

COM 404.1

Reg. No.

**CREDIT BASED FOURTH SEMESTER B.Com. DEGREE EXAMINATION APRIL 2013
COMMERCE
FINANCIAL MANAGEMENT – II**

Time: 3 Hrs

Max. Marks: 80

SECTION – A

Answer any Three questions.

3 x 20 = 60

1. An industrial unit desires to acquire a diesel generating set costing `20 lakh which has an economic life of 10 years at the end of which the asset is not expected to have any residual value. The unit is considering the alternative choices of (a) taking the machinery on lease or (b) purchasing the asset by raising a loan. Lease payments (`2,95,902) are to be made in advance. The cost of debt is 16% p.a. The lender requires the loan to be re-paid in 10 equal annual instalment becoming due at the beginning of the first year. Average rate of Income tax is 50%. The firm follows straight line method of depreciation, which of the financing alternatives should it select?

2. A project requires an initial outlay of `20,000. It generates year ending profits of `12,000, `6,000, `4,000 `10,000 and `10,000 from the end of the first year to the end of the fifth year. The required rate of return is 10% and company pays tax rate at 50%. The project has a life of 5 years and it depreciates on straight line basis. Assume that the above profits are before depreciation and tax. You are required to calculate:-
 - a) Pay back period
 - b) Net Present Value at 10% discount rate

c) Profitability Index at 10% discount rate

Year	PVF @ 10%
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621

3. Give the meaning of Mutual Fund. Explain the types of Mutual Fund.
4. What is leasing? Explain the advantages and disadvantages of leasing.

SECTION – B

Answer any Three questions.

3 x 5 = 15

5. A company is considering an investment proposal to install new milling controls at a cost of `50,000. The facility has a life of 5 years and no salvage value. The tax rate is 35%. Assume the firm uses straight line depreciation and the same is allowed for tax purpose. The estimated cash flows before depreciation and tax (CFAT) from the investment proposal is as follows:-

Year	CFAT (₹)
1	Nil
2	450
3	1,800
4	2,250
5	6,750

Compute Accounting Rate of Return.

6. What are the duties and responsibilities of custodian?
7. What is meant by Merger? Explain the types of merger.
8. Write a short note on ICRA.

SECTION – C

Answer all the questions:

5 x 1 = 5

9. Give the meaning of leveraged buyouts.
10. What is meant by financial lease?
11. What is the main objective of Stock Holding Corporation of India?
12. Who is a Merchant Banker?
13. What is meant by Venture Capital?

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CREDIT BASED FOURTH SEMESTER B.Com DEGREE EXAMINATION

APRIL 2014

COMMERCE

FINANCIAL MANAGEMENT - II

Time: 3 Hrs

Max. Marks: 80

SECTION – A

Answer any THREE questions:

3X20=60

1. What is Corporate Restructuring? Explain the different techniques of corporate restructuring.
2. Explain the procedure of Initial Public Offer (IPO).
3. Bangalore Engineering Ltd. is planning to have an access to a machine for a period of 5 years. The company can either have an access through the leasing arrangement or it can borrow money at 14% to buy the machine. The company is in 50% tax bracket. In case of leasing, the company will be required to pay annual year end lease rent of `1,20,000 for 5 years. All maintenance, insurance and other costs are to be borne by the lessee. In case of purchasing the machine (which costs `3,43,300), the company would have to repay 14% five year loan in 5 equal annual instalments, each instalment becoming due at the end of each year. Machine would be depreciated on a straight line basis, with no salvage value. Advice the company which options it should go for, assuming lease rents are paid at the end of the year.

Present value of Re.1 for 5 years.

PVF @ 5%	0.952	0.907	0.864	0.823	0.784
PVF @ 7%	0.935	0.873	0.816	0.763	0.713
PVF @14%	0.877	0.769	0.675	0.592	0.519

4. A large sized chemical company is considering investing in a project that costs `5,00,000. The estimated salvage value is zero. Tax rate is 35%. The company uses straight line depreciation for the tax purposes and the proposed project has cash flows before tax (CFBT) as follows:

Year	1	2	3	4	5
CFBT(Rs)	1,00,000	1,00,000	1,50,000	1,50,000	2,50,000

Determine the following:

- a) Pay Back Period (PBP)
- b) Accounting Rate of Return (ARR)
- c) Net Present Value (NPV) at 12% discount rate
- d) Profitability Index (PI) at 12% discount rate

SECTION – B

Answer any three questions:

3x5=15

5. Explain the merits and demerits of lease financing.
6. Write short note on National Stock Exchange.
7. Write a note on Mutual Funds.
8. A company is planning to select Project A. Using IRR Method suggest whether the project is preferable.

<u>Particulars</u>	<u>Amount (₹)</u>
Cost	11,000
Cash inflows:	
1	6,000
2	2,000
3	1,000
4	5,000

SECTION – C

Answer all the questions:

5x1=5

9. What is Book-Building?
10. Define mutual fund.
11. Who is a Merchant Banker?
12. State any two differences between financial lease and operating lease.
13. A project costs ₹20,00,000 and yields a (CFAT) of ₹4,00,000 for 8 years. Calculate the pay back period.

COMMERCE
FINANCIAL MANAGEMENT - II

Time: 3 Hrs

Max. Marks: 100

SECTION – A

Answer any THREE questions:

3×20=60

1. XYZ is in the business of manufacturing steel utensils. The firm is planning to diversify and add a new product line, the firm either can buy the required machinery or get it on lease.

The machine can be purchased for ₹15,00,000. It is expected to have a useful life of 5 years with a salvage value of ₹1,00,000 after the expiry of 5 years. The purchase can be financed by 20 percent loan repayable in 5 equal annual installment (inclusive of interest) becoming due at the end of each year. Alternatively, the machine can be taken on year end lease rentals of ₹4,50,000 for 5 years Advise the company on the option it should choose. For your calculation you may assume the following:-

- a) The machine will constitute a separate block for depreciation purposes. The company follow written down value method of depreciation, the rate of depreciation being 25%.
 - b) Tax rate is 35% and cost of capital is 18%.
 - c) Lease rentals are paid at the end of the period.
 - d) Maintenance expenses estimated at ₹30,000 per year are to be borne by the lessee.
2. A company is considering an investment proposal to install new milling controls at cost of ₹50,000. The facility has a life of 5 years and no salvage value. The tax rate is 35%. Assume the firm uses straight line method of depreciation and the same is allowed for tax purpose. The estimated cash flows before depreciation and tax from the investment proposal is as follows:-

Year	Cash flows (₹)
1	10,000
2	10,692
3	12,769
4	13,462
5	20,385

Compute the following

- a) Pay back period
- b) Net Present Value at 10% discount rate
- c) Profitability Index at 10% discount rate

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

3. What is meant by Initial public offering? Explain the steps involved in the book building process.
4. What is corporate restructuring? Explain the techniques of corporate restructuring.

SECTION – B

Answer any THREE questions:

3×5=

5. A project requires an initial outlay of `20,00,000. It generates year ending CFAT of `4,00,000, `1,00,000, Nil, `3,00,000 and `3,00,000 from the end of the first year to the end of the fifth year.

The required rate of return is 10% and company pay tax rate at 50%. The project has a life of 5 years and it depreciated on straight line basis. You are required to calculate Accounting Rate of Return.

6. Write short note on BSE.
7. Explain the types of lease.
8. What is meant by credit rating? Explain the types of credit rating.

SECTION – C

Answer all the questions:

5×1=

9. What is meant by a Demat Account?
10. Expand CRISIL and ICRA.
11. What is meant by pay back period?
12. What is venture capital?
13. What is lease financing?

COM 404.2

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**CREDIT BASED FOURTH SEMESTER B.Com. DEGREE EXAMINATION
APRIL 2016
COMMERCE
AUDITING**

Time: 3 Hrs.

Max. Marks: 80

SECTION – A

Answer any THREE questions: 3×20=60

1. What is meant by audit programme? Explain the merits and demerits of audit programme.
2. a) "Vouching is the backbone of auditing". Explain. (5 marks)
b) As an auditor, how do you carryout vouching for the following? (15 marks)
 - i) Freehold property
 - ii) Plant and Machinery
 - iii) Bills Payable
3. Explain the guidelines for maintenance of wage records and payment of wages.
4. Explain the provisions of companies act regarding appointment, qualifications disqualifications and removal of company auditors.

SECTION – B

Answer any THREE questions: 3×5=15

5. What are the merits of auditing?
6. What is internal check? What are the objectives of internal check system?
7. Write a note on computerized auditing.
8. Distinguish between auditing and investigation.

SECTION – C

Answer ALL the questions: 5×1=5

9. What is meant by statutory audit?
10. Give the meaning of audit working papers.
11. State the two types of Audit Report.
12. What is meant by auditor's lien?
13. What is internal control?
