

G 301.6

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St Aloysius College (Autonomous)
Mangaluru

B.Com. Semester VI – Degree Examination
July/August - 2022

CORPORATE ACCOUNTING - II

Max Marks: 100

Time: 3 hrs.

SECTION – A

(5x2=10)

Answer any FIVE questions of the following:

1. Who is a Liquidator?
2. State two differences between value added and economic value added.
3. What do you mean by Forensic Accounting?
4. What do you mean by Minority Interest?
5. What is the treatment of capital reserve in Holding company Accounts?
6. Define Business combination as per IFRS 3.
7. State any two objectives of Alteration of share capital.

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SECTION - B

(4x12=48)

Answer any FOUR questions of the following:

8. Following is the Balance Sheet of Ajay Ltd. as on 31-3-2021.

Liabilities	₹	Assets	₹
Subscribed and paid up capital		Plant and Machinery	42,200
7500 Preference Shares of		Patent	1,30,800
₹ 100 each	7,50,000	Lease hold premises	8,50,000
5,000 Equity shares of	5,00,000	Stock	55,000
₹ 100 each		Debtors	76,500
Bank overdraft	20,000	Cash	500
Sundry Creditors	30,000	Preliminary Exps.	12,000
		Discount on issue of shares	18,000
		P & L A/C	1,15,000
	13,00,000		13,00,000

The company suffered a loss and a scheme of reconstruction was adopted as following:

- Preference shares to be reduced to an equal number of fully paid shares of ₹50 Each.
- Equity shares to be reduced to an equal number of fully paid shares of ₹ 25 each.
- The amount available to be used to write off ₹30,800 of lease hold premises ₹15,000 of stock, 20% of plant and debtors and the balance available to write off the patents.

Pass journal entries and prepare Balance Sheet after reconstruction.

9. Write a short note on a) IFRS 11 b) Human Resource Accounting.

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10. Sharal Ltd. was formed with an authorized capital of Rs. 20,00,000 divided into equity shares of Rs. 10 each, to acquire the business of Lara Ltd., whose balance sheet on the date of acquisition was as follows.

Liabilities	₹	Assets	₹
Capital	10,00,000	Freehold premises	14,00,000
General reserve	7,00,000	Stock	2,00,000
Sundry creditors	3,00,000	Sundry Debtors	2,70,000
		Less: prov. for bad debt	20,000
		Cash at Bank	1,50,000
	20,00,000		20,00,000

The purchase price was agreed upon at ₹ 23,00,000 to be paid in 2,00,000 equity shares of 10 each at ₹11 and the balance in cash.

You are required to journalize and prepare the balance sheet in the books of Sharal Ltd.

11. What is Preferential creditors ? List out preferential creditors as per Companies Act.
12. Suman Ltd has just recovered from a great financial difficulty. Its Balance Sheet as on 31-03-2021 is as follows:

Liabilities	₹	Assets	₹
Equity Share capital	6,00,000	Buildings	4,00,000
3% Preference Share capital	4,00,000	Plant and Machinery	2,00,000
Creditors	1,50,000	Debtors	2,00,000
		Profit and Loss A/C	3,50,000
	11,50,000		11,50,000

Rajan Ltd is formed to take over buildings at ₹3,00,000, Plant and machinery at ₹ 1,40,000 and Stock at ₹ 60,000. Purchase consideration is to be satisfied by the issue of 7% Preference shares and Equity Shares (₹ 10) in Rajan Ltd in the ratio of 3:2. Preference shareholders are settled in full by allotment of the new preference shares.

Sundry debtors realized ₹ 1,50,000. ₹1,10,000 was paid to creditors in full settlement. Cost of winding up amounted to ₹ 5,000

Show Realisation Account, Rajan Ltd Account, Preference Shareholders Account, Creditors Account and Equity Shareholders Account in the books of Suman Ltd.

13. High Ltd. Acquires $\frac{3}{4}$ of the share capital of Ajantha Ltd on 31.12.2021. When the Balance Sheet of the two companies are as under.

Liabilities	High Ltd. (₹)	Ajantha Ltd. (₹)	Assets	High Ltd. (₹)	Ajantha Ltd. (₹)
Share capital (of ₹10)	4,00,000	2,00,000	Fixed Assets	4,00,000	2,00,000
General reserve	1,00,000	60,000	Current Assets	2,60,000	2,40,000
Profit / loss a/c	60,000	40,000	Shares in Arun Ltd.	2,00,000	
10% Debentures	2,00,000	1,00,000			
Creditors	1,00,000	40,000			
Total	8,60,000	4,40,000	Total	8,60,000	4,40,000

Calculate minority interest and cost of control.

SECTION – C

Answer any **TWO** questions of the following:

(2x16=32)

14. The following Balance Sheets are presented to you:

Balance Sheet as on 31/3/2021

Liabilities	X Ltd ₹	Y Ltd. ₹	Assets	X Ltd ₹	Y Ltd. ₹
Share capital			Fixed assets	450000	150000
Equity shares of 100 each	5,00,000	2,00,000	Stock	117625	40,000
Profit and loss a/c	1,80,000	-	Sundry debtors	60,000	30,000
General reserve	1,27,625	-	6% Debentures in Y Ltd.	60,000	-
6% debentures	-	1,00,000	1500 equity shares in Y Ltd at ₹ 80 each	1,20,000	-
			Cash at bank	75,000	25,000
Trade creditors	75,000	45,000	Profit and loss	-	1,00,000
Total	8,82,625	3,45,000		8,82,625	3,45,000

X Ltd. acquired the shares on 1st July, 2020. The profit and loss a/c of Y Ltd. showed a debit balance of ₹1,50,000 as on 1st April 2020. Trade creditors of Y Ltd. include ₹ 20,000 for goods supplied by X Ltd., on which the latter company made a profit of ₹ 2,000. Half of the goods were still in stock on 31/3/2021.

You are required to prepare the Consolidated Balance Sheet of X Ltd. and its subsidiary as on 31/3/2021.

15. X. Ltd. and Y Ltd. agreed to amalgamate and form a new company called XY Ltd as on 31-3-2021.

Balance sheet as on 31-3-2021

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Balance sheet as on 31-3-2021

Liabilities	X Ltd. (₹)	Y. Ltd. (₹)	Assets	X Ltd. (₹)	Y. Ltd. (₹)
Equity Share Capital (shares of 100 each)	1,00,000	70,000	Land and Building	30,000	--
Reserve fund	30000	--	Machinery	1,07,000	55,000
Profit and Loss A/c	12,000	-	Stock	16000	8000
6% debenture	20,000	-	Cash	7000	2000
Employee's provident Fund	3,000	-	Debtors	15,000	14,000
Trade Creditors	10,000	9,000			
	1,75,000	79,000		1,75,000	79,000

The New company agreed to take over all the assets and liabilities of both the companies. Its Authorized Capital is 5,000 equity shares of ₹100 each.

It was agreed that purchase price of X Ltd. 1,35,000 and Y Ltd. 60,000.

The entire purchase price is paid in the form of shares of XY Ltd.

Prepare Realisation A/c and Equity Share Holders A/c in the books of X Ltd. and Y Ltd.

And pass Journal entries in the Books of XY Ltd. and draw its Balance Sheet under amalgamation in the nature of purchase.

16. Prepare Liquidators Statement of Account from the following

The Balance Sheet of Ravi Ltd., as on 31-12-2021

Liabilities	₹	Assets	₹
Share Capital:		Land and Buildings	2,00,000
Authorised and subscribed:		Machinery and Plant	5,00,000
4,000 6% Preference Shares of ₹ 100	4,00,000	Patents	80,000
2,000 Equity shares of ₹ 100 each, ₹ 75 paid	1,50,000	Stock at Cost	1,10,000
6,000 Equity shares of ₹ 100 each, ₹ 60 paid	3,60,000	Sundry Debtors	2,20,000
5% Debentures having a floating charges on all assets	2,00,000	Cash at Bank	60,000
Interest outstanding on above	10,000	Profit and Loss A/c	2,40,000
Creditors	2,90,000		
	14,10,000		14,10,000

The company went into liquidation on the above date.

The preference dividends were in arrears for two years. The arrears are payable automatically on liquidation. Creditors include a loan for ₹ 1,00,000 on the mortgage of land and buildings. The assets were realized as follows:

	₹
Land and Buildings	2,40,000
Machinery and Plant	4,00,000
Patents	60,000
Stock	1,20,000
Sundry Debtors	1,60,000

The expenses of liquidation amounted to ₹ 20,000. The liquidator is entitled to a commission of 3% on all assets realized except cash and a commission of 2% on amount distributed among unsecured creditors including Preferential Creditors. Preferential Creditors amounted to ₹ 30,000. Assume all the payments were made on 30-05-2022.

SECTION – D

Answer the following: Compulsory

(10)

17. Explain different forms of internal reconstruction.

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Mangaluru
B.Com. ACCA Semester VI – Degree Examination
July/August - 2022
CORPORATE REPORTING - II

Time: 3 hrs.

Max Marks: 100

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

1. Brick is a company with a reporting date of 30 April 20X4. The company obtains tax relief for research and development expenditure on a cash paid basis. The recognition of a material development asset during the year, in accordance with IAS 38, created a significant taxable temporary difference as at 30 April 20X4.
The tax rate for companies as at the reporting period was 22%. On 6 June 20X4, the government passed legislation to lower the company tax rate to 20% from 1 January 20X5. Explain which tax rate should have been used to calculate the deferred tax liability for inclusion in the financial statements for the year ended 30 April 20X4.
2. Abacus and Calculator are two public limited companies. The fair values of the net assets of these two companies are \$100 million and \$60 million respectively.
On 31 October 20X1, Abacus incorporates a new company, Phone, in order to effect the combination of Abacus and Calculator. Phone issues its shares to the shareholders of Abacus and Calculator in return for their equity interests. After this, Phone is 60% owned by the former shareholders of Abacus and 40% owned by the former shareholders of Calculator. On the board of Phone are 4 of the former directors of Abacus and 2 of the former directors of Calculator. With regards to the above business combination, discuss which company is the acquirer?
3. What are the two types of acquisitions?
4. The LUMS group has sold its entire 100% holding in an overseas subsidiary for proceeds of \$50,000. The net assets at the date of disposal were \$20,000 and the carrying amount of goodwill at that date was \$10,000. The cumulative balance on the group foreign currency reserve is a gain of \$5,000. Required: Discuss how the disposal should be accounted for in the consolidated financial statements.
5. Sparrow owns 18% of the ordinary shares of Blackbird. The remaining 82% of the ordinary shares are held by hundreds of investors, and no single investor has a holding of more than 5%. Blackbird has six directors and Sparrow is able to appoint two of these. Blackbird is one of Sparrow's key suppliers.

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Sparrow's operations and human resource managers spend several days a year at Blackbird in order to ensure that trading between the two entities is as smooth as possible. In the consolidated financial statements, the directors of Sparrow wish to account for the investment in Blackbird as a financial asset. Required: Discuss whether the proposed accounting treatment is correct.

6. As at 31 December 20X1, Red has tax adjusted losses of \$4 million which arose from a one-off restructuring exercise. Under tax law, these losses may be carried forward to relieve taxable profits in the future. Red has produced forecasts that predict total future taxable profits over the next three years of \$2.5 million. However, the accountant of Red is not able to reliably forecast profits beyond that date. The tax rate for profits earned during the year ended 31 December 20X1 is 30%. However, the government passed legislation during the reporting period that lowered the tax rate to 28% from 1 January 20X2. Explain the deferred tax implications of the above.
7. 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 the following two scenarios:
 - (i) Gordon could buy 20% of the Mandy shares leaving no NCI for \$25,000, or
 - (ii) Gordon could buy 5% of the Mandy shares for \$4,000 leaving a 15% NCI.
 Calculate the adjustments required to NCI and other components of equity.

SECTION – B

Answer any FOUR of the following.

(4x12=48)

8. Nat is a company that used to prepare financial statements under local national standards. Their first financial statements produced in accordance with IFRS Standards are for the year ended December 20X5 and these will include comparative information for the previous financial year. Its previous GAAP financial statements are for the years ended 31 December 20X3 and 20X4. The directors are unsure about the following issues:
 - (i) Nat received \$5 million in advance orders for a new product on 31 December 20X3. These products were not dispatched until 20X4. In line with its previous GAAP, this \$5m was recognized as revenue.
 - (ii) A restructuring provision of \$1 million relating to head office activities was recognized at 31 December 20X3 in accordance with previous GAAP. This does not qualify for recognition as a liability in accordance with IAS 37.

(iii) Nat made estimates of accrued expenses and provisions at 31 December 20X3. Some of these estimates turned out to be under-stated. Nat believes that the estimates were reasonable and in line with the requirements of both its previous GAAP and IFRS Standards.

In accordance with IFRS 1, how should the above issues be dealt with?

9. Major, a public limited entity, has numerous subsidiaries and has prepared consolidated financial statements for many years. Major acquired 40% of Tom's 100,000 \$1 ordinary shares on 31 December 20X4 for \$90,000 in cash. This holding gave Major significant influence over Tom. The retained earnings of Tom at this date were \$76,000.

Major acquired a further 20% of Tom's ordinary shares on 31 December 20X6 for \$70,000 in cash. On this date, the fair value of the previous 40% holding in Tom was \$105,000 and Tom's retained earnings balance was \$100,000. The non-controlling interest at acquisition should be valued using the proportion of net assets method.

Discuss how to account for the purchase of the additional 20% holding in Tom in the consolidated financial statements for the year ended 31 December 20X6.

10. Extracts from the consolidated financial statements of the AH Group for the year ended 30 June 20X5 are given below: Consolidated statement of profit or loss for the year ended 30 June 20X5

Particulars	\$000
Profit from operations	19,850
Finance cost	(1,400)
Profit before tax	18,450
Tax	(6,250)
Profit for the period	12,200

Extract from statement of financial position, with comparatives, at 30 June 20X5

Particulars	2015 \$000	2014 \$000
Non-current assets:		
Goodwill	5,910	4,160
Current assets:		
Inventories	33,500	28,750
Trade receivables	27,130	26,300
Current liabilities		
Trade payables	33,340	32,810

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Notes:

1 On 1 January 20X5, AH acquired 75% of the issued equity shares of CJ for \$6 million. The net assets of CJ at the date of acquisition had the following fair values:

Contd...4

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Particulars	\$000
Property, plant and equipment	4200
Inventories	1650
Trade receivables	1300
Cash and cash equivalents	50
Trade payables	(1950)
Tax payable	(250)
TOTAL	5000

Goodwill relating to the acquisition of entity CJ during the year was calculated on the full goodwill basis. On 1 January 20X5 when CJ was acquired, the fair value of the non-controlling interest was \$1,750,000. Any impairments of goodwill during the year have been accounted for within operating expenses.

2 During the year, AH disposed of property, plant and equipment for proceeds of \$2,250,000. The carrying amount of the asset at the date of disposal was \$1,000,000. Depreciation of \$7,950,000 was charged to profit or loss during the year.

Required:

(a) Prepare 'cash generated from operations' using the indirect method as it would appear in the consolidated statement of cash flows for the year ended 30 June 20X5.

(b) Explain the reasons behind the adjustments made to profit before tax in part (a).

11. E-Games is a UK based company that sells computer games and hardware. Sales are made through the E-Games website as well as through high street stores. The products sold online and in the stores are the same. E-Games sells new releases for \$40 in its stores, but for \$30 online.

Internal reports used by the chief operating decision maker show the results of the online business separately from the stores. However, they will be aggregated together for disclosure in the financial statements.

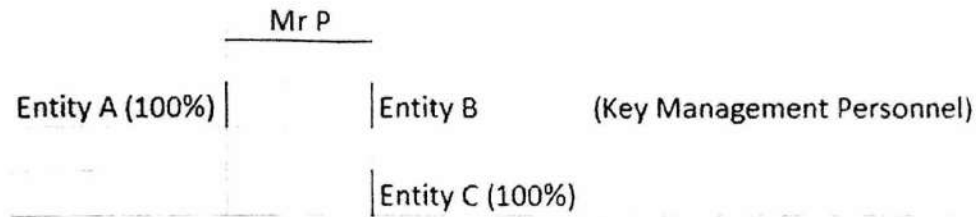
Should the online business and the high street stores be aggregated into a single segment in the operating segments disclosure?

12. a) Joanne Smith has owned 60% of the equity shares of Picture and 70% of the equity shares of Frame for many years. On 1 January 20X4, Picture entered into a lease agreement with Frame. Under the terms of the lease, Picture would lease one of its unused warehouses, with a remaining useful life of 20 years, to Frame for five years. Consideration payable by Frame would be \$10,000 a year in arrears. Market rentals for similar sized warehouses tend to be around \$100,000 per year.

Discuss the correct treatment of the above transaction in Picture's financial statements for the year ended 30 June 20X4.

(6 marks)

b) Consider the following situation:



Mr P owns all of the issued share capital of entity A. He also is a member of the key management personnel of entity B which, in turn, owns all of the issued share capital of entity C. Required: Discuss the related party relationships arising from the above structure. **(6 marks)**

13. Blast has a 30% share in a joint operation. The assets, liabilities, revenues and costs of the joint operation are apportioned on the basis of shareholdings. The following information relates to the joint arrangement activity for the year ended 30 November 20X2:

- The manufacturing facility cost \$30m to construct and was completed on 1 December 20X1 and is to be dismantled at the end of its estimated useful life of 10 years. The present value of this dismantling cost to the joint arrangement at 1 December 20X1, using a discount rate of 8%, was \$3m.
- During the year ended 30 November 20X2, the joint operation entered into the following transactions:
 - goods with a production cost of \$36m were sold for \$50m
 - other operating costs incurred amounted to \$1m
 - administration expenses incurred amounted to \$2m.

Blast has only accounted for its share of the cost of the manufacturing facility, amounting to \$9m. The revenue and costs are receivable and payable by the two other joint operation partners who will settle amounts outstanding with Blast after each reporting date.

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Required:

Show how Blast will account for the joint operation within its financial statements for the year ended 30 November 20X2.

SECTION – C

Answer any TWO of the following.

(2x16=32)

14. On the 1 July 20X1 Saint acquired 60% of Albans, whose functional currency is Ds. The presentation currency of the Saint group is the dollar (\$). The financial statements of both entities are as follows.

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Statements of financial position as at 30 June 20X2

ASSETS	SAINT \$	ALBAN D
Investment in Albans-	5000	-
Loan to Albans	1400	-
Property, plant and equipment	10000	15400
Inventories	5000	4000
Receivables	4000	500
Cash and cash equivalents	1600	560
TOTAL	27000	20460
Equity and liabilities	\$	D
Equity capital(\$1/D1)	10000	1000
Share premium	3000	500
Retained earnings	4000	12500
Non- current liabilities	5000	5460
Current liabilities	5000	1000
TOTAL	27000	20460

The following information is applicable.

- (i) Saint purchased the shares in Albans for D10,000 on the first day of the accounting period. At the date of acquisition the retained earnings of Albans were D500. The fair value of Albans' net assets exceeded the carrying amount by D1,000. This fair value adjustment was attributable to plant with a remaining five-year life as at the date of acquisition.
- (ii) Just before the year-end Saint acquired some goods from a third party at a cost of \$800, which it sold to Albans for cash at a markup of 50%. At the reporting date all these goods remain in the inventories of Albans.
- (iii) On 1 June 20X2 Saint lent Albans \$1,400. The liability is recorded at the historic rate within the non-current liabilities of Albans.
- (iv) Saint measures non-controlling interests at acquisition at fair value. The fair value of the non-controlling interest in Albans at the date of acquisition was D5,000. An impairment review was performed and goodwill had reduced in value by 10% at 30 June 20X2.
- (v) On 1 July 20X1, Saint received a government grant for \$4,000. This grant was provided as a contribution towards the costs of training employees over the next two years. Saint has reduced its administrative expenses by the full \$4,000.
- (vi) Exchange rates are as follows:

	D: \$1
1 July 20X1	2.0
Average rate	3.0
1 June 20X2	3.9
30 June 20X2	4.0

Required:

Prepare the equity section of the consolidated statement of financial position as at 30 June 20X2. With respect to Albans, your answer should explain why foreign exchange differences arise in the consolidated financial statements.

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

Particulars	Ayre \$000	Fleur \$000	Byrne \$000
Revenue	500	300	200
Cost of sales	300	70	120
Gross profit	200	230	80
Operating cost	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

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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.

6. Hague has held a 60% investment in Maude for several years, using the full goodwill method to value the non-controlling interest. Half of the goodwill has been impaired prior to the date of disposal of shares by Hague. Details are as follows:

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	\$000
Cost of investment	6,000
Maude – Fair value of net assets at acquisition	2,000
Maude – Fair value of a 40% investment at acquisition date	1,000
Maude – Net assets at disposal	3,000
Maude – Fair value of a 25% investment at disposal date	3,500

(a) Assuming a full disposal of the holding and proceeds of \$10 million, calculate the profit or loss arising:

- (i) in Hague's individual financial statements
- (ii) in the consolidated financial statements.

(b) Assuming a disposal of a 35% holding and proceeds of \$5 million:

- (i) calculate the profit or loss arising in the consolidated financial statements
- (ii) explain how the residual shareholding will be accounted for.

SECTION – D

Answer the following: (Compulsory)

(10)

17. Describe the main circumstances that give rise to related parties and explain why the disclosure of related party relationships and transactions is important.

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St Aloysius College (Autonomous)

Mangaluru

B.Com. Semester VI – Degree Examination

July/August - 2022

FOREIGN EXCHANGE MANAGEMENT

Time: 3 hrs.

Max Marks: 100

SECTION – A

Answer any **FIVE** questions of the following:

(5x2=10)

1. What is a foreign exchange market?
2. Define flexible exchange rate.
3. What do you mean by Fisher Effect?
4. What do you mean by Nostro Account?
5. Give the full form of SWIFT.
6. What do you mean by arbitrage?
7. Give any two reasons for removal of FERA.

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SECTION - B

Answer any **FOUR** questions of the following:

(4x12=48)

8. What are the functions performed in a foreign exchange market?
9. Explain the meaning and types of NRI accounts.
10. Explain the role and challenges of participants in foreign exchange.
11. Explain ready exchange rate for trade transactions.
12. Explain Tarapore committee Report.
13. Explain the provisions of FEMA.

SECTION – C

Answer any **TWO** questions of the following:

(2x16=32)

14. Explain the Purchasing Power Parity Theory. What are its limitations?
15. Explain the meaning, organisation and functions of a foreign exchange department of a bank.
16. Examine the historical background and working of IMF.

SECTION – D

Answer the following: **Compulsory**

(10)

17. Write a note on correspondent bank.

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Mangaluru

B.Com. Semester VI – Degree Examination

July/August - 2022

INVESTMENT MANAGEMENT

Time: 3 hrs.

Max Marks: 100

SECTION – A

Answer any FIVE questions of the following:

(5x2=10)

1. What do you mean by custodial services?
2. State any two features of lease financing.
3. What is investment banking?
4. Define investment management.
5. State any two functions of SHCI.
6. What do you mean by book building?
7. List any two differences between primary market and secondary market.

SECTION - B

Answer any FOUR questions of the following:

(4x12=48)

8. Explain objectives of investment and the investment process.
9. Explain the various schemes of IDBI and sources of funds.
10. What is Lease financing? Explain its merits and demerits.
11. What is Credit rating? Explain the types of rating.
12. What are the common errors in investment? Explain.
13. Who is a merchant Banker? Explain the responsibilities of merchant banker.

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SECTION – C

Answer any TWO questions of the following:

(2x16=32)

14. 'Mutual Fund investments are subject to market risk'. Critically evaluate this statement with advantages and disadvantage of mutual funds.
15. Define Venture Capital. Explain features of Venture Capital and process of Venture Capital financing.
16. How capital market is different from money market? Explain the instruments of capital market.

SECTION – D

Answer the following: Compulsory

(10)

17. From the following, advice the company whether it should go for debt financing or lease financing:
 - a) Cost of the asset to be financed ₹ 25,00,000
 - b) 16% loan repayable in 4 equal installments at the end of each year
 - c) Annual loan installment is ₹ 9,00,000 lakhs
 - d) Method of depreciation is straight line
 - e) Tax rate is 30%

Alternatively, asset may be obtained under lease on the following terms:
Annual lease rental of ₹ 7,00,000 lakhs payable at the end of each year for 4 years.

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Mangaluru

B.Com. ACCA Semester VI – Degree Examination

July/August - 2022

ADVANCED FINANCIAL MANAGEMENT - II

Time: 3 hrs.

Max Marks: 100

SECTION – A

Answer any FIVE of the following.

(5x2=10)

1. Money laundering is a process in which assets obtained or generated by criminal activity are moved or concealed to obscure their link with the crime. Explain what steps have been taken by global governments and other bodies to prevent international money laundering and terrorist financing.
2. What is the main advantage and disadvantage of hedging interest rate risk using an interest rate collar instead of options?
3. Comment on a strategy of vertical integration in the context of real options.
4. From the perspective of a corporate financial manager, write an advantage and a potential problem of using currency swaps.
5. An Australian firm has just bought some machinery from a US supplier for US\$250,000 with payment due in 3 months' time. Exchange rates are quoted as follows:
 Spot rates: (US\$... to A\$1): 0.7785 – 0.7891
 Three months' forward rates: 0.7764 – 0.7873
 Calculate the amount payable if a forward contract is used.
6. What is the advantage of arranging a swap through a bank rather than negotiating directly with a counterparty?
7. The current rate of inflation in Costovia is 65%. Government action is helping to reduce this rate each year by 10% of the previous rate. The Costovian peso/ US dollar exchange rate is currently 144 pesos to 1 US dollar, and the inflation rate in the US over the next three years is expected to be 4%, 3.5% and 3% respectively. Calculate the exchange rate for the Costovian peso against the US dollar for the next three years.

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SECTION – B

Answer any FOUR of the following.

(4x12=48)

8. A project will require an investment in a new asset of \$10,000. It will be used on a project for four years after which it will be disposed of on the final day of year 4 for \$2,500. Tax is payable at 30% one year in arrears. Tax allowable depreciation is available at 25% (reducing balance), and a balancing allowance or charge should be calculated when the asset is sold. Net operating flows from the project are expected to be \$4,000 per year. The company's cost of capital is 10%. Ignore inflation. Forecast the free cash flows of the project and determine whether it is worthwhile using the NPV method.

Contd...2

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

The investment details:

The company's equity beta is 1.27 and its 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.

10. a) 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. **(3 marks)**

b) Comment on a strategy of vertical integration in the context of real options. **(3 marks)**

c) An online DVD and CD retailer is considering investing \$2m on improving its customer information and online ordering systems. The expectation is that this will enable the company to expand by extending its range of products. A decision will be made on the expansion in 1 years' time, when the directors have had chance to analyse customer behaviour and competitors' businesses in more detail, to assess whether the expansion is worthwhile.

Preliminary estimates of the expansion programme have found that an investment of \$5m in 1 years' time will generate net receipts with a present value of \$4m in the years thereafter. The project's cash flows are expected to be quite volatile, with a standard deviation of 40%.

The current risk free rate of interest is 5%.

Advise the firm whether the initial investment in updating the systems is worthwhile.

(6 marks)

11. Marcus is based in France has recently imported raw materials from the USA and has been invoiced for US\$240,000, payable in three months' time. In addition, it has also exported finished goods to Japan and Australia. The Japanese customer has been invoiced for US\$69,000, payable in three months' time, and the Australian customer has been invoiced for A\$295,000, payable in four months' time.

Current spot and forward rates are as follows:

US\$... /1 Euro

Spot: 0.9830 – 0.9850

3 months forward: 0.9520 – 0.9545

Euro... /1 A\$

Spot: 1.8890 – 1.8920

4 months forward: 1.9510 – 1.9540

Current money market rates (pa) are as follows:

US\$: 10.0% – 12.0%

A\$: 14.0% – 16.0%

Euro: 11.5% – 13.0%

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

(a) forward contracts

(b) money market hedges

and for each transaction, determine which is the best hedging technique.

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

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

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

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

G 303.6a

13. Parrott Co is a UK based company. It is considering a 3-year project in Farland.

The project will require an initial investment of 81 m Farland Florins (FFI) and will have a residual value of 10m FFI.

The project's pre-tax net FFI inflows are expected to be:

Year 1 - 35m

Year 2 - 80m

Year 3 - 50m

The UK parent company will charge the overseas project with £2m of management charges each year.

The current spot rate is 5FFI – £1. UK inflation is expected to be 4% per annum, and Farland inflation is expected to be 7% per annum.

Farland tax is 20% and is paid immediately. Any losses are carried forward and netted off the first available profits for tax purposes. Tax allowable depreciation will be granted on a straight-line basis, and any residual value will be taxable at 20%. UK tax is 30% and is payable

1 year in arrears.

Parrott Co recently undertook a similar risk project in the UK and used 11% as a suitable discount rate.

Calculate the NPV of the project in £.

SECTION – C

Answer any TWO of the following.

(2x16=32)

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

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

Current futures/options information:

Futures (\$500,000 3 month contracts)

June 96.40

September 96.10

December 95.86

Options on futures (premia quoted as an annual percentage)

Exercise price

Calls

Puts

	June	Sept	Dec	June	Sept	Dec
96.40	0.155	0.260	0.320	0.305	0.360	0.445

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

(a) futures contracts

(b) options over futures contracts.

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

15. Explain the role of the International Monetary Fund (IMF) and its significance to the activities of multinational companies
16. Puxty plc is a specialist manufacturer of window frames. Its main UK manufacturing operation is based in the south of England, from where it distributes its products throughout the UK.

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

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

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

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

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

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

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

Puxty plc is an all-equity financed company that is quoted on the London Stock Exchange. Its shares have a beta value of 1.25. The current annual

Contd...6

G 303.6a

return on UK Government Treasury Bills is 10% and the expected return on the market is 18%. In the UK Corporation Tax is payable at 35%, one year in arrears.

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

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

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

SECTION – D

Answer the following: (Compulsory)

(10)

17. a) 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).

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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St Aloysius College (Autonomous)

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

July/August - 2022

MANAGING BUSINESS PROCESS

Time: 3 hrs.

Max Marks: 100

SECTION – A

Answer any **FIVE** questions of the following:

(5x2=10)

1. What is Process Mapping?
2. What is Bench Marking?
3. State the Components of Process Management?
4. List out any four symbols used to create a Process Map.
5. How to calculate DPU and DPMO?
6. Expand CMMI and FPY.
7. What is Business Process Outsourcing?

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SECTION - B

Answer any **FOUR** questions of the following:

(4x12=48)

8. What are the Components of Process Management?
9. Write a note on International Organisation for Standardisation (ISO).
10. Explain the various Pricing Models for BPO Services
11. What are the Components of Quality?
12. Explain the various steps to be taken to prevent a problem from occurring.
13. What are the different levels of Process Mapping.?

SECTION – C

Answer any **TWO** questions of the following:

(2x16=32)

14. Briefly explain the Business Process Model.
15. Briefly explain the seven basic Quality control tools to make a decision for quality management.
16. "Quality Management Principles Yield Performance Excellence" Explain.

SECTION – D

Answer the following: **Compulsory**

(10)

17. Briefly explain Swim Lane Process Map.

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St Aloysius College (Autonomous)

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B.Com. Semester VI – Degree Examination

July/August - 2022

CORPORATE LAW AND GOVERNANCE

Time: 3 hrs.

Max Marks: 100

SECTION – A

Answer any **FIVE** questions of the following:

(5x2=10)

1. Define a Private Company
2. Give the meaning of Doctrine of Constructive Notice
3. What is meant special resolution?
4. Who is member of a company ?
5. Mention the contents of a prospectus
6. Define corporate governance
7. What is meant by agenda of the meeting?

SECTION – B

Answer any **FOUR** questions of the following:

(4x12=48)

8. Differentiate between Memorandum of Association and Articles of Association of a Company
9. Explain the powers and duties of a liquidator in case of winding up of a company
10. Narrate the scope of good corporate governance
11. Explain the functions and powers of NFRA
12. Explain the legal provisions to hold company meetings
13. What are the various benefits of CSR activities

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SECTION – C

Answer any **TWO** questions of the following:

(2x16=32)

14. Define a company. Explain the characteristic features of a joint stock company
15. What is meant by Lifting of Corporate Veil. Explain the circumstances of lifting of corporate veil
16. Explain the various modes of acquiring membership of a company

SECTION – D

Answer the following: Compulsory

(10)

17. Explain the exceptions to the doctrine of Indoor Management.

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St Aloysius College (Autonomous)
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B.Com. Semester VI – Degree Examination
July/August - 2022
MANAGEMENT ACCOUNTING

Time: 3 hrs.

Max Marks: 100

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

1. Define Management Accounting.
2. What is Capital Gearing?
3. Define Marginal Costing.
4. What is a Profit Centre?
5. What is a Balanced Score Card?
6. What is Angle of Incidence?
7. From the following information find out:
 - a. P/V Ratio
 - b. Fixed Cost

Sales - ₹ 1,00,000
 Profit - ₹ 10,000
 Variable cost - 70%

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

8. What are the advantages of Responsibility Accounting?
9. Debtor velocity 3 month
 Stock velocity 8 month
 Creditor velocity 2 month
 Gross profit Ratio 25%
 Gross profit for the year ₹ 4,00,000
 Closing stock is ₹ 10,000 above opening stock
 Bills receivable ₹ 25,000, Bills payable ₹ 10,000
 Find a) Sale b) sundry debtor c) Closing stock d) creditor
10. A Company furnishes the following information of its Cost and Sales for the year 2016 and 2017:

year	Cost (₹)	Sales (₹)
2016	12,00,000	14,00,000
2017	15,00,000	18,00,000

Compute: PV Ratio, Fixed expenses, Variable expenses, Margin of Safety, most likely profit when the sales are ₹ 20,00,000, BEP, estimated sales when desired profit is ₹ 5,00,000

Contd...2

11. A furniture manufacturer uses Sun Mica Tops for tables. From the following information find out Material Price Variance, Material Usage Variance, Material Cost Variance:

Standard quantity of Sun Mica / table – 4 sq ft

Standard price/ sq. ft of Sun Mica ₹ 50

Actual production of table 100

Sun mica actually used 430 sq. ft.

Actual purchase price of Sun Mica is ₹ 25,800.

12. Romco cements presents the following information and you are required to calculate fund from operation

Profit and Loss account

To operating expenses	1,00,000	By gross profit	2,00,000
To depreciation	40,000	By gain on sale of plant	20,000
To loss on sale of building	10,000		
To advertising suspense a/c	5,000		
To discount allowed	500		
To discount on issue of share written off	500		
To goodwill written off	12,000		
To net profit	52,000		
	2,20,000		2,20,000

13. Write differences between Financial accounting and Management Accounting.

SECTION – C

Answer any TWO questions of the following:

(2x16=32)

14. Standard Labour Mix producing 100units

- 4 skilled men at ₹ 3 /hour for 20 hours
- 6 unskilled men at ₹ 2 /hour for 20 hours

Actual hours : 2 skilled men at ₹ 4 / hour for 25 hours

10 unskilled men at ₹ 2.5 / hour for 25 hours

Compute labour cost variance, Labour Rate, Labour efficiency and mix variance.

15. From the following balance sheet of Sun Ltd. prepare Cash Flow Statement for the year ending 31-3-21 together with the relevant ledger accounts:

Balance Sheet

Liabilities	31-3-20 (₹)	31-3-21 (₹)	Assets	31-3-20 (₹)	31-3-21 (₹)
Equity Share Capital	4,50,000	5,00,000	Goodwill	1,15,000	90,000
Profit & Loss Account	70,000	1,18,000	Land & Buildings	2,00,000	1,70,000
Creditors	97,000	1,33,000	Machinery	80,000	2,00,000
Bills Payable	20,000	16,000	Stock	77,000	1,09,000
Taxation Provision	40,000	50,000	Bills Receivable	20,000	30,000
			Debtors	1,60,000	2,00,000
			Bank Account	25,000	18,000
	6,77,000	8,17,000		6,77,000	8,17,000

Contd...3

Additional information:

1. Depreciation of ₹10,000 and Rs.20,000 have been charged on machinery and land & buildings respectively.
2. An interim dividend of Rs.20,000 has been paid during current accounting year.

₹ 35,000 income tax was paid during the current accounting year.

16. Explain the Nature and Scope of Management Accounting

SECTION – D

Answer the following: Compulsory

(10)

17. A manufacturing company finds that while the cost of making a component part is ₹ 10, the same is available in the market at ₹ 9 with an assurance of continuous supply. Give your suggestion whether to make or buy this part. The cost information is as follows:

	Amount (₹)
Materials	3.50
Direct Labour	4.00
Other Variable Expenses	1.00
Fixed Expenses	1.50
	10.00

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B.Com. ACCA Semester VI – Degree Examination

July/August - 2022

ADVANCED PERFORMANCE MANAGEMENT - II

Time: 3 hrs.

Max Marks: 100

SECTION – A

Answer any FIVE questions of the following:

(5x2=10)

1. State any two characteristics of Kaizen costing.
2. State two CFS and KPIs for Internal perspective of Balanced Score card.
3. Determine the transfer price for a selling division with surplus capacity.
4. Distinguish between Gross Profit & Operating Profit.
5. State two merits of League tables.
6. State the symptoms to identify the corporate failure.
7. State the measures used in Value Based Management.

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SECTION - B

Answer any FOUR questions of the following:

(4x12=48)

8. Explain the importance of using short-term financial performance measures and point out the problems of using short-term targets to appraise performance.
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. What is lean production? Application of lean to management information systems.
11. What are the advantages and disadvantages of use of targets in public sector organisations?
12. Explain how the 7 principles of ISO 9001:2015 should result in quality improvements.
13. Critically evaluate performance pyramid as a Model for evaluating financial and non financial performance of a company.

SECTION – C

Answer any TWO questions of the following:

(2x16=32)

14. a) What is transfer price? State the Characteristics of a good transfer price. **(8 marks)**
- b) Explain in detail the general rules for setting transfer prices. **(8 marks)**
15. Explain in detail the three types of EMA techniques.

G 305.6a

16. Thebe Telecom is a large national telephone business in Fayland. Thebe provides telephone service to more than 11 million customers through its fixed line and mobile services. Thebe has three strategic business units: mobile; fixed line telephone (incorporating broadband); and corporate services (serving other businesses' telephone needs). It has become the largest mobile operator in Fayland through a series of acquisitions of competitors and operating licences.

Thebe's CEO has won many awards for being an innovative businessman who recognises the rapid changes in technology, regulation and competitor action that occur in the sector. Thebe's major competitor in Fayland is the original nationalised telephone company, FayTel, which was privatised 20 years ago but which retains many of the features of a monopoly supplier including a massive infrastructure. As a result, Thebe's CEO realised long ago that competition on the basis of price and volume would not work against such a large competitor and so he has focused on customer service as the key to growing the business.

In order to improve the company's competitive position, the CEO decided that the company should consider a Six Sigma initiative to give an immediate step change improvement to the service quality at Thebe. The initiative involved a number of projects including one to improve the quality of customers' bills. FayTel was publicly criticised by the government's consumer advocate who pointed to occasional misallocations of call minutes to the wrong numbers and also, more frequently, the application of incorrect tariffs in calculating the costs of calls. Thebe's CEO is aware that all telephone businesses (including Thebe) have these problems but this is an area in which Thebe can gain a competitive advantage and has taken a special interest in this project by championing it himself.

The project is focused on improving the accuracy of customers' bills and the handling of complaints. Within the billing department, the company divided activities into normal money collection, credit control on overdue payments and managing complaints. Process diagrams were created for each of these areas and then data was sourced from customer feedback at the various points of interaction with Thebe employees (such as complaint handling) and internal measurables created. The project team was formed from line managers from all three strategic business units and the billing department.

Required:

- (a) Explain how the general way in which Six Sigma is implemented helps improve the quality of performance illustrating your answer with reference to Thebe. **(8 marks)**
- (b) Explain and illustrate how the DMAIC method for the implementation of Six Sigma could be applied at Thebe. **(8 marks)**

SECTION - D

Answer the following: Compulsory

(10)

17. If an organisation planned to grow through acquisition, how might HRM contribute to the achievement of this strategy?

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St Aloysius College (Autonomous)

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B.Com. Semester VI – Degree Examination

July/August - 2022

SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

Time: 3 hrs.

Max Marks: 100

SECTION - A

Answer any **FIVE** questions of the following:

(5x2=10)

1. Distinguish between American and European Options?
2. The following are the price and other details of Stock SBC for the year 2021. Calculate Holding Period Return :

Stock	Beginning Price	Dividend	End Price
SBC	30	3.4	34

3. Sun Limited has standard deviation of 34% and Moon Limited has standard deviation of 40%. The correlation coefficient is 0.82. If the standard deviation of the market return is 22%, Calculate the Beta co-efficient of Sun and Moon Limited.
4. What is Money Market?
5. Give the meaning of Portfolio Revision.
6. Mr Sunil paid a premium of ₹ 5 per share for a 6 month call option contract (total of ₹ 500 for 100) share of Kalyani Limited. At the time of purchase Kalyani Limited stock was selling for ₹ 57 per share and the exercise price of the call option was ₹56.
Determine Mr Sunil's profit or loss if the price of Kalyani's stock's is ₹ 53, when the option is exercised.
7. The market received rumors about Shubhalaxmi Limited's tie up with the multinational company. This has induced the market price to move. If the rumor is false, Shubhalaxmi Limited'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 ₹1 per share premium for a 3 month put with a striking price of ₹ 40.
 Determine the investor's ending position if the tie up programme fails and the price of the stock falls to ₹ 36 in 3 months.

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SECTION - B

Answer any **FOUR** questions of the following:

(4x12=48)

8. Anuradha has a portfolio of 3 shares, A, B and C. The following details relate to these shares. You are required to calculate the expected rate of return and standard deviation of the portfolio.

Share	Proportion in the portfolio	Standard deviation of returns	Expected rate of return
A	40%	8	16%
B	25%	12	22%
C	35%	6	12%

Correlation coefficient:

A and B 0.74

B and C 0.46

C and A 0.82

9. Assuming CAPM model with unlimited borrowings and lendings at the risk free rate. Complete the blanks in the following table.

Security	Expected Return	σ	β	e_i^{-2}
A	0.15	-	2	0.10
B	-	0.25	0.75	0.04
C	0.09	-	0.5	0.17

Contd...2

10. 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

11. From the following Information Calculate Beta for company A and Company B.

Year	Market Return	Company A	Company B
2012	12	13	9
2013	11	15	10
2014	9	16	10
2015	10	20	12
2016	8	9	15

12. Explain Primary Equity Market and Secondary Market for security.
13. State and explain the various speculative activities in stock exchange.

SECTION - C

Answer any **TWO** questions of the following:

(2x16=32)

14. Mr. Nandan received ₹10,00,000 from his pension fund. He wants to invest in stock market. The Treasury Bill rate is 7% (risk free). The Market return variance is 20. The following table gives the details regarding the expected return and residual variance of individual securities. What is the optimum portfolio assuming no short sales?

Stock	Expected Return	β	Residual Variance
1	20	0.75	25
2	18	1.3	16
3	16	1.3	9
4	12	0.75	16
5	10	0.6	9
6	15	1.8	36

15. Fundamental analysis tries to estimate the intrinsic value of a security by evaluating the fundamental factors affecting the economy, industry and company. Explain.
16. What is Investment? Explain the various investment avenues available to an investor.

SECTION - D

Answer the following: Compulsory

(10)

17. Given below is an estimate of Standard Deviation and correlation co-efficient of 3 stocks:

Stock	Standard Deviation	Correction of Coefficient		
		A	B	C
X	12	-1	-1	0.2
Y	15	-1	1	-0.2
Z	10	0.2	-0.2	1

- I. The portfolio is composed of 20% of Stock A and 80% of Stock C. What is the portfolio risk?
II. If you are asked to decide the portfolio using Stock A & B. What is the percentage of investment in each stock will produce minimum or zero standard deviation?

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Mangaluru

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

July/August - 2022

FINANCIAL REPORTING

Time: 3 hrs.

Max Marks: 100

SECTION – A

Answer any **FIVE** of the following.

(5x2=10)

1. What do you mean by Qualifying asset as per Ind AS 23? State an example.
2. What are events occurring after reporting period?
3. How do we calculate Carrying Amount under Revaluation Model?
4. Define owner Occupied property as per Ind AS 40.
5. Name the items to be tested for impairment annually.
6. Mention any two quantitative thresholds for reportable segments.
7. State any three features of Financial Statements.

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SECTION - B

Answer any **FOUR** of the following.

(4x12=48)

8. Lakshmi Ltd uses a periodic inventory system.

Date	Particular	Unit	Cost p.u	Total Cost
April	Inventory	200	10	2,000
May	Purchases	50	11	550
September	Purchases	400	12	4,800
February	Purchases	350	14	4,900
	Total	1,000		12,250

Physical inventory at 31st March 2022 is 500 units. Calculate ending inventory value and cost of sales using:

FIFO

Weighted Average

9. Dev Ltd owns an asset with an original cost of Rs. 20,00,000. The useful life was estimated as 10 years and the residual value would be Rs. 2,00,000. At the end of year 8, management reviewed the useful life and residual value and decided that remaining useful life can be 4 more years and residual value is Rs. 10,000
Calculate the Depreciation and Carrying value for all the years.
10. A. ABC Ltd has purchased a new machinery during the year 2011-12. The asset was finally installed and made ready for use on 1st March 2012. The supplier has finished the installation but hasn't submitted the bills yet for the same. The supplier sent the bills on 10th April 2012. The financial statements were not yet approved. Should the Company adjust the amount of capitalization in the year 2011-12 or 2012-13?

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- B. Q Ltd got a Government grant in the form of 6 acres Land from the Government. The Government provided the land at a nominal value of Rs. 10,000 per acre. The Fair Value of the land is Rs. 2,00,000 per acre. Calculate the amount of the Government grant to be recognized by the entity.
11. Yoyo Ltd purchased a building on 1st May 2021 with an intention to earn rentals out of it. Name the Ind AS applicable to it.
Find the value at which the building would be capitalized in the books:
Purchase cost of the building Rs. 15,00,000
Interest payable on the loan taken to fund the building Rs. 2,00,000
Property transfer taxes Rs. 50,500
Legal costs involved Rs. 80,000
Fees for planning of the building Rs. 9,00,000
Further renovation cost Rs. 4,00,000 (including Rs. 40,000 refundable purchase taxes).

12. A. When does capitalization of borrowing costs begin as per Ind AS 23?

Identify the commencement date of capitalization in the following case:

- 15th Jan 2021: Loan interest relating to the project starts to be incurred
- 2nd Feb 2021: Technical Site planning commences
- 19th Feb 2021: Expenditure on the project started to be incurred
- 18th March 2021: Construction work commences

B. R Ltd received a Govt Grant of Rs. 20,00,000 for bearing expenses for environmental protection. Expected environmental costs to be incurred is Rs. 5,00,000 per annum for the next 5 years. How should R Ltd present such grant related to income in its financial statements?

13. Hero Ltd has 5 operating segments. Its Profit or Loss is as under. Based on quantitative thresholds, which of the segments would be considered Reportable?

Segment	Profit/(Loss) In Crores
AM	7,800
BM	15,000
CM	(23,000)
DM	(45,000)
EM	60,000

SECTION – C

Answer any TWO of the following.

(2x16=32)

14. Manjush Ltd purchased a machinery of Rs. 50 Crore on 1st April 2021. Useful life is 5 years, residual value is nil. Manjush Ltd adopts SLM for depreciating the machinery. Following cash flows have been estimated as on 31st March 2022:

FY 2022-23 – Rs. 15 Crore
 FY 2023-24 – Rs. 30 Crore
 FY 2024-25 – Rs. 40 Crore
 FY 2025-26 – Rs. 10 Crore
 Discount Rate applicable is 10%.

Fair Value Rs. 70 Crores and Cost of disposal Rs. 5 Crore.

Calculate the impairment loss if any.

15. In a manufacturing process of Maddy Ltd, one by-product Frooti emerges besides two main products Aamras and Candy apart from scrap. Details of cost of production are as follows:

Item	Unit	Amount	Output	Closing Stock
Raw material	29,000	3,00,000	Aamras – 10,000 units	500
Wages	-	1,80,000	Candy – 8,000 units	200
Fixed Overhead	-	1,30,000	Frooti – 4,000 units	
Variable Overhead	-	1,00,000		

Average market price of Aamras and Candy is Rs. 60 and Rs. 50 per unit. By product is sold @ 20 per unit. There is a profit of Rs. 5,000 on sale of by-product after incurring separate processing charges of Rs. 8,000 and packing charges of Rs. 2,000. Rs. 5,000 was realized from sale of scrap. Calculate the value of closing stock of Aamras and Candy.

16. Zeus Ltd is installing a new plant. Calculate the cost of the plant as per Ind AS 16:

Cost of the plant as per invoice – Rs. 25,00,000
 Initial Delivery and handling – Rs. 2,00,000
 Cost of site preparation – Rs. 6,00,000
 Consultants used for advice – Rs. Rs. 7,00,000
 Dismantling Costs after 7 years – Rs. 3,00,000
 Administrative Salary – Rs. 4,00,000
 Cost of opening ceremony of the new plant – Rs. 5,00,000
 Refundable Import Fees – Rs. 8,00,000

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SECTION – D

(10)

Answer the following: (Compulsory)

17. Camel Ltd has taken a loan from the bank that is to be repaid within a period of 9 months from the end of the reporting period. Prior to the end of the reporting period, the entity and the bank enter into an arrangement to extend the loan term to 15 months after the balance sheet date.
- How should such loan be classified in the balance sheet of the entity?
 - Will the answer be different if the new arrangement was agreed upon after the balance sheet date?
 - Will the answer be different if the new arrangement is not yet tied up but the entity has the potential to refinance the loan?

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St Aloysius College (Autonomous)

Mangaluru

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

July/August - 2022

INTERNATIONAL TAXATION

Time: 3 hrs.

Max Marks: 100

SECTION – A

Answer any FIVE questions of the following:

(5x2=10)

1. Mention any 2 conditions for enterprises to be called Associated Enterprises.
2. Mention any 2 methods for computation of Arm's Length Price.
3. Mention the two methods under Bilateral Relief.
4. What would be the fee for application under Advance Rulings where the value of the transaction ranges from 100 to 300 crores?
5. Briefly explain G2C type of e-commerce transactions with examples.
6. Mention the two types of DTAA's.
7. What is the threshold limit for applicability of Thin Capitalization?

SECTION - B

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Answer any FOUR questions of the following:

(4x12=48)

8. (a) Hyundai Motors Ltd., an Indian Co. declared income of Rs. 300 crores before making any adjustments in respect of the following transactions for the year ended 30-03-2021.
 - (i) 10,000 cars sold to Ridha Ltd. which holds 30% shares in Hyundai Motors Ltd. at a price which is less by \$200 each car than the price charged from Shingto Ltd.
 - (ii) Royalty of \$12,000,000 was paid to Kyoto Ltd. for the use of technical knowhow in the manufacturing of a car. However, Kyoto Ltd. had provided the same knowhow to another Indian CO. for \$9,000,000.
 - (iii) Loan of EURO 1000 crores carrying interest @ 10% p.a. advanced by Dorf Ltd. a German Co. was outstanding on 30-03-2021. The total book value of assets of Hyundai Motors Ltd. on the date was Rs. 90,000 crores. The said German Co. had also advanced a loan of similar amount to another Indian Co. @ 9% p.a. Total interest paid for the year was EURO 100 crores.

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

(6 marks)

Contd...2

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

Advise Mr. Hari as to whether ABC Inc and XYZ Ltd are Associated Enterprises, on the basis of the provisions of the Income-tax Act, 1961.

(6 marks)

9. (a) XE Ltd. is an Indian Co. in which Zilla Inc. a US Co. has 28% shareholding & voting power. Following transactions were affected between these two companies during the FY.

(a) 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

(b) XE Ltd. borrowed \$200,000 from a foreign lender based on the guarantee of Zilla Inc. For this, XE 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

(c) 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

The income of the Co. before Transfer Pricing adjustments for the year was Rs. 1,200 lakhs. Compute the adjustments to be made to the total income of XE Ltd. 1\$ = Rs. 64

(6 marks)

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

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

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

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

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

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

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

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

10. (a) During the financial year 2020-21, Nadal, a tennis professional and a Spanish citizen participated in India in a Tennis Tournament and won prize money of Rs. 15 lakhs. He contributed articles on the tournament in a local newspaper for which he was paid Rs. 1 lakh. He was also paid Rs. 5 lakhs by a Soft Drink company for appearance in a T.V. advertisement. Although his expenses in India were met by the sponsors, he had to incur Rs. 3 lakhs towards his travel costs to India. He was a non-resident for tax purposes in India.

What would be his tax liability in India for A.Y. 2021-22? Is he required to file his return of income? **(6 marks)**

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

Rs. 50,000 is payable to Mr. Thomas, a non-resident individual, against providing digital space for online advertisement of its products. Examine the equalization levy implications of such payments. Also, state the consequence of non-deduction of equalization levy. **(6 marks)**

11. (a) 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.

(6 marks)

Contd...4

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(b) Mention the conditions to be satisfied in order to claim Unilateral Relief. (6 marks)

12. (a) Explain the features of Tax Treaties. (6 marks)
- (b) (i) M/s India Chem Ltd. is a company incorporated in India. It sets up a unit in a Special Economic Zone (SEZ) in F.Y. 2016-17 for manufacturing of chemicals. It claims 100% deduction of profits earned from that unit in F.Y. 2020-21 and subsequent years as per section 10AA of the Act. Is GAAR applicable in such a case?
- (ii) Let us presume M/s India Chem Ltd. has another unit for manufacturing chemicals in a non-SEZ area. It then diverts its production from such manufacturing unit and shows the same as manufactured in the tax exempt SEZ unit, while doing only the process of packaging there. Is GAAR applicable in such a case?
- (iii) Let us presume that M/s India Chem Ltd. does not show production of non SEZ unit as a production of SEZ unit but transfers the product of non-SEZ unit at a price lower than the fair market value and does only some insignificant activity in SEZ unit. Thus, it is able to show higher profits in SEZ unit than in non-SEZ unit, and consequently claims higher deduction in computation of income. Can GAAR be invoked to deny the tax benefit? (6 marks)

13. (a) Godavari Ltd., a resident Indian Company, on 01-04-2020 has borrowed Rs. 80 crores from M/s. Mississippi 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 Mississippi 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. (6 marks)
- (b) 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. (6 marks)

Contd...5

SECTION - C

Answer any **TWO** questions of the following:

(2x16=32)

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

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

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

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

- Interest of Rs. 80 crores paid to A LLC, Cyprus on the loan of Rs. 1000 crores. The book value of the total assets of A Ltd is Rs. 1800 crores.
- A Ltd. obtained loan of Rs. 100 crores from Bank of Chennai, India based on a guarantee provided by A Inc., USA. Interest of Rs. 8 crores paid on such loan and guarantee fee of Rs. 50 lacs paid to A Inc., USA.
- A Ltd. obtained loan of Rs. 50 crores from TN Mercantile Bank, India based on a letter of comfort provided by Mr. Balaji, who is an Indian resident and director of A Ltd. Interest of Rs. 4 crores is paid towards such loan.
- A Ltd. obtained an independent loan of Rs. 300 crores from Union City Bank, India for which interest of Rs. 3 crores has been paid to the bank.
- A Ltd. obtained loan of Rs. 50 crores from Bank of Taiwan, India Branch. Guarantee was provided by AAA Ltd., Taiwan. Interest paid for the concerned year is Rs. 3 crores. Guarantee fees paid to AAA Ltd. is Rs. 25 lakhs. A Ltd. holds shares carrying 25% voting power in AAA Ltd., Taiwan.
- A Ltd. obtained interest-free loan of Rs. 50 crores from A Pty, Singapore. Out of the 25 directors of A Pty., Singapore, 10 are appointed by A Ltd.

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- A Ltd. obtained foreign currency loan of \$ 10 million from Wells Fargo Bank of USA, in USA, based on a back to back deposit made by A Inc. USA to the tune of \$ 5 million in the bank. Interest of Rs. 6 crores is paid on such loan.
- A Ltd. obtained foreign currency loan of \$ 20 million from Bank of USA, in USA, based on a back to back deposit made by A Inc., USA to the tune of \$ 20 million in the bank. Interest works out to Rs. 12 crores.
- A Ltd. had to incur a sum of Rs. 1 crore as an interest towards the delayed payment to AA Ltd. China, being its creditor for supply of raw material. 90% of raw materials required by A Ltd. is supplied by AA Ltd., China. The price and other conditions for supply of raw material are influenced by AA Ltd., China.

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

15. Smith, a foreign national and a cricketer came to India as a member of Australian cricket team in the year ended 31st March, 2021. He received Rs. 5 lakhs for participation in matches in India. He also received Rs. 1 lakh for an advertisement of a product on TV. He contributed articles in a newspaper for which he received Rs. 10,000. When he stayed in India, he also won a prize of Rs. 20,000 from horse racing in Mumbai. He has no other income in India during the year.
- (i) Compute tax liability of Smith for Assessment Year 2021-22.
 - (ii) Are the 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?
16. 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.

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.

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SECTION - D

Answer the following: Compulsory

(10)

17. (a) 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. **(6 marks)**

- (b) List out the basic principles of interpretation of a tax treaty. **(4 marks)**

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St Aloysius College (Autonomous)

Mangaluru

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

July/August - 2022

STRATEGIC FINANCIAL MANAGEMENT

Time: 3 hrs.

Max Marks: 100

SECTION – A

Answer any FIVE questions of the following:

(5x2=10)

1. What are Future Contracts?
2. What is Treynors ratio?
3. What is a portfolio?
4. What are bonds?
5. What are mutual funds?
6. Risk and return moves in the same direction. Elaborate.
7. Mr. A invested Rs.50,000 at the beginning of the year. During the year he received dividend of Rs.1000. The value of the investment at the end of the year was 52000. Calculate his annualized return.

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SECTION - B

Answer any FOUR questions of the following:

(4x12=48)

8. a) Mr. A buys a call option of SBI of strike price 380 for Rs. 4. What would be his pay off if on the day of expiry the closing price is
 - (i) 250
 - (ii) 350
 - (iii) 450b) What would be the theoretical price of a future whose underlying is trading at 5010 and there is one month to expiry. You may assume an appropriate risk free rate.
c) What is Sensex? How is it calculated?
9. Calculate Risk of the security

Year	Return
1	8%
2	9%
3	7.5%
4	13%
5	-1%
6	5%

10. What are the objectives of Portfolio management?
11. Explain Butterfly spread with an example and graphical presentation.

Contd...2

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12. Briefly explain the types of risk.
 13. Calculate portfolio return.

Security	No of Shares	Price at the beginning	Price at the End
A	500	20	22
B	2000	22	25
C	2000	150	175
D	1500	175	160
E	150	7500	7800

SECTION - C

Answer any TWO questions of the following:

(2x16=32)

14. Explain the phases of portfolio management.
 15. Explain the following 8 mutual fund schemes
- Money market funds
 - ELSS
 - Gold funds
 - Gilt Funds
 - Off shore funds
 - Sector Funds
 - Bond Funds
 - Balanced advantage Funds

16.

Year	Security Return	Market Return
1	8%	9%
2	9%	10%
3	7.5%	8%
4	13%	15%
5	-1%	2%
6	5%	1%

Calculate the following

- Security return
- Market return
- Security Risk
- Market Risk
- Correlation between Security return and market return
- Beta of the security

SECTION - D

Answer the following: Compulsory

(1)

17. Explain the following terms
- Strike price
 - Put option
 - Straddle
 - American Option
 - Futures
 - Option Premium
 - Close ended funds
 - NAV
 - Index Funds
 - Funds of funds

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**St Aloysius College (Autonomous)
Mangaluru**

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

July/August - 2022

AUDITING AND ASSURANCE

Time: 3 hrs.

Max Marks: 100

SECTION – A

Answer any **FIVE** questions of the following:

(5x2=10)

1. What are the characteristics of population?
2. What is the meaning of analytical procedure?
3. When and Which type of modified opinion is appropriate?
4. What is a joint audit?
5. Name any 6 types of audit reports to be issued in a bank audit.
6. State the applicability of Cost Audit as per Companies Act, 2013.
7. Define comparative information.

SECTION - B

Answer any **FOUR** questions of the following:

(4x12=48)

8. a) Explain the types of sample selection methods? (6)
b) What specific evaluations should the auditor do while drawing up an audit report? (6)
9. a) Explain the factors to be considered by an auditor for substantive audit procedures? (6)
b) What are the special considerations in carrying out audit by joint auditors? (6)
10. As an auditor, how do you audit the following
a) Reserves & Surplus
b) Cash & Cash equivalents
c) Intangible assets (4 Marks each)
11. Explain appointment of first & subsequent auditors of both government & non-government company.
12. a) Explain the basic elements of an audit report? (8)
b) In carrying out audit of advances, the auditor is primarily concerned with obtaining evidence. About what should he obtain evidence? (4)
13. Define assertion. Explain how to audit "SHARE CAPITAL" in detail.

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SECTION – C

Answer any **TWO** questions of the following:

(2x16=32)

14. Explain all the 18 stages of Bank Audit.
15. Explain all the matters to be included in Companies (Auditor's Report) Order, 2020.
16. a) Internal controls over advances in Banks should be effective. How to evaluate their Internal control? (8)
b) Every joint auditor shall be responsible for the work allocated to such joint auditor. On the other hand, all the joint auditors shall be jointly and severally responsible for few areas. Which are those? (8)

SECTION – D

Answer the following: **Compulsory**

(10)

17. Explain the steps to audit cinemas.

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St Aloysius College (Autonomous)

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

July/August - 2022

INVESTMENT MANAGEMENT

Max Marks: 100

Time: 3 hrs.

SECTION – A

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

1. Which method is used in India for measurement of National Income? Also, state the method which is considered the most suitable for measurement of National Income of the developed economies.
2. What do you mean by "Crowding Out" in relation to fiscal policy?
3. Explain the concept of 'private cost'.
4. What is the meant by 'Statutory Liquidity Ratio'? In which forms this ratio is maintained?
5. Calculate M
Velocity 19
Price 108.5
Volume of transactions 120 billion
6. Briefly explain the advantages of two key concepts of New Trade theories to countries when importing goods to compete with products from the home country.
7. Mention any two key objectives of World Trade Organization.

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SECTION - B

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

8. (a) You are given the following information of an economy: Consumption Function:
 $C = 200 + 0.60 Y_d$
Government Spending: $G = 150$
Investment Spending: $I = 240$
Tax: $T_x = 10 + 0.20Y$
Transfer Payment: $T_r = 50$
Exports: $X = 30 + 0.2Y$
Imports: $M = 400$
Where Y and Y_d are National Income and Personal Disposable Income respectively. All figures are in Rs.
Find:
(i) The equilibrium level of National Income
(ii) Net Exports at equilibrium level
(iii) Consumption at equilibrium level

(6 marks)

Contd...2

G 357.6

(b) The equation of 'consumption function' of an economy is as follows:
 $C = \text{Rs. } 450 + 0.70y$

You are required to compute the following:

(i) Consumption when disposable income (y) is Rs. 3,500 and Rs. 5,800

(ii) Saving when disposable income (y) is Rs. 3,500 and Rs. 5,500

(iii) Amount induced when disposable income is Rs. 3,200

(6 marks)

9. (a) Calculate GNP at Market Price from the following data using Value Added Method.

Particulars	Rs. in Crores
Government Transfer Payments	1800
Value of Output in Primary Sector	1500
Value of Output in Secondary Sector	2700
Value of Output in Tertiary Sector	2100
Net Factor Income from Abroad	-60
Intermediate Consumption in Primary Sector	750
Intermediate Consumption in Secondary Sector	1200
Intermediate Consumption in Tertiary Sector	900

(6 marks)

- (b) Calculate Gross Domestic Product at Market Prices (GDPMP) and derive National Income from the following data (in Crores)

Inventory Investment	100
Exports	200
Indirect Taxes	100
Net Factor Income from Abroad	-50
Personal Consumption Expenditure	3500
Gross Residential Construction Investment	300
Depreciation	50
Imports	100
Government Purchases of Goods and Services	1000
Gross Public Investment	200
Gross Business Fixed Investment	300

(6 marks)

10. (a) Calculate M2 from the following data:

Particulars	Rs. in Crore
Notes in Circulation	2420964
Circulation of Rupee Coin	25572
Circulation of Small Coins	743
Post Office Saving Bank Deposits	141786
Cash on Hand with Banks	97563
Deposit Money of the Public	1776199
Demand Deposits with Banks	1737692
'Other' Deposits with Reserve Bank	38507
Total Post Office Deposits	14896
Time Deposits with Banks	178694

(6 marks)

Contd...3

- (b) How would each of the following affect money multiplier and money supply?
- Commercial banks in India decide to hold more excess reserves
 - Fearing shortage of money in ATMs, people decide to hoard money
 - Banks open large number of ATMs all over the country
 - E banking becomes very common and nearly all people use them
 - During festival season, people decide to use ATMs very often
 - If banks decide to keep 100% reserves **(6 marks)**
11. Identify the market outcomes for each of the following situations
- A few youngsters play loud music at night. Neighbors may not be able to sleep
 - Ram buys a large SUV which is very heavy
 - X smokes in a public place
 - Rural school students are given vaccination against measles
 - Traffic congestion making travel very uncomfortable
 - Piracy of computer programs
 - Some species of fish are now getting extinct because they have been caught indiscriminately
 - The municipality provides sirens four times a day
 - Burglar alarms are installed by many in your locality
 - Global warming increases due to emissions of fossil fuels
 - All the students of a school are being vaccinated against measles
 - Fossil fuels would be completely depleted by the end of 2050 due to excessive consumption of the same
12. (a) The table below shows the number of labor hours required to produce wheat and cloth in two countries X and Y

Commodity	Country A	Country B
1 unit of cloth	4	1
1 unit of wheat	2	2.5

- Compare the productivity of labor in both countries in respect of both commodities.
- Which country has absolute advantage in the production of wheat?
- Which country has absolute advantage in the production of cloth?
- If there is trade, which commodity should these countries produce?
- What are the opportunity costs of each commodity? **(6 marks)**

- (b) (i) Which of the three exporters engage in anticompetitive act in the international market while pricing its export of good X to country D?
- (ii) What would be the effect of such pricing on the domestic producers of good X? Advise remedy available for country D? **(6 marks)**

G 357.6

Goods X	Country A (in \$)	Country B (in \$)	Country C (in \$)
Average Cost	30.5	29.4	30.9
Price per unit for Domestic Sales	31.2	31.1	30.9
Price charged in Country D	31.9	30.6	30.6

13. (a) In 1983 Australia decided to float its dollar. Assuming free trade, explain the effects of each of the following on the spot exchange rate between AUD and USD.

(i) There is a substantial increase demand in Australia for US exports of services. Since Australia manufactures were favored over others, there is a proportionate increase in exports of Australian products to the US

(ii) Investors in Australia perceive that the returns on investments in the US would be much more lucrative than elsewhere. As a result there is a huge increase in demand for investments in US dollar denominated financial investments

(iii) Political uncertainties in the US due to presidential elections caused large scale shift of Australian financial investments back in to Australia

(iv) An epidemic in some parts of Australia made the US evoke SPS measures and ban the entry of a number of food items to the US **(6 marks)**

(b) Which of the following is FDI?

(i) Claram Joe, a German investor buys 5000 shares of Ford, a US Automobile company

(ii) Annette D, the US Company acquires all the equity shares of Emeline & Co in Alice Land which makes computer components

(iii) A Bulgarian investor Boryana Gergiev pays cash and buys 0.2 % of all outstanding equity shares of Mariette company which makes computer peripherals

(iv) Maansi Tech solutions purchase 52% stake in a Sarra, a Jamaican technology firm

(v) Kora extends a loan to Christa Victorine, a power producing firm in which it holds 60 percent of equity

(vi) Augusta Corp lends pounds 10 million to Lee Sud, a Dutch parts-making firm in which it holds 79 percent of equity

(6 marks)

Contd...5

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

14. Calculate NI with the help of Expenditure method and income method with the help of following data:

Items	Rs. in Crores
Compensation of employees	1200
Net factor income from Abroad	20
Net indirect taxes	120
Profit	800
Private final consumption expenditure	2000
Net domestic capital formation	770
Consumption of fixed capital	130
Rent	400
Interest	620
Mixed income of self-employed	700
Net export	30
Govt. final consumption expenditure	1100
Operating surplus	1820
Employer's contribution to social security scheme	300

15. (a) From the following data, calculate NNPFC, NNPMP, GNPMP and GDPMP.

Items	Rs. in Crores
Operating Surplus	2000
Mixed Income of Self Employed	1100
Rent	550
Profit	800
Net Indirect Taxes	450
Consumption of Fixed Capital	400
Net Factor Income from Abroad	-50
Compensation of Employees	1000

(8 marks)

(b) Following exchange rate quotations are available for different periods:

(1) The spot exchange rate changes from Rs. 65 per \$ to Rs. 68 per \$.

(2) The spot exchange rate changes from \$ 0.0125 per rupee to \$ 0.01625 per rupee. Answer:

(A) Identify the nature of rate quotations in (1) and (2) above.

(B) Identify the base currency and counter currency in (1) and (2) above.

(C) What are possible consequences on exports and imports of (1) and (2) above.

(8 marks)

16. Write a short note on the following:

- Negative Production Externalities
- Positive Production Externalities
- Negative Consumption Externalities
- Positive Consumption Externalities

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SECTION - D**(10)****Answer the following: Compulsory**

17. Briefly explain the following with examples:

- Public Goods
- Tragedy of the Commons
- Incomplete Information
- Lemons Problem
- Moral hazard

Reg. No. :

6359.6

St Aloysius College (Autonomous)

Mangaluru

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

July/August - 2022

FINANCIAL MANAGEMENT - II

Time: 3 hrs.

Max Marks: 100

SECTION – A

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

1. Mention the types of Venture Capital Financing.
2. What do you mean by Debt Securitization?
3. List the steps of Capital Budgeting Procedure.
4. What is Cash Dividend?
5. List two advantages of Stock Splits.
6. List the Methods of Cash Flow Budgeting.
7. Explain Management of Working capital.

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SECTION - B

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

8. 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

9. The following annual figures relate to XYZ Co.,

Particulars	(Rs)
Sales (at two months' credit)	36,00,000
Materials consumed (suppliers extend two months' credit)	9,00,000
Wages paid (1-month lag in payment)	7,20,000
Cash manufacturing expenses (expenses are paid one month in arrear)	9,60,000
Administrative expenses (1-month lag in payment)	2,40,000
Sales promotion expenses (paid quarterly in advance)	1,20,000

Contd...2

G 359.6

The company sells its products on gross profit of 25%. Depreciation is considered as a part of the cost of production. It keeps one month's stock each of raw materials and finished goods, and a cash balance of Rs.1,00,000.

Assuming a 20% safety margin, COMPUTE the working capital requirements of the company on cash cost basis. Ignore work-in-process.

10. 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.

11. Following data has been available for a capital project:

Annual cash inflows	₹1,00,000
Useful life	4 years
Salvage value	0
Internal rate of return	12%
Profitability index	1.064

You are required to CALCULATE the following for this project:

- Cost of project
 - Cost of capital
12. A & R Ltd. is a large-cap multinational company listed in BSE in India with a face value of ₹100 per share. The company is expected to grow @ 15% p.a. for next four years then 5% for an indefinite period. The shareholders expect 20% return on their share investments. Company paid ₹120 as dividend per share for the FY 2020-21. The shares of the company traded at an average price of ₹3,122/- on last day. FIND out the intrinsic value of per share and state whether shares are overpriced or underpriced.
13. XYZ Ltd. earns ₹10/ share. Capitalization rate and return on investment are 10% and 12% respectively.
- DETERMINE the optimum dividend payout ratio and the price of the share at the payout.

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

14. A regular customer of your company has approached to you for extension of credit facility for purchasing of goods. On analysis of past performance and on the basis of information supplied, the following pattern of payment schedule merges:

Pattern of Payment Schedule	
At the end of 30 days	20% of the bill
At the end of 60 days	30% of the bill
At the end of 90 days	30% of the bill
At the end of 100 days	18% of the bill
Non-recovery	2% of the bill

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- The customer wants to enter into a firm commitment for purchase of goods of ₹30 lakhs in 2019, deliveries to be made in equal quantities on the first day of each quarter in the calendar year. The price per unit of commodity is ₹300 on which a profit of ₹10 per unit is expected to be made. It is anticipated that taking up of this contract would mean an extra recurring expenditure of ₹10,000 per annum. If the opportunity cost is 18% per annum, would you as the finance manager of the company. RECOMMEND the grant of credit to the customer? Assume 1 year = 360days.
15. AT Ltd. furnishes the following stores transactions for September, 2016

Date	Particulars	Value
01.09.16	Opening balance	25 Units value ₹162.50
04.09.16	Issues Req.No.85	8 units
06.09.16	Receipts from B &Co. GRN NO.26	50 Units @ 5.75 per unit
07.09.16	Issues Req. No. 97	12 Units
10.09.16	Returns to B & Co.	10 units
12.09.16	Issues Req. No. 108	15 units
13.09.16	Issues Req. No. 110	20 units
15.09.16	Receipts from M & Co. GRN NO. 33	25 units @ 6.10 per unit
17.09.16	Issues Req. No 121	10 units
19.09.16	Received replacement from B & Co. GRN No. 38	10 units
20.09.16	Returned from department material of M& Co. MRN No.4	5 units
22.09.16	Transfer from Job 182 to 187 in the dept. MTR 6	5 units
26.09.16	Issues Req. No. 146	10 units
29.09.16	Transfer from department "A" to department "B" MTR 10	5 units
30.09.16	Shortage in stock taking	2 units

Write up the priced stores ledger on FIFO method and discuss how you would treat the shortage in stocktaking.

16. NavJeevani hospital is considering to purchase a machine for medical projectional radiography which is priced at ₹2,00,000. The projected life of the machine is 8 years and has an expected salvage value of ₹18,000 at the end of 8th year. The annual operating cost of the machine is ₹ 22,500. It is expected to generate revenues of ₹1,20,000 per year for eight years. Presently, the hospital is outsourcing the radiography work to its neighbour Test Center and is earning commission income of ₹36,000 per annum, net of taxes.

Required:

ANALYSE whether it would be profitable for the hospital to purchase the machine? Give your recommendation under:

a) Net Present Value method

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b) Profitability Index method.

Consider tax @30%. PV factors at 10% are given below:

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
0.909	0.826	0.751	0.683	0.621	0.564	0.513	0.467

SECTION - D

Answer the following: Compulsory

(10)

17. In May, 2020 shares of RT Ltd. was sold for ₹1,460 per share. A long term earnings growth rate of 7.5% is anticipated. RT Ltd. is expected to pay dividend of ₹20 per share.
- a) CALCULATE rate of return an investor can expect to earn assuming that dividends are expected to grow along with earnings at 7.5% per year in perpetuity?
- b) It is expected that RT Ltd. will earn about 10% on retained earnings and shall retain 60% of earnings. In this case, STATE whether, there would be any change in growth rate and cost of Equity?
