19MCOMH401 Reg No : ....

CHOICE BASED FOURTH SEMESTER M.Com. DEGREE EXAMINATION

AUGUST 2021

Business Taxation -Indirect

Duration:3 Hours Max Marks:70

Answer any THREE of the following : (3×5= 15 Marks)

1 State the necessary pre-conditions for levy of Goods and Services Tax (GST) on goods and services.

2 Explain the rules relating to Composition Scheme of levying GST u/s 10 of CGST Act.

3 Write a short note on the Basic Customs Duty.

4 Mr. & Mrs Mehta purchase 10 gift vouchers for Rs. 500 each from Crossword and 5 vouchers from Four Fountains Spa costing Rs. 1000 each, and give them as return gifts to children and their parents for their son's birthday party. The vouchers from Four Fountains Spa had a special offer for couples – services for both persons at the price chargeable to one. Calculate value of supply.

Answer the following question : (1×10= 10 Marks)

5 What is Deemed Supply? Explain with examples.

Answer any THREE of the following : (3×15= 45 Marks)

6 Ms Lalitha a registered dealer submits the following information in relation to manufacture and selling of a machine. Compute the Net GST payable.

Particulars	Rs.
Import of raw materials (Excluding 10% BCD on import) rate of IGST 5%	2,10,000

Raw materials purchased from Karnataka (Including CGST 9% & SGST 9%)	7,50,000
Subsidy received from an NGO which was directly related to the price of the goods	19,000
Raw materials purchased from Tamilnadu excluding IGST @ 5%	60,000
Manufacturing expenses	6,000
Subsidy received from Central Government which was directly linked to the price of the product	20,000
Warranty charges	15,000

She supplied some components at a fixed price of Rs. 22,000. The components are bundled with the supply of the machine. The GST rates of the three products are 28%, 5% and 12% respectively.

Ms. Lalitha sold the machine to Ms Shanti at a profit of 10% on the cost of production and the rate of GST on sales is 18%

7 Following are the transactions made by a taxable person from his different establishments located in Kerala for the month of October 2020. Compute total turnover and the GST payable:

- Supply of incense sticks to a taxable person in Kochin Rs.5,00,000 out of the purchases made from Mysore, on which IGST paid Rs.20,000 (5%).
- Sale of Banana Halwa to a taxable person of Salem, Tamilnadu Rs.9,00,000. The goods were collected by the buyer from the supplier's shop in Kerala. These goods were purchased from a registered dealer in Kasargod for Rs.7,00,000, CGST Rs.17,500 & SGST paid Rs.17,500 (5%).
- Soaps supplied to an unregistered person in Trivandrum Rs.5,00,000 out of the purchases from a taxable person in Andhra Pradesh for Rs.4,00,000 IGST paid Rs.48,000 (12%).

- Supply of gold jewellery to a taxable person in Kumbla Rs.10,00,000 from the purchases made from Joy Alukkas, Chennai for Rs.8,00,000, IGST paid Rs.1,44,000 (18%).
- Supply of Silver Pooja Articles to a taxable person in Mangalore Rs.8,00,000. SGST & CGST paid Rs.54,000 each (18%).
- Supply of herbal shampoo to a composite dealer of Andhra Pradesh for Rs.1,50,000 which was purchased from a supplier of Cannanore, CGST Rs.6,000 & SGST Rs.6,000 paid (12%)
- Soaps sent to Mangalore Branch Rs.3,00,000 (12%).
- Soaps sent to Kasargod Branch Rs.5,00,000 (12%) (No separate registration).
- Export of Banana Halwa to Srilanka (5%) Rs.10,00,000 (Exempt). CGST and SGST paid on its purchases Rs.20,000 each.
- Supply of Wheat powder to a taxable person of Calicut Rs.50,000 (Exempt).
- Supply of incense sticks to SEZ developer (5%) Rs.50,000 (Exempt) CGST and SGST paid on its purchases Rs.2,000 each.
- Purchases of soft drinks for consumption in the shop Rs.30,000. CGST & SGST paid Rs.750 each respectively (5%).

All the above prices are exclusive of tax.

8 A dealer in UP entered into a contract with a supplier in Mysore to deliver a machinery along with essential accessories. From the information given, determine the total amount of GST payable u/s 15 of the CGST Act 2017.

Particulars	Rs.
Price of the machinery (excluding taxes and duties)	12,60,000
Installation and erection expenses charged separately in invoice	40,000
Other expenses not included in the price:	
Packing charges (primary & secondary)	30,000

Design & engineering charges paid by the buyer	16,000
Cost of material supplied by buyer free of charge	4,000
Pre delivery inspection charges	2,000
Loading & handling charges within the factory	2,400

Other information:

a. Since full payment was received before dispatch of machinery, a cash discount of 2% on price of machinery was allowed as per terms of contract.

b. Purchased accessories supplied along with machinery valued at Rs. 5,000 which was necessary for the working of the machinery which are charged for tax at 18%.

c. GST rate on machinery is 5%

d. Balance available in the Electronic Credit ledger: IGST – Rs. 44,000; CGST Rs. 4,000 & SGST Rs. 26,000

9 Mr. Bharath imports by air from USA a machine along with relevant accessories and spares for the value of US$ 1,20,000 FOB. The other details are as follows:

(a) Commission to local agent in India Rs.27,000

(b) Freight and insurance from airport to factory godown Rs. 30,000

(c) Freight – US$ 36000 (US to India)

(d) Goods are insured, premium amount is not shown in invoice and is not available.

(e) At the request of Mr. Bharath, US$ 6000 has been incurred as expenses for improving the design of the machine, but the same is not reflected in the invoice.

(f) Basic customs duty is 15%, CIF value @ 68 and IGST – 18%

(g) Exchange rate to be considered US$ 1 = Rs.72

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19MCOMH402 Reg No : ....

CHOICE BASED FOURTH SEMESTER M.Com. DEGREE EXAMINATION
AUGUST 2021

Strategic Management

Duration:3 Hours **Max Marks:70.**

Answer any THREE of the following : **(3×5= 15 Marks)**

1 What is SWOT analysis? Explain its significance.

2. Write a short note on Game theory.

3 How do merger differ from acquisition?

4 Explain the significance of a strategy.

Answer the following question : **(1×10= 10 Marks)**

5 Dell Computer was one of the fastest-growing companies of the 1990s, and its stock price increased at the rate of 100% per year, delighting its stockholders. Achieving this high return has been a constant challenge for Michael Dell. One of his biggest battles has been to manage and change Dell's organizational structure, control systems, and culture as his company grows.

Michael Dell was 19 in 1984, when he took $1,000 and spent it on the computer parts he assembled into PCs that he sold over the phone. Increasing demand for his PCs meant that within a few weeks, he needed to hire people to help him. Soon he found himself supervising three employees took orders over the phone.

By 1993, Dell employed 4,500 workers and was hiring more than 100 new workers each week just to keep pace with the demand for the computers. When he found himself working 18- hour days managing the company, he realized that he could not lead the company single-handedly. The company's growth had to be managed, and he knew that he had to recruit and hire strategic managers who had experience in managing different functional areas, such as marketing, finance, and manufacturing. He recruited executives from IBM and Compaq. With their help, he created a functional structure, one in which employees were grouped by their common skills or tasks they performed , such as sales or manufacturing ,to organize the value chain activities necessary to delivers his PCs to customers. As a part of this organizing process, Dell's Structure also became taller ,with more levels in the management hierarchy to ensure that he and his managers had sufficient control over the different activities of his growing business. Michael Dell delegated authority to control Dell's functional value chain activities to his managers, which gave him the time he needed to perform his entrepreneurial task of finding new opportunities for the company.

Dell's functional structure worked well and under its new management team, the company's growth continued to soar. Moreover, Dell's new structure had given functional managers the control they needed to squeeze out costs and Dell had become the lowest-cost, and Dell had become the lowest-cost PC maker. Analysts also reported that Dell had developed norms and values that emphasized the importance of working hard to help each other find innovative new ways of making products to keep costs low and increase their reliability. Indeed, Dell rose to the top of the customer satisfaction rankings for PC makers because few customers complained about its products. Its employees became known for the excellent customer service they gave to PC buyers who were experiencing problems with setting up their computers.

However, Michael Dell realized that new and different kinds of problems were arising Dell was now selling huge numbers of computers to different kinds of customers, for example home, business and educational customers and different branches of government. Because customers were demanding computers with different features or more computing power, the company's product line broadened rapidly. It became more difficult for employees to meet the needs of these customers efficiently because each employee needed information about all the product features or all of Dell's thousands of different sales offer across its product range.

By the late 1990s, Michael Dell moved to change his company to a market structure and created separate divisions, each geared to the needs of a different group of customers; a customer division and so on in each division to develop a unique sub-culture that suites its tasks, and employees were able to obtain in-depth knowledge about the needs of their market that helped them to respond better to their customer's needs. So successful was this change in structure and culture that by 2000, Dell's revenues were more than $35 billion and its profits in excess of $3 billion, a staggering increase from 1984.

Michael Dell has continued to change his company's structure in the 2000s to respond to changing customer needs and increasing customer needs and increasing competitive challenges from Apple and HP. For example, Michael Dell realized that he could leverage his company's strengths in materials management, manufacturing and Internet sales over a wider range of computer hardware products. He decided to begin assembling servers, work stations and storage devices to compete with IBM, Sun, and HP. The increasing importance of the internet also led him to pay more attention to more specialized groups of customers and find the best way to customize its approach to best meet each group's specific needs over the Internet. Today, for example, Dell can offer large and small companies and private buyers a complete range of computers, work-stations and storage devices that can be customized to their needs.

To help coordinate its growing activities, Dell is increasingly making use of its corporate intranet to standardize activities across functions to reduce costs. Dell's hierarchy is shrinking as managers increasingly delegate decision making to employees who use its advanced IT to access to the information, they need to provide excellent customer service. To reduce costs, Dell has also outsourced most of its customer service functions to India. As a result of these moves, Dell's smaller United States workforce has become even more than ever an important factor affecting its competitive advantage that has been threatened by the many cost-savings moves made by competitors such as Apple and HP that have imitated and even improved on its cost-saving strategies.

Answer the following questions:

1. Why has Dell moved to different kinds of organizational structures over time? (4)
2. Has Dell's performance been improved? (3)
3. What strategies have Dell been trying to implement in order to increase its performance and how have its competitors such as Apple and HP also been working to improve theirs? (3)

Answer any THREE of the following : **(3×15= 45 Marks)**

6 Describe the strategic management process with examples.

7 Discuss the process of strategic evaluation and control in detail.

8 What is Strategy Evaluation? Explain the Directional Policy Matrix Model with suitable examples.

9 What do you mean by corporate restructuring? Explain the various forms and strategies of corporate restructuring.

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19MCOMS404 Reg No : ....

CHOICE BASED FOURTH SEMESTER M.Com. DEGREE EXAMINATION AUGUST 2021

Capital Structure Management

Duration:3 Hours Max Marks:70

Answer any THREE of the following : (3×5= 15 Marks)

1 *The following information is available for Crompton Ltd. for the year ended 31st March 2021.*

Interest on debt	*Rs. 4,00,000*
Preference dividend	*Rs. 2,00,000*
Corporate tax rate	*40%*

Calculate the degree of financial leverage: i) if EBIT is Rs. 10,00,000 and (ii) if EBIT is Rs. 15,00,000.

2 *A firm has an investment proposal of Rs.3,20,000. The machine has a four year life and the firm expects to generate cash inflows of Rs.80,000 p.a. If it expects a rate of return of 10% and can invest cash inflows at the rate of 8%, calculate the Net present value.*

3 *"Certainty Equivalent approach is theoretically superior to Risk- adjusted discount rate". Do you agree? Give reasons.*

4 *Companies U and L are identical in every respect except that the former does not use debt in its capital structure, while the latter employs Rs. 6,00,000 of 15% debt. Assuming that*

1. *all the MM assumptions are met,*
2. *the corporate tax rate is 50%,*
3. *the EBIT is Rs. 2,00,000 and*
4. *the equity capitalization of the unlevered company is*

20%, what will be the value of the firms, U and L? Also determine the weighted average cost of capital for both the firms.

Answer the following question : (1×10= 10 Marks)

5 *X company wants to raise additional capital of Rs.20 Lakhs for its new investment plans. It has 4,20,000 as retained earnings . Further details are as follows-*

i. *Debt equity mix 30% and 70%*
ii. *Cost of debt up to Rs.3,60,000, 10% before tax, beyond Rs.3,60,000, 16% before tax.*
iii. *Earnings per share Rs.8*
iv. *Dividend pay-out 50% of earnings.*
v. *Expected growth in dividends 10%*
vi. *Current market price per share Rs. 88*
vii. *Tax rate 50%.*

Compute:

a. *Pattern for raising additional capital*
b. *The after tax cost of additional capital*
c. *The cost of retained earnings and cost of equity.*

Answer any THREE of the following : (3×15= 45 Marks)

6 *KPL Company is considering taking up of one of two projects 'X' and 'Y'. Both projects have the same life, require equal investment of Rs. 80 lakhs each and both are estimated to have almost the same yield. As the company is new to the type of business, the cash flows arising from the projects cannot be estimated with certainly. An attempt was, therefore made to use probability to analyse the pattern of cash flow from either project during the first year of operation. This pattern is likely to continue during the life of these projects. The result of analysis are as follows :-*

Project X		*Project Y*	
Cash flows (Rs.In lakhs)	*Probability*	*Cash flows (Rs.In lakhs)*	*Probability*
12	0.10	8	0.10
14	0.20	12	0.25
16	0.40	16	0.30
18	0.20	20	0.25
20	0.10	24	0.10

Required:

a) Evaluate the project on the basis of NPV taking a risk free return of 10%

b) Compute standard deviation and co-efficient of variation of each project.

c) Which project should the company take up based on standard deviation and co-efficient result?

7 *Critically examine the EBIT-EPS analysis as a device of decision making in the context of capital structure planning.*

8 *As a financial analyst of a large electronic company, you are required to determine the weighted average cost of capital of the company using (a) Book value weights and (b) Market value weights.*

The following information is available for your perusal.

The Company's present book value capital structure is as follows:

Debentures (Rs. 100 per debenture)	*Rs.*	*24,00,000*
Preference shares (Rs. 100 per share)	*Rs.*	*6,00,000*
Equity shares (Rs. 10 per share)	*Rs.*	*30,00,000*
	Rs.	*60,00,000*

All these securities are traded in the capital markets. Recent prices are : Debentures, Rs. 110 per debenture, Preference shares, Rs. 120 per share and Equity shares, Rs. 22 per share. Anticipated external financing opportunities are::

(i) Rs. 100 per debenture redeemable at par; 10 year maturity, 11% coupon rate, 4% floatation costs, sale price, Rs. 100

(ii) Rs. 100 Preference share, redeemable at par; 10 year maturity, 12 % dividend rate, 5% floatation costs, sale price, Rs. 100

(iii) Equity shares: Rs. 2 per share floatation costs, sale price Rs. 22

In addition, the dividend expected on the equity share at the end of the year is Rs. 2 per share; the anticipated growth rate in dividends is 7% and the firm has the practice of paying all its earnings in the form of dividends. The corporate tax rate is 35%.

9 *The' MM Model ' is the behavioural justification of the NOI approach to capital structure theory : In the light of above statement, how do two firms achieve equilibrium level under MM approach ? Explain.*

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19MCOMS408 Reg No : ....

CHOICE BASED FOURTH SEMESTER M.Com. DEGREE EXAMINATION

AUGUST 2021

Portfolio Management

Duration:3 Hours **Max Marks:70**

Answer any THREE of the following : **(3×5= 15 Marks)**

1 *Discuss the limitation of Capital Asset Pricing Model.*

2 *Define Arbitrage Pricing Model.*

3 *What is credit risk associated with a forward contract?*

4 *What do you understand by put-call parity?*

Answer the following question : **(1×10= 10 Marks)**

5 *Calculate Jensen Alpha taking into consideration the following portfolios: Given the market return @ 12% and risk-free rate @ 18% for the portfolio A, market return @ 14% and risk-free rate @ 10% for the portfolio B, and also market return @ 8% and risk-free rate @ 6% for the portfolio C.*

Portfolio	*Return*	*Beta*
A	*18%*	*1.2*
B	*16%*	*1.1*
C	*10%*	*1.3*

Answer any THREE of the following : **(3×15= 45 Marks)**

6. *"The futures exchange specifies the terms of the contract". Explain.*

7. *Differentiate Systematic Risk and Unsystematic Risk with relevant examples.*

8. *Differentiate between macro-economic and micro-economic based risk factor models.*

9. *Explain various statistical tools used to measure the risk of the securities return?*

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