PH 312.4 Reg. No. | | | | | | |

St Aloysius College (Autonomous)
Mangaluru
Semester IV – P.G. Examination – M.Com.
September - 2020
INTERNATIONAL FINANCIAL MANAGEMENT

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

SECTION - A

Answer any FIVE of the following. **(5x4=20)**

1. Explain the role of International Monetary fund.
2. Discuss the importance of balance of payments statistics.
3. Examine the major players of foreign exchange market.
4. Compare spot market and forward markets.
5. Explain the various foreign currency exposure.
6. Explain project finance.
7. Explain netting in cash management.

SECTION – B

Answer any FOUR of the following. **(4x10=40)**

8. Explain the various exchange rate arrangements.
9. The following rates are obtained in New York. Calculate the outright forward rates
   INR/USD : 73.6375/73.6475
   1 month forward : 10/5
   2 months forward : 20/10
   3 months forward : 15/25
   INR/GBP : 94.3562/94.5266
   I month forward : 182/190
   2 months forward : 232/218
   3 months forward : 164/186
   INR/EUR : 82.84/92
   1 month forward : 12/18
   2 month forward: 24/20
10. Discuss the interest rate parity (IRP) theory.
11. Examine the techniques for managing transaction exposure.
12. Explain the challenges of International working capital management.
13. INR/CHF = 79.0246 / 79.1250
    3 months forward = 80.1226/ 80.1569
    3 months INR interest rate = 6.50/7.00
    3 month CHF interest rate =5.75/6.25
    Determine whether there is a covered interest arbitrage opportunity.

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

14. Prepare the BOP statement of India from the following transactions
    i) An Indian firm exports ₹ 8,00,000 worth of goods to be paid in 3 months.
    ii) An Indian residence visits Russia and spends ₹ 3,00,000 on hotel, meals and so on.
    iii) An Indian resident purchases foreign stock for ₹ 1,00,000 and pays for it by increasing the foreign bank balance in India.
    iv) A foreign investor purchases ₹ 50,000 worth of Indian treasury bill and pays by drawing down his bank balance in India by an equal amount.
    v) US government gives a bank balance of $ 10,00,000 to china as a part of the US aid programme.

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Semester IV – P.G. Examination - M.Com
September - 2020
CORPORATE LAW, ETHICS AND GOVERNANCE

Time: 3 Hours

Max. Marks: 70

SECTION – A

Answer any FIVE of the following: **(5x4=20)**

1. Explain the purposes of 'Business Ethics'.
2. State the benefits of good 'corporate governance'.
3. Explain the current state of CSR in India.
4. Write a brief note on company law administration in India.
5. Explain the current ethical challenges faced by a manager.
6. Explain the role of SEBI in investors protection.
7. Explain the real life example of a 'corporate failure'.

SECTION - B

Answer any FOUR of the following: **(4x10=40)**

8. Explain the measures to mitigate unethical practices in corporate form of organizations.
9. "The articles of association play a subordinate role to the memorandum of association" - comment.
10. What are the exceptions of doctrine of Indoor Management?
11. Write a short note on lifting of the "Corporate veil".
12. Write a note on ethical issues in marketing and finance.
13. Describe the various CSR models.

SECTION – C (Compulsory)

(1x10=10)

14. After graduating from college with a degree in science Andy finds a solid job in his profession, married and had two sons. Twelve years later, he moves to another company promising him steady advancement within its managerial ranks. A devoted family man Andy admires his wife's dedication to raising their boys. But he also observes that his sons approaching their teen years, benefit greatly from his fatherly friendship and counsel especially as they approach what he and his wife realise could prove to be a difficult transitional period in their upbringing. So he has made a commitment to spend plenty of time with them, playing baseball and helping with their schoolwork.

    But he also loves his work and does well at it. And it has become apparent that to advance rapidly up the managerial ranks, he needs an MBA. A nearby university offers the degree in an evening and weekend program that would allow him to continue full time employment, but it would soak up his free time for the next several years and throw most of the family activities into his wife's hands.

    Question:

    Where should Andy focus his attention and why?

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Semester IV – P.G. Examination – M.Com.

September - 2020

COST AND MANAGEMENT ACCOUNTING

Time: 3 hrs. Max Marks: 70

SECTION - A

Answer any FIVE of the following. (5x4=20)

1. Distinguish between Volume based product costing system and activity based costing system.
2. Explain the behavioral impact of standard costing.
3. How do you treat abnormal loss and abnormal gain in process costing? Explain with the help of numerical illustration.
4. List the various factors to be considered in pricing decisions.
5. The standard material cost to produce a tonne of chemical X is :
   300kg of material A @ ₹ 10 per kg.
   400kg of material B @ ₹ 5 per kg.
   500kg of material C @ ₹ 6 per kg.
   During the period 100 tonnes of mixture X was produced from the usage of :
   35 tonnes of material A at a cost of ₹ 9000 per tonne.
   42 tonnes of material B at a cost of ₹ 6000 per tonne.
   53 tonnes of material C at a cost of ₹ 7000 per tonne.
   Calculate material price and usage variance.
6. Panchamal plastics make plastic buckets. An analysis of their accounting reveals the following:

Variable cost per bucket	₹ 20
Fixes cost	₹ 50,000 for the year
Capacity	2000 buckets per year
Selling price per bucket	₹ 70

   Required:
   i) Find break even point
   ii) Find the number of buckets to be sold to get a profit of ₹ 30,000.
7. What is a cost driver? What is the role of cost driver in tracing costs to products?

SECTION – B

Answer any FOUR of the following. (4x10=40)

8. Describe a balanced score card. Discuss the Key perspectives in the balanced score card.
9. Discuss the application of marginal costing techniques in decision making with the help of suitable examples.

Contd...2

10. Write notes on:
    a) Total quality management
    b) Activity based management
    c) P/V Ratio
    d) Transfer pricing

11. Standard hours for manufacturing two products M and N are 15 hours per unit and 20 hours per unit respectively. Both products require identical kind of labour and the standard wage rates per hour is ₹ 5. In the year 2020, 10,000 units of M and 15,000 units of N were manufactured. The total of labour hours actually worked were ₹ 4,50,500 and the actual wage bill came to ₹ 23,00,000. This includes 12000 hours paid for @ ₹ 7 per hour and 9,400 hours paid for @ ₹ 7.50 per hour, the balance having been paid at ₹ 5 per hour. You are required to compute the labour variances.

12. Sun Ltd is a manufacturer of a range of white goods. Cost structure of its different products is as follows:

	Product P (₹)	Product Q (₹)	Product R (₹)
Direct materials	25	20	20
Direct labour @ ₹5 per hour	15	20	25
Production overheads	15	20	25
Total cost	55	60	70
Quantity produced (units)	10,000	20,000	30,000

Sun Ltd wishes to introduce activity based costing system and has identified four major cost pools for production overheads and their associated cost drivers. Information on these activity cost pools and their drivers is given below:

Activity cost pool	Cost driver	Cost associated with activity cost pool (₹)
Stores receiving	Purchase requisition	1,48,000
Inspection/Quality control	No of production runs	4,47,000
Material handling and despatch	Orders executed	1,05,000
Production scheduling/ machine set ups	No of set ups	6,00,000

Further relevant information on the three products is also given below.

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

You are required to calculate the activity based production cost of all the three products.

Contd...3

13. Following data is of Dev manufacturing company.

Costs	Variable cost (% of sales)	Fixed cost (₹)
Direct materials	23.8	
Direct labour	18.4	
Factory overheads	21.6	37,980
Distribution expenses	4.1	11,680
General and administrative expenses	11.1	13,340

Budgeted sales for the next year are ₹ 3,70,000/-. Calculate the following

i) The sales required to break even

ii) Profit at the budgeted sales volume

iii) The profit, if actual sales

a) Increases by 5% from the budgeted sales and,

b) Drop by 10% from the budgeted sales.

SECTION – C (Compulsory)

(1x10=10)

14. A product is completed in three consecutive processes. During a particular month the input to process 1 of the basic raw material was 5000 units at ₹ 2 per unit. Other information for the month was as follows:

	Process 1	Process 2	Process 3
Output (units)	4,700	4,300	4,050
Normal loss as % of output	5	10	5
Scrap value per unit (₹)	1	5	6
Direct wages (₹)	3,000	5,000	8,000
Direct expenses (₹)	9,750	9,910	15,560

Overhead of ₹ 32,000 chargeable as percentage of direct wages. There were no opening or closing work in progress stocks.

Compile three process accounts with details of abnormal loss and gain where applicable.

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DERIVATIVES AND RISK MANAGEMENT

Time: 3 Hours Max. Marks: 70

SECTION - A

Answer any FIVE of the following: (5x4=20)

1. What is meant by financial derivatives? State the functions of Derivatives.
2. Explain the Risk Management Process.
3. What is 'futures'? How does it differ from forward market?
4. Explain the terms, 'In-The-Money', 'At-The-Money' and 'Out-of-The-Money' with suitable examples for a call option.
5. Write a note on Binomial Option Pricing Model.
6. What is butterfly spreads?
7. What are possible modes of settlement of futures contracts?

SECTION – B

Answer any FOUR of the following: (4x10=40)

8. Give an account of the Exchanges in India that trade in Commodity Derivatives. Describe the regulatory framework for Derivatives in India.
9. Using the following data, prepare the margin account of the investor. Assume that if a margin call is made at any time, the investor would deposit the amount called for.

Position	Short
Contract size	500 units
Unit price	₹ 22
No. of contracts	8
Initial margin	12 percent
Maintenance margin	¾th of initial margin
Date of contract	June 3

Closing prices:	
Date	Price (₹)
June 4	22.30
June 5	23.10
June 6	22.90
June 7	23.00
June 10	23.15
June 11	22.85
June 12	22.95

Contd...2

10. From the following data determine for each option, the intrinsic value and the time value.

S. No.	Option	Stock price	Exercise price	Option price
1	Put	36	32	5.30
2	Call	48	50	4.10
3	Call	107.50	105	8.40
4	put	41	45	9.70

11. Using Black-Scholes formula, calculate the value of a European call option using the following data:

    Exercise price = ₹ 100

    Stock price = ₹ 90

    Time to expiration = 6 months

    Continuously compounded risk free rate of return = 10% p.a.

    Variance of continuously compounded rate of return = 0.25

12. The price of the Suzlon share at the NSE is ₹ 85 while a 3 month futures contract on Suzlon is being traded at ₹ 86. If one can borrow at 12% p.a., and Suzlon is not paying any dividend in the next three months, is there an arbitrage opportunity available in the prices ruling in the spot market and futures market? If so, how can profit be made? Assume the size of the futures contract to be 1000 shares.

13. Suppose that call and put options are available on Bank of Baroda stock with an expiration date in March. Call and put options have an exercise price of ₹ 440 and prices of the call and put are ₹ 20 and ₹ 38 respectively. Assume that you buy Bank of Baroda shares at ₹ 440 and a put option on Bank of Baroda stock to form a protective put strategy.

    What will be the terminal value and profit from this strategy for various stock prices of: ₹ 280, 320, 360, 400, 440, 480 and 520?

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

14. Today is 24th March. A refinery needs 1050 barrels of crude oil in the month of September exactly after six months. The current price of crude oil is ₹ 3000 per barrel. September futures contract at Multi Commodity Exchange (MCX) is trading at ₹ 3200. The firm expects the price to go up further and beyond ₹ 3200 in September. It has the option of buying the stock now. Alternatively it can hedge through futures contract.

    a) If the cost of capital, insurance and storage is 15% per annum, examine if it is beneficial for the firm to buy now?

    b) Instead, if the upper limit to buying price is ₹ 3200, what strategy can the firm adopt?

    c) If the firm decides to hedge through futures, find out the effective price it would pay for crude oil if at the time of lifting the hedge

       i) The spot and futures prices are ₹ 2,900 and ₹ 2,910 respectively.

       ii) If the spot and futures price are ₹ 3300 and ₹ 3315 respectively.

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Semester IV – P.G. Examination – M.Com.

September - 2020

PORTFOLIO THEORY AND MANAGEMENT

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

SECTION - A

Answer any FIVE of the following. **(5x4=20)**

1. What do you understand by valuation of Securities? State the importance of valuation of securities to the Finance Manager.
2. What are indifference curves?
3. Explain the concept o[illegible]nt frontier in the context of Portfolio selection.
4. What is interest rate [illegible]k?
5. State any four objectives of personal financial planning?
6. What is CAPM? What are the assumptions underlying CAPM?
7. Compare and contrast Markowitz model and Sharpes Single Index model.

SECTION – B

Answer any FOUR of the following. **(4x10=40)**

8. Vardhaman Limited's earnings and dividends have been growing at the rate of 18 percent per annum. This growth rate is expected to continue for 4 years. After that, the growth rate will fall to 12 percent for the next 4 years. Thereafter, the growth rate is expected to be 6 percent forever. If the last dividend per share was ₹ 2.00 and the investors required rate of return on Vardhaman's equity is 15 percent. What is the intrinsic value per share?
9. Consider the following information for three mutual funds. A, B and C.

Particulars	Mean rate of return (percent)	Standard deviation (percent)	Beta
A	12	18	1.1
B	10	15	0.9
C	13	20	1.2
Market index	11	17	1.0

The risk free rate of return is 6 percent, Calculate Treynor's measure, Sharpe's measure and Jensen's measure for the three mutual funds and the market index.

10. What is weak form of market efficiency? What are the tests used for testing the weak form of market efficiency?
11. What is the optimum Portfolio in choosing among the following securities and assume R_f =5 percent and σ^2_m =10.

Contd...2

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Security	Expected return	Beta	Residual Variance (σ^2_{ei})
A	15	1.00	30
B	12	1.5	20
C	11	2.0	40
D	8	0.8	10
E	9	1.0	20
F	14	1.5	10

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

13. Following data is available to you on Portfolio Management.

Security	Expected return	Beta	Standard deviation
A	0.32	1.7	0.50
B	0.30	1.4	0.35
C	0.25	1.1	0.40
D	0.22	0.95	0.24
E	0.20	1.05	0.28
F	0.14	0.70	0.18
NSE	0.12	1.00	0.20
T. Bill	0.08	0	0

a) Draw a SML. Plot each stock on a graph.

b) In terms of SML which of the securities are over valued/ under valued? Give reasons.

c) What is your opinion about selecting those stocks with highest return for portfolio construction?

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

14. The stocks L and M have yielded the following returns for the past two years

Year	Return percentage	
	L	M
2017	12	14
2018	18	12

a) What is the expected return on a portfolio made up of 60% of L and 40% of M?

b) Find out the standard deviation of each security.

c) What is the co-variance and co-efficient correction (r) between L and M?

d) What is the Portfolio risk of the portfolio made up of 60% of L and 40% of M?

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