester VI – Degree Examination

August - September 2021

INVESTMENT MANAGEMENT

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

SECTION – A

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

1. Define venture capital.
2. What is CRISIL?
3. What is depositary system?
4. State any two functions of ICICI.
5. What is investment banking?
6. List out any four instruments of money market.
7. State any two features of lease financing.

SECTION - B

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

8. Define credit rating. Explain the benefits of credit rating.
9. Explain the importance of various life insurance schemes of LIC.
10. Who is a merchant Banker? Explain the responsibilities of a merchant banker.
11. Explain the functions and types of capital market.
12. What is Lease Financing? What are the merits and demerits of Lease Financing?
13. What are custodial Services? Explain the functions of SHCI.

SECTION – C

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

14. What is investment management? Explain the objectives of investment and the investment process.
15. What are the common errors in investment? Explain the qualities of a successful investor to overcome these errors.
16. 'Mutual Fund investments are subject to market risk'. Critically evaluate this statement with advantages and disadvantage of mutual funds.

SECTION – D

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

17. Korona Ltd. is extending its facilities in the coming year. The company can either purchase or lease equipment, with its plan to use it for 4 years and then replace it with a new one. Its current tax bracket is 50%. Other data are as below:
    a) Purchase price of the equipment is ₹ 40,00,000.
    b) Straight line method of depreciation is followed.
    c) Funds to finance the equipment can be obtained at 16% and the loan is to be repaid at 4 equal annual installments at the end of each year.
    d) In leasing option, annual lease rent is ₹ 10,00,000.

Determine whether the company should purchase or lease the equipment.

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St Aloysius College (Autonomous)

Mangaluru

B.Com. Semester VI – Degree Examination

August / September 2021

CORPORATE LAW AND GOVERNANCE

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

SECTION – A

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

1. Define Company under Companies Act.
2. What do you mean by Book Building?
3. State any two differences between Member and Shareholder.
4. What do you mean by Ordinary Resolution?
5. Who is an Official Liquidator?
6. What do you mean by Corporate Social Responsibility?
7. Who is a Promoter?

SECTION - B

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

8. Explain the Characteristics of the Company.

9. Explain the liabilities of Company Secretary.
10. Discuss the powers and duties of a director of a company under Companies Act.
11. Write a note on a) National Company Law Appellate Tribunal.
    b) Registrar of Companies.
12. What is Business Ethics? Explain the factors influencing Business Ethics.
13. What is Articles of Association? Explain the content of Articles of Association.

SECTION – C

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

14. Explain the requisites of a valid meeting.
15. Who is a member? Explain the different modes of acquiring membership and termination of membership.
16. Explain the steps involved in the formation of Company.

SECTION – D

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

17. Explain doctrine of Indoor Management with the help of case study and state its exception.

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St Aloysius College (Autonomous)
Mangaluru

B.Com. Semester VI – Degree Examination
August / September 2021
ACCOUNTING SOFTWARE and E-COMMERCE

Time: 3 hrs. Max Marks: 100

SECTION – A

(5x2=10)

Answer any FIVE of the following.

1. What is meant by online publishing? Explain in brief.
2. What are the components of digital marketing?
3. Explain in brief the requirement of SAP ERP.
4. Write a short note on web hosting.
5. Differentiate between radio buttons and checkboxes.
6. What are the compulsory things to be specified when creating a company in Peachtree?
7. Define E-Commerce. List out the types of E-commerce.

SECTION - B

(4x12=48)

Answer any FOUR of the following.

8. Write a note on models of logistics.
9. List and explain advantages and disadvantages of E-commerce.
10. Write a detailed note on ERP corporate services.
11. With an example, explain the basic structure of HTML.
12. Describe SAP R/3 Architecture.
13. Give the procedure for setting up Vendors in Peachtree.

SECTION – C

(2x16=32)

Answer any TWO of the following.

14. Describe E-Commerce architecture and its components with neat diagram.
15. Explain in detail the strengths and applications of e-marketing.
16. Explain the various screens and procedures for creating a company in Peachtree.

SECTION – D

(10)

Answer the following: (Compulsory)

17. **The Company: Lacrimedics, Washington, USA.**

Founded in 1984, medical device manufacturer Lacrimedics is a provider of Lacrimal Occlusion Therapies to physicians, hospitals and distributors around the world. Lacrimal Occlusion is a, treatment for dry eye syndrome and related ocular surface diseases.

Contd...2

The Problem/ Situation

When Lacrimedics decided to replace their accounting and manufacturing systems, they wanted an integrated enterprise resource planning (ERP) solution that would support the growth and address a number of operational problems. After 15 years in business, inventory was growing faster than revenue, on -time delivery was slipping and general lack of information was negatively impacting financial and operational performance. Very little IT resources were available.

The Solution and Implementation

Lacrimedics looked at several ERP systems targeted to small and mid - sized manufacturers and systems from the industry giants SAP, Baan and J.D. Edwards. The systems were judged based on overall functionality, ease of use, scalability and underlying technology and Intuitive ERP was chosen. The goals of the implementation were:

- Integrate and standardize business processes.
- Increase customer responsiveness.
- Deliver greater access of information to employees
- Improve scheduling and inventory control
- Streamline accounting

The Benefits

- The main benefits of the ERP implementation were as follows:
- The ERP system was implemented in 45 days
- Return on investment of over 200%
- Reduced total inventory from 90 days on – hand to 15 days on – hand
- Improved on – time supplier delivery from 30% to over 80%
- On – time delivery improved from 75% to 99%
- Faster month – end closing ¬ Reduced overdue accounts from 12% to 2%
- 10% revenue growth year – to – year

Questions

a) Explain how Lacrimedics created and used integrated system to improve their operational efficiency. Was it successful?

b) Comment on Pre – evaluation screening stage adopted by Lacrimedics.

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G 306.6

Reg. No:

St Aloysius College (Autonomous)
Mangaluru
B.Com. Semester VI – Degree Examination
August / September 2021

STRATEGIC FINANCIAL MANAGEMENT

Time: 3 hrs. Max Marks: 100

SECTION – A

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

1. What is an Optimum Capital Structure?
2. What is a project report?
3. State the types of capital investment projects.
4. What is indifference point?
5. What do you mean by buy back of shares?
6. Give the meaning of corporate Restructuring.
7. A company had an EPS of ₹25. Its rate of return was 15% while the cost of equity was 14%. Using Gordon's Dividend Model; calculate the market price of the equity shares of the company if dividend payout ratio is 40%.

SECTION B

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

8. K Ltd, has an equity share capital of ₹ 7,00,000 divided into equity shares of ₹10 each. It also enjoys an EBIT of ₹1,50,000. It wants to expand its capacity for which it requires additional long-term funds at ₹8,00,000. It has four alternative plans. The future EBIT is estimated to be ₹2,50,000 and the tax rate is expected to be 40%. The four alternative plans are given below.

   a. All Equity
   b. All the additional fund by issue of 10% debentures
   c. ₹ 4 lakhs by issue of equity shares, and the remaining ₹ 4 lakhs by issue of 10% debentures
   d. ₹ 2 lakhs by issue of equity shares, ₹ 3 lakhs by issue of 15% preference shares and the remaining ₹ 3 lakhs by issue of 10% debentures.

   Calculate the EPS for the alternative plans and suggests the best plan.

9. A company expects a net income of ₹80,000. It has ₹2,00,000, 8% Debentures. The equity capitalisation rate of the company is 10%. Calculate the value of the firm and overall capitalisation rate according to the Net Income Approach.

10. Two Companies U&L belong to an equivalent risk class. These two firms are identical in every respect except that company L has 10% debentures of ₹30Lac. The operating income (EBIT) of both companies is ₹750,000. Ke(U) 15%, Ke(L) 20%.
    a) Investors owns 10% equity share of company L, show arbitrary process & amount by which he could reduce his outlay to the use of leverage.
    b) When will arbitrage process come to an end?

11. "Merger and Acquisitions have gained substantial importance and are extensively used for restructuring the business organizations." Comment with reference to benefits of merger and Acquisitions.

12. What is meant by project appraisal? Explain the factors to be considered while appraising the project.

13. Company is considering to install a machine worth ₹ 500,000. Company uses straight lime method of depreciation and has a life of 5 years. Tax rate 50%.

Year	Cash flow before tax
1	100,000
2	110,000
3	140,000
4	150,000
5	250,000

Compute internal rate of return.

SECTION – C

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

14. Sumedha Ltd is considering investing in a project that cost ₹ 50,000. Depreciation provided by the concern is ₹10,000 per annum. Cost of capital is 10% and tax rate is 35%. The project is expected to yield the following cash inflows.

Year	Cash Flows Before Tax (CFBT) (₹)
1	10,000
2	11,000
3	14,000
4	15,000
5	25,000

Evaluate the project under considering discount rate at 10%.

a) Pay Back Period (PBP)
c) Accounting Rate of Return (ARR)
b) Net Present Value (NPV)
d) Profitability Index (PI)

15. What is dividend policy? Explain factors affecting dividend policy?

16. What are the objectives of Mergers and Acquisition? State and explain causes for failure of mergers and acquisition.

SECTION – D

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

17. Three Companies present the following financial details

	X	Y	Z
Return on Investment	30%	25%	20%
Earning Per Share	₹ 16	₹12	₹ 8
Cost of Equity	18%	25%	22%

Using Walter's Dividend Model, calculate the share prices for 0%, 25%, 50% and 75% Dividend Pay-out Ratio.

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G 306.6a

Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

B.Com. ACCA - Semester VI – Degree Examination

August / September 2021

CORPORATE REPORTING

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

SECTION – A

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

1. Clean sells domestic appliances such as washing machines. On 31 December 20X1, Clean decides to start selling washing machines with a warranty. Under the terms of the warranty, Clean will repair washing machines at no charge to the customer if they break within the warranty period. The entity estimates, based on past-correspondence with customers, that 20% of the washing machines sold will require repair within the warranty period at an average cost to Clean of $50 per machine. Clean sold 200 washing machines on 31 December 20X1. The time value of money should be ignored. Calculate the warranty provision required.
2. Golden Gate enters into a contract with a major chain of retail stores. The customer commits to buy at least $20 million of products over the next 12 months. The terms of the contract require Golden Gate to make a payment of $1 million to compensate the customer for changes that it will need to make to its retail stores to accommodate the products. By the 31 December 2020, Golden Gate has transferred products with a sales value of $4 million to the customer.
   How much revenue should be recognized by Golden Gate in the year ended 31 December 2020?

3. Hyssop is preparing its financial statements for the year ended 31 December 2020.
   On 1 December 2020, the entity became committed to a plan to sell a surplus office property and has already found a potential buyer. On 15 December 2020 a survey was carried out and it was discovered that the building had dry rot and substantial remedial work would be necessary. The buyer is prepared to wait for the work to be carried out, but the property will not be sold until the problem has been rectified. This is not expected to occur until summer 2021. Can the property be classified as 'held for sale'?
4. An entity makes contributions to the pension fund of employees at a rate of 5% of gross salaries. For convenience, the entity pays $10,000 per month into the pension scheme with any balance being paid in the first month of the following accounting year. The wages and salaries for 20X6 are $2.7 million. Calculate the pension expense for 20X6, and the accrual/prepayment at the end of the year.

Contd...2

G 306.6a

5. The following information relates to a defined benefit plan:

	$000
	950
Fair value of plan assets	800
Present value of pension liability	70
Present value of future refunds and reductions in future contributions	

Required: What is the value of the asset that should be recognised in the financial statements?

6. Gordon has owned 80% of Mandy for many years. Gordon is considering acquiring more shares in Mandy. The NCI of Mandy currently has a carrying amount of $20,000, with the net assets and goodwill having a carrying amount of $125,000 and $25,000 respectively. Gordon is considering to buy 20% of the Mandy shares leaving no NCI for $25,000. Calculate the adjustments required to NCI and other components of equity (if any).

7. The following material events have occurred after the reporting period and prior to the date of approval of the financial statements by the directors.

   i) The insolvency of a major credit customer

   ii) The uninsured loss of inventory in a fire

   State whether the above is adjusting or non-adjusting events.

SECTION – B

Answer any <u>FOUR</u> of the following. **(4x12=48)**

8. Cap bought a building on 1 January 20X1. The purchase price was $2.9m, associated legal fees were $0.1m and general administrative costs allocated to the purchase were $0.2m. Cap also paid sales tax of $0.5m, which was recovered from the tax authorities. The building was attributed a useful life of 50 years. It was revalued to $4.6m on 31 December 20X4 and was sold for $5m on 31 December 20X5. Cap purchased a machine on 1 January 20X3 for $100,000 and attributed it with a useful life of 10 years. On 1 January 20X5, Cap reduced the estimated remaining useful life to 4 years. Explain how the above items of property, plant and equipment would have been accounted for in all relevant reporting periods up until 31 December 20X5.

9. Briefly explain the following aspects.

   a.) Qualitative characteristics of useful financial information

   b.) Criticisms of financial reporting

10. H has owned 80% of the ordinary shares of S and 30% of the ordinary shares of A for many years. The information below is required to prepare the consolidated statement of profit or loss for the year ended 30 June 20X8.

Statements of profit or loss for the year ended 30 June 20X8

	H $	S $	A $
Revenue	5,00,000	2,00,000	1,00,000
Cost of sales	(100,000)	(80,000)	(40,000)
Gross profit	400,000	120,000	60,000
Distribution costs	(160,000)	(20,000)	(10,000)
Administrative expenses	(1,40,000)	(40,000)	(10,000)
Profit from operations	1,00,000	60,000	40,,000
Tax	(23,000)	(21,000)	(14,000)
Profit after tax	77,000	39,000	26,000

Note: There were no items of other comprehensive income in the year. At the date of acquisition, the fair value of S's plant and machinery, which at that time had a remaining useful life of ten years, exceeded the book value by $10,000. During the year S sold goods to H for $10,000 at a margin of 25%. By the year-end H had sold 60% of these goods.

The group accounting policy is to measure non-controlling interests using the proportion of net assets method. The current year goodwill impairment loss was $1,200, and this should be charged to administrative expenses. By 30 June 20X8 the investment in A had been impaired by $450, of which the current year loss was $150. On 1 January 20X8, H signed a contract to provide a customer with support services for the following twelve months. H received the full fee of $30,000 in advance and recognised this as revenue.

Required: Prepare the consolidated statement of profit or loss for the year ended 30 June 20X8.

11. On 1 January 20X1 James issued a loan note with a $50,000 nominal value. It was issued at a discount of 16% of nominal value. The costs of issue were $2,000. Interest of 5% of the nominal value is payable annually in arrears. The bond must be redeemed on 1 January 20X6 (after 5 years) at a premium of $4,611. The effective rate of interest is 12% per year.

Required: How will this be reported in the financial statements of James over the period to redemption?

12. Consider the following structure:

	ENTITY-A	
60% ENTITY-B		70% ENTITY-C
		35% ENTITY-D

Required:

Identify the related party relationships within the above structure.

13. The ACCA requires its members to adhere to a code of professional ethics. This provides a set of moral guidelines for professional accountants. Elaborate.

SECTION – C

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

14. On 1 January 20X1, Kingfisher enters into a four year lease of property with annual lease payments of $1 million, payable at the beginning of each year. According to the contract, lease payments will increase every year on the basis of the increase in the Consumer Price Index for the preceding 12 months. The Consumer Price Index at the commencement date is 125. The interest rate implicit in the lease is not readily determinable. Kingfisher's incremental borrowing rate is 5 per cent per year. At the beginning of the second year of the lease the Consumer Price Index is 140. Required:

    Discuss how the lease will be accounted for:

    - during the first year of the contract
    - on the first day of the second year of the contract.

15. Ayre has owned 90% of the ordinary shares of Fleur for many years. Ayre also has a 10% investment in the shares of Byrne, which was measured at fair value through profit or loss and held in the consolidated statement of financial position as at 31 December 20X6 at $24,000 in accordance with IFRS 9 Financial Instruments. On 30 June 20X7, Ayre acquired a further 50% of Byrne's equity shares at a cost of $160,000. The draft statements of profit or loss for the three companies for the year ended 31 December 20X7 are presented below:

    Statements of profit or loss for the year ended 31 December 20X7

	Ayre $000	Fleur $000	Byrne $000
Revenue	500	300	200
Cost of sales	(300)	(70)	(120)
Gross profit	200	230	80
Operating costs	(60)	(80)	(60)
Profit from operations	140	150	20
Income tax	(28)	(30)	(4)
Profit for the period	112	120	16

The non-controlling interest is calculated using the fair value method. On 30 June 20X7, fair values were as follows:

- Byrne's identifiable net assets – $200,000
- The non-controlling interest in Byrne – $100,000
- The original 10% investment in Byrne – $26,000

Required: Prepare the consolidated statement of profit or loss for the Ayre Group for the year ended 31 December 20X7 and calculate the goodwill arising on the acquisition of Byrne.

16. An entity has a reporting date of 31 December. On 1 January 20X1 it grants 100 share options to each of its 500 employees. Each grant is conditional upon the employee working for the entity until 31 December 20X3. At the grant date the fair value of each share option is $15. During 20X1, 20 employees leave and the entity estimates that a total of 20% of the 500 employees will leave during the three-year period. During 20X2, a further 20 employees leave and the entity now estimates that only 15% of the original 500 employees will leave during the three-year period. During 20X3, a further 10 employees leave.

Required: Calculate the remuneration expense that will be recognised in each of the three years of the share-based payment scheme.

SECTION – D

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

17. Background

Cherry is a large public limited company. It prepares its financial statements using IFRS Standards and has a reporting date of 30 November 20X6. A bonus is paid to the directors each year which is based upon the operating profit margin of Cherry.

Change in accounting policy for pension scheme

On 1 December 20X5, there was an amendment to Cherry's defined benefit scheme whereby the promised pension entitlement was increased from 10% of final salary to 15%. The directors believe that the pension scheme, which is in deficit, is not an integral part of the operating activities of Cherry. As such they have changed their accounting policy so that, from the current year, all gains and losses on the pension scheme are recognized in other comprehensive income. They believe that this will make the financial statements more consistent, more understandable and can be justified on the grounds of fair presentation.

Trademark

On 1 December 20X2, Cherry acquired a trademark, Golfo, for a line of golf clothing for $3 million. Initially, because of the difficulty in determining its useful life, Cherry decided to amortize the trademark over a 10-year life, using the straight-line method. On 1 December 20X5, a competitor unexpectedly revealed a technological breakthrough which is expected to result in a product which, when launched in May 20X8, will significantly reduce the demand for the Golfo product-line. Cherry now intends to continue manufacturing Golfo products until 31 May 20X8. Amortization of $300,000 in relation to the Golfo trademark has been charged in the financial statements for the year ended 30 November 20X6.

Discuss the accounting and ethical implications of the above situations.

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G 307.6

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

St Aloysius College (Autonomous)
Mangaluru
B.Com. Semester VI – Degree Examination
August / September 2021
SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT - II

Time: 3 hrs. Max Marks: 100

SECTION – A

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

1. Mr. Varun is considering several investments. The risk- free return is currently 6.25% and the expected return for the market is 10%. What should be the required rates of return for each investment using CAPM?

   Security : A B
   Beta : 1.10 0.90

2. What is meant by Small firm Effect with regard to market anomalies in Efficient Market Hypothesis?

3. What are Forwards?
4. What is Efficient Frontier?
5. State any two Assumptions of Capital Asset Pricing Theory.
6. What do you mean by Portfolio Evaluation?
7. Distinguish between American Option and European Option.

SECTION – B

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

8. Two assets X and Y have the following risk and returns:

$\sigma_x = 25\%$	$E(R_x) = 20\%$
$\sigma_Y = 20\%$	$E(R_y) = 15\%$
$r_{xy} = -0.3$	

Determine the risk and return for the portfolio of assets X and Y with following weights:

Portfolio	Weight-X	Weight- Y
P	90%	10%
Q	10%	90%
R	50%	50%

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 following information is provided regarding the performance of the funds namely Birla Advantage, Sundaram Growth and Sun F & C Value for a period of six months ending August 1999. The risk free rate of interest is assumed to be 9. Rank them with the help of Sharpe Index and Treynor index and discuss.

	R_p	σ_p	β_p
Birla Advantage	25.38	4	.23
Sundaram Growth	25.11	9.01	.56
Sun F & C Value	25.01	3.55	.59

11. a) An investor buys a NIFTY Futures contract for ₹ 2,80,000(lot size 200 futures). On the settlement date, the NIFTY closes at 1,378. Find out his profit or loss, if he pays ₹ 1,000 as brokerage. What would be his position, if he has sold the futures contract? **(6 Marks)**

b) The shares of Blue Dart Services are being traded at ₹ 250 on the Bombay Stock Exchange Its futures for 1 month, 2 months and 3 months are also available on the Bombay Stock Exchange. If the risk free rate is 12% per annum and no dividends are expected during this period, what should be the equilibrium price of these shares? **(6 Marks)**

12. What is meant by Efficient Market? What are the empirical evidences of the weak form of market efficiency?

13. Write a note on Arbitrage Pricing Theory.

SECTION – C

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

14. An investor wants to build a portfolio with the following four stocks. With the given details, find out his portfolio return and portfolio variance. The investment is spread equally over the stocks.

Company	α	β	**Residual Variance**
Sneha	0.17	0.93	45.15
Neha	2.48	1.37	132.25
Asha	1.47	1.73	196.28
Priya	2.52	1.17	51.98

Market return (R_m) = 11 Market return variance = 26

15. Mr. Ramesh is constructing a optimum portfolio. The market return forecast says that it would be 13.5 per cent for the next two years with the market variance of 10 per cent. The riskless rate of return is 5 per cent. The following securities are under review. Find out the optimum portfolio.

Company	α	β	σ_{ei}^2
A	3.72	0.99	9.35
B	0.60	1.27	5.92
C	0.41	0.96	9.79
D	-0.22	1.21	5.39
E	0.45	0.75	4.52

Contd...3

16. What is meant by Selection of Asset Mix with regard to Portfolio? Explain the Strategies involved in the formulation of a Portfolio.

SECTION – D

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

17. The market received rumors about Sunshine Corporations tie up with the multinational company. This has induced the market price to move. If the rumor is false, the Sunshine's Stock price will probably fall dramatically. To protect from this an investor has bought the call and put options.

   a. Purchased one 3-month call with a striking price of ₹ 42 for ₹ 2 premium.

   b. Paid Re. 1 per share premium for a 3 month put with a striking price of ₹ 40.

      i. Determine the investor's position if the tie up offer bids the price of Sunshine's stock up to ₹ 43 in 3 months.

      ii. Determine the investor's ending position if the tie up programme fails and price of the stock falls to ₹ 36 in 3 months.

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G 308.6

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

St Aloysius College (Autonomous)

Mangaluru

B.Com. Semester VI – Degree Examination

August / September 2021

BUSINESS TAXATION - II

Time: 3 hrs.

Max Marks: 100

SECTION – A

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

1. Explain briefly how the introduction of GST eliminated cascading effect of taxes.
2. Define 'goods', as per GST Law.
3. Classify the following supplies into Composite Supply and Mixed Supply:
   a) Painting of building
   b) Supply of laptop with mouse and headphone
   c) Supply of Ceiling fan and regulator
   d) Fixing of rear mirror to SUV
4. Write a brief note on reverse charge mechanism.
5. Mr. Ashwin made an aggregate turnover of ₹90 lakh for the month of January 2021. Compute taxable turnover if following supplies are included in the aggregate turnover.
   - Purchases from an unregistered dealer under RCM ₹3,00,000/-
   - Export to China ₹25 lakh
   - Exempt Supplies ₹5 lakh
   - Inter State Supplies ₹25 lakh
   - Intra State Supplies ₹25 lakh

6. State any two products whose manufacturer/supplier must take compulsory registration under regular scheme.
7. Give the meaning of casual taxable person as per GST Act.

SECTION - B

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

8. From the information given below, you are requested to compute the total custom duty payable by Optimus Limited on DSLR Camera and Photographic Lenses imported from Taiwan. The assessable value of these goods are ₹35 Lakh and ₹18 Lakh respectively. Rates of Duty Applicable are given in the following table.

Taxes	Camera	Lenses
Basic Custom Duty	12%	10%
IGST	18%	28%
NCCD	---	1%
Safeguard Duty	---	15%
Protective Duty	---	10%
Anti-dumping Duty	18%	---
Compensation Cess	20%	---

Contd...2

9. Discuss the benefits of GST from the perspective of businessmen.
10. Keerthi Pvt Ltd is having its business units in Bangalore and Ahmedabad. It also has service outlets at Udupi and Mangalore. From the following information, calculate the aggregate and taxable turnover under IGST, CGST and SGST.
    a) Sold goods from Bangalore unit to a dealer at Delhi for ₹ 12,00,000/-.
    b) Sold goods from Bangalore unit to a dealer at Dharwad for ₹ 1,00,000.
    c) Supplied goods from Ahmedabad unit to UK for ₹ 20,00,000.
    d) Rendered service from Udupi unit to a person located in Hubli for ₹ 1,00,000.
    e) Bangalore unit supplies non-taxable goods to Mr Prabhu at Bangalore for ₹2,50,000/-
    f) Supplied goods from Bangalore unit to SEZ located in Delhi for ₹5,00,000 /-
    g) Supplied exempted goods from Ahmedabad unit to a dealer at Dharwad for ₹20,000.
    h) Stock transfer from Bangalore to Ahmedabad ₹2,50,000/-
    i) Stock transfer from Bangalore to Udupi ₹80,000/-.
11. Mr. Jack of Jhansi supplied shampoo and detergent powder to different wholesalers all over India. From the following information determine the time of supply.

Sl. No	Date of Removal of Goods	Invoice Date	Date of Payment
(1)	25/04/2021	30/04/2021	Books – 14/05/2021 Bank Credit – 15/05/2021
(2)	25/04/2021	21/04/2021	Books – 16/05/2021 Bank Credit – 18/05/2021
(3)	25/04/2021	30/04/2021	Books – 16/04/2021 Bank Credit – 19/04/2021
(4)	25/04/2021	30/04/2021	Books – 14/05/2021 Bank Credit – 15/05/2021

12. Explain the provisions of GST Act in respect of place of supply of services, if the location of supplier and recipient is in India.
13. Describe the eligibility and conditions for claiming Input tax credit.

SECTION – C

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

14. a) Explain the procedure of registration under GST in detail. **(12)**
    b) When is a person compulsorily liable to register under GST ? **(4)**

15. Ms. Aarcee, a dealer in Mangalore submits the following in relation to manufacture and selling of certain goods. Compute the net GST payable and Input Tax Credit (ITC) eligible on inputs.

a) Import of raw materials (excluding BCD @ 10% and IGST @ 5%) ₹1.40 lakh

b) Raw materials purchased from Karwar (including GST @ 28%) ₹5.12 lakh

c) Import of technical know-how from Japan (excluding BCD @10% and IGST @18%) ₹10,000

d) Raw materials purchased from Mumbai (GST 5%) `₹40,000.

e) Subsidy received from NGO which was directly related to price of the goods ₹13,000

f) Purchase of raw materials which are charged at zero rate ₹1Lakh

g) Service received from specialist in Pune which are exempted ₹30,000

h) Manufacturing expenses ₹3,800 and warranty charges ₹9,600

i) Subsidy received from State Govt. which was directly related to price of the goods ₹14,000

j) Along with these goods, she supplied three accessories worth ₹7,900 in total, which are naturally bundled, with the principal supply. GST rate of these accessories are 5%, 12% and 28% respectively.

k) Materials purchased from SEZ in Mangalore (including GST 5%) ₹2.1 lakh

l) Electronic Credit Ledger of Aarcee shows a credit balance of IGST of ₹8,000; CGST of ₹2,000 and SGST of ₹10,000.

Out of total cost of finished goods,

- 20% sold to a unit of EOU in Bangalore at a profit of 25%
- 20% sold to Canada at 20% profit
- 10% sold to an unregistered dealer of New Delhi, at 20% profit
- 20% to a registered dealer of Udupi who opted for composition scheme, at 20% profit.
- Remaining goods to a registered dealer in Dharwad, at 25% profit.
- The rate of GST on all these outward supply is 18%.

Contd...4

16. a) From the following information furnished by M/S Ultra-Magnus, a dealer in Karnataka. Compute the amount of taxable supply and IGST payable.

Particulars	**Inter-State Supply**	
	GST @ 12% (₹)	GST @18% (₹)
Gross Sale	8,00,000	3,50,000
It includes the following :		
Packing Charges	3,500	1,500
Design charges	1,500	800
Trade discount	800	300
Warranty	24,000	---
Freight (shown separately)	2000	700
Pre-delivery inspection charges (not shown separately)	18,000	13,000
Installation expenses (shown separately)	5,600	5,100
Commission for additional sales	3,500	1,500

(10)

b) What is tax invoice? Mention its contents. **(6)**

SECTION – D

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

17. Mr. Bumble Bee imported a Lamborghini from New York, USA. The cost of the car is $200,000. Cost of transport from New York to Indian Air Port $20,000

- ¤ Design and Development charges incurred outside India is ₹$1,000
- ¤ Flight Loading charges incurred by the exporter $4000
- ¤ Packing Charges (including returnable packing of $500) is $2500
- ¤ Insurance as applicable.
- ¤ Cost of additional work done in India ₹10,000
- ¤ The Dollar Rates are available on the date of presentation of Bill of Entry are **RBI Floor Rate** = ₹71 ; **Inter-Bank Closing Rate** = ₹73 ; **CBIC Rate** = ₹72.

You are requested to find out the following:

(a) Assessable value

(b) Total Custom Duty Payable, if BCD is 10% and GST is 28%.

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G 309.6 Reg. No.: | | | | | | |

St Aloysius College (Autonomous)

Mangaluru

B.Com. Semester VI – Degree Examination

August / September 2021

HUMAN RESOURCE MANAGEMENT-II

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

SECTION – A

Answer any <u>FIVE</u> of the following. **(5x2=10)**

1. What is Career Path?
2. Mention the various issues faced by employees in Career Planning.
3. How are Ethics different from Morals?
4. Give the meaning of HR Audit?
5. What is Human Resource Information System (HRIS)?
6. What you mean by Cultural Disposition?
7. Mention any four social security measures available to employees in India.

SECTION - B

Answer any <u>FOUR</u> of the following. **(4x12=48)**

8. Explain the Steps involved in Career Planning and Development.
9. What is the need for International HRM? Explain.
10. What are HR Ethics? Explain the importance of HR ethics in business organisations.
11. Describe the different types of Labour Welfare Services.
12. Explain the importance of HR Audit.
13. Explain the emerging issues in HRM.

SECTION – C

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

14. What you mean by Quality of Work life? Explain the various techniques for improving Quality of Work life.
15. What are the causes of Labour Turnover? Explain the methods to reduce Labour Turnover.
16. Explain the Impact of Technology on HRM.

SECTION – D

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

17. Briefly explain the types of transfer and promotion.

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G 310.6

Reg. No.:

St Aloysius College (Autonomous)

Mangaluru

B.Com. Semester VI – Degree Examination

August / September 2021

MARKETING MANAGEMENT-II

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

SECTION – A

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

1. What is Corporate Branding?
2. What is Slogan?
3. Define Service Marketing.
4. What is Rural Marketing?
5. What does heterogeneity means under Services?
6. What is Premium Price?
7. Write any two activities involved in Retailing.

SECTION - B

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

8. Why is Brand Building important?
9. Explain the 4 components of Customer Relationship Management (CRM)
10. Write a note on Rural consumer.

11. Explain Brand Equity.
12. Define Sustainable Marketing and Social Criticism of Marketing.
13. Explain the Marketing implications of Hospital and Finance Industries.

SECTION – C

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

14. What is service? Explain the tasks involved in Service Marketing.
15. Discuss tasks that need unique handling in tapping Rural Markets.
16. Explain benefits and pitfalls in implementing CRM.

SECTION – D

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

17. Write a note on Franchising.

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G 316.6a

Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

B.Com. ACCA - Semester VI – Degree Examination

August / September – 2021

ADVANCED PERFORMANCE MANAGEMENT - II

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

SECTION – A

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

1. What will be the primary objective of a commercial bank?
2. State the measure used to assess the divisional performance of Cost Centre of a responsibility centre.
3. State the solution to overcome the problems of Non-quantifiable Costs and Benefits.

4. Define Quality Management.
5. State the stages of implementing Balanced Score Card.
6. Identify some of the reasons for corporate failure.
7. Distinguish between Conventional Costs and Contingent Costs.

SECTION - B

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

8. A local government housing department (LGHD) has funds which it is proposing to spend on the upgrading of air conditioning systems in its housing inventory.

   It is intended that the upgrading should enhance the quality of living for the occupants of the houses.

   Preferred contractors will be identified to carry out the work involved in the upgrading of the air conditioning systems, with each contractor being responsible for upgrading of the systems in a proportion of the houses. Contractors will also be required to provide a maintenance and operational advice service during the first two years of operation of the upgraded systems.

   Prior to a decision to implement the proposal, LGHD has decided that it should carry out a value for money (VFM) audit.

   You have been given the task of preparing a report for LGHD, to help ensure that it can make an informed decision concerning the proposal.

   Required:

   Prepare a detailed analysis which will form the basis for the preparation of the final report. The analysis should include a clear explanation of the meaning and relevance of each of (a) and (b) below and should incorporate specific references to examples relating to the upgrading proposal.

Contd...2

a) Value for Money (VFM) audit (including references to the roles of principal and agent).

b) Economy, efficiency and effectiveness as part of the VFM audit.

9. 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 a number of different countries.

10. You have been asked to investigate a chain of convenience stores and assess the likelihood of corporate failure. What would you include in your analysis?

11. Explain how the 8 principles of ISO 9001:2005 should result in quality improvements.

12. What is Kaizen costing? Explain the steps in Kaizen costing.

13. Identify some of the reasons for corporate failure.

SECTION – C

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

14. a) What is transfer pricing? State the characteristics of a good transfer price. **(8 marks)**

b) Point out some of the general rules for setting transfer prices **(8 marks)**

15. What are the problems associated with performance management in NFP Organisations. State the solution to those problems.

16. Give the meaning EMA? Explain the four categories of environmental costs.

SECTION – D

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

17. Explain the problems associated with divisional structures.

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G 351.6 Reg. No.:

St Aloysius College (Autonomous)

Mangaluru

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

August / September 2021

Financial Reporting

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

SECTION – A

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

1. Which are the two methods of amalgamation as per AS 14?
2. What is meant by WANES in the context of EPS?
3. Give an example of stock split.
4. If the Total profit after tax is Rs.54,30,000 and the tax is Rs.17,70,000, what would be the EPS of a share with a share capital of Rs.40,00,000? The nominal value per share is Rs.10.
5. What is purchase consideration in the context of AS 14?
6. In the books of the transferor company (selling company), What is the entry for payment of realization expenses paid by the transferee company?
7. As per a scheme of internal reconstruction, the 9% Debentures of Rs.100 each are reduced to Rs.75 each. What is the new interest rate if the interest earned remains the same in value?

SECTION - B

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

8. The abstract of the Balance Sheet of the Arjun Ltd as at 31st March, are as follows-

Liabilities	Rs.
Equity Share Capital (Rs.100 each)	15,00,000
12% Preference Share Capital (Rs.100 each)	8,00,000
13% Debentures	3,00,000

On 31st March, B Ltd agreed to take over A Ltd on the following terms:

1. For each Preference Share in A Ltd, Rs.10 in Cash and one 9% Preference Share of Rs.100 in B Ltd.
2. For each Equity Share in A Ltd, Rs.20 in Cash and one Equity Share in B Ltd for Rs.100 each. It was decided that the share in B Ltd will be issued at market Price Rs.140 per Share.
3. Liquidation expenses of A Ltd are to be reimbursed by B Ltd to the extent of Rs.10,000. Actual Expenses amounted to Rs.12,500.

You are required to compute the amount of Purchase Consideration

9. The paid-up capital of Titanic Ltd. amounted to Rs.10,00,000 consisting of 1,00,000 equity shares of Rs. 10 each. Due to losses incurred by the company continuously, the directors of the company prepared a scheme for reconstruction which was duly approved by the court. The terms of reconstruction were as under:

   1) In lieu of their present holdings, the shareholders are to receive:
      a) Fully paid Equity Shares equal to 2/5th of their holding.
      b) 5% Preference Shares fully paid-up to the extent of 20% of the above new Equity Shares.
      c) 12,000 6% Second Debentures of Rs. 10 each.
   2) An issue of 25,000 5% First Debentures of Rs. 10 each were made and fully subscribed in cash.
   3) The assets were reduced as follows:
      a) Goodwill from Rs.1,50,000 to Rs.75,000.
      b) Machinery from Rs.5,00,000 to Rs.3,75,00.
      c) Leasehold premises from Rs.75,000 to Rs.62,500.

   Show the journal entries to give effect to the above scheme of reconstruction.

10. Honey Ltd. was taken over by Well Ltd. for a purchase consideration paid as follows:
    a) 50,000 equity shares of Rs. 10 each in Honey Ltd. were issued 20 shares of Rs.2 each for every five shares in Honey Ltd. and also a payment of Rs.5 for every five shares.
    b) 20,000, 8% Preference shares of Rs.10 each were issued the same number and denomination of shares.
    c) Rs.4,00,000 in 12% Debentures of Rs.100 each were issued 14% Debentures in Well Ltd.
    d) Liquidation expenses of Rs.10,000 were paid by Well Ltd.
    e) The stock of Honey Ltd. included stock of Rs.75,000 which was earlier purchased by Well Ltd. which had charged 25% on cost.
    f) The Fixed assets and current assets were Rs.8,00,000 and Rs.4,50,000 and current liabilities were Rs.2,00,000.

    Show journal entries in the books of Well Ltd. for the above.

11. In a financial year, Raj Ltd. issued Rs.80,00,000 equity shares at par on 15th December. It had also bought back Rs.20,00,000 Equity capital (at par) on 1st of March following. The equity capital at the end of the year on March 31st was Rs.1,50,00,000. Calculate the weighted average number of equity shares outstanding during the period, if the price per share is Rs.100. Also find the EPS if the net profit attributable to equity shareholders is Rs.20,00,000.

12. Compute the Basic and Adjusted EPS from the following information:

Net profit for 2016-17	Rs.22,00,000
Net profit for 2017-18	Rs.33,00,000
Number of shares before Rights issue	1,10,000
Fair Value of share before rights issue	Rs.270
Rights issue Ratio	1:4 (one for every four)
Rights issue price per share	Rs.180
Date of exercising rights	31st July 2017 (full)

13. Explain the importance of disclosure of related party transactions. Also state who are related parties with examples?

SECTION – C

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

14. Following is the summarized Balance Sheet of Max Ltd. as at March 31, 2019.

Liabilities	₹	Assets	₹
Equity capital (100 each)	10,00,000	Goodwill	20,000
9% Pref. Capital	5,00,000	Other Fixed Assets	15,00,000
General Reserve	1,80,000	Trade receivables	6,51,000
P&I	(4,13,000)	Inventory	3,93,000
12% Debentures	6,00,000	Investments	1,92,000
		Cash & Cash Eq.	26,000
Total	27,82,000		27,82,000

As on 1.4.2019 Max Ltd. adopted the following scheme of reconstruction:

(i) Each equity share shall be sub-divided into 10 equity shares of Rs.10 each fully paid up. 50% of the equity share capital would be surrendered to the company.

(ii) Preference dividends are in arrear for 3years. Preference share holders agreed to waive 90% of the dividend claim and accept payment for the balance.

(iii) Investments were sold for ₹2,00,000

(iv) Debenture holders of Rs.2,80,000 agreed to accept one machinery of book value of Rs.3,00,000 in full settlement. The remaining debentures were converted to equity shares of ₹10 each to the extent of 80% of their nominal value.

(v) Trade payables, trade receivables and inventory were valued at Rs.3,50,000, Rs.5,90,000 and Rs .3,60,000 respectively. The goodwill, discount on issue of debentures and Profit and Loss (Dr.) are to be written off.

The Company paid Rs.15,000 as penalty to avoid capital commitments of Rs.3,00,000 in full settlement.

Show necessary journal entries and the balance sheet after reconstruction

Contd...4

15. The Balance sheet of P ltd as at 31st March 2012 was as follows:

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs. 10 fully paid	6,00,000	Goodwill	1,00,000
Statutory Reserves	1,70,000	Tangible Fixed Assets	6,00,000
General Reserves	10,000	Stock	2,08,000
Profit and Loss A/c	1,10,000	Debtors	36,000
12% Debentures	1,00,000	Cash and Bank	56,000
Creditors	20,000	Preliminary Expenses	10,000
Total	10,10,000	Total	10,10,000

K ltd agreed to absorb the business of P ltd with effect from 1st April 2012. The purchase consideration payable by K ltd was agreed as follows:

a) A cash payment equivalent to Rs. 2.50 for every Rs. 10 shares in P ltd

b) The issue of 90,000 Equity shares of Rs. 10 each fully paid in K ltd having an agreed value of Rs. 15 per share.

c) The issue of such an amount of fully paid 14% debenture in K ltd at 96% as is sufficient to discharge 12% debentures in P ltd at a premium of 20%.

While computing purchase consideration K ltd valued tangible assets at 100% more than the book value, stock at Rs. 1,42,000 and debtors at their face value subject to a provision of 5% for doubtful debts.

The actual cost of liquidation of P ltd was Rs. 15,000. Liquidation cost of P ltd is to be reimbursed by K ltd to the extent of Rs. 1000. Statutory reserves are to be maintained for two more years.

Required:

1. Close the books of P ltd by preparing realisation account, K ltd account, shareholders account and debentures account.
2. Pass journal entries in the books of K ltd regarding acquisition of business.

16. A ltd agreed to acquire business of E ltd as on 31st March 2012. The balance sheet of E ltd as on that date was as follows:

Liabilities	Rs.	Assets	Rs.
10,000 12% preference shares of Rs. 10 each.	1,00,000	Tangible Fixed Assets	2,50,000
20,000 equity shares of Rs. 10 each.	2,00,000	Stock	2,50,000
Statutory Reserve	14,800	Debtors	50,000
General Reserve	5,200	Cash & Bank Balances	48,200
Profit and loss Account	30,000	Preliminary expenses	1800
12% Debentures	1,00,000		
Sundry Creditors	1,50,000		
Total	6,00,000	Total	6,00,000

Contd...5

The consideration payable by A ltd was agreed as under:

1. The preference shareholders of E ltd were to be allotted 8% preference shares of Rs. 1, 10,000.

2. Equity shareholders to be allotted 6 equity shares of Rs. 10 each issued at a premium of 10% and Rs. 3 against every 5 shares held.

3. 12% Debenture holders of E ltd to be paid at 8% premium by issue of 14% debentures at 10% discount.

While arriving at the agreed consideration, the director of A ltd valued tangible fixed asset at 40% more than the book value, Stock at 12% less than the book value and debtors at their book value subject to an allowance of 5% to cover the full debt. Debtors of E ltd included Rs. 10,000 due from A ltd. It was agreed that before acquisition E ltd will pay a dividend of 10%. Expenses are to be reimbursed by A ltd to the extent of Rs. 10,000. Assume corporate dividend tax at 10%.

Required:

Show necessary ledger accounts in the books of E Ltd.

SECTION – D

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

17. What are the conditions to be satisfied for an amalgamation to be treated as in the nature of merger (pooling of interests)?

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G 352.6

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

St Aloysius College (Autonomous)

Mangaluru

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

August / September 2021

International Taxation

Time: 3 hrs.

Max Marks: 100

SECTION – A

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

1. Briefly explain Arm's Length Principal (ALP).
2. When is a Company said to be a Resident in India?
3. What constitutes a Permanent Establishment?
4. Can an Application for Advance Ruling be withdrawn? If yes, within how many days?
5. What is the rate of Equalization Levy? What is the rate applicable on E-Commerce Services?

6. Mention any two features of Tax Treaties.
7. What are the two tests to be satisfied for an agreement to qualify as an Impermissible Avoidance Agreement?

SECTION - B

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

8. (a) Beta Ltd. is an Indian Co. in which PQR Inc., a Country C Co. is holding 27% shares and voting power. Following transactions were affected between these two companies during 2020-21.

(i) Beta Ltd. sold 90,000 pieces of Pinafores @ \$10 per pinafore to PQR Inc. Identical pinafores were sold by Beta Ltd. to an unrelated party Gamma Inc. in Country C at \$12 per pinafore.

(ii) Beta Ltd. had borrowed a loan of \$350,000 from a Country C lender on the strength of guarantee given by PQR Inc. & for the purpose of giving guarantee Beta Ltd. paid \$15,000 as guarantee fee to PQR Inc. However, for the same amount of loan taken by unrelated party in India, it charged guarantee fee of \$12,000.

(iii) Beta Ltd. paid \$18,000 to PQR Inc. for getting the details of various potential customers to improve its business outside India in the global market. PQR Inc provided the same services & details to an unrelated party in India for \$16,000.

Examine the relationship of the Companies Beta Ltd. and PQR Inc. of Country C and compute the income of the Co. chargeable to tax for the AY 2021-22.

1\$ = Rs. 65 **(6 marks)**

(b) XE Ltd. is an Indian Co. in which Zilla Inc. a US Co. has 28% shareholding and voting power. Following transactions were affected between these 2 companies during the Financial Year:

(i) XE Ltd. sold 100,000 pieces of T-Shirts at $2 per T-Shirt to Zilla Inc. The identical T-Shirts were sold to unrelated party at $3 per T-Shirt.

(ii) X Ltd. borrowed $200,000 from a foreign lender based on the guarantee of Zilla Inc. For this XE Ltd. paid $10,000 as guarantee fee to Zilla Inc. To an unrelated party for the same amount of loan, Zilla Inc. collected $7,000 as guarantee fee.

(iii) XE Ltd. paid $15,000 to Zilla Inc. for getting various potential customer details to improve its business. Zilla Inc. provided the same service to unrelated parties for $10,000.

Examine the relationship of the Companies XE Ltd. and Zilla Inc. of USA and compute the income of the Co. chargeable to tax. **(6 marks)**

9. (a) Mr. Anil, a resident individual aged 52 years, furnishes the following particulars of income earned by him in India and Country N for the previous year 2020-21. India does not have a double taxation avoidance agreement (DTAA) with Country N.

Particulars	**Amount (Rs.)**
Income from profession carried on in Mumbai	8,50,000
Agricultural Income in Country N	1,30,000
Dividend from a company incorporated in Country N	85,000
Royalty income from a literary book from Country N	6,25,000
Expenses incurred for earning royalty	75,000
Business loss in Country N	1,10,000

The rate of income-tax in Country N is 18%. Compute total income and tax payable by Mr. Anil in India for A.Y. 2021-22. **(8 marks)**

(b) The Income-tax Act, 1961 provides for taxation of a certain income earned in India by Mr. X, a non-resident. The Double Taxation Avoidance Agreement, which applies to Mr. X provides for taxation of such income in the country of residence. Is Mr. X liable to pay tax on such income earned by him in India? Examine. **(4 marks)**

10. Mr. Kamlesh, an individual resident in India aged 52 years, furnishes you the following particulars of income earned in India, Country "X" and Country "Y" for the previous year 2020-21. India has not entered into double taxation avoidance agreement with these two countries.

Contd...3

Particulars	Amount (Rs.)
Income from profession carried on in India	7,50,000
Agricultural income in Country "X" (gross)	50,000
Dividend received from a company incorporated in Country "Y" (gross)	1,50,000
Royalty income from a literary book from Country "X" (gross)	6,00,000
Expenses incurred for earning royalty	50,000
Business loss in Country "Y" (Proprietary business)	65,000
Rent from a house situated in Country "Y" (gross)	2,40,000
Municipal tax paid in respect of the above house in Country "Y" (not allowed as deduction in country "Y")	10,000

The rates of tax in Country "X" and Country "Y" are 10% and 20%, respectively.

Compute total income and tax payable by Mr. Kamesh in India for Assessment Year 2021-22.

11. (a) XYZ Ltd., an Indian company has entered into a technical knowhow agreement with ABC Inc., Country A. ABC Inc. has a sister concern, PQR LLC., Country A, which has obtained advance ruling on an identical technical know-how agreement with another Indian company, PQR Ltd. Can XYZ Ltd. make use of this advance ruling for its assessment proceeding? Examine.

(4 marks)

(b) Mention the conditions to be satisfied in order to claim Unilateral Relief.

(4 marks)

(c) Examine when can an Advanced Ruling pronounced by the AAR be declared void. What is the consequence? **(4 marks)**

12. (a) XYZ & Co., a non-resident entity based in Singapore, owns and operates an electronic facility through which it effects online sale of goods manufactured by it. The following are its receipts from the P.Y. 2020-21 –

Particulars	Amount (Rs.)
Receipts from sale of goods to persons resident in India	158 lakhs
Receipts from sale of goods to persons not resident in India but resident in other parts of South-East Asia	96 lakhs
Out of the said sum, Rs. 57 lakhs relate to receipts from persons using internet protocol address located in India	

Discuss the equalization levy implications of such receipt in the hands of XYZ & Co., if;

(i) XYZ & Co. has no permanent establishment in India

(ii) XYZ & Co. has a permanent establishment in India, and the sale of goods is effectively connected to the permanent establishment in India.

Would your answer change if out of the receipts in (ii) above, only Rs. 40 lakhs relate to receipts from persons using internet protocol address located in India? **(8 marks)**

(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. **(4 marks)**

13. (a) Mention the need for tax treaties. **(4 marks)**

(b) Indco incorporates a Subco in a NTJ (Low Tax Jurisdiction) with equity of US $100. Subco gives a loan of US $ 100 to another Indian company (X Ltd.) at the rate of 10% p.a. X Ltd. claims deduction of interest payable to Subco from the profit of business. There is no other activity in Subco. Can GAAR be invoked in such a case? **(4 marks)**

(c) ABC Ltd., an Indian company, acquired an asset on lease instead of making an outright purchase. The intent of the company is to claim deduction for lease rentals while computing its profits and gains of business or profession, instead of claiming depreciation as would have been available in the case of purchase of the asset. Examine whether any portion of the lease rent payment, being higher than the depreciation, can be disallowed as expense under GAAR. **(4 marks)**

SECTION – C

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

14. (a) Godavari Ltd., a resident Indian Company, on 01-04-2020 has borrowed Rs. 80 crores from M/s. Missisippi Inc, a Company incorporated in Country F, at an interest rate of 8% p.a. The said loan is repayable over a period of 12 years. Further, loan is guaranteed by M/s Amazon Inc incorporated in Country F. M/s. Colorado Inc, a non-resident, holds shares carrying 40% of voting power both in M/s Godavari Ltd. and M/s Amazon Inc. M/s Colorado

Inc has also deposited Rs. 80 crores with M/s Missisippi Inc. The net profit of M/s. Godavari Ltd. was Rs. 7 crores after debiting the above interest, depreciation of Rs. 4 crores and income-tax of Rs. 2.70 crores. Godavari Ltd. wants to know if interest is allowable as deduction under the head "Profits and gains of business or profession" and if so, to what extent. **(8 marks)**

(b) NP Ltd., an Indian Company has borrowed Rs. 80 crores on 01-04-2020 from M/s. TL Inc, a Company incorporated in London, at an interest rate of 10% p.a. The said loan is repayable over a period of 5 years. Further, loan is guaranteed by M/s ST Inc. incorporated in UK. M/s. Tweed Inc, a non-resident, holds shares carrying 40% of voting power both in M/s NP Ltd. and M/s ST Inc. Net profit of M/s. NP Ltd. for P.Y. 2020-21 was Rs. 7 crores after debiting the above interest, depreciation of Rs. 4 crores and income-tax of Rs. 3 crores.

Calculate the amount of interest to be disallowed under the head "Profits and gains of business or profession" in the computation of M/s NP Ltd., giving appropriate reasons. **(8 marks)**

15. Mr. Hari, a resident Indian aged 37 years is a salaried employee employed with Delta P Ltd. He received the following components of his salary income during the previous year 2020-21.

Basic Salary	Rs. 60,000 p.m.
Dearness Allowance	12% of basic salary
Transport Allowance	Rs. 10,000 p.m.
Medical Allowance	Rs. 5,000 p.m.

He contributed Rs. 18,000 to approved Pension Fund of LIC. He also paid Rs. 2,00,000 by crossed cheque for mediclaim premium to insure the health of his mother, a resident aged 61 years, who is not dependent on him as a lumpsum payment for 5 years including the current previous year.

He also delivered guest lectures in a reputed university in Country X during the year. He received Rs. 8,00,000 from such university after deduction of tax of Rs. 2,00,000 in Country X. India does not have any double taxation avoidance agreement under section 90 of the Income-tax Act, 1961, with Country X. Compute the tax liability of Mr. Hari for the A.Y. 2021-22.

16. 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.

Contd...6

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

(ii) Are the income 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?

SECTION – D

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

17. (a) (i) Y Ltd. is a company incorporated in country C1. It is a non-resident in India.

(ii) Z Ltd. is a company resident in India.

(iii) A Ltd. is a company incorporated in country F1 and it is a 100% subsidiary of Y Ltd.

(iv) A Ltd. and Z Ltd. form a joint venture company X Ltd. in India after the date of commencement of GAAR provisions. There is no other activity in A Ltd.

(v) The India-F1 tax treaty provides for non-taxation of capital gains in the source country and country F1 charges no capital gains tax in its domestic law.

(vi) A Ltd. is also designated as a permitted transferee of Y Ltd. Permitted transferee means that though shares are held by A Ltd, all rights of voting, management, right to sell etc., are vested in Y Ltd.

(vii) As per the joint venture agreement, 49% of X Ltd's equity is allotted to A Ltd. and 51% is allotted to Z Ltd.

(viii) Thereafter, the shares of X Ltd. held by A Ltd. are sold to C Ltd., a company connected to the Z Ltd. group.

As per the tax treaty with country F1, capital gains arising to A Ltd. are not taxable in India. As per the India – Country C1 tax treaty, capital gains is chargeable to tax in the source country. Can GAAR be invoked to deny the treaty benefit? **(5 marks)**

(b) Briefly explain Ambulatory Vs Static Approach. **(5 marks)**

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G 353.6

Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

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

August / September 2021

Organisational Behaviour

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

SECTION – A

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

1. Mention the types of motivation.
2. Mention the qualities of a successful leader.
3. What are the various individual stressors?
4. What is Business Process Re-engineering?
5. What are financial motivators? Mention a few examples.
6. Explain in brief the two types of change.
7. Discuss the nature of organisational behaviour.

SECTION - B

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

8. Explain Herzberg's theory of motivation.
9. Name the four models of organisational behaviour.
10. What are the various functions of leadership?

11. What are the causes of resistance to change?
12. Explain the types of organisational stressors.
13. Explain the Ohio State leadership studies and Michigan studies.

SECTION – C

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

14. Write a note on the following:
    a) Financial and non-financial motivators.
    b) Extra organisational stressors.

(8 marks each)

15. Explain:
    a) Forces for change.
    b) Michael Beer's Five Sources of Power for Change Agent.

(8 marks each)

16. Explain the different styles of leadership.

SECTION – D

Answer the following: Compulsory (10)

17. Discuss William Ouchi's Theory Z.

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G 354.6 Reg. No. : | | | | | | |

St Aloysius College (Autonomous)

Mangaluru

B.Com.(Vocational) Semester VI – Degree Examination
August / September 2021

Strategic Financial Management

Time: 3 hrs. Max Marks: 100

SECTION – A

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

1. Mr. A invested Rs.40,000 at the beginning of the year. During the year he received Rs.2500 in the form of dividend. The value of the investment at the end of the year was Rs.59,200. Calculate his annual rate of return.
2. What is a put option?
3. Higher the Risk, higher will be the return. Elaborate.
4. Name any two stock markets.
5. What are closed ended funds?
6. What is a forward Contract?
7. How are forward contacts different from futures?

SECTION - B

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

8. What are the different elements of risk?
9. Calculate risk of the security using the following data

Return	Probability
15%	0.2
16%	0.3
17%	0.35
18%	0.1
19%	0.05

10. Prepare a payoff graph for both option buyer and the option writer if the strike price of the put option is Rs.400, and option premium is Rs.18
11. What are the advantages of mutual Funds?
12. What are the limitations of mutual funds?
13. What is NAV? How is it calculated?

SECTION – C

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

14. Explain briefly the phases in portfolio Management.
15. Calculate beta factor of the security using the following data

Year	Market return(%)	Security return(%)
1	12	12
2	13	16
3	14	14
4	6	9
5	3	1
6	1	-4

Contd...2

16. Briefly explain different schemes in mutual funds which are in existence in the market.

SECTION – D

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

17. Briefly explain the following terms.
    a) Strike price
    b) Option seller
    c) Sensex
    d) American Option
    e) European Option

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St Aloysius College (Autonomous)

Mangaluru

B.Com.(Vocational) Semester VI – Degree Examination
August / September 2021
Banking Theory & Practice

Time: 3 hrs. Max Marks: 100

SECTION – A

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

1. State the features of E banking.
2. Explain any two general relationships between a banker and customer.
3. What are the objectives of Regional Rural Banks?
4. Write a short note on Cash Reserve Ratio.
5. State with reasons whether the given statement is correct or incorrect: Doubtful asset would be one, which has remained in the substandard category for a period of 6 months.
6. Write a note on disposal of banking assets.
7. Explain internet banking.

SECTION - B

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

8. Explain the functions of Indigenous bankers.
9. a) Explain the terms performing and non-performing assets. Also state the method of income recognition.
   b) Write a note on substandard and doubtful assets.
10. Explain the role of Banks in the economic development of a country.
11. Write a short note on the following:
    a) Restriction as to payment of dividend by a banking company.
    b) Licensing of Banking Companies
    c) Reserve Funds

12. What are the functions of co-operative banks?
13. What are the advantages and disadvantages of Mobile Banking?

SECTION – C

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

14. a) Write a note on accounts and audit of banks as specified in the Banking Regulation Act
    b) State the circumstances for the suspension of Banking Companies.
    c) Write a note on release of contents of safety locker.
15. What are functions of Commercial banks? (1)
16. a) Write a note on Scheduled Banks.
    b) Explain accounts regularized near balance sheet date.
    c) State the provisioning requirements for non-performing assets.

SECTION – D

Answer the following: Compulsory (10)

17. Explain the powers of RBI.

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

August / September 2021

Investment Management

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

SECTION – A

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

1. What do you understand by the term Depository?
2. What are credit rating agencies?
3. What is credit rating?
4. What are the 4 key tenets of Warren buffett?
5. What are gilt funds?
6. What is call money market?
7. How are debt funds different from equity funds?

SECTION - B

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

8. What are the functions of NSDL?
9. Write a short note on CARE.
10. Who are the beneficiaries of ICRA credit rating?
11. What are the qualities of a successful investor?
12. What are right issues? Explain the procedure of right issues.
13. What is the procedure of venture capital financing?

SECTION – C

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

14. What are the benefits of credit rating?
15. What are the limitations of credit rating?
16. What are the Functions of Merchant Banker?

SECTION – D

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

17. Explain briefly the constituents of depository system.

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

August / September 2021

Entrepreneurship

Time: 3 hrs. Max Marks: 100

SECTION – A

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

1. What do you mean by Entrepreneurship?
2. What do you mean by Project Appraisal?
3. What do you mean by Entrepreneurial Motivation?
4. List the types of Entrepreneurs.
5. Name any four institutions advancing finance for entrepreneurs.
6. What do you mean by a Social Enterprise?
7. Give any four examples of Social Entrepreneurs in India.

SECTION - B

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

8. Explain the characteristics of Successful Entrepreneurs.
9. Explain the ceiling limits on investment in plant and machinery and the classification under MSMED Act.
10. What are the factors affecting Entrepreneurial Growth?
11. Explain the challenges of Entrepreneurship.
12. What are the challenges to Family Entrepreneurship?
13. Write a short note on Kakinada Experiment.

SECTION – C

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

14. Explain the Entrepreneurship Process.
15. Explain the contents of a project report.
16. Explain various types of Social Entrepreneurs.

SECTION – D

Answer the following: Compulsory (10)

17. Write a short note on Women Entrepreneurship.

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St Aloysius College (Autonomous)

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B.Com.(Vocational) Semester VI – Degree Examination
August / September 2021

Financial Management - II

Time: 3 hrs. Max Marks: 100

SECTION – A

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

1. What are the two forms of Dividend?
2. X Ltd. is a no growth company, pays a dividend of Rupees 5 per share. If the cost of capital is 10%, COMPUTE the current market price of the share?
3. The earnings per share of a company is Rupees 30 and dividend payout ratio is 60%. Multiplier is 2.
   DETERMINE the price per share as per Graham & Dodd model.
4. What is risk Premium?
5. What is risk free rate of return?
6. What is MIRR?
7. What is virtual Banking?

SECTION - B

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

8. The following information pertains to M/s XY Ltd.

Earnings of the Company	₹5,00,000
Dividend Payout ratio	60%
No. of shares outstanding	1,00,000
Equity capitalization rate	12%
Rate of return on investment	15%

Calculate:

a) What would be the market value per share as per Walter's model?

b) What is the optimum dividend payout ratio according to Walter's model and the market value of Company's share at that pay out ratio.

9. A trader whose current sales are in the region of ₹6 lakhs per annum and an average collection period of 30 days wants to pursue a more liberal policy to improve sales. A study made by a management consultant reveals the following information: -

Credit Policy	Increase in collection period	Increase in sales	Present default anticipated
A	10 days	₹30,000	1.5%
B	20 days	₹48,000	2%
C	30 days	₹75,000	3%
D	45 days	₹90,000	4%

The selling price per unit is ₹3. Average cost per unit is ₹2.25 and variable costs per unit are ₹2. The current bad debt loss is 1%. Required return on additional investment is 20%. Assumea 360 days year.

ANALYSE which of the above policies would you recommend for adoption?

10. XYZ Ltd. is considering a project –A‖ with an initial outlay of ₹14,00,000 and the possible three cash inflow attached with the project as follows:

(Fig in 000)

Particular	Year 1	Year 2	Year 3
Worst case	450	400	700
Most likely	550	450	800
Best case	650	500	900

Assuming the cost of capital as 9%, determine NPV in each scenario. If XYZ Ltd is certain about the most likely result but uncertain about the third year's cash flow, ANALYSE what will be the NPV expecting worst scenario in the third year.

11. As a part of the strategy to increase sales and profits, the sales manager of a company proposes to sell goods to a group of new customers with 10% risk of non-payment.This group would require one and a half months credit and is likely to increase sales by ₹1,00,000 p.a. Production and Selling expenses amount to 80% of sales and the income-tax rateis 50%. The company's minimum required rate of return (after tax) is 25%. Should the sales manager's proposal be accepted? ANALYSE. Also COMPUTE the degree of risk of non-payment that the company should be willing to assume if the required rate of return (after tax) were (i) 30%, (ii) 40% and (iii) 60%.

12. On 1st January, the Managing Director of Naureen Ltd. wishes to know the amount of working capital that will be required during the year. From the following information PREPARE the working capital requirements forecast. Production during the previous year was 60,000 units. It is planned that this level of activity would be maintained during the present year. The expected ratios of the cost to selling prices are Raw materials 60%, Direct wages 10% and Overheads 20%.

Raw materials are expected to remain in store for an average of 2 months before issue toproduction.

Each unit is expected to be in process for one month, the raw materials being fed into the pipeline immediately and the labour and overhead costs accruing evenly during the month.

Finished goods will stay in the warehouse awaiting dispatch to customers for approximately 3 months.

Credit allowed by creditors is 2 months from the date of delivery of raw material. Credit allowedto debtors is 3 months from the date of dispatch.

Selling price is ₹5 per unit.

There is a regular production and sales cycle.

Wages and overheads are paid on the 1st of each month for the previous month. The companynormally keeps cash in hand to the extent of ₹20,000.

13. From the following information of XYZ Ltd., you are required to CALCULATE:

(a) Net operating cycle period.

(b) Number of operating cycles in a year.

	Particulars	(₹)
(i)	Raw material inventory consumed during the year	6,00,000
(ii)	Average stock of raw material	50,000
(iii)	Work-in-progress inventory	5,00,000
(iv)	Average work-in-progress inventory	30,000
(v)	Cost of goods sold during the year	8,00,000
(vi)	Average finished goods stock held	40,000
(vii)	Average collection period from debtors	45 days
(viii)	Average credit period availed	30 days
(ix)	No. of days in a year	360 days

SECTION – C

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

14. XYZ Ltd. is planning to introduce a new product with a project life of 8 years. Initial equipment cost will be ₹3.5 crores. Additional equipment costing ₹25,00,000 will be purchased at the end of the third year from the cash inflow of this year. At the end of 8 years, the original equipment will have no resale value, but additional equipment can be sold for ₹2,50,000. A working capital of ₹40,00,000 will be needed and it will be released at the end of eighth year. The project will be financed with sufficient amount of equity capital.

The sales volumes over eight years have been estimated as follows:

Year	1	2	3	4-5	6-8
Units	72,000	1,08,000	2,60,000	2,70,000	1,80,000

A sales price of ₹240 per unit is expected and variable expenses will amount to 60% of sales revenue. Fixed cash operating costs will amount ₹36,00,000 per year. The loss of any year will be set off from the profits of subsequent two years. The company is subject to 30 per cent tax rateand considers 12 per cent to be an appropriate after tax cost of capital for this project. The company follows straight line method of depreciation.

Required:

CALCULATE the net present value of the project and advise the management to take appropriatedecision.

Note: The PV factors at 12% are

Year	1	2	3	4	5	6	7	8
PV Factor	0.893	0.797	0.712	0.636	0.567	0.507	0.452	0.404

15. An enterprise is investing ₹100 lakhs in a project. The risk-free rate of return is 7%. Risk premium expected by the management is 9%. The life of the project is 5 years. Following are the cash flows that are estimated over the life of the project.

Year	Cash flows (₹)
1	35,00,000
2	80,00,000
3	95,00,000
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.

16. Shivam Ltd. is considering two mutually exclusive projects A and B. Project A costs ₹36,000 and project B ₹30,000. You have been given below the net present value probability distribution for each project.

Project A		Project B	
NPV estimates (₹)	Probability	NPV estimates (₹)	Probability
15,000	0.2	15,000	0.1
12,000	0.3	12,000	0.4
6,000	0.3	6,000	0.4
3,000	0.2	3,000	0.1

Contd...5

a) COMPUTE the expected net present values of projects A and B.

b) COMPUTE the risk attached to each project i.e. standard deviation of each probability distribution.

c) COMPUTE the profitability index of each project.

d) IDENTIFY which project do you recommend? State with reasons

SECTION – D

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

17. Cello Limited is considering buying a new machine which would have a useful economic life of five years, a cost of ₹1,25,000 and a scrap value of ₹30,000, with 80 per cent of the cost being payable at the start of the project and 20 per cent at the end of the first year. The machine would produce 50,000 units per annum of a new product with an estimated selling price of ₹3 per unit. Direct costs would be ₹1.75 per unit and annual fixed costs, including depreciation calculated on a straight- line basis, would be ₹40,000 per annum.

In the first year and the second year, special sales promotion expenditure, not included in the above costs, would be incurred, amounting to ₹10,000 and ₹15,000 respectively.

CALCULATE NPV of the project for investment appraisal, assuming the company's cost of capital is 10 percent.

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