21COMC301 **Reg No : ....**

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.COM. THIRD SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Corporate Accounting

Duration:2 Hours **Max Marks:60**

Section-A

Answer any TWO of the following : 2×15= 30

1. Prepare a Balance Sheet of Agarwal Co. Ltd., in the vertical form as on 31.3.2022 from the following information:

	Rs.
Share Capital:	
1,00,000 Equity Shares of Rs.10 each	10,00,000
8,000 Preference Shares of Rs.100 each	8,00,000
Securities Premium	8,00,000
General Reserve	32,00,000
7% Debentures	18,00,000
Bank Overdraft	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:

1. Depreciation on Fixed Assets Rs. 6,00,000
2. Provision for doubtful debts Rs. 40,000

2. On 1.4.2018 Romyo Ltd. issued 20,000 Debentures of Rs.100 each, repayable at the end of four years at a premium of 5%. A Debenture Redemption Fund has been instituted for the purpose. The investments being expected to earn 4% net. The annuity table shows that Re.0.235490 annually amounts to Re.1 at 4% in four years. Investments were made in multiples of Rs.100/- only. At the end of the fourth year, investments were realized at 98% net and debentures were redeemed. Prepare: a) Sinking Fund A/c b) Sinking Fund Investment A/c and c) Debenture holders A/c

3. Following is the summarized Balance Sheet of Bhoomi Ltd., as on 31.3.2022

Liabilities	Rs.	Assets	Rs.
Issued, Subscribed and paid-up capital	4,00,000	Sundry Assets	18,00,000
4,000, 8% Redeemable Preference shares of Rs.100 each fully called up and paid up	2,40,000	Cash at Bank	6,60,000
3,000, 9% Redeemable Preference shares of Rs.100 each, Rs.80 paid- up	10,00,000		
1,00,000 Equity shares of Rs.10 each fully called up and paid-up	5,00,000		
Revenue Reserve	5,00,000		
Securities Premium A/c	50,000		
Current liabilities	2,70,000		
	24,60,000		**24,60,000**

It was decided to redeem both the classes of preference shares on June 30,2022 at a premium of 5%. The company issued for cash as many equity shares of Rs.10 each as were necessary to provide for redemption of both the classes of preference shares, which could not otherwise be redeemed. The issue was fully subscribed and all the moneys were received.

Pass journal entries in the books of the company and draw up the amended Balance Sheet.

Section-B

Answer any TWO of the following : **2×10= 20**

4. a. Mention any four sources of funds for the redemption of debentures.

b. Usha Co. Ltd. issued 7% Debentures of Rs.3,00,000 with a condition that they should be redeemed by setting aside at the end of each year Rs.10,000 out of profits and investing the amount in 5% government securities. The interest received at the end of every year should be similarly invested. At the end of 3 years the investments are sold at book value.

Prepare Sinking Fund Account in the books of the company for three years.

5. Strong Ltd., issued 10000 equity shares of Rs.10 each at a premium of Re.1 per share.

The entire issue was underwritten as follows:

A: 5,000 shares (firm underwriting 2,000 shares)

B: 3,000 shares (firm underwriting 1,000 shares)

C: 2,000 shares (firm underwriting 500 shares)

Applications were received for 7,500 shares of which the marked applications including firm underwriting were:

A: 2,500 shares

B: 1,500 shares

C: 1,000 shares

The underwriters were entitled to a commission of 5%.

Calculate the liability of each underwriter and pass journal entries.

6. Following is the Balance Sheet of Stardust Ltd., as on 31-3-2022.

Liabilities	Rs.	Assets	Rs.
Share Capital	30,00,000	Non-Current Assets	20,00,000
Reserves & Surplus	7,50,000	Current Assets	25,00,000
Creditors	12,50,000	Investments	5,00,000
	50,00,000		**50,00,000**

The investments are in 8% Government Bonds.

The net profit after taxation for the past 4 years were: Rs.7,85,000, Rs.8,45,000, Rs.8,50,000 and Rs.8,60,000 respectively.

Normal rate of return on average capital employed is 20%.

Calculate the value of Goodwill:

1. As per 2 years purchase of Weighted Average Profit.
2. As per 3 years purchase of Super Profit.

Section-C

Answer any TWO of the following : **2×5= 10**

7. Under which heading will the following items of the trial balance of a company appear in its final accounts as per the statutory form of Companies Act, 2013?
   1. Goodwill
   2. Preliminary Expenses
   3. Bank Overdraft
   4. Manufacturing Wages
   5. Debenture interest paid

8. Give the meaning of underwriting. What are the provisions of the Companies Act regarding underwriting agreement?

9. The net profits of the company for the past 5 years were: 2017- Rs.80,000, 2018- Rs.85,000, 2019- Rs.87,000, 2020- Rs.80,000 and 2021- Rs.88,000.

   The capital employed in the business was Rs.8,00,000 on which a reasonable rate of return of 10% is expected.

   Calculate the goodwill of the company as per:

   a. Capitalisation of Average Profit Method and

   b. Capitalisation of Super Profit Method.

   c. Annuity Method if the present value of annuity of Re.1 for five years at 10% is Rs.3.78.

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21COMC302 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.COM. THIRD SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Business Statistics

Duration:2 Hours **Max Marks:60**

SECTION – A

Answer any TWO questions: **(15×2= 30)**

1) Calculate Arithmetic Mean, Median and Mode for the following data

X	100-110	110-120	120-130	130-140	140-150	140-150	150-160	160-170	170-180
F	4	6	20	32	33	17	8	2	5

2) Calculate Karl Pearson's coefficient of skewness from the following data and explain its significance

Wages	70—80	80—90	90—100	100—110	110—120	120—130	130—140	140—150
No. of Persons :	12	18	35	42	50	45	20	8

3) The data below show the age and weight of children up to the age of 10.

Age (in years)	1	2	3	4	5	6	7	8	9	10
Weight (in kgs)	5	8	9	11	14	15	17	18	20	25

i) Fit a straight-line regression of weight on age

ii)Estimate the weight of a child at the age of 12 years.

4) a. Compute Fisher's Price Index number from the following data. Show that Fisher's index numbers satisfy Factor Reversal Test. **(8 marks)**

Commodity	Base Year		Current Year	
	Price	Quantity	Price	Quantity
I	10	12	20	9
II	20	4	25	8
III	30	13	40	27
IV	60	29	75	36

b. Find the cost-living index number by the Family budget method **(7 marks)**

Group	Food	Clothing	Fuel & Lighting	House Rent	Miscellaneous
I	78	80	110	60	90
W	5	3	4	2	6

SECTION – B

Answer any FOUR questions : **(5×4= 20)**

5) Find the Geometric mean for the following

Weight of sorghum (x)	No. of ear head(f)
50	4
65	6
75	16
80	8
95	7
100	4

6) The following are the heights of five candidates who have attended an interview. Compute the standard deviation.

Sl.No	A	B	C	D	E
Heights	155	158	163	169	178

7) Calculate the range and the coefficient of the range of A's monthly earnings for a year.

Month	Monthly earnings (In '00 Rs.)
1	139
2	150
3	151
4	151
5	157
6	158
7	160
8	161
9	162
10	162
11	173
12	175

8) In a box, there are English letters. One letter is picked up at random.

a.What is the probability that it is a vowel?**(2.5 marks)**

b. What is the probability that it is 'T'? **(2.5 marks)**

9) The following results are obtained between two factories from their respective means, calculate the correlation coefficient

	Factory A	Factory B
Number of observations	5	5
Arithmetic Mean	4	8
Sum of the squared deviations from mean	28	76
Summation of products of deviations of X and Y from their respective means	46	

10) From the following data calculate price index numbers for 1980 with 1970 as a base by Laspeyre's method,

Commodity	1970		1980	
	Price	Quantity	Price	Quantity
A	20	8	40	6
B	50	10	60	5
C	40	15	50	15
D	20	20	20	25

SECTION – C

Answer any FIVE questions : **(2×5= 10)**

11. What is meant by Univariate Data and Bivariate Data?

12. Define Statistics.

13. Emma took 5 tests in chemistry in one semester. Her test scores are 95, 71, 90, 85, 65. Calculate the range of her test scores by using the range formula.

14. What is meant by the Probability of an Event?

15. State any two differences between Correlation and Regression.

16. Calculate Pearson's co-efficient correlation when the Covariance of X and Y is 32 and the standard deviation is 3.

17. Mention any two uses of Index Numbers.

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21COMC303 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.COM. THIRD SEMESTER DEGREE EXAMINATION JANUARY 2023
COMMERCE
Cost Accounting

SECTION – A

Answer any TWO questions: **(15×2= 30)**

1) In respect of a factory the following figures have been obtained for the year 2019.

	Rs.
Cost of materials	6,00,000
Wages	5,00,000
Factory overhead	3,00,000
Office overhead	3,36,000
Selling Charges	2,24,000
Distribution charges	1,40,000
Profit	4,20,000

A work order has to be executed in 2020 and the following expenses are estimated:

Materials	Rs.8,000
Labour	Rs.5,000

Assume that in 2020 the factory overhead will rise by 20% office overhead and selling charges each will rise by 12½% and distribution charges will go down by 10%. What prices would be quoted for the product so as to earn the same rate of profit on cost. Factory overhead is based on wages and office overhead, selling and distribution charges on factory cost.

2) From the following particulars, write up a Store Ledger card in the prescribed form using FIFO method.

2020	
Sept. 1	Opening balance 40 units value Rs.224.
Sept. 4	Issued 14 units
Sept. 6	Received from A and Co. 80 units @ Rs.5.75 units
Sept. 7	Issued 42 units
Sept. 10	Returns to A and Co. 10 units
Sept. 11	Issued 15 units
Sept. 13	Issued 20 units
Sept. 15	Received from X and Co. 75 units @ Rs.6.10 units
Sept. 16	Shortage in stock taking 6 units
Sept. 17	Issued 30 units
Sept. 19	Received replacement from A and Co.
Sept. 20	Returned from Dept. 8 units
Sept. 22	Transfer from Job 182 to Job 187, 5 units
Sept. 26	Issued 34 units
Sept. 30	Excess 5 units.

3) The following information pertains to three machines used in a shop.

	Machines		
	A Rs.	B Rs.	C Rs.
Rent and Taxes	75	59	120
Insurance	2	1	4
Power (@ 0.08 paise per unit)	128	146	270
Administrative Overhead	50	37	76
Factory overheads	307	252	389
Repairs	30	63	15
Oil and Sundries	8	15	10
Depreciation.	40	37	68

Each machine uses 5 units of power per hour. Job No.101 was completed with the help of these machines.The cost of materials and labour were Rs.7,000 and Rs.4,000 respectively. Machine A was used for 35 hours, machine B for 40 hours, Machine C for 8 hours. Compute machine hour rate and also cost of Job No.28

4) A Company has three production departments P1, P2 and P3 and two service departments S1 and S2.The following data are extracted from the records of the company for a particular given period:

		Rs.
i)	Rent and rates	25,000
ii)	General lighting	3,000
iii)	Indirect wages	7,500
iv)	Power	7,500
v)	Depreciation on Machinery	50,000
vi)	Sundries	50,000

Additional Data:

	Total	Departments				
		P1	P2	P3	S1	S2
Direct Wages(Rs.)	50000	15000	10000	15000	7500	2500
HP of Machine	150	60	30	50	10	-
Cost of Machine (Rs)	1250000	300000	400000	500000	25000	25000
Hours Worked	-	6226	4028	4066	-	-
Floor Space (Sq.Mtr)	10000	2000	2500	3000	2000	500
Light Points	60	10	15	20	10	5

Service Department expenses are allocated as follows:

	P1	P2	P3	S1	S2
S1	20%	30%	40%	-	10%
S2	40%	20%	30%	10%	-

Compute the overhead rate of production departments using the repeated distribution method.

SECTION – B

Answer any FOUR questions : **(5×4= 20)**

5) Explain the types of costs on the basis of variability or behaviour with example.

6) The details of materials required in the Production Department of a manufacturing concern are given below. Using the information, prepare the Stores Ledger under Weighted Average Method: The other details are:

Dec . 1, 2020 - Opening Balance on 850 units @ Rs.8 per unit.

Dec. 8	- Issued 150 units
Dec. 10	- Issued 300 units
Dec. 13	- Purchased 400 units @ Rs.9 per unit.
Dec. 15	- Issued 300 units
Dec. 18	- Shortage 10 units
Dec. 20	- Purchased 200 units
Dec. 21	- Excess found 20 units
Dec. 25	- Issued 400 units
Dec. 28	- 5 units issued on Dec. 15 was returned from the Production Department.

7) Calculate the earnings of workers A and B under Taylor's differential piece rate system. Normal rate per hour Rs.24. Standard time per unit 30 seconds.
Differentials to be applied. 80% of piece rate. Below standard; 120% of piece rate at or above standard. Worker 'A' produces 800 units per day and worker 'B' produces 1000 units per day.

8) The following expenses have been incurred in respect of a shop having four identical machines:

	Rs.
Rent and Rates	6,000 p.a.
Power consumed by the shop @ 10 paise per unit	4,800 p.a.
Repairs	1,000 p.a.
Lighting for the shop	800 p.a.
Supervisor salary	600 p.m.
Lubricants etc.	100 p.a.
Depreciation per Machine	600 p.a.
There are two attendants in the shop each getting Rs.60 per month.	
Each machine consumes 10 units of power in an hour.	

Calculate machine Machine Hour Rate.

9) Prepare memorandum reconciliation account from the following.
Profit shown by cost book Rs.30,114 and by financial book Rs.19,760
On reconciling, the following information is available:
a) Overhead absorbed in cost book Rs.7,500 and incurred Rs.6,932
b) Directors fees not included in cost books Rs. 750
c) Provision for bad debt Rs.600
d) A new work was taken for Rs.12,000 and depreciation of 5% was provided for ony in the financial books.
e) Transfer Fees Rs.28
f) Income Tax Rs.9,000

10) Information relating to material is available.

Particulars	
ROQ (units)	1,000
Minimum delivery period (weeks)	2
Average delivery period (weeks)	3
Maximum Level (units)	2,000

The weekly usage of the material vary from 175 units to 225 units.Calculate Reorder level, Minimum level and Average stock level.

SECTION – C

Answer any FIVE questions : **(2×5= 10)**

11) If total profit is 25% of selling price and sales is Rs. 4,00,000. What is cost of sales?

12) Annual demand for an item is 3,200 units. the unit cost is Rs. 6 and inventory carrying charges is 25% p.a. if the cost of one procurement is Rs.50 calculate EOQ.

13) What is Normal Idle Time?

14) Write the suitable basis for the apportionment of the following overheads.
a) Electric Power
b) Depreciation on Machinery

15) State any two usefulness of Reconciliation.

16) What is Decentralised buying?

17) Write any two differences between Time Keeping and Time Booking.

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21COMC311 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.COM. THIRD SEMESTER DEGREE EXAMINATION JANUARY 2023
COMMERCE
Financial Reporting II

Duration:2 Hours **Max Marks:60**

Section A

Answer any TWO of the following: **(2×15= 30)**

1. Health (H) bought 90% of the equity share capital of Safety (S), two years ago on 1 January 20X2 when the retained earnings of Safety stood at $5,000. Statements of financial position at the year end of 31 December 20X3 are as follows

	Health		Safety	
	$000	$000	$000	$000
Non-current assets:				
Property, plant & equipment		100		30
Investment in Safety at cost		34		
		___		___
		134		30
Current assets:				
Inventory	90		20	
Receivables	110		25	
Bank	10		5	
	___		___	
		210		50
		344		80
Equity:				
Share capital		15		5
Retained earnings		159		31
		174		36
Non-current liabilities:		120		28
Current liabilities		50		16
		344		80

a. Safety transferred goods to Health at a transfer price of $18,000 at a mark-up of 50%. Two-thirds of these goods remained in inventory at the year end.

b. The current account in Health and Safety stood at $22,000 on that day. Goodwill has suffered an impairment of $10,000.

c.Health uses the fair value method to value the non-controlling interest. The fair value of the non-controlling interest at acquisition was $4,000.
Prepare the consolidated statement of financial position at 31 December 20X3.

2. On 1 April 20X5 Lobster purchased 80% of the equity shares in Crab. The summarised statements of profit or loss for the two entities for the year ended 31 December 20X5 are

	Lobster	Crab
	$	$
Revenue	150,000	80,000
Cost of sales	(60,000)	(52,000)
Gross profit	90,000	28,000
Operating expenses	(30,000)	(10,000)
Finance costs	(6,000)	(1,800)
Profit before tax	54,000	16,200
Income tax expense	(12,000)	(3,200)
Profit for the year	42,000	13,000

During November 20X5 Crab sold goods to Lobster for $10,000 at a margin of 30%. 40% of these goods had been sold by Lobster before the year-end.
1.At the date of acquisition all of Crab's assets were carried at fair value with the exception of an item of plant, whose fair value was $15,000 above its carrying amount. At this date the plant had a remaining useful life of 5 years. All depreciation is charged to cost of sales.
2.Lobster's policy is to value the non-controlling interest of Crab at the date of acquisition at its fair value.
3.The goodwill of Crab has suffered impairment during the year of $3,000.
Prepare the consolidated statement of profit or loss of the Lobster Group for the year ended 31 December 20X5.

3. The statements of profit or loss for the year ended 31 December 20X9 are as follows:
Statements of profit or loss for the year ended 31 December 20X9

	Kathmandu	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
Income tax expense	(40,000)	(14,000)
Profit for the period	71,000	36,000

Additional information:

1.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.

2.Nepal paid a $10,000 dividend on 31 March 20X9.

3.Nepal had retained earnings of $80,000 on 1 January 20X9.

4.Goodwill has not been impaired.

Prepare the group statement of profit or loss for the year ended 31 December 20X9 for the Kathmandu group on the basis that Kathmandu sold its holding in Nepal on 1 July 20X9 for $200,000. This disposal is not yet recognised in any way in Kathmandu's statement of profit or loss.

4. Extracts from the financial statements of Eden are presented below.

Statement of profit or loss

	20X6 $000	20X5 $000
Revenue	27,000	24,000
Cost of sales	(19,700)	(17,100)
Gross profit	7,300	6,900
Operating expenses	(2,300)	(1,900)
Profit from operations	5,000	5,000
Finance costs	(600)	(480)
Profit before tax	4,400	4,520
Income tax expense	(900)	(920)
Profit for the year	3,500	3,600

Statement of financial position

Equity	$000	$000
Ordinary $1 share capital	10,000	10,000
Retained earnings	9,100	6,200
	19,100	16,200
Non-current liabilities		
6% loan notes	11,000	8,000

Calculate profitability ratios for Eden for 20X5 and 20X6 and comment on the profitablitiy.

Section B

Answer any TWO of the following: **(2×10= 20)**

5. Hardfloor Co fits out nightclubs. The projects generally take a number of months to complete. The company had two contracts in progress at the year ended 30 April 20X7, and details are as follows:

	J	L
	$000	$000
Costs incurred to date	270	20
Costs to complete	90	220
Contract price	416	300
Work certified to date	312	–
Progress payments	250	–

Hardfloor Co accounts for revenue on its construction contracts using the percentage of completion derived from the sales earned as work certified compared to the total sale value.

Calculate the effects of the above contracts upon the financial statements of Hardfloor Co for the year ended 30 April 20X7.

6. a.On 1 January 20X4, Sam Co had 3 million ordinary shares in issue. On 1 June 20X4, Sam Co made a 1 for 3 bonus issue. On 30 September 20X4, Sam Co issued a further 1 million shares at full market price. Sam Co had profits attributable to ordinary equity holders of $2 million for the year ended 31 December 20X4. What is the basic earnings per share figure for the year ended 31 December 20X4, according to IAS 33 Earnings Per Share? **(5 marks)**
b.During the year, Mac made a 1 for 3 rights issue at $1.60 when the market price was $2.20. Last year's EPS was 81 cents. There were no other issues of shares during the year.What is the restated earnings per share figure for comparative purposes? **(5 marks)**

7. a. Paul acquired 75% of the share capital of Simon on 1 January 20X1. On this date, the net assets of Simon were $80,000. The non-controlling interest was calculated using fair value, which was calculated as $40,000 at the date of acquisition. At 1 January 20X3 the net assets of Simon were $120,000 and goodwill had been impaired by $10,000. What was the value of the non-controlling interest at 1 January 20X3? **(5 marks)**
b.Peter acquired 90% of the share capital of Saul on 1 January 20X2. At this date, the fair value of Saul's net assets was $100,000 and goodwill was correctly calculated at $30,000. At 1 January 20X5, the fair value of the net assets of Saul was $140,000 and goodwill had been impaired by $20,000. At the same date, Peter's retained earnings were $70,000. The non- controlling interest is valued using the fair value method. What is the total group retained earnings at 1 January 20X5? **(5 marks)**

8. a.Barlow Ltd uses the indirect method for the purpose of calculating net cash flow from operating activities in the statement of cash flows.
The following information is provided for the year ended 31 December 20X0:

	$
Profit before tax	5,600
Depreciation	956
Profit on sale of equipment	62
Increase in inventories	268

Increase in receivables	101
Increase in payables	322

What is the cash generated from operations? **(6 marks)**

b.Evans plc had the following balances in its statement of financial position as at 30 June 20X0 and 20X1:

	20X1	20X0
10% Debentures	$130,000	$150,000
Share capital	$120,000	$100,000
Share premium	$45,000	$35,000

How much will appear in the statement of cash flows for the year ended 30 June 20X1 under the heading 'cash flows from financing activities?**(4 marks)**

Section C

Answer any TWO of the following: **(2×5= 10)**

9. Simple has estimated its income tax liability for the year ended 31 December 20X8 at $180,000. In the previous year the income tax liability had been estimated as $150,000. Calculate the tax expense that will be shown in the statement of profit and loss for the year ended 31 December 20X8 if the amount that was actually agreed and settled with the tax authorities in respect of 20X7 was $165,000 .

10. Randall is currently preparing its financial statements for the year ended 31 March 20X8. The board has met to discuss the following issue:
A month before the year-end, a fire destroyed a significant proportion of Randall's inventories. Randall has since been negotiating compensation with their insurers. Initially, the insurers were of the view that Randall had not followed applicable legislation to protect against fire damage and were contesting the claim. Randall was confident that they had complied with the legislation and referred the matter to their solicitors. In April 20X8 the board of directors received a letter from the insurance company stating that they are satisfied that Randall did comply with appropriate legislation. The solicitors have advised the directors that it is now probable that they will receive compensation in the region of $50,000.
Explain how this matter should be dealt with in the financial statements of Randall in the year ended 31 March 20X8.

11. a.Identify whether the following would affect the profit attributable to the non-controlling interest in the consolidated statement of profit or loss if the non-controlling interest is measured at fair value **(3 marks)**

	Affects the NCI's share of the profit	Does not affect the NCI share
Goodwill impairment		
The parent sells inventory to the subsidiary at a profit of $10,000, all of which remains in the subsidiary's inventory at the year-end		
The subsidiary has an item of plant with a fair value of $500,000 above its carrying amount at acquisition and a remaining life of 10 years		

b. AB has owned 80% of CD for many years. In the current year ended 30 June 20X3, AB has reported total revenues of $5.5 million, and CD of $2.1 million. AB has sold goods to CD during the year with a total value of $1 million, earning a margin of 20%. Half of these goods remain in year-end inventories. What is the consolidated revenue figure for the AB group for the year ended 30 June 20X3? **(2 marks)**

12. On 1 January 20X1, P purchased 30% of the shares in A for$350,000. At this date, A's net assets stood at $700,000. On 31 December 20X1, A has net assets of $750,000. P sold goods worth $80,000 to A at a margin of 25%. Half of these goods remain in inventory at the year-end. What is the value of the investment in associate as of 31 December 20X1?

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21COMC312 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.COM. THIRD SEMESTER DEGREE EXAMINATION JANUARY 2023
COMMERCE
International Financial Management II

Duration:2 Hours **Max Marks:60**

Section A

Answer any TWO of the following: **(2×15= 30)**

1. GXG Co is an e-business that designs and sells computer applications (apps) for mobile phones. The company needs to raise \$3,200,000 for research and development and is considering two financing options.

   Option 1

   GXG Co could suspend dividends for two years, and then pay dividends of 25 cents per share from the end of the third year, increasing dividends annually by 4% per year in subsequent years. Dividends in recent years have grown by 3% per year.

   Option 2

   GXG Co could issue \$3,200,000 of bonds paying annual interest of 6%, redeemable after ten years at nominal value.

   Recent financial information relating to GXG Co is as follows:

	\$m
Operating profit	3,450
Interest	200
Profit before taxation	3,250
Taxation	650
Profit after taxation	2,600
Dividends	1,600

	\$000
Ordinary shares (nominal value 50 cents)	5,000

   Under both options, the funds invested would earn a before-tax return of 18% per year. The profit tax rate paid by the company is 20% per year. GXG Co has a cost of equity of 9% per year, which is expected to remain constant.

   a) Using the dividend valuation model, calculate the value of GXG Co under option 1, and advise whether option 1 will be acceptable to shareholders. **(9 marks)**

   b) Calculate the effect on earnings per share and interest cover of the proposal to raise finance by issuing new debt (option 2), and comment on your findings. **(6 marks)**

2. The finance director of Rio Inc. is preparing its capital budget for the forthcoming period and is examining a number of capital investment proposals that have been received from its subsidiaries. Details of one of these proposals is as follows:

   Proposal 1

   Division A has requested that it be allowed to invest \$500,000 in solar panels, which would be fitted to the roof of its production facility, in order to reduce its dependency on oil as an energy source. The solar panels would save energy costs of \$700 per day but only on sunny days. The Division has estimated the following probabilities of sunny days in each year.

	Number of sunny days	Probability
Scenario 1	100	0.3
Scenario 2	125	0.6
Scenario 3	150	0.1

Each scenario is expected to persist indefinitely, i.e. if there are 100 sunny days in the first year, there will be 100 sunny days in every subsequent year. Maintenance costs for the solar panels are expected to be $2,000 per month for labour and replacement parts, irrespective of the number of sunny days per year. The solar panels are expected to be used indefinitely.

Other information

Rio Inc. is a profitable, listed company with several million dollars of shareholders' funds, a small overdraft and no long-term debt. For profit calculation purposes, Rio Inc. depreciates assets on a straight-line basis over their useful economic life. The company can claim tax-allowable depreciation on machinery on a 25% reducing balance basis and pays tax on profit at an annual rate of 30% in the year in which the liability arises. Rio Inc. has a before-tax cost of capital of 10% and an after-tax cost of capital of 8%

For the proposed investment in solar panels (Proposal 1), calculate:

i) the net present value for each expected number of sunny days

ii) the overall expected net present value of the proposal.

Comment on your findings. Ignore taxation in this part of the question.

3. The following information has been taken from the statement of financial position of Corfe Co, a listed company.

	$m	$m
Non-current assets		50
Current assets:		
Cash and cash equivalents	4	
Other current assets	16	20
Total assets		70
Equity and reserves:		
Ordinary shares	15	
Reserves	29	44
Non-current liabilities:		
6% preference shares	6	
8% loan notes	8	
Bank loan	5	19
Current liabilities		7
Total equity and liabilities		70

The ordinary shares of Corfe Co have a nominal value of $1 per share and a current ex-dividend market price of $6.10 per share. A dividend of $0.90 per share has just been paid. The 6% preference shares of Corfe Co have a nominal value of $0.75 per share and an ex-dividend market price of $0.64 per share. The 8% loan notes of Corfe Co have a nominal value of $100 per loan note and a market price of $103.50 per loan note. Annual interest has just been paid and the loan notes are redeemable in five years' time at a 10% premium to nominal value. The bank loan has a variable interest rate. The risk-free rate of return is 3.5% per year and the equity risk premium is 6.8% per year. Corfe Co has an equity beta of 1.25. Corfe Co pays corporation tax at a rate of 20%.

Investment in facilities

Corfe Co's board is looking to finance investments in facilities over the next three years, forecast to cost up to $25m. The board does not wish to obtain further long-term debt finance and is also unwilling to make an equity issue. This means that investments have to be financed from cash which can be made available internally. Board members have made a number of suggestions about how this can be done: Director A has suggested that the company does not have a problem with funding new investments, as it has cash available in the reserves of $29m. If extra cash is required soon, Corfe Co could reduce its investment in working capital. Director B has suggested selling the building which contains the company's headquarters in the capital city for $20m. This will raise a large one-off sum and also save on ongoing property management costs. Head office support functions would be moved to a number of different locations rented outside the capital city. Director C has commented that although a high dividend has just been paid, dividends could be reduced over the next three years, allowing spare cash for investment.

Calculate the after-tax weighted average cost of capital of Corfe Co on a market value basis.

4. The following financial information relates to Echo Co:

Statement of profit or loss information for the last year:

	$m
Profit before interest and tax	12
Interest	3
Profit before tax	9
Income tax expense	3
Profit for the period	6
Dividends	2
Retained profit for the period	4

Statement of financial position information as at the end of the last year

	$m	$m
Ordinary shares, nominal value 50c	5	
Retained earnings	15	
Total equity		20
8% loan notes, redeemable in three year's time		30
Total equity and non-current liabilities		50

Average data on companies similar to Echo Co.,

Interest coverage ratio - 8 times

Long-term debt/equity (book value basis) - 80%

The board of Echo Co is considering several proposals that have been made by its finance director. Each proposal is independent of any other proposal.

Proposal A

The current dividend per share should be increased by 20% in order to make the company more attractive to equity investors.

Proposal B

A bond issue should be made in order to raise $15 million of new debt capital. Although there are no investment opportunities currently available, the cash raised would be invested on a short-term basis until a suitable investment opportunity arose. The loan notes would pay interest at a rate of 10% per year and be redeemable in eight years' time at a nominal value.

Proposal C

A 1 for 4 rights issue should be made at a 20% discount to the current share price of $2.30 per share in order to reduce gearing and the financial risk of the company.

a) Evaluate and discuss Proposal B.

Section B

Answer any TWO of the following: **(2×10= 20)**

5. Loki Co is a growing company specialising in making accessories for mobile phones and tablets. The company is currently all-equity financed with 2 million ordinary shares in issue. The existing shareholders are mainly family members and friends. The directors of Loki need to raise finance to fund a new factory and are considering a range of options including flotation and venture capital. Future growth is anticipated to be the following:

Earnings next year = $0.25m, expected to grow at 7% pa

Dividend next year = $0.14m, expected to grow at 4% pa

Flotation

Q Co, a listed company with similar business activities to Loki has a P/E ratio of 9, an equity beta of 1.2 and gearing, measured as Debt:Equity of 1:2. Loki is expected to grow faster than Q Co, at least in the short term. If flotation is approved, then the issue share price would be set at a 15% discount to fair value. The directors of Loki do not believe that an asset valuation is of much use here.

Venture capital

The directors of Loki have been in discussion with 4Ts, a listed venture capital company. As well as contributing equity, 4Ts would seek to spread the risk of their investment by also investing in the form of 4-year 5% secured redeemable bonds and also convertible preference shares. The risk adjusted return on similar bonds has been estimated at 6%. Corporation tax is currently 30%.

a) Calculate the value of Loki Co's equity beta to 2 dp **(5 marks)**

b) Calculate the issue price of Loki shares to the nearest cent using the dividend valuation model with a cost of equity of 14% **(5 marks)**

6. Thakur Co, a UK company, must make a payment of US $450,000 in 3 months' time. The company treasurer has determined the following:

   Spot rate \$1.7000 – \$1.7040 = £1

   3-months forward \$1.6902 – \$1.6944 = £1

   6-months forward \$1.6764 – \$1.6809 = £1

   Money market rates:

	Borrowing	Deposit
USD	6.5%	5%
Sterling	7.5%	6%

   Decide whether a forward contract hedge or a money market hedge should be undertaken

7. Anya Co is now to receive US\$400,000 in 3 months' time. The company treasurer has determined the following:

   Spot rate \$1.8250 – \$1.8361 = £1

   3-months forward \$1.8338 – \$1.8452 = £1

Money market rates	Borrowing	Deposit
USD	5.1%	4.2%
Sterling	5.75%	4.5%

   Decide whether a forward contract hedge or a money market hedge should be undertaken.

8. Boston Co is an all equity financed company and has 10 million shares in issue. Its share price is 540c per share. It is considering a takeover of Red Socks Co, a company in the same industry. Red Socks Co is also all equity financed and has 5 million shares in issue. The share price of Red Socks Co is 270c per share.

   The takeover is likely to result in synergy gains estimated to be worth a total of \$5 million. The financial advisers to Boston Co have indicated that if an offer is made at a 20% premium to the current market price this is likely to be acceptable to the shareholders of Red Socks Co.

   Required: (a) If Boston Co has sufficient cash available to finance the takeover, estimate the total value of Boston Co post-takeover and the value of each share in Boston Co. **(5 marks)**

   (b) If Boston Co offers a share for share exchange for the shares in Red Socks Co, estimate the total value of Boston Co post-takeover and the value of each share in Boston Co.**(5 marks)**

Section C

Answer any TWO of the following: (2×5= 10)

9. A company has annual after-tax operating cash flows of \$2 million per year that are expected to continue in perpetuity. The company has a cost of equity of 10%, a before-tax

cost of debt of 5% and an after-tax weighted average cost of capital of 8% per year. Corporation tax is 20%. What is the theoretical value of the company?

10. Plum Co, a company based in New Zealand, has entered into a contract with a Japanese company to purchase an item of machinery. The cost in Japanese Yen, is Yen 400,000 and is due to be paid in six months. Plum Co decides to enter into a forward exchange contract with its bank, who has offered a contract at the following six-month rates:
    Japanese yen 77.2 – 78.2 = 1 New Zealand dollar
    Calculate, to the nearest dollar, the value of New Zealand dollars that would be needed to settle the purchase invoice if the forward exchange contract is used.

11. A company has just declared an ordinary dividend of 25.6p per share; the cum-div market price of an ordinary share is 280p. Assuming a dividend growth rate of 16% per year, what is the company's cost of equity capital (to one decimal place)?

12. The following data relates to an all equity financed company.
    Dividend just paid $50m
    Earnings retained and invested 70%
    Return on investments 15%
    Cost of equity 25%
    What is the market value of the company (to the nearest million dollars)?

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21COMC313 **Reg No : ....**

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com. THIRD SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Strategic Business Leader I

Duration:2 Hours **Max Marks:60**

Section A

Answer any TWO of the following: (2×15= 30)

1. The LKJ company is a distributor of electricity in a large country. In effect, LKJ purchases electricity from companies making electricity and then distributes this through a network of cables to companies and private individuals throughout the country. Electricity is generated from a variety of sources including burning coal and natural gas, nuclear power and a small amount from renewal resources such as wind and wave power. LKJ's shares are owned by three other companies, who take an active interest in the profitability of LKJ. There are three other electricity distribution companies in the country LKJ operates in. The board of LKJ are currently considering the proposal to purchase electricity from another country. This source of supply is quoted as being cheaper from those within LKJ's home country, although the electricity is generated by burning coal. If this supply is taken, LKJ will stop purchasing electricity from an old nuclear power station and some of the expensive wind power plants. The Clean-Earth environmental group has learnt of the proposal and is currently participating in a media campaign in an attempt to block the change by giving LKJ bad publicity. The board, managers and employees in LKJ appear indifferent, although changing the source of supply will provide a price advantage over LKJ's competitors, effectively guaranteeing their jobs for the next few years.

   Identify the stakeholder groups who will be interested and/or affected by the decision of the LKJ company to change electricity suppliers, evaluating the impact of that decision on the group.

   Discuss the actions the board can take with respect to each stakeholder group.

2. In a recent case, it emerged that Frank Finn, a sales director at ABC Co, had been awarded a substantial over-inflation annual basic pay award with no apparent link to performance.

   When a major institutional shareholder, Swanland Investments, looked into the issue, it emerged that Mr Finn had a cross directorship with Joe Ng, an executive director of DEF Co. Mr Ng was a non-executive director of ABC and chairman of its remunerations committee. Swanland Investments argued at the annual general meeting that there was 'a problem with the independence' of Mr Ng and further, that Mr Finn's remuneration package as a sales director was considered to be poorly aligned to Swanland's interests because it was too much weighted by basic pay and contained inadequate levels of incentive.

Swanland Investments proposed that the composition of Mr Finn's remuneration package be reconsidered by the remunerations committee and that Mr Ng should not be present during the discussion.

Another of the larger institutional shareholders, Hanoi House, objected to this, proposing instead that Mr Ng and Mr Finn both resign from their respective non-executive directorships as there was 'clear evidence of malpractice'. Swanland considered this too radical a step, as Mr Ng's input was, in its opinion, valuable on ABC's board.

a) Explain four roles of a remunerations committee and how the cross directorship undermines these roles at ABC Co. **(10 marks)**

b) Swanland Investments believed Mr Finn's remunerations package to be 'poorly aligned' to its interests. With reference to the different components of a director's remunerations package, explain how Mr Finn's remuneration might be more aligned to shareholders' interests at ABC Co. **(5 marks)**

3. Elaborate the advantages and disadvantages of Acquisitions and Joint Venture.

4. Briefly explain the value chain activities developed by Porter.

Section B

Answer any TWO of the following: (2×10= 20)

5. Carry out a PESTEL analysis on a supermarket business. List out atleast two items under each heading.

6. Fruity Drinks provides fruit juices to a number of supermarket chains, that sell them under their own label. Its marketing manager explains, 'We've got a large number of products. Our freshly squeezed orange juice is doing fine. It sells in the same huge quantities now as it has done for a number of years. Although margins are low, we have sufficient economies of scale to do very nicely in this market. We've got advanced production and bottling equipment and long-term contracts with some major growers. No problems there. We also sell freshly squeezed pomegranate juice: customers loved it in the tests, but producing the stuff at the right price is a major hassle – all the seeds get in the way. We hope it will be a winner, once we get the production right and start converting customers to it. After

all, the market for exotic fruit juices generally is expanding fast.'

Analyse the position of each of Fruity Drinks products in its portfolio.

7. Explain the classification of stakeholders based on how they relate to organisational activities.

8. Explain the arguments in favour of principle-based approach.

Section C

Answer any TWO of the following: **(2×5= 10)**

9. Why do companies pursue a strategy of international diversification?

10. Write a note on diversity of board.

11. List out the objectives of OECD.

12. How important is strategic planning likely to the following organisations?

    (a) A health service

    (b) A small building contractor

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 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. THIRD SEMESTER DEGREE EXAMINATION JANUARY 2023
COMMERCE
Professional Accounting III

Duration:2 Hours **Max Marks:60**

Section- A(compulsory)

I . Answer The Following Question : **1×20= 20**

1. The balance sheets of Sun Ltd. for the years ended 31st March 20X1and 20X0 were summarised as:

	20X1 (Rs.)	20X0 (Rs.)
Equity Share Capital	60,000	50,000
Reserves:		
Profit and Loss Account	5,000	4,000
Current Liabilities:		
Trade payables	4,000	2,500
Taxation	1,500	1,000
dividends payable	2,000	1,000
	72,500	**58,500**
Fixed Assets (at w.d.v.)		
Premises	10,000	10,000
Fixtures	17,000	11,000
Vehicles	12,500	8,000
Short-term investments	2,000	1,000
Current Assets		
Inventory	17,000	14,000
Trade receivables	8,000	6,000
Bank and Cash	6,000	8,500
	72,500	**58,500**

The profit and loss account for the year ended 31st March, 20X1disclosed

	Rs.
Profit before tax	4,500
Taxation	(1,500)
Profit after tax	3,000
Declared dividends	(2,000)
Retained profit	1,000

Further information is available

	Fixtures (Rs.)	Vehicles (Rs.)
Depreciation for year	1,000	2,500
Disposals:		
Proceeds on disposal	—	1,700
Written down value	—	-1000
Profit on disposal		700

Prepare a Cash Flow Statement for the year ended 31st March, 20X1.

(20 Marks)

Section- B

II. Answer any Four of the following : **4×10= 40**

2. (A)Mr. mehul gives the following information relating to items forming part of inventory as on 31.3.2022. His factory produces product X using raw material A.

1.600 units of Raw material A (purchased @ Rs. 120). Replacement cost of raw material A as on 31-3-2022 is Rs. 90 per unit.
2.500 units of partly finished goods in the process of producing X and cost incurred till date Rs.260 per unit. These units can be finished next year by incurring additional cost of Rs. 60 per unit.
3.1500 units of finished Product X and total cost incurred Rs. 320 per unit. Expected selling price of Product X is Rs. 300 per unit. Determine how each item of inventory will be valued as on 31-3-2022. Also calculate the value of total inventory as on 31-3-2022. **(5 marks)**

(B) State whether the following statements are 'True' or 'False'. Also give reason for your answer.
(i) Certain fundamental accounting assumptions underline the preparation and presentation of financial statements. They are usually not specifically stated because their acceptance and use are assumed.
(ii) If fundamental accounting assumptions are not followed in presentation and preparation of financial statements, a specific disclosure is not required.
(iii) All significant accounting policies adopted in the preparation and presentation of financial statements should not form part of the financial statements.
(iv) Any change in an accounting policy, which has a material effect should be disclosed. Where the amount by which any item in the financial statements is affected by such change is not ascertainable, wholly or in part, the fact needs to be indicated.
(v) There is a single list of accounting policies which are applicable to all circumstances. **(5 marks)**

3. (A) Explain in brief, the alternate measurement bases, for determining the value at which an element can be recognized in the Balance Sheet or Statement of Profit or Loss.

(5 Marks)

(B) What are the three fundamental accounting assumptions recognized in the framework? Briefly describe each one of them with example. **(5 Marks)**

4. (A) Trozen Ltd. operates a major chain of supermarkets all over India. It acquires a new store in Pune which requires significant renovation expenditure. It is expected that the renovations will be done in 2 months during which the store will be closed. The budget for this period, including expenditure related to construction and remodelling costs (Rs. 18 lakhs), salaries

of staff (Rs. 2 lakhs) who will be preparing the store before its opening and related utilities costs (Rs. 1.5 lakhs), is prepared. The cost of salaries of the staff and utilities are operating expenditures that would be incurred even after the opening of the supermarket. What will the treatment of all these expenditures in the books of accounts? **(5 Marks)**

(B) Preet Ltd. is installing a new plant at its production facility. It has incurred these costs:

1.	Cost of the plant (cost per supplier's invoice plus taxes)	Rs. 50,00,000
2.	Initial delivery and handling costs	Rs. 4,00,000
3.	Cost of site preparation	Rs. 12,00,000
4.	Consultants used for advice on the acquisition of the plant	Rs. 14,00,000
5.	Interest charges paid to supplier of plant for deferred credit	Rs. 4,00,000
6.	Estimated dismantling costs to be incurred after 7 years	Rs. 6,00,000
7.	Operating losses before commercial production	Rs. 8,00,000

Please advise on the costs that can be capitalised in accordance with AS 10 (Revised).
(5 Marks)

5. (A) Give the meaning of Accounting standards. Mention the benefits & limitations of AS.
(5 marks)

(B) A company was classified as Non-SMC in 2021-22. In 2022-23 it has been classified as SMC. The management desires to avail the exemption or relaxations available for SMCs in 2022-23. Comment on this along with Listing out the criteria for a company to be classified as SMC. **(5 Marks)**

6. (A) Following notes pertain to Balance Sheet of Preet Ltd. as at 31st March, 20X1

Authorised capital:	Rs.
15,000 12% Preference shares of Rs. 10 each	1,50,000
1,50,000 Equity shares of Rs. 10 each	15,00,000
	16,50,000
Issued and Subscribed capital:	
12,000 12% Preference shares of Rs. 10 each fully paid	1,20,000
1,35,000 Equity shares of Rs. 10 each, Rs. 8 paid up	10,80,000
Reserves and surplus:	
General Reserve	1,80,000
Capital Redemption Reserve	60,000
Securities premium (collected in cash)	37,500
Profit and Loss Account	3,00,000

On 1st April, 20X1, the Company has made final call @ Rs. 2 each on 1,35,000 equity shares. The call money was received by 20th April, 20X1. Thereafter, the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held. Show necessary journal entries in the books of the company for the above. **(5 marks)**

(B) Intelligent Ltd., a non-financial company has the following entries in its Bank Account. It has sought your advice on the classification of the same for preparing Cash Flow Statement.

1.Investment made in subsidiary Smart Ltd. and dividend received.
2.Dividend paid for the year.
3.TDS on interest income earned on investments made.
4.TDS on interest earned on advance given to suppliers.
5.Insurance claim received against loss of fixed asset by fire.
Classify the above in the context of AS3 Cash Flow Statement. **(5 marks)**

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21COMC322 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. THIRD SEMESTER DEGREE EXAMINATION JANUARY 2023
COMMERCE
Income Tax I

Duration:2 Hours **Max Marks:60**

Section- A(compulsory)

I . Answer The Following Question : **1×20= 20**

1. (a) Compute the total income in the hands of an individual aged 35 years, being a resident and ordinarily resident, resident but not ordinarily resident, and non-resident for the A.Y. 2022-23 **(14 marks)**

Particulars	Amount (Rs.)
Interest on UK Development Bonds, 50% of interest received in India	10,000
Income from a business in Chennai (50% is received in India)	20,000
Short term capital gains on sale of shares of an Indian company received in London	20,000
Dividend from British company received in London	5,000
Long term capital gains on sale of plant at Germany, 50% of profits are received in India	40,000
Income earned from business in Germany which is controlled from Delhi (Rs. 40,000 is received in India)	70,000
Profits from a business in Delhi but managed entirely from London	15,000
Income from house property in London deposited in a Bank at London, brought to India (Computed)	50,000
Interest on debentures in an Indian company received in London	12,000
Fees for technical services rendered in India but received in London	8,000
Profits from a business in Mumbai managed from London	26,000
Income from property situated in Nepal received there (Computed)	16,000
Past foreign untaxed income brought to India during the previous year	5,000
Income from agricultural land in Nepal, received there and then brought to India	18,000
Income from profession in Kenya which was set up in India, received there but spent in India	5,000
Gift received on the occasion of his wedding	20,000
Interest on savings bank deposit in State Bank of India	12,000
Income from a business in Russia, controlled from Russia	20,000

Dividend from Reliance Petroleum Limited, an Indian Company	5,000
Agricultural income from a land in Rajasthan	15,000

(b) From the following particulars of income furnished by Mr. Anirudh pertaining to the year ended 31.3.2022, compute the total income for the assessment year 2022-23, if he is:

1.Resident and ordinary resident;

2.Resident but not ordinarily resident;

3.Non-resident **(6 marks)**

	Particulars	Amount (Rs.)
(a)	Short term capital gains on sale of shares of an Indian Company received in Germany	15,000
(b)	Dividend from a Japanese Company received in Japan	10,000
(c)	Rent from property in London deposited in a bank in London, later on remitted to India through approved banking channels	75,000
(d)	Dividend from RP Ltd., an Indian Company	6,000
(e)	Agricultural income from land in Gujarat	25,000

Section- B

II. Answer any Four of the following : 4×10= 40

2. Mr. Ravi retired on 15.6.2021 after completion of 26 years 8 months of service and received gratuity of Rs 15,00,000. At the time of retirement, his salary was.

Basic Salary	: Rs. 50,000 p.m.
Dearness Allowance	: Rs. 10,000 p.m. (60% of which is for retirement benefits)
Commission	: 1% of turnover (turnover in the last 12 months was Rs. 1,20,00,000)
Bonus	: Rs. 25,000 p.a.

Compute his taxable gratuity assuming:

1.He is private sector employee and covered by the Payment of Gratuity Act, 1972.

2.He is private sector employee and not covered by Payment of Gratuity Act, 1972.

3.He is a Government employee.

3. Brett Lee, an Australian cricket player visits India for 100 days in every financial year. This has been his practice for the past 10 financial years.

1.Find out his residential status for the assessment year 2022-23.

2.Would your answer change if the above facts relate to Srinath, an Indian citizen who resides in Australia and represents the Australian cricket team?

3.What would be your answer if Srinath had visited India for 120 days instead of 100 days every year, including P.Y.2021-22?

4. (a) Compute the tax liability of Mr. D (aged 37), having total income of Rs. 5,01,00,000 for the Assessment Year 2022-23. Assume that his total income comprises of salary income, Income from house property and interest on fixed deposit. Assume that Mr. D has not opted for the provisions of section 115BAC. **(8 marks)**

(b) Mr. Jai, aged 29 years, and a resident in India, has a total income of Rs. 3,75,000, comprising his salary income and interest on bank fixed deposit. Compute his tax liability for A.Y.2022-23. **(2 marks)**

5. (a) Mr. B grows sugarcane and uses the same for the purpose of manufacturing sugar in his factory. 30% of sugarcane produce is sold for Rs.10 lacs, and the cost of cultivation of such sugarcane is Rs. 5 lacs. The cost of cultivation of the balance sugarcane (70%) is Rs. 14 lacs and the market value of the same is Rs. 22 lacs. After incurring Rs. 1.5 lacs in the manufacturing process on the balance sugarcane, the sugar was sold for Rs.25 lacs. Compute B's business income and agricultural income. **(8 marks)**
(b) Explain whether income from nursery constitutes agricultural income. **(2 marks)**

6. Anirudh has a property whose municipal valuation is Rs. 1,30,000 p.a. The fair rent is Rs. 1,10,000 p.a. and the standard rent fixed by the Rent Control Act is Rs. 1,20,000 p.a. The property was let out for a rent of Rs. 11,000 p.m. throughout the previous year. Unrealised rent was Rs. 11,000 and all conditions prescribed by Rule 4 are satisfied. He paid municipal taxes @10% of municipal valuation. Interest on borrowed capital was Rs. 40,000 for the year. Compute his income from house property for A.Y.2022-23.

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21COMC323 **Reg No : ....**

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. THIRD SEMESTER DEGREE EXAMINATION JANUARY 2023
COMMERCE
Cost and Management Accounting I

Duration:2 Hours **Max Marks:60**

Section- A(compulsory)

I . Answer The Following Question : **1×20= 20**

1. Imbrios India Ltd. is recently incorporated start-up company back in the year 2019. It is engaged in creating Embedded products and Internet of Things (IoT) solutions for the Industrial market. It is focused on innovation, design, research and development of products and services. One of its embedded products is LogMax, a system on module (SoM) Carrier board for industrial use. It is a small, flexible and embedded computer designed as per industry specifications. In the beginning of the month of September 2021, company entered into a job agreement of providing 4800 LogMax to NIT, Mandi. Following details w.r.t. issues, receipts, returns of Store Department handling Micro-controller, a component used in the designated assembling process have been extracted for the month of September, 2021:

Sep. 1	Opening stock of 6,000 units @ Rs. 285 per unit
Sep. 8	Issued 4875 units to mechanical division vide material requisition no. Mech 009/20
Sep. 9	Received 17,500 units @ Rs. 276 per unit vide purchase order no. 159/2020
Sep. 10	Issued 12,000 units to technical division vide material requisition no. Tech 012/20
Sep. 12	Returned to stores 2375 units by technical division against material requisition no. Tech 012/20.
Sep. 15	Received 9,000 units @ Rs. 288 per units vide purchase order no. 160/ 2020
Sep. 17	Returned to supplier 700 units out of quantity received vide purchase order no. 160/2020.
Sep. 20	Issued 9,500 units to technical division vide material requisition no. Tech 165/20

On 25th September, 2021, the stock manager of the company expressed his need to leave for his hometown due to certain contingency and immediately left the job same day. Later, he also switched his phone off.

As the company has the tendency of stock-taking every end of the month to check and report for the loss due to rusting of the components, the new stock manager, on 30th September, 2021, found that 900 units of Micro-controllers were missing which

was apparently misappropriated by the former stock manager. He, further, reported loss of 300 units due to rusting of the components.
From the above information you are REQUIRED to prepare the Stock Ledger account using 'Weighted Average' method of valuing the issues.

Section- B

II. Answer any Four of the following : **4×10= 40**

2. A) From the following data for the year ended 31st March, 2021, CALCULATE the inventory turnover ratio of the two items and put forward your comments on them.

	Material A (Rs.)	Material B (Rs.)
Opening stock 1.04.2020	1000	900
Purchase during the year	5200	2700
Closing stock 31.03.2021	600	1100

B) Define:
a) Cost Accountancy
b) Cost
c) Cost Accountancy

3. A) From the details given below, CALCULATE:
1. Re-ordering level
2. Maximum level
3. Minimum level
4. Danger level

Re-ordering quantity is to be calculated on the basis of following information: Cost of placing a purchase order is Rs. 20
Number of units to be purchased during the year is 5,000 Purchase price per unit inclusive of transportation cost is Rs. 50 Annual cost of storage per units is Rs. 5.
Details of lead time : Average- 10 days, Maximum- 15 days, Minimum- 5 days.
For emergency purchases- 4 days.
Rate of consumption : Average: 15 units per day, Maximum: 20 units per day.

B) (i) Compute E.O.Q. and the total cost for the following:
Annual Demand = 5,000 units
Unit price = Rs 20.00
Order cost = Rs16.00
Storage rate = 2% per annum
Interest rate = 12% per annum
Obsolescence rate = 6% per annum

(ii) DETERMINE the total cost that would result for the items if a new price of Rs.12.80 is used.

4. A) MM Ltd. has provided the following information about the items in its inventory.

Item Code Number	Units	Unit Cost (Rs.)
101	25	50
102	300	01
103	50	80
104	75	08
105	225	02
106	75	12

MM Ltd. has adopted the policy of classifying the items constituting 15% or above of Total Inventory Cost as 'A' category, items constituting 6% or less of Total Inventory Cost as 'C' category and the remaining items as 'B' category. You are required to:
(i) Rank the items on the basis of % of Total Inventory Cost.
(ii) Classify the items into A, B and C categories as per ABC Analysis of Inventory Control adopted by MM Ltd

B) 'X' an employee of ABC Co. gets the following emoluments and benefits:
(a) Basic pay Rs. 10,000 p.m.
(b) Dearness allowance Rs. 2,000 p.m.
(c) Bonus 20% of salary and D.A.
(d) Other allowances Rs. 2,500 p.m.
(e) Employer's contribution to P.F. 10% of salary and D.A.
'X' works for 2,400 hours per annum, out of which 400 hours are non-productive and treated as normal idle time. You are required to COMPUTE the effective hourly cost of employee 'X'.

5. Mr. A is working by employing 10 skilled workers. He is considering the introduction of some incentive scheme - either Halsey Scheme (with 50% bonus) or Rowan Scheme - of wage payment for increasing the Employee productivity to cope with the increased demand for the product by 25%. He feels that if the proposed incentive scheme could bring about an average 20% increase over the present earnings of the workers, it could act as sufficient incentive for them to produce more and he has accordingly given this assurance to the workers.
As a result of the assurance, the increase in productivity has been observed as revealed by the following figures for the current month:
Hourly rate of wages (guaranteed) - Rs. 40
Average time for producing 1 piece by one worker at the previous performance (This may be taken as time allowed) - 2 hours
No. of working days in the month - 25
No. of working hours per day for each worker - 8
Actual production during the month - 1,250 units
(i) CALCULATE effective rate of earnings per hour under Halsey Scheme and Rowan Scheme.
(ii) CALCULATE the savings to Mr. A in terms of direct labour cost per piece under the schemes.

6. The following information has been obtained from the records of ABC Corporation for the period from June 1 to June 30.

	On June 1 (Rs.)	On June 30 (Rs.)
Cost of raw materials	60,000	50,000
Cost of work-in-process	12,000	15,000
Cost of stock of finished goods	90,000	1,10,000
Purchase of raw materials during June 2020		4,80,000
Wages paid		2,40,000
Factory overheads		1,00,000
Administration overheads (related to production)		50,000
Selling & distribution overheads		25,000
Sales		10,00,000

PREPARE a statement giving the following information:

1) Raw materials consumed;
2) Prime cost;
3) Factory cost;
4) Cost of goods sold; and
5) Net profit.

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21COMC332 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.COM. THIRD SEMESTER DEGREE EXAMINATION JANUARY 2023
COMMERCE
Finance and Accouting

Duration:2 Hours **Max Marks:60**

SECTION – A

Answer any TWO questions: **(15×2= 30)**

1) What are the advantages and disadvantages of modern accounting?
2) Write a note on Optical Character Recognition.
3) Credit management is a plan to control or improve one's credit, often with the assistance of a professional service provider. Explain.
4) Evaluate the role of Cash Application Team.

SECTION – B

Answer any FOUR questions : **(5×4= 20)**

5) "To overcome the limitations of manual accounting, computerized accounting system was introduced to record transactions." Summerize briefly the concept of computerized accounting.
6) Write a note on Vendor support.
7) Write a short note on "reconcile outstanding customer balances".
8) Explain the concept of 'Notes to financial statements'.
9) Explain the types of inter company transactions.
10) Briefly explain the relevance and importance of Accounting Standard and IFRS in today's changing current business environment.

SECTION – C

Answer any FIVE questions : **(2×5= 10)**

11. What is a Supply chain?
12. Expand EFT.
13. What is an Accounts Payable?
14. What is a dunning letter?
15. Expand IASB.
16. What is a General Ledger?
17. What is O2C related to?

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21COMC342 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.COM. THIRD SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Strategic Corporate Finance

Duration:2 Hours **Max Marks:60**

Section-A

Answer any TWO of the following : **2×15= 30**

1. The following Trading and Profit and Loss Account of Fantasy Ltd. for the year 31-3-2000 is given below:

Particular	$	Particular	$
To Opening Stock	76,250	By Sales	5,00,000
"Purchases	3,15,250	" Closing stock	98,500
"Carriage and Freight	2,000		
"Wages	5,000		
"Gross Profit b/d	2,00,000		
	5,98,500		5,98,500
To Administration expenses	1,01,000	By Gross Profit b/d	2,00,000
"Selling and Dist. expenses	12,000	"Non-operating incomes:	
"Non-operating expenses	2,000	"Interest on Securities	1,500
"Financial Expenses	7,000	"Dividend on shares	3,750
Net Profit c/d	84,000	"Profit on sale of shares	750
	2,06,000		2,06,000

Calculate: a. Gross Profit Ratio b. Expenses Ratio c. Operating Ratio d. Net Profit Ratio e. Operating (Net) Profit Ratio f. Stock Turnover Ratio.

2. A company sells three products: Suprimo, Favorito, and Basico. A basket of sales consists of 4 units of Suprimo, 6 units of Favorito, and 8 units of Basico.
The company's fixed costs are $95,000, and selling prices and variable costs are detailed below:

	Suprimo	Favorito	Basico
Sales price per unit	$1.50	$1.20	$1.00
Variable costs per unit	$0.80	$0.55	$0.65

What is the breakeven volumes and Break-even Sales of the three products?

3. Carson Inc. manufactures only one product and is preparing its budget for next year based on the following information.

Selling price per unit	$100
Variable costs per unit	$75
Fixed costs	250,000
Effective tax rate	35%

Find out the Break-event Point (in units and in sales dollar).

If Carson wants to achieve a net income of $1.3 million next year, what will be its sales?

Section-B

Answer any TWO of the following : **2×10= 20**

4. Below is a Statement of Financial Position for Martin Corporation:

Martin Corporation	
Statement of Financial Position	
(Dollars in millions)	
Assets:	
Current Assets	$75
Plant and Equipment	$250
Total Assets	$325
Liabilities and shareholders' equity:	
Liabilities:	
Current Liabilities	$46
Long-term debt (12%)	$64
Common equity:	
Common stock, $1 par	$10
Additional paid in capital	$100
Retained earnings	$105
Total liabilities and shareholders' equity	$325

Additional Data:

The long-term debt was originally issued at par ($1,000 per bond) and is currently trading at $1,250 per bond.

Martin Corporation can now issue debt at 150 basis points over U.S. treasury bonds.

The current risk-free rate (U.S. Treasury bonds) is 7%.

The expected market return is currently 15%.

The beta for Martin is 1.25.

Martin's effective corporate income tax rate is 40%.

Martin paid a dividend of $1.00 per share last year.

Martin's dividend is expected to grow at the rate of 5% per year.

Using the Capital Asset Pricing Model (CAPM), Find out the Martin Corporation's current cost of common equity.

5. What is leverage? Explain the types of leverage.

6. a) Para co. is reviewing the following data relating to an energy-saving investment proposal:

Cost $50,000

Residual value at the end of 5 years 10,000

Present value of an annuity of 1 at 12% for 5 years 3.60

Present value of 1 due in 5 years at 12% 0.57

What would be the annual savings needed to make the investment realize at 12% yield? **(5 marks)**

b) What is Yield to Maturity? **(5 marks)**

Section-C

Answer any TWO of the following : **2×5= 10**

7. Explain Sustainable Equity Growth.

8. Explain What-if Analysis in Break-Even.

9. Explain Capital Asset Pricing Model.

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