G 301.5 Reg. No. :

St Aloysius College (Autonomous)
Mangaluru
B.Com. Semester V – Degree Examination
December - 2022
CORPORATE ACCOUNTING - I

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

SECTION – A

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

1. What is Intrinsic value of Shares?
2. State any two guidelines of SEBI regarding Underwriting of shares and debentures.
3. Krapa Sagar Ltd., purchased plant costing ₹ 3,30,000 of another company and paid by issuing shares of ₹ 10 each at a premium of 10%. Pass Journal Entry.
4. What do you mean by pro-rata allotment of shares?
5. How do you treat Prepaid insurance in financial Statements of a Joint Stock Company?
6. Write any two differences between calls in arrears and calls in advance.
7. What is Share-based payment transaction as per IFRS-2?

SECTION - B

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

8. Write a short note on IFRS- 13.
9. Ramco Ltd., issued 10,000 equity shares of ₹20 each at ₹22 per share payable as follows: Application ₹3; Allotment ₹8 (including premium); First call ₹6 and Final Call ₹5.

   All the shares were subscribed and allotted and money received. On the first call being made, all the shareholders, except one holding 400 shares, duly paid the call amount. These 400 shares were forfeited and 300 of these shares were subsequently re-issued (credited ₹15 paid) for ₹13 per share and the amount thus due were duly received.

   Pass Journal entries in the books of the Company.
10. What do you mean by Valuation of shares? Explain briefly the various methods of valuation of shares.
11. Neema Ltd., had ₹3,00,000/-, 8% Debentures outstanding on 1/4/2020. On that date, the Debenture redemption Fund had ₹2,50,000/- invested in ₹ 2,65,000/-, 6% Government bonds. The annual appropriation from profits to the fund was ₹41,150.

    On 31st March, 2021 the balance at Bank (before receiving interest on investment) was ₹78,200. The debentures were redeemed by realizing the bonds at 87% on 31/3/2021. Prepare (a) Debenture Redemption Fund Account (b) Debenture Redemption Fund Investment Account (c) Bank Account.

Contd...2

12. From the following details, prepare Balance Sheet in Statutory form.

Particulars	(₹)
Share Capital: 1,00,000 Equity shares of ₹10 8,000 Preference shares of ₹ 100 each.	 10,00,000 8,00,000
Security Premium	8,00,000
General Reserve	32,00,000
Secured loans	18,00,000
Unsecured Loans	3,10,000
Fixed assets	56,00,000
Goodwill	3,00,000
Investments	2,50,000
Closing Stock	14,00,000
Sundry Debtors	14,20,000
Cash and Bank balances	3,40,000
Loans and advances	5,30,000
Sundry Creditors	12,50,000
Bills Payable	3,00,000
Provision for Taxation	2,00,000
Miscellaneous Expenditure	60,000
Profit and Loss A/c (Loss)	4,00,000

Provide for:

a) Depreciation on fixed assets ₹ 6,00,000.
b) Provision for Doubtful debts ₹ 40,000.

13. Canara Trading Company Ltd., issued prospectus inviting applications for 5,00,000 equity shares of ₹ 10 each at a premium of 10%. The whole issue was underwritten by four underwriters- A, B, C and D as follows: A – 2,00,000 shares; B- 1,50,000 shares; C- 1,00,000 shares and D- 50,000 shares.

Applications were received for 4,50,000 shares of which marked applications were as follows: A- 2,20,000 shares; B- 90,000 shares; C- 1,10,000 shares and D- 10,000 shares. It was agreed that Underwriters will be paid commission of 2.5% on the issue price. Find out the liabilities of individual Underwriters.

SECTION – C

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

14. On 1/4/2016, Sun Ltd., issued 2,000 9% Debentures of ₹ 100 each repayable at the end of 4 years at a premium of 5%. It has been decided to institute a Debenture Redemption Fund for the purpose, the investment being expected to earn 4% net. Redemption fund table shows that Re. 0.235490 annually amounts to ₹1/- at 4% in 4 years. Investment were made in multiples of ₹10 only. On 31st March, 2020 the balance at bank was Rs. 59,000 and investment realized ₹1,56,800. The debentures were paid off. Show the following ledger accounts in the books of the Company- (a) Debenture Redemption Fund Account; (b) Debenture Redemption Fund Investment Account; (c) 9% Debentures Account; (d) Bank Account; (e) 9% Debenture Holders Account.

15. A Limited Company issued a prospectus inviting applications for 8,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable as follows:
Application ₹2 per share; Allotment ₹5 per share (including premium); First call ₹3 per share and on Final call ₹ 2 per share.
Applications were received for 12,000 shares and allotment was made pro-rata to the applicants of 9,600 shares. The remaining applications were refused and the amount was refunded, money over paid on applications were employed on account of sums due on allotment.
Shyam to whom 160 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited.
Ram, the holder of 240 shares, failed to pay two calls and his shares were forfeited after the final call. Of the shares forfeited 320 shares were re-issued to Mohan credited as fully paid for ₹9 per share, the whole of Shyam's share being included.
Pass Journal entries in the books of the Company.

16. Following is the Trial Balance of Excellent Ltd., as on 31/3/2020. Prepare Profit and Loss Account and Balance Sheet of the Company in prescribed form.

Debit	₹	**Credit**	₹
Machinery	30,000	Paid-up capital	1,00,000
Interim dividend	5,000	Unclaimed dividend	200
Debtors	25,000	Debenture redemption fund	25,000
Investments	25,000	Sales	1,24,000
Depreciation: On machinery On buildings	 4,000 1,600	Bills payable	1,000
Wages	8,000	Interest on investment	800
Salaries	9,400	General reserve	5,000
Bad debts	700	6% debenture	30,000
Director's fees	2,000	Reserve for doubtful debts	2,500
Debenture interest (up to 30/9/2019)	900	Profit and Loss Account	11,500
Insurance	600	Transfer fees	100
Cash at bank	3,000	Creditors	22,000
Buildings	80,000		
Office expenses	16,000		
Carriage inwards	2,500		
Discount on debentures	1,500		
Purchases	64,400		
Goodwill	30,000		
Opening stock	12,500		
	3,22,100		**3,22100**

Contd...4

Adjustments:

a) Maintain 6% reserve for doubtful debts.

b) ₹ 300 insurance paid is for one year up to 30-06-2020.

c) Closing stock ₹25,000.

d) Transfer ₹2,000 to Debenture redemption fund.

e) Write off one half of discount on debentures.

f) Final dividend proposed 10%.

g) Provide for income tax ₹ 5,000.

SECTION – D

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

17. The Balance Sheet of Exide Ltd., discloses the following position as on 31st March, 2020.

Liabilities	₹	Assets	₹
Share Capital: 50,000 shares of ₹10 each	5,00,000	Land & Buildings	3,00,000
General Reserve	2,00,000	Plant & Machinery	5,00,000
Profit and Loss A/c	50,000	Stock	5,00,000
5% Debentures	5,00,000	Debtors	3,00,000
Creditors	4,50,000	Bank	1,00,000
	17,00,000		**17,00,000**

Compute the value of goodwill on the basis of one year's purchase of super profits of the company. The following information is supplied to you:

a) The market value of plant & machinery is ₹ 8,00,000.

b) The profits of the company for the last three years were:
2018 - ₹1,01,000; 2019 – ₹ 1,50,000; 2020- ₹ 1,72,000.

c) The reasonable return on capital invested in the type of business is 8%.

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G 302.5

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

St Aloysius College (Autonomous)

Mangaluru

B.Com. Semester V – Degree Examination

December - 2022

INTERNATIONAL BUSINESS

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

SECTION – A

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

1. Define International Trade.
2. What is international liquidity?
3. What is charter party?
4. Differentiate between ADRs and GDRs.
5. State custom union theory.
6. What is Euro Bond market?
7. Expand NAFTA, SAFTA, ASEAN and EEC.

SECTION - B

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

8. Write a note on "Globalization of financial markets".
9. Explain the scope of international trade.
10. Explain the role of MNC's in India.
11. Explain the arguments for protection policy.
12. Explain the effects of tariffs in International trade.
13. Define balance of payment and explain its structure.

SECTION – C

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

14. Explain the export procedure in India.
15. Explain the objectives and methods of exchange control.
16. Explain comparative cost theory of international trade.

SECTION – D

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

17. Write a note on, "Regional Economic Cooperation".

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G 302.5b

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

St Aloysius College (Autonomous)

Mangaluru

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

December - 2022

CAPITAL MARKETS FOR BPS

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

SECTION – A

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

1. What is Gross Settlement?
2. What is meant by New Fund Offer?
3. What is Unsystematic Risk?
4. Give the meaning of Arbitrageurs.
5. What is Preference Equity?
6. State any two merits of Derivatives.
7. Define Capital Market.

SECTION - B

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

8. Explain the merits and demerits of mutual funds.
9. Explain the types of risk faced by the financial services industry.
10. What is meant by Prospectus? Explain its contents.
11. What is Reconciliation? Explain its types.
12. Explain the different types of money market instruments.
13. Explain the differences between Primary Market and Secondary Market.

SECTION – C

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

14. What is meant by Derivatives? Briefly explain its types.
15. Define Investment Bank. Explain the functions of Investment Banking.
16. Explain the types of Private Equity Funds.

SECTION – D

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

17. Define Mutual Fund. Explain its types.

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G 303.5 Reg. No. :

ST ALOYSIUS COLLEGE (AUTONOMOUS)

MANGALURU

B.Com. Semester V – Degree Examination

December - 2022

PRINCIPLES AND PRACTICE OF AUDITING

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

SECTION – A

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

1. Who is an Auditor?
2. What is Internal Audit?
3. What do you mean by periodical Audit?
4. What is internal check?
5. Define Vouching?
6. What is an Audit report?
7. What is 'distinctive' ticks?

SECTION – B

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

8. Explain the principles of good internal control?
9. How the company auditor is appointed? Explain the disqualification.
10. What are the merits and demerits of continuous audits?
11. Explain the different methods of collecting Audit Evidence.
12. Explain the internal check procedure as regards wages?
13. What are the objectives of audit programme? Explain the advantages and disadvantages of audit programme.

SECTION – C

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

14. Define Auditing and explain the objectives.
15. Explain the verification and valuation of stock in trade and the auditor duties in relation there to.
16. Explain the rights and duties of company auditor

SECTION – D

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

17. Explain the procedure for E- filing and digital signature.

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G 303.5a

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

St Aloysius College (Autonomous)
Mangaluru
B.Com. (ACCA) Semester V – Degree Examination
December - 2022
ADVANCED PERFORMANCE MANAGEMENT - I

Time: 3 hrs. Max Marks: 100

SECTION – A

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

1. Give the meaning of Critical success factor (CSF).
2. What are incremental budgets?
3. State the reason why human resource is fundamental to an organisation.
4. Give the meaning of operational plans
5. Mention any two problems of divisional structures.
6. What is the importance of benchmarking?
7. Distinguish between Star and a cash cow.

SECTION - B

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

8. Explain the four key considerations of good performance reports.
9. Chatman Theatre is a charitable trust with the objective of making multicultural films and stage productions available to a regional audience. The organisation is not for profit. The aim is to bring diversityof films, plays and dance that would otherwise be inaccessible to a regional audience.
   The theatre needs to have strict budget focus, since a charity can become bankrupt. In order to achieve the required income, relationships must be built with a range of stakeholders.
   Identify a few key stakeholders and ideas that would assist in building relationships and hence improving performance.
10. Critically evaluate the Mendelow's Matrix.
11. Critically evaluate any three different methods of budgeting.
12. MC is a mobile phone network provider, offering mobile phones and services on a range of different tariffs to customers across Europe. The company enjoyed financial success until three years ago but increasing competitive pressure has led to a recent decline in sales. There has also been an increase in the level of complaints regarding the customer service provided, and the company's churn rate (number of customers leaving the company within a given time frame) is at an all-time high.

    Required:

    Discuss how Big Data could help drive the strategic direction of MC company.
13. What is BPR? Explain the influence and the role of BPR on organizational performance.

Contd...2

SECTION – C

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

14. Evaluate the different methods of reward.

15. Envie Co owns a chain of retail clothing stores specialising in ladies' designer fashion and accessories. Jane Smith, the original founder, has been pleasantly surprised by the continuing growth in the fashion industry during the last decade.

    The company was established 12 years ago, originally with one store in the capital city. Jane's design skills and entrepreneurial skills have been the driving force behind the expansion. Due to unique designs and good quality control, the business now has ten stores in various cities. Each store has a shop manger that is completely responsible for managing the staff and stock levels within each store. They produce monthly reports on sales. Some stores are continually late in supplying their monthly figures.

    Envie runs several analysis programmes to enable management information to be collated. The information typically provides statistical data on sales trends between categories of items and stores. The analysis and preparation of these reports are conducted in the marketing department. In some cases the information is out of date in terms of trends and variations.

    As the business has developed Jane has used the service of a local IT company to implement and develop their systems. She now wants to invest in website development with the view of reaching global markets.

    Required:

    (a) Construct a SWOT analysis with reference to the proposal of website development.

    (b) Explain how the use of SWOT analysis may be of assistance to Envie Co's performance management and measurement process.

16. Explain the different types of business structures and their impact on performance management.

SECTION – D

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

17. What are the problems of linking reward schemes to performance measurement?

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G 303.5b

Reg. No. :

St Aloysius College (Autonomous)
Mangaluru
B.Com. (BPS) Semester V – Degree Examination
December - 2022
CAMPUS TO CORPORATE

Time: 3 hrs. Max Marks: 100

SECTION – A

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

1. Where does the word corporate originate from?
2. Specify the scope of BPS industry.
3. Differentiate between antonym and synonym?
4. What does an etiquette denote?
5. What are the parts of speech?
6. What is Comprehension?
7. What is an Idiom?

SECTION – B

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

8. Write a short note on sounds and vowel sounds.
9. a) What is workplace etiquette? How do you imbibe workplace etiquette? **(5 Marks)**

   b) What is attitude? What is the impact of our attitude & behavior? How to develop positive attitude? **(7 Marks)**
10. a) What are the types of reading material? **(3 Marks)**

    b) What are the tips to improve reading comprehension? **(5 Marks)**

    c) What is the importance of listening comprehension? **(4 Marks)**
11. Explain the various stages of interview.
12. a) What is a project report? What are the tips to write project reports? **(6 Marks)**

    b) Describe the importance of face to face interaction. List out the tips to comprehend. **(6 Marks)**
13. Explain sentence structure and its types.

SECTION – C

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

14. Explain the difference between campus and corporate.
15. a) What is the meaning of the following terms:

    i) glimpse ii) formidable iii) quaint iv) fray

    v) crude vi) tinker vii) fiasco viii) debut **(8 Marks)**

    b) Describe the importance of corporate etiquette. **(8 Marks)**
16. Explain the critical success factors required for presentation skills.

SECTION – D

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

17. What is meeting etiquette? How do you add value to the meeting?

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G 303.5b

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

St Aloysius College (Autonomous)

Mangaluru

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

December - 2022

CAMPUS TO CORPORATE

Time: 3 hrs. Max Marks: 100

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SECTION – D

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

St Aloysius College (Autonomous)

Mangaluru

B.Com. Semester V – Degree Examination

December - 2022

BUSINESS LAW

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

SECTION – A

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

1. Define Contract according to Indian Contract Act.
2. What do you mean by Champerty and Maintenance?
3. What do you mean by Quid Pro Quo?
4. What is "Quantum Meruit"?
5. What do you mean by Vindictive Damages?
6. What is Quasi Contract?
7. State any two objectives of RTI Act.

SECTION - B

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

8. Explain classification of contract based on Enforceability and mode of Creation.
9. What are the legal rules for a valid acceptance?
10. Explain briefly persons disqualified by Law.
11. Explain the effect of mistake on the Validity of an agreement.
12. Explain the different ways in which a Contract is said to be discharged.
13. Explain the provisions relating to Powers and Functions of State and Central Information Commission.

SECTION – C

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

14. Describe the exceptions to the rule " No consideration No contract".
15. Explain the Laws relating to Minor's Agreement.
16. Define Offer. Explain the essential elements of Valid Offer.

SECTION – D

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

17. Discuss the Case Law Chinnaya Vs Ramayya.

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G 305.5

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

St Aloysius College (Autonomous)
Mangaluru
B.Com. Semester V – Degree Examination
December - 2022
FINANCIAL MANAGEMENT

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

Note: PV table will be provided

SECTION – A

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

1. What is wealth maximisation?
2. What is leverage?
3. Expand EBIT and EPS
4. What is Net Income Approach of capital structure?
5. What is stock repurchase?
6. Define capital budgeting
7. What is dividend stability?

SECTION - B

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

8. Explain scope of financial management.
9. Explain the importance of capital budgeting.
10. Company belong to a risk class for which capitalization rate is 10%. It currently has 25,000 shares selling at ₹ 100 per share. Firm is declaring dividend at ₹ 5 per share at the end of the financial year. Its expected income /return is ₹2,50,000. It has a proposal of making a new investment of ₹ 5,00,000. Show that under MM model "Payment of dividend doesn't affect the value of the firm ".
11. There are 2 firms "SMT" and "SST" having same earnings before interest and tax ₹ 40,000. Firm SMT is a levered company having a debt of ₹ 200,000 at 4% interest and SST is unlevered company. The cost of equity for SST Company is 15% and for SMT is 18%.
    Find out Value of firm under Net Income approach.
12. Compute operating leverage, financial leverage and combined leverage from the following:
    Sales – 1,00,000 units at ₹ 2 per unit
    Variable cost – 70% of sales
    Fixed Cost - ₹ 1,00,000
    Interest charges - ₹ 4,000
13. A new project under consideration requires a capital outlay of ₹ 600 lakhs for which the funds can either be raised by the issue of equity shares of ₹ 100 each or by the issue of equity shares of the value of ₹ 400 lakhs and by the issue of 15% loan of ₹ 200 lakhs. Calculate the point of indifference given
    i. the tax rate at 50%
    ii. the tax rate at 40%

Contd...2

SECTION – C

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

14. The company is considering an investment proposal to purchase a machine costing ₹ 5,00,000. The machine has expected life of 5 years. The company's tax rate is 40%. The firm uses straight line method of depreciation. The estimated cash flows before depreciation and tax are as follows

Year	CFBDT
1	1,40,000
2	1,60,000
3	1,80,000
4	2,20,000
5	2,00,000

Calculate

a. IRR

b. NPV at 10%

c. Profitability Index at 10%

Year	1	2	3	4	5
PV of ₹ 1 @10%	0.909	0.826	0.751	0.683	0.621

15. A company expects a net operating income of 2,00,000. it has ₹ 6,00,000 5% Debentures. The overall capitalization rate is 20%.

    i. Calculate the value of the firm and the equity capitalization rate (Cost of equity) according to the Net Operating Income Approach.

    ii. If the debenture debt is increased to ₹ 8,00,000 what will be the effect on the value of the firm and equity capitalization rate.

    iii. If the debenture debt is decreased to ₹ 4,00,000 what will be the effect on the value of the firm and equity capitalization rate.

16. What are the objectives of financial management? Explain role of finance manager in the changing scenario

SECTION – D

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

17. The earnings per share of the company are ₹ 16. The capitalization rate is 10%. The rate of return is 12.5%. The company is considering the payout of 25%, 50% and 75%. Calculate Market price of the share as per walter's dividend Model.

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G 305.5a Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

B.Com. (ACCA) Semester V – Degree Examination

December - 2022

ADVANCED FINANCIAL MANAGEMENT - I

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

SECTION – A

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

1. Molier is an unquoted entity with a recently reported after-tax earnings of \$3,840,000. It has issued 1 million ordinary shares. A similar listed entity has a P/E ratio of 9. Calculate the value of one ordinary share in Molier using the P/E basis of valuation.
2. How does the transfer of assets work under Acquisition?
3. Mention any TWO limitations of ratio analysis as a predictor of corporate failure
4. What is the need for companies to focus on triple bottom line reporting?
5. You have been asked to determine whether a company is failing. What areas would your analysis cover?
6. How does transfer of shares work under merger?
7. What does the P/E ratio for a listed company measure?

SECTION - B

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

8. a) Company A's finance director is considering introducing a system of integrated reporting in the next accounting period. Explain the objectives of integrated reporting. **(5 marks)**

   b) Explain the nature of a mudaraba contract and discuss briefly how this form of Islamic finance could be used to finance a planned expansion. **(7 marks)**

9. The directors of Ribs Co, a listed company, are reviewing the company's current strategic position. The firm makes high quality garden tools which it sells in its domestic market but not abroad.

   Over the last few years, the share price has risen significantly as the firm has expanded organically within its domestic market. Unfortunately, in the last 12 months, the influx of cheaper, foreign tools has adversely impacted the firm's profitability. Consequently, the share price has dropped sharply in recent weeks and the shareholders expressed their displeasure at the recent AGM.

   The directors are evaluating two alternative investment projects which they hope will arrest the decline in profitability.

   Project 1: This would involve closing the firm's domestic factory and switching production to a foreign country where labour rates are a quarter of those in the domestic market. Sales would continue to be targeted exclusively at the domestic market.

Project 2: This would involve a new investment in machinery at the domestic factory to allow production to be increased by 50%. The extra tools would be exported and sold as high quality tools in foreign market places.

Both projects have a positive Net Present Value (NPV) when discounted at the firm's current cost of capital.

Discuss the strategic and financial issues that this case presents.

10. a) Explain what a dark pool network is? **(5 marks)**

b) Pioneers in the field of behavioural finance have identified key factors that contribute to irrational and potentially detrimental financial decision making. Explain. **(7 marks)**

11. Mavers Co and Power Co are listed on the Stock Exchange. Relevant information is as follows:

	Mavers Co	Power Co
Share price today	\$3.05	\$6.80
Shares in issue	48 million	13 million

Mavers Co wants to acquire 100% of the shares of Power Co. The directors are considering offering 2 new Mavers Co shares for every 1 Power Co share. Evaluate whether the 2 for 1 share for share exchange will be likely to succeed.

If necessary, recommend revised terms for the offer which would be likely to succeed.

12. Williams Co is the manufacturer of cosmetics, soaps and shower gels. It also markets its products using its own highly successful sales and marketing department. It is seen as an employer of choice and as such has a talented and loyal work-force with a history of developing new and exciting products which have sold well. It is now considering extending its range, however it has currently a build-up of unfulfilled orders due to a lack of capacity.

GSL is a well-known herbal remedy for skin problems. GSL Co was founded by three brothers in the 1950s and until the death of the remaining brother in 2004 has performed well - however the new Chairman has limited experience and the company has not performed well over recent years. GSL has a dedicated team of herbalists who have developed products, which would find a ready market - however, there is insufficient funds and expertise to correctly market these products and market share is low.

Williams' products and GSL's products are made using similar production technologies and their financial and administrative systems are similar and it is hoped savings can be made here.

Identify any potential synergy gains that would emerge from a merger of Williams and GSL.

Contd...3

13. A Co, a listed company, has produced either trading losses or only small profits over the last few years and so has not recently paid any dividends.

However, following recent management changes and a company restructuring, the company is earning good profits and the directors are looking to formalize the future dividend policy at a forthcoming board meeting.

Particular concerns have been expressed by some directors:

a) Director X has referred to the need to provide investors with stability, not reduce dividends and only increase them when it is clear that the increase can be maintained.

b) Director Y has commented on the relationship between dividend payments and share price. The director believes that the dividend pay-out should therefore be as high as possible, with the company borrowing to pay them if necessary.

Make notes on the relevant matters to raise at the board meeting including comments on the specific concerns raised.

SECTION – C

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

14. Newimber Co is a listed company which has always manufactured formal clothing for adults and children. It obtained a listing ten years ago after years of steady growth. 70% of shares in the company are owned by its directors or their relatives, with the remaining 30% owned by external investors, including institutional investors.

<u>Sportswear division</u>

Eight years ago it set up a division to manufacture sportswear. This investment has been very successful and the sportswear division now accounts for 40% of total group revenue, having grown much quicker than the original formal clothing division.

Newimber Co's board has given divisional management at the sportswear division more authority over time, although the board has continued to make major policy and investment decisions relating to the division. Initially, relations between Newimber Co's board and management of the sportswear division were good, but there have been problems over the last couple of years. The sportswear division's management has been frustrated by the board's refusal to approve their recent investment plans on the grounds that they were too risky. In order to achieve operational efficiencies, the sportswear division's management would also like to pursue stricter policies for managing operational staff and suppliers than Newimber Co's board has so far allowed.

In addition, Newimber Co started to prepare an integrated report three years ago, but Newimber Co's board has had difficulties in obtaining all the information it requires for the report from the sportswear division.

Restructuring

A few months ago, the management of the sportswear division approached Newimber Co's board with a proposal for a management buyout of the sportswear division. However, the price the sportswear division's management was able to offer was insufficient to persuade Newimber Co's board to sell the sportswear division to them.

Newimber Co's board has, subsequently, decided that the sportswear division should be demerged into a new company, Poynins Co. The shareholders and proportion of shares held would be the same for Poynins Co as currently for Newimber Co. The sportswear division's senior management team would become the board of Poynins Co and Poynins Co would seek an immediate listing on the same stock exchange as Newimber Co.

Financial information

The market capitalization of Newimber Co's share capital is currently $585 million.

Newimber Co also currently has $200 million 5.9% loan notes. The loan notes are redeemable in five years' time at a premium of 5%. Newimber Co's equity beta is currently estimated at 1.4. Newimber Co's current cost of equity is 11.8% and its current before-tax cost of debt is 4.5%.

The asset beta of the formal clothing division is estimated to be 1.21. The weighting in estimating Newimber Co's overall asset beta is 60% for the formal clothing division to 40% for the sportswear division. The debt beta can be assumed to be zero.

In return for 40% of the issued share capital of Newimber Co, its current shareholders will receive 100% of the issued share capital of Poynins Co, corresponding to the assets and liabilities being transferred. The shares in Newimber Co which shareholders have given up will be cancelled. After the demerger, Newimber Co's new market capitalization can be assumed to be $351 million. Poynins Co will have no long-term debt, the liability for the $200 million loan notes remaining with Newimber Co.

The current risk-free rate of return is estimated to be 3.4%. The market risk premium is estimated to be 6%. A tax rate of 28% is applicable to all companies.

The sportswear division currently has $36 million operating cash flows. Its managers believe that operating cash flows can increase by the following rates once Poynins Co has been listed:

Contd...5

Year	%
1	25
2	20
3	15
4 onwards	2

The sportswear division's managers believe that Poynins Co will require a $20 million investment of additional assets in Year 1, rising to $22 million in each of Years 2 and 3, and to $25 million annually from Year 4 onwards.

a) Discuss the advantages and disadvantages of demerging the sportswear division into a new company. **(5 marks)**

b) Discuss the factors which may determine the policies Poynins Co should adopt for communication of information to its shareholders and other significant stakeholders. **(5 marks)**

c) Discuss the advantages and disadvantages of organic growth and growth by acquisition. **(6 marks)**

15. BDJR Computers Global is a company that manufactures a range of personal computers that are sold to retailers, and also directly to individuals and businesses through online sales.

Due to a number of technical problems the company's sales have fallen significantly over the last year resulting in an operating loss of $160,000. The company has, as a result, built up losses on its retained earnings and there is a significant risk of insolvency.

To avoid this, the company's financial advisers have proposed a scheme of reconstruction.

Balance Sheet at 31/12/2021 (statement of financial position)

Assets	$000	$000
Non-current assets		1,100
Current assets		
Inventory	410	
Receivables	220	
Cash	25	
Net current assets		655
Total assets		1,755
Equity and Liabilities		
Share Capital ($1 shares)		200
Retained Earnings		-50
Total equity		150
Non-current liabilities – Bank loan		
Current liabilities		1,200
Payables 205	205	
Overdraft	200	405
Total Equity and Liabilities		1,755

Notes:

1. If the company was liquidated all of the assets could be sold for their book values except for inventory. Following a review, it was discovered that $220k of the inventory is obsolete but the remainder could be sold for book value. In addition, $90k of the receivables is irrecoverable.

2. To be successful a scheme of reconstruction would need to raise $195k of cash to invest in new manufacturing processes.

3. Given the risk attached to the company any providers of new equity capital will require a return of at least 18%.

4. The current interest rates are 8% on the bank loan and 6% on the overdraft. The bank loan is secured.

The following scheme of reconstruction is proposed:

1. The nominal value of each existing share will be reduced to 50c.

2. Goodwin Bank (who provide both the overdraft and loan) will convert half of the overdraft and 1/3 of the loan into a total of 200,000 new shares.

3. New finance of $400k will be raised from a venture capital company, PC ventures, who will buy new shares for $1.25 per share. In addition to investing in the new manufacturing process the finance will also be used to repay the payables.

4. Following the reconstruction it is expected that the company will generate $320K of profit before interest and tax per year. Tax is payable at 28%. Assume no tax losses.

Required:

(a) Determine how much each of the original investors in likely to get in the event of a liquidation. **(5 marks)**

(b) Following the reconstruction calculate the expected EPS, and the return on equity to the venture capital company, and advise as the whether the venture capital company is likely to invest in BDJR computers. **(4 marks)**

(c) From the post-reconstruction EPS calculation above calculate the effective return that the bank is likely to receive on the capital converted into equity. **(2 marks)**

(d) Determine whether the existing ordinary shareholders, and the bank, are likely to accept the scheme. **(5 marks)**

16. a) Describe the main practical factors that must be considered when choosing between debt and equity finance. **(8 marks)**

b) What is a share buyback scheme? Explain its advantages and disadvantages. **(8 marks)**

SECTION – D

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

17. Ethics, and the company's ethical framework, should provide a basis for all policy and decision making for the finance manager. Explain the statement

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G 306.5

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

St Aloysius College (Autonomous)
Mangaluru
B.Com. Semester V – Degree Examination
December -2022
BUSINESS TAXATION

Time: 3 hrs. Max Marks: 100

SECTION – A

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

1. Mention any four incomes taxable as income of HUF.
2. What is Tax Management?
3. Mention the conditions under Section 184 relating to assessment of partnership firm.
4. State the limit of Remuneration allowable to partners u/s 40 (b).
5. Give the meaning of Best judgement assessment.
6. What is Advance Tax?
7. Write a short note on PAN.

SECTION - B

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

8. Explain Income Tax Authorities and their powers.
9. Explain the provisions of Minimum Alternative Tax u/s 115JB of Income Tax Act.
10. A, B & C were working partners in ABC Pvt. Ltd. sharing profit & losses equally.

Profit & Loss account for the year ending 31.03.2022

	₹		₹
To purchases	9,50,000	By sales	17,00,000
To salaries & wages	2,00,000	By closing stock	2,40,000
To depreciation	1,50,000	By interest on drawing from C	10,000
To general expenses	2,00,000	By winning from lottery (net of TDS)	15,000
To salary to partners	2,88,000	By LTCG on sales of land	5,00,000
A – 1,08,000			
B – 96,000			
C - 84,000			
To interest on capital @15%	25,000		
A- 10,500			
B- 9,000			
C- 6,000			
To commission to 'A'	50,000		
To Net Profit	6,01,500		
Total	**24,65,000**	**Total**	**24,65,000**

Other information:

1. Closing stock is undervalued by 20%
2. Depreciation allowable as per section 32 is ₹ 130,000.
3. The firm is eligible to claim deduction from its taxable business income u/s 80IB at 25%.
4. The firm fulfilled the conditions of section 184.

Calculate: a) Total income of the firm
b) Normal tax liability.

11. What is Aleternative Minimum Tax? Explain the income tax provisions relating to AMT.

12. C Ltd showed a Net profit of ₹3,35,000 during 2021-22. Scrutiny of the accounts revealed the following items, which were considered in the computation of profit.

    a) Donation paid to approved charitable trust ₹20,000 by cheque.
    b) Provision for income tax ₹1,00,000.
    c) Donation to political party ₹25,000 by cheque.
    d) Bad debts allowed earlier, recovered during the previous year ₹10,000.
    e) Interest on Bank deposits ₹10,000.
    f) Long term capital gain ₹1,00,000.
    g) Dividend from Indian company (Gross) ₹20,000.
    h) Legal expenses incurred on income tax appeal ₹15,000.
    i) Income from House Property ₹20,000 (computed)

    There was Unabsorbed Depreciation ₹35,000 and Unabsorbed long term capital loss of ₹40,000 brought forward from earlier assessment year. Compute the Total Income and normal tax liability of the company for Assessment year 2022-23. Assume Co's turnover in the PY 2019 -20, does not exceed ₹400 cr.

13. Mr Anil and Mr Sunil, being members of an AOP with equal share, furnishes the following details, compute total income and Tax liability of AOP and share of income of members from AOP.

Profit and loss account for the year ended 31-3-2022

Particulars	Amount (₹)	Particulars	Amount (₹)
Salary to Employees	50,000	Gross profit	7,02,000
Bonus to Mr.Anil	10,000	Interest on Drawings Mr.Anil Mr.Sunil	 10,000 8,000
Bonus to Mr. Sunil	5,000		
Other Expenses	40,000		
Salary to Mr.Anil Mr. Sunil	 44,000 88,000		
Interest on Capital at 15% Mr Anil Mr Sunil	 15,000 20,000		
Depreciation	30,000		
Donation to National Defense Fund	10,000		
Net Profit	4,08,000		
Total	**7,20,000**	**Total**	**7,20,000**

Additional information

1. Depreciation for the year u/s 32 ₹20,000.
2. Other expenses include personal expenditure of Mr.Sunil ₹2,000.

Contd...3

SECTION – C

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

14. A, B and C are equal partners in a firm with A being a non-working partner. The Profit and Loss Account for the year ending 31-03-2022 is as under:

Particulars	Amount (₹)	Particulars	Amount (₹)
Rent	20,000	Gross profit	4,05,000
Office expenses	25,000	Discount	10,000
Salaries	1,00,000	Bad debts recovered (allowed earlier)	2,000
Advertisement	15,000	Bank interest	3,000
GST paid	30,000		
Charity & Donations	5,000		
Bad debts reserve	10,000		
Bad debts	15,000		
Sundry expenses	20,000		
Depreciation	25,000		
Interest on capital A B C	 50,000 25,000 25,000		
Commission: A B C	 15,000 10,000 5,000		
Net profit	25,000		
	4,20,000		**4,20,000**

Additional Information:

a) Salaries include partner's salaries: B ₹15,000, C ₹10,000.

b) Bad debts admissible by the department ₹12,500.

c) Furniture purchased by A for personal use ₹10,000 has been debited to sundry expenses.

d) Donation includes donation to political party ₹3,500, to a school ₹1,000 and subscription to trade association ₹500.

e) Capital accounts of the partners at the beginning of the year 2021-22 were as follows:

A- ₹2,00,000

B- ₹1,00,000

C- ₹1,00,000

f) Office Expenses include bonus to partners

A- ₹1,000, B- ₹2,500, C- ₹1,500.

Compute Total Income, Tax liability of the firm and also calculate the share of each partner in the firm u/s 28. The firm fulfills conditions of sec 184

Contd...4

15. From the particulars submitted below, Find out the Total income, Book Profit and Tax Liability of Shah Co ltd.

Statement of Profit and Loss for the year ending 31-03-2022

Particulars	Note No	Amount (₹)
I. Revenue from Operations		15,52,400
II. Other income:		
Short term capital gain		30,000
Rent of Indian agricultural lands		1,000
III.Total Revenue (I + II)		15,83,400
IV. Expenses:		
Cost of materials consumed		6,25,000
Changes in inventory		52,800
Employee Benefit expenses:		
Salaries and wages		45,500
Finance Cost:		
Interest on Loan		8,500
Depreciation and amortization expenses		69,000
Other Expenses:		
Manufacturing expenses		2,59,000
General Expenses		8,500
Commission and brokerage		36,400
Director's fees		1,200
Bad debts		19,500
Provision for dividends		30,000
Total Expenses		11,55,400
V. Profit before Tax (III- IV)		4,28,000
VI. Tax		1,03,100
VII. Profit for the period (V- VI)		3,24,900

Additional information:

a. General Expenses include ₹1,000 as donation to hospital, ₹2,000 paid to a director for a business trip and ₹5,000 for miscellaneous repairs.

b. The actual bad debts amounted to ₹16,000, as per IT act.

c. Depreciation allowable u/s 32 ₹72,000

d. The company wants to set off the following

Particulars	For tax purpose	For accounting purpose
1) B/F business loss	15,000	10,000
2) Unabsorbed depreciation	8,000	NIL

e. Depreciation and amortization expenses, include depreciation on account of revaluation of assets ₹ 19,000

(Note : The turnover of the Co., in the PY 2019-20, does not exceed ₹ 400 Cr)

Contd...5

16. From the following information compute the taxable income and tax liability of Hindu Undivided Family for the Assessment Year 2022-23.

a) Net Profit as per Profit & loss a/c of the business of the family ₹ 8,26,500. This profit has been arrived at after debiting the following items:

-Salary to the son of Karta ₹2,000 per month. He does not participate in business operations.

-Commission on sales at 1.5% amounting to ₹8,000 to the brother of Karta who participates in business.

-Advance Income tax ₹46,000.

-Remuneration to consultant ₹6,000 for Income-tax assessment work.

-Advertising expenses paid in cash ₹50,000.

b) Rent from let out property ₹72,000 p.a, municipal tax paid ₹12,000 p.a.

c) Annual Municipal value of the joint family house ₹24,000, municipal taxes paid ₹3,000. Interest on loan taken for construction ₹22,000.

d) Dividend from companies ₹10,000.

e) Interest on Bank time deposit ₹24,000.

f) Long Term Capital Gains ₹25,000.

g) Donation to Govt. for the promotion of Family planning ₹8,000.

h) Salary received by Karta for his services from a firm ₹40,000.

i) Medical insurance premium on the health of the members paid by cheque ₹8,500.

j) Insurance premium paid on L.I.C policies ₹65,000.

k) Agricultural Income ₹50,000.

SECTION – D

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

17. What is Tax Planning? Briefly explain the advantages of Tax Planning.

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G 314.5a

Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

B.Com. (ACCA) Semester V – Degree Examination

December - 2022

CORPORATE REPORTING - II

Time: 3 hrs.

Max Marks: 100

SECTION – A

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

1. 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. Discuss how the disposal should be accounted for in the consolidated financial statements.
2. What are temporary differences? Give two examples.
3. What is meant by compound instrument?
4. Tahini purchases 100% of the ordinary share capital of Kofta, an entity that does not yet generate revenue. Kofta operates in the biotech industry. It has engaged in research and development activities into a number of drug compounds, and also owns a headquarters, research laboratories and technical equipment. Kofta employs senior management and highly-skilled research scientists. Each of Kofta's assets has a similar fair value.
   Discuss whether Kofta constitutes a business.
5. Padstow purchased 80% of the shares in St Merryn four years ago for $100,000. On 30 June it sold all of these shares for $250,000. The net assets of St Merryn at the acquisition date were $69,000 and at the disposal date were $88,000. Fifty per cent of the goodwill arising on acquisition had been written off in an earlier year. The fair value of the non-controlling interest in St Merryn at the date of acquisition was $15,000. It is group policy to account for goodwill using the full goodwill method.
   Calculate the profit or loss arising to the parent entity on the disposal of the shares.
6. Calculate the required cash flows.

	20X1	20X0
	$	$
Non-controlling interest	840	440

   The group statement of profit or loss and other comprehensive income reported total comprehensive income attributable to the non-controlling interest of $500.
   How much was the cash dividend paid to the non-controlling interest?

Contd...2

7. What are the quantitative thresholds of reportable segments?

SECTION - B

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

8. On 1 January 20X1, Magpie lends $2 million to an important supplier. The loan, which is interest-free, will be repaid in two years' time. The asset is classified to be measured at amortised cost. There are no transaction fees. Market rates of interest are 8%. The loss allowance is highly immaterial and can be ignored.

   Required: Explain the accounting entries that Magpie needs to post in the year ended 31 December 20X1 to account for the above.

9. Parent is an entity that owns 80% of the equity shares of Overseas, a foreign entity that has the Shilling as its functional currency. The subsidiary was acquired on 1 January 20X7 when its retained earnings were 6,000 Shillings. The reporting date is 31 December 20X7. At the acquisition date the fair value of the net assets of Overseas was equal to the carrying amount with the exception of freehold land. The fair value of this land exceeded its carrying amount by 4,000 Shillings. At the date of acquisition, the non-controlling interest in Overseas should be measured at its fair value of 5,000 Shillings. Goodwill at the reporting date is not impaired.

	Parent $	**Overseas** Shillings
Investment in Overseas at cost	3,818	–
Assets	9,500	40,000
	13,318	40,000
Equity and liabilities		
Equity capital	5,000	10,000
Retained earnings	6,000	8,200
Liabilities	2,318	21,800
	13,318	40,000
Relevant exchange rates are:		
Date		Shillings: $1
1 January 20X7		5.5
31 December 20X7		5.0
Average for year to 31 December 20X7		5.2

Required: Discuss how the goodwill arising on the acquisition of Overseas should be dealt with in the consolidated financial statements of the Parent group for the year ended 31 December 20X7.

Contd...3

10. Prudent prepares financial statements to 31 December each year. On 1 January 20X0, the entity purchased a non-current asset for $1.6 million that had an anticipated useful life of four years. This asset qualified for immediate tax relief of 100% of the cost of the asset. For the year ending 31 December 20X0, the draft accounts showed a profit before tax of $2 million. The directors anticipate that this level of profit will be maintained for the foreseeable future. Prudent pays tax at a rate of 30%. Apart from the differences caused by the purchase of the non-current asset in 20X0, there are no other differences between accounting profit and taxable profit or the tax base and carrying amount of net assets. Required: Compute the pre, and post-tax profits for Prudent for each of the four years ending 31 December 20X0–20X3 inclusive and for the period as a whole assuming that:

    (a) no deferred tax is recognised

    (b) deferred tax is recognised.

11. On 1 January 20X1, Fish acquired 80% of the ordinary shares of Lobster. The group accountant has calculated that the goodwill arising on acquisition was $40 million. However, the financial controller has uncovered a number of errors and requires advice about how to resolve them:

    - No entries have been posted in respect of contingent cash consideration that will be paid in 20X5 if Lobster meets profit targets. The contingent consideration had a fair value of $4 million at acquisition and was calculated using a discount rate of 10%.
    - No fair value adjustment has been recorded in respect of Lobster's non-depreciable land. This land had a carrying amount of $2 million at acquisition and a fair value of $3 million.
    - Lobster's brand is internally generated and has not been recognised in the consolidated financial statements. At acquisition it had a fair value of $5 million and a remaining estimated useful life of 5 years.

    Fish's policy is to value the non-controlling interest (NCI) at acquisition at fair value. The fair value of the NCI at acquisition was correctly calculated and included in the goodwill calculation.

    Discuss how the above three issues should have been accounted for in the consolidated financial statements for the year ended 31 December 20X1. Provide the adjustments required to correct any errors. Ignore deferred tax.

12. The statements of profit or loss and extracts from the statements of changes in equity for the year ended 31 December 20X9 are as follows:

Statements of profit or loss for the year ended 31 December 20X9

	Kathmandu group	Nepal
	$	$
Revenue	553,000	450,000
Operating costs	(450,000)	(400,000)
	-------	-------
Operating profits	103,000	50,000
Investment income	8,000	-
	-------	-------
Profit before tax	111,000	50,000
Tax	(40,000)	(14,000)
	-------	-------
Profit for the period	71,000	36,000
	-------	-------

Extracts from SOCIE for year ended 31 December 20X9

	Kathmandu group	Nepal
	$	$
Retained earnings b/f	100,000	80,000
Profit for the period	71,000	36,000
Dividend paid	(25,000)	(10,000)
	-------	-------
Retained earnings c/f	146,000	106,000
	-------	-------

There were no items of other comprehensive income during the year.

Additional information

- The accounts of the Kathmandu group do not include the results of Nepal.
- On 1 January 20X5 Kathmandu acquired 70% of the shares of Nepal for $100,000 when the fair value of Nepal's net assets was $110,000. Nepal has equity capital of $50,000. At that date, the fair value of the non-controlling interest was $40,000. It is group policy to measure the NCI at fair value at the date of acquisition.
- Nepal paid its 20X9 dividend in cash on 31 March 20X9.
- Goodwill has not been impaired.

Required:

(a) Prepare the group statement of profit or loss for the year ended 31 December 20X9 for the Kathmandu group on the basis that Kathmandu plc sold its holding in Nepal on 1 July 20X9 for $200,000. This disposal is not yet recognised in any way in Kathmandu group's statement of profit or loss. Assume that Nepal does not represent a discontinued operation per IFRS 5.

(b) Explain and illustrate how the presentation of the group statement of profit or loss would differ from part (a) if Nepal represented a discontinued activity per IFRS 5.

Contd...5

13. Nat is a company that used to prepare financial statements under local national standards. Their first financial statements produced in accordance with I FRS 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 recognised as revenue.

(ii) A restructuring provision of $1 million relating to head office activities was recognised 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.

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

SECTION – C

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

14. Below are the financial statements of Single for the year ended 30 September 20X2:

Statement of financial position as at 30 September 20X2 (including comparitives)

	20X2	20X1
	$m	$m
Non-current assets		
Property, plant and equipment	90	60
Current assets		
Inventories	32	20
Trade receivables	20	27
Cash and cash equivalents	8	12
	-----	-----
	150	119
	-----	-----
Equity and liabilities		
Share capital ($1 shares)	30	5
Retained earnings	60	35
	-----	-----
	90	40
Non-current liabilities:		
Loans	10	29
Deferred tax	15	14
Current liabilities:		
Trade payables	23	25
Tax payable	12	11
	-----	-----
	150	119
	-----	-----

Statement of profit or loss for the year ended 30 September 20X2

	$m
Revenue	450
Operating expenses	(401)

Profit from operations	49
Finance cost	(3)

Profit before tax	46
Tax	(12)

Profit for the period	34

Notes

1 Property, plant and equipment with a carrying amount of $9 million was disposed of for cash proceeds of $13 million. Depreciation for the year was $17 million.

2 Trade payables as at 30 September 20X2 includes accruals for interest payable of $4 million (20X1: $5 million).

Prepare the statement of cash flows for Single for the year ended 30 September 20X2.

15. 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:

	$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.

Contd...7

16. On 1 January 20X1 Daniels issued a $50m three-year convertible bondat par.

- There were no issue costs.
- The coupon rate is 10%, payable annually in arrears on31 December.
- The bond is redeemable at par on 1 January 20X4.
- Bondholders may opt for conversion in the form of shares. Theterms of conversion are two 25-cent equity shares for every $1 owed to each bondholder on 1 January 20X4.
- Bonds issued by similar entities without any conversion rights currently bear interest at 15%.
- Assume that all bondholders opt for conversion in shares.

How will this be accounted for by Daniels?

SECTION – D

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

17. Entities are investing more time and money in implementing sustainable development practices. A key sustainable development goal set by many entities is to minimize the impact of business operations on the environment. Many entities now disclose considerable information about this in annual reports.

Discuss the potential benefits that might arise when an entity discloses its impact on the environment to its stakeholders.

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(2020 batch onwards)

G 361.5 Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

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

December - 2022

ADVANCED ACCOUNTING - I

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

SECTION – A

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

1. What are the two requirements as per Garner Vs. Murray rule in dissolution of a partnership firm?
2. If a partnership firm under liquidation has two equal partners and the capital account position is as – Mr. A – 2,40,000 & Mr. B Rs.2,00,000. They have paid all external liabilities and now they receive Rs.50,000. How will you distribute the same? (use Highest relative capital method)
3. The total purchase consideration of a Partnership Firm which is being sold to a company is Rs.24,10,452. The shares are to be issued at a nominal value of Rs.100 priced at Rs.120 per share. What is the number of shares to be issued? (Fractional shares are paid in cash)
4. What is a grant under ESOP?
5. The current market price of a share is Rs.75 and the option price granted to its employees is Rs.35. if the number of options offered to its employees is 10,000, what the cost that needs to be amortised.
6. After the buy-back of equity shares, what should be done with the physical share certificates that are bought back?
7. A company bought back 50,000 shares of Rs.1o each at a price of Rs.20,00,000. What should be the amount that needs to be transferred to Capital Redemption Reserve assuming there was no fresh issue of shares?

Contd...2

SECTION - B

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

8. The Balance sheet of Arun and Varun as on 31st March 2017 is submitted as follows:

Balance Sheet as on 31st March 2017

Liabilities	₹	Assets	₹
Trade Payables	58,000	Buildings	1,40,000
Bills Payable	34,000	Machinery	1,20,000
Bank Overdraft	29,000	Investments	30,000
Provision for Outstanding Expenses	5,000	Stock	48,000
Loan from Charan	50,000	Debtors (RBD ₹2000)	54,000
Loan from Varun	25,000	Bills receivable	12,000
Staff gratuity fund	45,000	Bank balance	36,000
Reserve Fund	36,000	Deferred Revenue Expenditure	8,000
Capital: Arun Varun	 84,000 82,000		
	4,48,000		4,48,000

Additional Information:

a) Assets were realised as follows: Buildings 3,00,000; Machinery ₹90,000; Debtors ₹55,000;

b) Investments were taken over by Arun for 90% of their book value & Bills receivable were assigned to the Partners individually in the proportion of their profit sharing ratio of 3:2

c) There was an additional liability that the firm had to meet for breach of contract of ₹12,000.

d) Realisation expenses of ₹2000 were met by Arun.

Pass necessary entries to close the books of the firm.

9. On 1st April, 2012, a company offered 100 shares to each of its 500 employees at ₹ 50 per share. The employees are given a year to accept the offer. The shares issued under the plan shall be subject to lock- in on transfer for three years from the grant date. The market price of shares of the company on the grant date is ₹ 60 per share. Due to post-vesting restrictions on transfer, the fair value of shares issued under the plan is estimated at ₹ 56 per share. On 31st March, 2013, 400 employees accepted the offer and paid ₹ 50 per share purchased. Nominal value of each share is ₹ 10. Record the issue of share in the books of the company under the aforesaid plan.

Contd...3

10. Following is the summarized balance sheet of Competent Limited as on 31st March, 2013.

Liabilities	₹	Assets	₹
Equity Shares of ₹10 each fully paid up	12,50,000	Fixed Assets	46,50,000
Revenue reserve	15,00,000	Current Assets	30,00,000
Securities Premium	2,50,000		
Profit & Loss Account	1,25,000		
Secured Loans:			
12% Debentures	18,75,000		
Unsecured Loans	10,00,000		
Current Maturities of long-term borrowings	16,50,000		
Total	76,50,000	Total	76,50,000

The company wants to buy back 25,000 equity shares of ₹10 each, on 1st April, 2013 at ₹20 per share. Buy back of shares is duly authorized by its articles and necessary resolution has been passed by the company towards this. The payment for buy back of shares will be made by the company out of sufficient bank balance available shown as part of current assets.

Comment with your calculations, whether buy back of shares by company is within the provisions of the companies Act, 2013. If yes, pass necessary journal entries towards buy back of shares and prepare the balance sheet after buy back of shares.

11. Name any 6 requirements that a company has to comply with for completing a buy-back proposal.

12. Explain the following terms:
    a) Vesting Period
    b) Exercise price
    c) Lapse of options
    d) Grant of options

13. A partnership firm was under dissolution in December. They had three partners (A, B & C) sharing profit or losses in the proportion of 2:2:1 respectively. The capitals were A – 2,40,000, B – 2,00,000 and C 1,20,000. Their Liabilities were Bank Loan (Secured) Rs.2,00,000 and Creditors (unsecured) Rs.1,54000.

    Assets realised as follows:

    January – Rs. 3,00,000

    February – Rs. 3,56,000 (expenses paid therefrom 2,000)

    March – 3,20,000

    Show a statement showing piecemeal distribution of the above using the maximum loss method.

Contd...4

SECTION – C

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

14. M/s M,N and O is a partnership of M, N and O sharing profits in the ratio of 2:2:1. All the partners become insolvent and the auditor suggested them to dissolve the firm. The following is the Balance Sheet of the firm as on 31-03-2016:

Liabilities	Rs	Assets	Rs
Rent Payable	60,000	Building Deposit	50,000
Bank term loan	80,000	Plant and Machinery	3,00,000
Creditors	5,00,000	Stock	3,50,000
N's Capital	1,07,500	Debtors	1,20,000
M's Capital	1,07,500	Bills Receivable	15,000
		O's Capital	20,000
	8,55,000		8,55,000

Following transactions took place:

a) The landlord forfeited the deposit and claimed the balance rent.

b) The bank term loan was fully against a machine which realised ₹ 50,000. The balance is still payable.

c) Other assets realised as under:
Plant and Machinery - ₹ 2,00,000, Stock - ₹ 1,50,000,
Debtors - ₹ 85,000, Bills Receivable - ₹ 15,000.

d) Realization expenses are ₹ 6,000.

e) The private assets of M and N were able to contribute ₹ 32,500 and ₹ 11,500 respectively.

Close the books of the firm and show necessary ledger books.

15. M/s AB is a firm consisting of two partners A and B (3:1) and M/s BC consists of two partners B and C (2:1). They decided to amalgamate and join a new firm M/s ABC (3:2:1). Their Balance Sheet as on 31st March, 2016 was as follows:

Liabilities	AB	BC	Assets	AB	BC
Capital			Building	80,000	96,000
A	3,84,000		Plant and Machinery	2,40,000	2,56,000
B	2,56,000	3,20,000	Equipment	32,000	9,600
C		1,60,000	Inventories	1,92,000	2,24,000
Reserves	80,000	2,40,000	Debtors	4,16,000	3,20,000
Creditors	1,92,000	3,45,600	Bank	48,000	1,44,000
Bank OD	1,28,000		Cash	32,000	16,000
	10,40,000	10,65,000		10,40,000	10,65,000

The amalgamation firm took over the business on the following terms:

a) Building of M/s AB was to be valued at ₹ 1,60,000.

b) Plant and Machinery of M/s AB was to be taken at ₹ 4,00,000 and of BC at ₹ 3,20,000.

c) All stock in trade to be appreciated by 20%

d) Goodwill of M/s AB and BC is to be taken at Rs, 1,92,000 and ₹ 96,000 respectively. The same shall not appear in the books of the amalgamated firm.

e) A creditor of BC of ₹ 1,60,000 is a debtor of AB.

f) Partners to bring in necessary cash to pay other partners so as to adjust to NPSR.

g) RBD of ₹ 19,200 towards debtors of AB and ₹ 41,600 against BC Debtors.

You are required to prepare the Balance Sheet of the new firm and also show the Capital Accounts in the books of the firm.

16. Extra Ltd. (a non-listed company) furnishes you with the following summarized Balance Sheet as on 31st March, 2012:

Liabilities	(₹ in Lakhs)	Assets	(₹in lakhs)
Equity shares of ₹10 each fully paid	100	Fixed Assets less Depreciation	50
9% Redeemable preference shares of ₹100 each fully paid	20	Investment at Cost	120
Capital Reserves	8	Current Assets	142
Revenue reserves	50		
Securities premium	60		
10% Debentures	4		
Current Liabilities	70		
	312		312

a) The company redeemed the preference shares at a premium of 10% on 1st April, 2012.

b) It also bought back 3 lakhs equity shares of ₹10 each at ₹ 30 per share.

c) The payment for the above was made out of huge bank balances, which appeared as a part of the current assets.

Contd...6

d) Included in its investment were "investments in own debentures" costing ₹ 2 lakhs (face value ₹ 2.20 lakhs). These debentures were cancelled on 1st April, 2012.

e) The company had 1,00,000 equity stock options outstanding on the above-mentioned date, to the employees at ₹20 when the market price was ₹30 (This was included under current liabilities). On 1.04.2012 employees exercised their options for 50,000 shares.

Pass the journal entries to record the above. Prepare Balance Sheet as at 01.04.2012.

SECTION – D

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

17. What are ESOP? Who are eligible and who are not eligible for ESOP? Mention any three requirements that a company has to comply with for ESOP.

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

St Aloysius College (Autonomous)

Mangaluru

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

December - 2022

ECONOMICS FOR FINANCE

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

SECTION – A

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

1. In the year 2019, the nominal GDP is 6000 billion and the real GDP is 3500 billion. What is the GDP Deflator?
2. List out the 4 reasons for Market Failure.
3. If the consumption function is C = 250 + 0.80 Y and I = 300. Find out equilibrium level of Y, C and S?
4. Mention the 3 motives for which people hold money.
5. The nominal and real GDP respectively of a country in a particular year are Rs. 3000 Crores and Rs. 4700 Crores respectively. Calculate GDP deflator and comment on the level of prices of the year in comparison with the base year.
6. Mention any 2 objectives of fiscal policy.
7. Mention the 3 methods used for measuring National Income.

SECTION - B

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

8. (a) The following information is given:

Particulars	Rs. in Crores
Notes in circulation	2500000
Circulation of Rupee Coins	26000
Circulation of Small Coins	850
Cash on hand with banks	95000
Bankers' Deposits with RBI	4500
Other Deposits with RBI	180
Total Post Office Deposits	12000
Time Deposits with Banks	15000

You are required to compute:

(i) Currency with the Public

(ii) Reserve Money

(6 marks)

(b) How would each of the following affect money multiplier and money supply?

(i) Commercial banks in India decide to hold more excess reserves

(ii) Fearing shortage of money in ATMs, people decide to hoard money

(iii) Banks open large number of ATMs all over the country

(iv) E banking becomes very common and nearly all people use them

(v) During festival season, people decide to use ATMs very often

(vi) If banks decide to keep 100% reserves (6 marks)

9. (a) Find GDPMP and GNPMP from the following data (in Crores) using Income Method. Show that it is the same as that obtained by Expenditure Method. (6 marks)

Personal Consumption	7314
Depreciation	800
Wages	6508
Indirect Business Taxes	1000
Interest	1060
Domestic Investment	1442
Government Expenditures	2196
Rental Income	34
Corporate Profits	682
Exports	1346
Net Factor Income from Abroad	40
Mixed Income	806
Imports	1408

(b) Countries Rose Land and Daisy land have a total of 4000 hours each of labor available each day to produce shirts and trousers. Both countries use equal number of hours on each good each day.

Rose Land produces 800 shirts and 500 trousers per day.

Daisy land produces 500 shirts and 250 trousers per day.

In the absence of trade:

I. Which country has absolute advantage in producing

a. Shirts

b. Trousers

II. Which country has comparative advantage in producing

a. Shirts

b. Trousers (6 marks)

Contd...3

10. (a) From the following data, estimate National Income and Personal Income.

Items	Rs. in Crores
Net national product at market price	1891
Income from property and entrepreneurship accruing to government administrative departments	45
Indirect taxes	175
Subsidies	30
Saving of non-departmental enterprises	10
Interest on National debt	15
Current transfers from government	35
Current transfers from rest of the world	20
Saving of Private Corporate Sector	25
Corporate Profit Tax	25

(6 marks)

(b) You are given the following information of an economy

Consumption Function: $C = 200 + 0.60\ Yd$

Government Spending: $G = 150$

Investment Spending: $I = 240$

Tax: $Tx = 10 + 0.20Y$

Transfer Payment: $Tr = 50$

Exports: $X = 30+0.2Y$

Imports: $M = 400$

Where Y and Yd 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)

11. Briefly explain the following:
    - (a) Escalated Tariff
    - (b) Anti-Dumping Duties
    - (c) Countervailing Duties
    - (d) Embargos
    - (e) Voluntary Export Restraints
    - (f) Ad Valorem Tariff

12. (a) Suppose the consumption function is

$C = 50 + 0.8Yd$

$I = 180$ crores

$G = 190$ crores

$T = 0.20Y$

(a) Find the equilibrium level of income

(b) Find the revenue from taxes at equilibrium. Is the government budget balanced?

(c) Find the equilibrium level of income when investment increases by 120 crores

(6 marks)

(b) Following information relating to an economy of a country for the current year are as under:

Particulars	Amount (Rs. in crore)
GDPMP	6550
Gross Investment	1000
Government Purchases of Goods and Services	1500
Exports	400
Imports	350
GNPMP	6600
Indirect Taxes	200
Depreciation	200

Find out:

(a) Private Final Consumption Expenditure

(b) Net Factor Income from Abroad

(c) NNPFC or National Income

(6 marks)

13. (a) List out the functions of money. (6 marks)

(b) (i) Calculate M

Velocity 19

Price 108.5

Volume of transactions 120 billion

(ii) What will be the effect on money supply if velocity is 25?

(i) Calculate velocity of money

Money Supply 5000 billion

Price 110

Volume of transaction 200

(ii) What will be the outcome if volume of transaction increases to 225?

(6 marks)

SECTION – C

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

14. Briefly explain:
    (a) Negative Production Externalities
    (b) Positive Production Externalities
    (c) Negative Consumption Externalities
    (d) Positive Consumption Externalities

15. (a) Identify the market outcomes for each of the following situations
    (i) A few youngsters play loud music at night. Neighbors may not be able to sleep
    (ii) Ram buys a large SUV which is very heavy
    (iii) X smokes in a public place
    (iv) Rural school students are given vaccination against measles
    (v) Traffic congestion making travel very uncomfortable
    (vi) Piracy of computer programs
    (vii) Some species of fish are now getting extinct because they have been caught indiscriminately
    (viii) The municipality provides sirens four times a day
    (ix) Burglar alarms are installed by many in your locality
    (x) Global warming increases due to emissions of fossil fuels (10 marks)

    (b) What will be the nature of the monetary policy undertaken by RBI in the following?
    (i) Increases repo rate by 50 basis points
    (ii) Reduces the cash reserve ratio
    (iii) Increases the supply of currency and coins
    (iv) Terminates marginal standing facility
    (v) Increases the interest rates chargeable by commercial banks
    (vi) Sells securities in the open market (6 marks)

16. (a) The monetary authority of an economy has provided the following data:

Particulars	Rs. in Crores
Notes in circulation	24209645
Rupee Coin in circulation	325572
Small Coins in circulation	7434
Post Office Savings Bank Deposits	1417868
Cash in hand with banks	975635
Deposit Money of Public	17761992
Demand Deposit with Banks	17376925
Other Deposits with RBI	385074
Total Post Office Deposits	148966
Time Deposits with Banks	1786969

You are required to calculate
    (i) M1
    (ii) M2 (8 marks)

(b) The following information is related to an economy:

Particulars	Amount (Rs. in crore)
Domestic Sales	3600
Opening Stock	800
Exports	1000
Depreciation	300
Closing Stock	200
Net Indirect Taxes	400
Intermediate Consumption	600
Net Factor Income from Abroad	10

Calculate the following:

(i) Gross Value of Output (GVOMP)

(ii) Gross Value Added (GVAMP)

(iii) Net Value Added (NVAMP)

(iv) Net Domestic Product (NDPFC)

(iii) Net National Product (NNPFC) (8 marks)

SECTION – D

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

17. Write a short note on the following:

(a) Common Access Resources

(b) Tragedy of the Commons

(c) Adverse Selection

(d) Moral Hazard

(e) Cash Reserve Ratio

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G363.5 Reg. No. :

St Aloysius College (Autonomous)

Mangaluru

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

December - 2022

AUDITING AND ASSURANCE

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

SECTION – A

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

1. Define Auditing.
2. Define fraud and what are the characteristics of fraud?
3. What is right of lien in auditing?
4. State the applicability of audit committee
5. Define audit documentation.
6. State the applicability of internal financial controls.
7. Mention any 4 aspects to be covered in an audit of financial statements

SECTION - B

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

8. What are the special considerations to be considered in a joint audit?
9. What are points to be considered with regards to scope of audit & also list out the advantages of audit of financial statements?
10. When the inventory is material to the financial statements, the auditor shall obtain sufficient appropriate audit evidence regarding existence and condition of inventory in different situations. How?
11. Explain different circumstances relating to possibility of fraud.
12. Why form, content & extent of audit documentation is important? Also, mention the factors on which the form, content & extent depends on?
13. Explain all the elements of Quality control system.

SECTION – C

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

14. Explain in detail the fraud risk factors in relation to fraudulent financial reporting & misappropriation of funds.
15. Explain the procedures to appoint first auditor & subsequent auditor of
    a) Government company
    b) Non-Government company
16. Explain Relationship of auditing with other disciplines

SECTION – D

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

17. As an auditor, how do you report a fraud u/s 143(12) of the companies Act, 2013.

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St Aloysius College (Autonomous)

Mangaluru

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

December - 2022

STRATEGIC MANAGEMENT

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

SECTION – A

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

1. What do you mean by Strategic Management?
2. What do you understand by vision?
3. What is backward integration?
4. What is synergy?
5. What is the meaning of Business model?
6. What level of management takes the strategic decisions?
7. When a firm reaches the maturity stage, what strategy do you suggest best?

SECTION - B

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

8. What is a strategy? Strategy may be both reactive and pro-active. Explain.
9. An industry comprises of only two firms – Soorya Ltd. and Chandra Ltd. From the following information relating to Soorya Ltd., prepare BCG Matrix:

Product	Revenue (in ₹)	Percent Revenue	Profit (in ₹)	Percent Profit	Percentage Market Share	Percentage Industry Growth Rate
A	6 Crore	48	120 Lakh	48	80	+15
B	4 Crore	32	50 Lakh	20	40	+10
C	2 Crore	16	75 Lakh	30	60	-20
D	50 Lakh	4	5 Lakh	2	5	-10
Total	12.5 Crore	100	250 Lakh	100		

10. Write a short note on GE Matrix.

11. In your opinion, is Strategic Management required only in organizations intending to make profit? If you disagree, tell us why & explain any two non - profit organizations where Strategic Management could be of use and how.
12. What is Growth Strategy? What are the types of Expansion strategy?
13. Explain the concept of Cost Leadership Strategy.

SECTION – C

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

14. Write a short note on BCG Matrix.
15. According to Michael Porter, what are the barriers to entry in a market?
16. Write a short note on Retrenchment Strategy.

SECTION – D

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

17. A manufacturing company is in direct competition with fifteen companies at national level. Head of marketing department of this company wishes to study the market position of rival companies by grouping them into like positions. Name the tool that may be used by him/her. Explain the procedure that may be used to implement the techniques.

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G 365.5 Reg. No. : | | | | | | |

St Aloysius College (Autonomous)
Mangaluru
B.Com. (Vocational) Semester V – Degree Examination
December - 2022
FINANCIAL MANAGEMENT - I

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

SECTION – A

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

1. What is Operating Leverage?
2. What is Risk Premium?
3. What is Risk? How it is Calculated?
4. PQ Ltd reports the following cost structure at two capacity levels:

Particulars	2,000 units (100% Capacity)	1,500 units
Production overhead I	₹3 per unit	₹4 per unit
Production overhead II	₹2 per unit	₹2 per unit

If the selling price, reduced by direct material and labour is `8 per unit, what would be its break-even point?

5. What is PV Ratio? How it is Calculated?
6. What are the Objectives of Financial Management?
7. A company issued 10,000, 15% Convertible debentures of ₹100 each with a maturity period of 5 years. At maturity the debenture holders will have the option to convert the debentures into equity shares of the company in the ratio of 1:10 (10 shares for each debenture). The current market price of the equity shares is ₹12 each and historically the growth rate of the shares is 5% per annum. Compute the cost of debentures assuming 35% tax rate.

SECTION - B

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

8. a) Indra Ltd. has EBIT of ₹1,00,000. The company makes use of debt and equity capital. The firm has 10% debentures of ₹5,00,000 and the firm's equity capitalization rate is 15%.

   You are required to COMPUTE:

   i. Current value of the firm
   ii. Overall cost of capital.

   (6 Marks)

   b) Amita Ltd's operating income (EBIT) is ₹5,00,000. The firm's cost of debt is 10% and currently the firm employs ₹15,00,000 of debt. The overall cost of capital of the firm is 15%.

   You are required to CALCULATE:

   i. Total Value of the firm.
   ii. Cost of equity.

   (6 Marks)

Contd...2

9. CALCULATE the operating leverage, financial leverage and combined leverage from the following data under Situation I and II and Financial Plan A and B:

Installed Capacity	4,000 units
Actual Production and Sales	75% of the Capacity
Selling Price	₹30 Per Unit
Variable Cost	₹5 Per Unit

Fixed Cost:

Under Situation I	₹15,000
Under Situation-II	₹20,000

Capital Structure:

	Financial Plan	
	A (₹)	**B (₹)**
Equity	10,000	15,000
Debt (Rate of interest at 20%)	10,000	5,000
	20,000	**20,000**

10. Ganapati Limited is considering three financing plans. The key information is as follows:

a) Total investment to be raised ₹2,00,000

b) Plans of Financing Proportion:

Plans	Equity	Debt	Preference Shares
A	100%	-	-
B	50%	50%	-
C	50%	-	50%

c) Cost of debt - 8%

d) Cost of preference shares - 8%

e) Tax rate - 50%

f) Equity shares of the face value of ₹10 each will be issued at a premium of ₹10 per share.

g) Expected EBIT is ₹80,000.

You are required to DETERMINE for each plan: -

i. Earnings per share (EPS).

ii. The financial break-even point.

iii. Indicate if any of the plans dominate and compute the EBIT range among the plans for in difference.

11. Lockwood Limited wants to replace its old machine with a new automatic machine. Two models A and B are available at the same cost of ₹5 lakhs each. Salvage value of the old machine is ₹1 lakh. The utilities of the existing machine can be used if the company purchases A. Additional cost of utilities to be purchased in that case are ₹1 lakh. If the company purchases B then all the existing utilities will have to be replaced with new utilities costing ₹2 lakhs. The salvage value of the old utilities will be ₹0.20 lakhs. The earnings after taxation are expected to be:

Year	(Cash in-flows of)		
	A	B	P.V. Factor @ 15%
1	1,00,000	2,00,000	0.870
2	1,50,000	2,10,000	0.756
3	1,80,000	1,80,000	0.658
4	2,00,000	1,70,000	0.572
5	1,70,000	40,000	0.497
Salvage Value at the end of Year 5	50,000	60,000	

The targeted return on capital is 15%. You are required to

(i) COMPUTE, for the two machines separately, net present value, discounted payback period and desirability factor and

(ii) STATE which of the machines is to be selected?

12. Best of Luck Ltd., a profit making company, has a paid-up capital of D100 lakhs consisting of 10 lakhs ordinary shares of ₹10 each. Currently, it is earning an annual pre-tax profit of ₹60 lakhs. The company's shares are listed and are quoted in the range of ₹50 to ₹80. The management wants to diversify production and has approved a project which will cost ₹50 lakhs and which is expected to yield a pre-tax income of ₹40 lakhs per annum. To raise this additional capital, the following options are under consideration of the management:

A. To issue equity share capital for the entire additional amount. It is expected that the new shares (face value of ₹10) can be sold at a premium of ₹15.

B. To issue 16% non-convertible debentures of ₹100 each for the entire amount.

C. To issue equity capital for ₹25 lakhs (face value of ₹10) and 16% non-convertible debentures for the balance amount. In this case, the company can issue shares at a premium of ₹40each.

CALCULATE the additional capital that can be raised, keeping in mind that the management wants to maximize the earnings per share to maintain its goodwill. The company is paying income tax at 50%.

13. X Ltd is considering its New Product with the following details

Sr. No.	Particulars	Figures
1	Initial capital cost	₹400 Cr
2	Annual unit sales	5 Cr
3	Selling price per unit	₹100
4	Variable cost per unit	₹50
5	Fixed costs per year	₹50 Cr
6	Discount Rate	6%

Required:

a) CALCULATE the NPV of the project.

b) COMPUTE the impact on the project's NPV of a 2.5 per cent adverse variance in each variable. Which variable is having maximum effect. Consider Life of the project as 3 years.

SECTION – C

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

14. A large profit making company is considering the installation of a machine to process the waste produced by one of its existing manufacturing process to be converted into a marketable product. At present, the waste is removed by a contractor for disposal on payment by the company of ₹150 lakh per annum for the next four years. The contract can be terminated upon installation of the aforesaid machine on payment of a compensation of ₹90 lakh before the processing operation starts. This compensation is not allowed as deduction for tax purposes.

The machine required for carrying out the processing will cost ₹600 lakh to be financed by a loan repayable in 4 equal installments commencing from end of the year- 1. The interest rate is 14% per annum. At the end of the 4th year, the machine can be sold for ₹60 lakh and the cost of dismantling and removal will be ₹45 lakh. Sales and direct costs of the product emerging from waste processing for 4 years are estimated as under: (in lakhs)

Year	1	2	3	4
Sales	966	966	1,254	1,254
Material consumption	90	120	255	255
Wages	225	225	255	300
Other expenses	120	135	162	210
Factory overheads	165	180	330	435
Depreciation (as per income tax rules)	150	114	84	63

Initial stock of materials required before commencement of the processing operations is ₹60 lakh at the start of year 1. The stock levels of materials to be maintained at the end of year 1, 2 and 3 will be ₹165 lakh and the stocks at the end of year 4 will be nil. The storage of materials will utilize space which would otherwise have been rented out for ₹30 lakh per annum. Labour costs include wages of 40 workers, whose transfer to this process will reduce idle time payments of ₹45 lakh in the year- 1 and ₹30 lakh in the year-2. Factory overheads include apportionment of general factory overheads except to the extent of insurance charges of ₹90 lakh per annum payable on this venture. The company's tax rate is 30%.

Present value factors for four years are as under:

Year	1	2	3	4
PV Factors @14%	0.877	0.769	0.674	0.592

ADVISE the management on the desirability of installing the machine for processing the waste. All calculations should form part of the answer.

15. BT Pathology Lab Ltd. is using an X-ray machines which reached at the end of their useful lives. Following new X-ray machines are of two different brands with same features are available for the purchase.

Brand	Cost of Machine (₹)	Life of Machine	Maintenance Cost			Rate of Depreciation
			Year 1-5(₹)	Year 6-10(₹)	Year 11-15(₹)	
XYZ	6,00,000	15 Years	20,000	28,000	39,000	4%
ABC	4,50,000	10 Years	31,000	53,000	-	6%

Residual Value of both of above machines shall be dropped by 1/3 of Purchase price in the first year and thereafter shall be depreciated at the rate mentioned above.

Alternatively, the machine of Brand ABC can also be taken on rent to be returned back to the owner after use on the following terms and conditions:

a) Annual Rent shall be paid in the beginning of each year and for first year it shall be ₹1,02,000.

b) Annual Rent for the subsequent 4 years shall be ₹1,02,500.

c) Annual Rent for the final 5 years shall be ₹1,09,950.

d) The Rent Agreement can be terminated by BT Labs by making a payment of ₹1,00,000 as penalty. This penalty would be reduced by ₹10,000 each year of the period of rental agreement.

You are required to:

a) ADVISE which brand of X-ray machine should be acquired assuming that the use of machine shall be continued for a period of 20 years.

b) STATE which of the option is most economical if machine is likely to be used for a period of 5 years?

The cost of capital of BT Labs is 12%.

G 366.5

Reg. No. : | | | | | |

St Aloysius College (Autonomous)

Mangaluru

B.Com.(Vocational) - Semester V – Degree Examination

December - 2022

ACCOUNTING STANDARDS

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

SECTION – A

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

1. What is the accounting treatment for adjusting events?
2. What do you mean by prior period items and what is the accounting treatment?
3. What do you mean by Contingent Asset?
4. What is a discontinuing operation as per the relevant AS?
5. When do you mean by Accounting Profit and Taxable profit?
6. State any two related party relationship as per the relevant AS.
7. What is Geographical segment as per AS 17?

SECTION - B

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

8. A. On 1st December, 2016, Vishwakarma Construction Co. Ltd. undertook a contract to construct a building for ₹ 85 lakhs. On 31st March, 2017, the company found that it had already spent ₹ 64,99,000 on the construction. Prudent estimate of additional cost for completion was ₹ 32,01,000. What amount should be charged to revenue in the final accounts for the year ended 31st March, 2017 as per provisions of Accounting Standard 7.

   B. City Ltd. undertook a construction contract for 50 crores in April, 2014. The cost of construction was initially estimated at ₹ 35 crores. The contract is to be completed in 3 years. While executing the contract, the company estimated the cost of completion of the contract at ₹ 53 Crores. Can the company provide for the expected loss in the book of account for the year ended 31st March, 2015?

9. A. In April, 2010, A Limited issued 18,00,000 Equity shares of ₹ 10 each, ₹ 5 per share was called up on that date which was paid by all the shareholders. The remaining ₹ 5 was called up on 1-9-2010. All the Shareholders (except one having 3,60,000 shares) paid the sum in September 2010. The net profit for the year ended 31-3-2011 is ₹ 33 lakhs after dividend on preference shares and dividend distribution tax of ₹ 6.60 lakhs. Compute the basic EPS for the year ended 31st March, 2011 as per AS 20.

B. XYZ Ltd. had issued 30,000, 15% convertible debentures of ₹ 100 each on 1st April, 2008. The debentures are due for redemption on 1st March, 2011. The terms of issue of debentures provided that they were redeemable at a premium of 5% and also conferred option to the debenture holders to convert 20% of their holding into equity shares (Nominal Value ₹ 10) at a price of ₹ 15 per share. Debenture holders holding 2500 debentures did not exercise the option. Calculate the number of equity shares to be allotted to the Debenture holders exercising the option to the maximum.

10. A. Define the types of differences as per AS 22.

B. From the following details of A Ltd. for the year ended 31-03-20X1, Calculate the Total tax expense for the year

Particulars	₹
Accounting Profit	6,00,000
Book Profit as per MAT	3,50,000
Profit as per Income Tax Act	60,000
Tax Rate	20%
MAT Rate	7.50%

11. A. A company acquired for its internal use a software on 28.01.2012 from the USA for US $ 1,00,000. The exchange rate on that date was ₹ 65 per USD. The seller allowed trade discount @ 10 %. The other expenditures were:

(i) Import Duty: 20%

(ii) Purchase Tax: 10%

(iii) Entry Tax: 5 % (Recoverable later from tax department)

(iv) Installation expenses: ₹ 25,000

(v) Profession fees for Clearance from Customs: ₹ 20,000

Compute the cost Software to be capitalized.

B. A company with a turnover of Rs 250 crores and an annual advertising budget of Rs 2 crores had taken up the marketing of a new product. It was estimated that the company would have a turnover of Rs 25 crores from the new product. The company had created an intangible asset of Rs 2 crore incurred on extensive special initial advertisement campaign for the new product. Is the procedure adopted by the company correct?

12. A. The Company has entered into a wage agreement in May, 2017 whereby the labor union has accepted a revision in wage from June, 2016. The agreement provided that the hike till May, 2017 will not be paid to the employees but will be settled to them at the time of retirement. The company agrees to deposit the arrears in Government Bonds by September, 2017.

B. Mention the recognition criteria for provisions and accounting treatment of contingent asset.

13. A. A claim lodged with the Railways in March, 2015 for loss of goods of ₹ 2,00,000 had been passed for payment in March, 2017 for ₹ 1,50,000. No entry was passed in the books of the Company, when the claim was lodged. Advise P Co. Ltd. about the treatment of the following in the Final Statement of Accounts for the year ended 31st March, 2017.

B. What do you mean by Dilutive Potential equity shares? State an example.

C. What are the details to be disclosed with respect to related party transactions during the year?

SECTION – C

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

14. The following information is available for AB Ltd. for the accounting year 2012-13 and 2013-14:

Net profit for Year 2012-13 Rs 22,00,000

Year 2013-14 Rs 30,00,000

No of shares outstanding prior to right issue 10,00,000 shares.

Right issue: One new share for each five shares outstanding i.e. 2,00,000 shares.

Right Issue price ₹ 25

Last date to exercise right 31st July, 2013

Fair value of one equity share immediately prior to exercise of rights on 31.07.2013 is ₹ 32.

You are required to compute:

a) Basic earnings per share for the year 2012-13.

b) Restated basic earnings per share for the year 2012-13 for right issue.

c) Basic earnings per share for the year 2013-14.

15. A. Sarita Publications publishes a monthly magazine on the 15th of every month. It sells advertising space in the magazine to advertisers on the terms of 80% sale value payable in advance and the balance within 30 days of the release of the publication. The sale of space for the March 2014 issue was made in February 2014. The magazine was published on its scheduled date. It received ₹ 2,40,000 on 10.3.2014 and ₹ 60,000 on 10.4.2014 for the March 2014 issue. Discuss in the context of AS 9 the amount of revenue to be recognized and the treatment of the amount received from advertisers for the year ending 31.3.2014. What will be the treatment if the publication is delayed till 2.4.2014?

Contd...4

B. M/s Umang Ltd. sold goods through its agent. As per terms of sales, consideration is payable within one month. In the event of delay in payment, interest is chargeable @ 12% p.a. from the agent. The company has not realized interest from the agent in the past. For the year ended 31st March, 2015 interest due from agent (because of delay in payment) amounts to ₹ 1,72,000. The accountant of M/s Umang Ltd. booked ₹ 1,72,000 as interest income in the year ended 31st March, 2015. Discuss the contention of the accountant with reference to Accounting Standard-9.

16. A. Square Private Limited has taken machinery on finance lease from S.K. Ltd. The information is as under:

Lease term = 4 years

Fair value at inception of lease = ₹ 20,00,000 Lease rent = ₹ 6,25,000 p.a. at the end of year Guaranteed residual value = ₹ 1,25,000 Expected residual value = ₹ 3,75,000

Implicit interest rate = 15% (take the PV factors up to 4 decimal points)

Calculate the value of the lease liability as per AS-19.

B. The outputs from a machine taken on a 3 year operating lease are estimated as 10,000 units in 1st year, 20,000 units in year 2 and 50,000 units in year 3. The agreed annual lease payments are Rs 25,000, Rs 45,000 and Rs 50,000 respectively. The difference between lease rent due and lease rent recognised can be debited / credited to Lease Equalisation A/c. Pass the required journal entries for all three years.

SECTION – D

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

17. X Ltd. sold JCB Machine having WDV of ₹ 50 Lakhs to Y Ltd for ₹ 60 Lakhs and the same

JCB was leased back by Y Ltd to X Ltd. The lease is operating lease Comment according to relevant Accounting Standard if

(i) Sale price of ₹ 60 Lakhs is equal to fair value

(ii) Fair Value is ₹ 50 Lakhs and sale price is ₹45 Lakhs.

(iii) Fair value is ₹ 55 Lakhs and sale price is₹ 62 lakhs

(iv) Fair value is ₹ 45 Lakhs and sale price is ₹ 48 Lakhs.

(v) Fair Value is Rs. 60 Lakhs

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