19COM524 Reg No : ....

CHOICE BASED CREDIT SYSTEM

B.Com. FIFTH SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Enterprise Information Systems

Duration:3 Hours **Max Marks:120**

I. Answer any THREE of the following : **(3×20= 60 Marks)**

1. A) What are the aspects to be kept in mind while documenting the present process during the implementation of BPA?
   B) What are the steps involved before engaging a particular business process consultant?
2. Explain the types of Business Risks.
3. Explain the components of E-Commerce.
4. List all the benefits of E-Business.

II. Answer any FOUR of the following : **(4×10= 40 Marks)**

5. Write any 5 differences between Traditional Commerce and E-Commerce.
6. What are the benefits of E-Business to the Customer and the Government?
7. Explain the various Business Models of E-Commerce.
8. Explain Data related risks.
9. Explain Technology infrastructure component of E-Commerce.

III. Answer any FOUR of the following : **(4×5= 20 Marks)**

10. Which business processes should be automated?
11. What is Vulnerability?
12. Explain the sources of Risk.
13. Explain Asynchronous attacks and its types.
14. Explain E-Commerce vendors component of E-Commerce.

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19COM535 Reg No : ....

CHOICE BASED CREDIT SYSTEM

B.Com. FIFTH SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Managing Business Processes I

Duration:3 Hours **Max Marks:120**

I. Answer any THREE of the following : (3×20= 60 Marks)

1. Briefly explain the process management in BPO.
2. Explain the new seven Quality Control Tools to make a decision for quality management.
3. What exactly is a Kano Model? Explain why the customer requires assistance in understanding this Model.
4. Explain the objective and process of Quality System Audits.

II. Answer any FOUR of the following : (4×10= 40 Marks)

5. Distinguish between Procedure and Process.
6. Write a note on Measure of Variation.
7. Explain the benefits and format of SOP.
8. Write a note on COPC.
9. Briefly explain the BPO Lifecycle.

III. Answer any FOUR of the following : (4×5= 20 Marks)

10. What are the Components of Process Management?
11. Write a note on Quality Assurance and Quality Control.
12. Who is a customer? Explain the two different types of customer.
13. Write a note on First Pass Yield (FPY).
14. Write a note on Callibration Process.

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19COM536 Reg No : ....

CHOICE BASED CREDIT SYSTEM
B.Com. FIFTH SEMESTER DEGREE EXAMINATION JANUARY 2023
COMMERCE
Campus to Corporate

Duration:3 Hours **Max Marks:120**

I. Answer any THREE of the following : (3×20= 60 Marks)

1. What is Procrastination? Explain the reasons for procrastination.
2. Explain the steps to make the best of each call.
3. Define writing skill. Explain the purpose of writing.
4. Define Group Discussion. Explain the critical success factors of Group Discussion.

II. Answer any FOUR of the following : (4×10= 40 Marks)

5. Explain the scope of BPS in Retail Industry
6. "Attitude is contagious." Explain
7. "Corporate etiquette creates an atmosphere that helps individuals to innovate." Explain.
8. Explain the different types of Sentences.
9. Define reading comprehension. Explain the ways to improve reading comprehension.

III. Answer any FOUR of the following : (4×5= 20 Marks)

10. Explain how to take ownership.
11. Considering the employees inteaction how can you differentiate corporate from campus.
12. State and explain how to manage fears while presenting.
13. List out the verbs for the following:
    1. She was working overnight to meet the timeline.
    2. Employees followed the company's code of conduct.
    3. The high performers got nominated for promotion.
    4. The team accomplished the task within stringent timelines.
    5. Raj invited Shreyas to attend a workshop.
14. State the steps of writing a skit.

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19COM536 Reg No : ....

CHOICE BASED CREDIT SYSTEM
B.Com. FIFTH SEMESTER DEGREE EXAMINATION JANUARY 2023
COMMERCE
Campus to Corporate

Duration:3 Hours **Max Marks:120**

I. Answer any THREE of the following : **(3×20= 60 Marks)**

1. What is Team skill? Explain the essentials skills required to become an effective team member.
2. Elaborate the methodology of making a presentation to suit the knowledge and understanding of its audience.
3. Write a report on Education for Women.
4. "An interview is a conversation in which both the parties seek to get more information about each other." Explain

II. Answer any FOUR of the following : **(4×10= 40 Marks)**

5. Write a note on the history of BPS.
6. Write a note on Campus.
7. Write a note on the content when you draft an email.
8. Write a note on sounds of english language.
9. Explain the different ways of effectively listening to speakers.

III. Answer any FOUR of the following : **(4×5= 20 Marks)**

10. Explain the ways to improve observational skill.
11. Define Attitude.
12. Define Corporate Etiquettes.
13. Identify the Tenses
    1. Neena takes vacation every year.
    2. She is going for Drawing classes.
    3. I have been to movie many times.
    4. Grandmother has been taking medicine regularly.
    5. He is tall dark and handsome.
14. Write a short story on body language.

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19COM506 **Reg No : ....**

CHOICE BASED CREDIT SYSTEM

B.Com. FIFTH SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Soft Skills for Professional Competency

Duration:3 Hours **Max Marks:120**

I. Answer any THREE of the following : (3×20= 60 Marks)

1. Define Self Awareness. Explain the means of obtaining self-awareness.
2. Explain the Do's and Don't's of resume writing.
3. a. Explain the group decision-making methods.
   b. Explain the team building process.
4. Frustration is experienced whenever the results you are expecting do not seem to fit the effort and action you are applying. In this context explain the causes, reaction to frustration, and the measures to face frustration.

II. Answer any FOUR of the following : (4×10= 40 Marks)

5. What is perception? Explain the factors influencing perception.
6. What is an interview? Explain the types of Interviews.
7. What is planning? Explain the importance of planning.
8. Explain the measures for group effectiveness.
9. Explain the reasons why the job applicants are not getting hired.

III. Answer any FOUR of the following : (4×5= 20 Marks)

10. What are the components of attitude structure?
11. Explain any five factors affecting group cohesiveness.
12. Explain any five ways to cope with stress.
13. What is data interpretation? Explain the different scales of measurement.
14. Who is an Entrepreneur? List out the qualifications of an entrepreneur.

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19COM511 Reg No : ....

CHOICE BASED CREDIT SYSTEM

B.Com. FIFTH SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Strategic Business Leader I

Duration:3 Hours **Max Marks:120**

I. Answer any THREE of the following : **(3×20= 60 Marks)**

1. Explain the stages in strategic drift. Elaborate the measures to be undertaken by a organization to avoid strategic drift.

2. a) Explain the primary and secondary activities to Porters value chain.**(10 Marks)**
   b) Nicole has inherited a restaurant from her uncle. The restaurant had been underperforming and was closed six months ago. Nicole wants to begin a new restaurant in the premises, with a new name and a new cuisine. She has performed some market research in the area and determined that there is a demand for a restaurant offering Mediterranean cuisine. There is little local competition for such cuisine but there are many other local restaurants offering a wide range of cuisines. Nicole has decided to follow a differentiation strategy for her restaurant and to charge premium prices. Consider how the activities in a value chain for the proposed restaurant could be used to create such a competitive position.**(10 Marks)**

3. Assess how interest development,business combinations ,strategic alliances can be used to achieve business growth.

4. Explain the meaning of diversity and critically evaluate issues of diversity on board of directors.

II. Answer any FOUR of the following : **(4×10= 40 Marks)**

5. Write a note on Balanced Scorecard.

6. Briefly explain the Ashridge portfolio display developed by Campbell,Goold and Alexander.

7. Explain the concept of Ageny Theory.

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

9. Examine how the audit of integrated reports can provide adequate assurance of the relevance and reliability of organisation reports to stakeholders.

III. Answer any FOUR of the following : **(4×5= 20 Marks)**

10. How important is strategic planning likely to the following organisations? (a) A health service (b) A small building contractor

11. Apply Porter's diamond to the US personal computer industry.

12. Write a note on Lock-in Approach.

13. List out the internal and external corporate governance stakeholders.

14. State the objectives of directors induction.

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19COM503 **Reg No : ....**

CHOICE BASED CREDIT SYSTEM

B.Com. FIFTH SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Business & Corporate Law

Duration:3 Hours **Max Marks:120**

I. Answer any THREE of the following : **(3×20= 60 Marks)**

1. Explain the ways in which a contract may be discharged.
2. What is Contract of Indemnity? Explain the essentials of Contract of Indemnity.Explain the nature and extent of surety's liabilities.
3. Define Promoter. Explain the liabilities of a Promoter.
4. State the legal rules relating to the issue of Prospectus and explain the contents of Prospectus.

II. Answer any FOUR of the following : **(4×10= 40 Marks)**

5. Explain the need for law.
6. Explain the essentials of Contract of Agency.
7. Explain the Implied Conditions in a contract of sale.
8. What is Doctrine of Indoor Management? Explain the facts and judicial decision in the case "Royal British Bank Vs Turquand".
9. What is resolution by Postal Ballot? Explain the provisions relating to Postal Ballot.

III. Answer any FOUR of the following : **(4×5= 20 Marks)**

10. Explain the types of Contract of Guarantee.
11. State any five rights of Agent.
12. Explain the types of Goods.
13. Distinguish between a Private Company and a Public Company.
14. Write a note on meeting through video conferencing.

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19COM501 **Reg No : ....**

CHOICE BASED CREDIT SYSTEM

B.Com. FIFTH SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Financial Accounting V

Duration:3 Hours **Max Marks:120**

I. Answer any THREE of the following : **(3×20= 60 Marks)**

1. The following are the Balance Sheets of A Ltd. and B Ltd. as on 31.3.2020.

Liabilities	A Ltd. Rs.	B Ltd. Rs.
Share capital in shares Rs.10 each	300000	150000
Reserve Fund	60000	40000
Creditors	60000	40000
Bills payable	5000	10000
	425000	**240000**
Assets	**Rs.**	**Rs**
Fixed Assets	270000	140000
Debtors	80000	60000
Stock	50000	30000
Bills Receivable	15000	4000
Bank	10000	6000
	425000	**240000**

Both the companies decided to amalgamate and form 'C' Ltd. to take over the assets and liabilities of both the companies.

1. The shareholder of A Ltd. issued 4 shares of Rs.10 each at Rs.12.50 per share, in exchange for 3 shares in A Ltd.

2. The assets and liabilities of B Ltd. are to be taken at book values subject to 5% provisions on debtors and bills receivable and 10% depreciation on fixed assets. Goodwill of B Ltd. was valued at Rs.27,200. The purchase consideration is settled in shares of Rs.10 each at Rs.12.50 per share.

Prepare the ledger accounts in the books of A Ltd. and B Ltd. and prepare the Balance Sheet of C Ltd. (In the nature of purchase)

2. The business of Rundown Limited was being carried on continuously at losses. The following are the extracts from the Balance Sheet of the Company as on 31 March 2020.

Liabilities	Rs.	Assets	Rs.
Authorised, Issued and Subscribed Capital:		Goodwill	50,000
30,000 Equity Shares of Rs.10 each fully paid 2,000	3,00,000	Plant	3,00,000
8% Cum. Preference Shares of 100 each fully paid	2,00,000	Loose Tools	10,000
Share Premium	90,000	Debtors	2,50,000
Unsecured Loan (From Director)	50,000	Stock	1,50,000
Sundry Creditors	3,00,000	Cash	10,000
Outstanding Expenses (including Directors' Remuneration Rs.20,000)	70,000	Bank	35,000
		Preliminary Expenses	5,000
		Profit & Loss A/c	2,00,000
	10,10,000		**10,10,000**

Note: Dividend on Cum. Pref. Shares are in arrears for 3 years. The following scheme of reconstruction has been agreed upon and duly approved by the Court:

1. Equity shares to be converted into 1,50,000 shares of Rs.2 each.
2. Equity shareholders to surrender to the company 90% of their holding.
3. Preference shareholders agree to forego their right to arrears of dividends in consideration of which 8% preference shares are to be converted into 9% Preference shares.
4. Sundry Creditors agree to reduce their claim by one-fifth in consideration of their getting shares of Rs.35,000 out of the surrendered equity shares.
5. Directors agree to forego the amounts due on account of unsecured loan and Director's remuneration.
6. Surrendered shares not otherwise utilised to be cancelled.
7. Assets to be reduced as under: Goodwill by Rs.50,000; Plant by Rs.40,000; Tools by Rs.8,000; Debtors by Rs.15,000; Stock by Rs.20,000.
8. Any surplus after meeting the losses should be utilised in writing down the value

of the plant further.

9. Expenses of reconstruction amounted to Rs.10,000.

10. Further 50,000 Equity shares issued to the existing members for increasing the working capital. The issue was fully subscribed and paid-up.

11. Authorised Capital was suitably increased.

You are required to pass the Journal entries for giving effect to the above arrangements and also to draw up the resultant Balance Sheet of the Company.

3. Balance Sheet of 'H" Ltd. and 'S' ltd as on 31-December-2020

Liabilities	**H Ltd**	**S Ltd**	**Assets**	**H Ltd**	**S Ltd**
	Rs	**Rs**		**Rs**	**Rs**
Share Capital (Shares of Rs.10 each)	2,50,000	1,00,000	Fixed Assets	1,50,000	50,000
Reserve	50,000	25,000	Investments (6000 shares)	81,200	-
P & L A/c	30,000	17,500	Current Assets	1,38,800	1,22,500
Creditors	40,000	30,000			
	3,70,000	**1,72,500**		**3,70,000**	**1,72,500**

'H' Ltd acquired the shares on 1-1-2020 on which date the Reserve and P & L A/c of 'S' Ltd. had a balance of Rs.20,000 and Rs.4,000 respectively. Prepare the consolidated Balance sheet.

4. Nirala Ltd. went into voluntary liquidation on 1st January 2008. The liquidator is to be paid commission at 3% on the amount realised on sale of assets and 2% on the amount distributed to share holders.

On 31.12.2017 the position of the company was as follows:

	Rs.
Cash realised on sale of assets	7,00,000
Liquidation Expenses	12,600
Creditors (including salaries for one month Rs.8,400)	95,200
7,000 6% Preference shares of Rs.30/- each (on which dividend is in arrear for one year)	2,10,000
14,000 Equity shares of Rs.10/- each Rs.9/- called up and paid up	1,26,000

General Reserve Rs.1,68,000, P & L A/c Rs.28,000. The preference share holders have the right to receive 1/3 of the surplus remaining after repaying the equity share capital.

Prepare Liquidator Final Statement of Account.

II. Answer any FOUR of the following : **(4×10= 40 Marks)**

5. Distinguish between Amalgamation in the nature of Purchase and Amalgamation in the nature of Merger.

6. M Ltd. decided to reconstruct the Co. on 31.12.2020. On this date the Balance Sheet of the Co. was as follows:

Liabilities	**Rs.**	**Assets**	**Rs.**
Share Capital:		Fixed Assets	6,90,000
1,00,000 shares of Rs.10 each	10,00,000	Stock	50,000
Current Liabilities	20,000	Debtors	1,00,000
		Cash	10,000
		P & L A/c	1,70,000
	10,20,000		**10,20,000**

The scheme of reconstruction was as follows:

1. A new Co. called P Ltd. is to be established with a capital of Rs.10,00,000 divided into 1,00,000 shares of Rs.10 each.

2. The new Co. was to purchase all liabilities and assets of the old Co. except cash for Rs.7,70,000.

3. The new Co. issued 1,00,000 shares of Rs.10 each, Rs.7.70 paid up to satisfy the purchase consideration.

4. Reconstruction Expenses amounted to Rs.10,000. Prepare Realisation Account

7. The Balance Sheet of Pheno. Co. Ltd. as on 31.03.2020 is as follows:

Liabilities	**Rs.**	**Assets**	**Rs.**
Share capital:		Goodwill	200000
30000 8% Preference shares of Rs.10 each.	300000	Land	400000
100000 Equity shares of Rs.5 each.	500000	Machinery	250000
14% Debentures	200000	Tools	100000
Creditors	300000	Stock	100000
		Debtors	65000
		Cash	10000
		Profit and Loss A/c	175000
	1300000		**1300000**

On the above date, it was decided to reconstruct the company and the following scheme of reconstruction was agreed upon.

1. The creditors to accept 14% debentures to the extent of half of their dues and the balance to be paid after six months.
2. The preference shares to be reduced to shares of Rs.5 each.
3. Equity shares to be reduced to shares of Rs.1 each.
4. The debit balance of profit and loss account and Goodwill to be written off.
5. Land to be reduced by Rs.79000, Machinery by Rs.40000 and Tools by Rs.48000
6. R.B.D. to the extent ofRs.8000 is to be created. Give Journal Entries and reconstructed Balance Sheet.

8. Balance Sheet of 'H" Ltd. and 'S' Ltd as on 31-December-2020.

Liabilities	H Ltd	S Ltd	Assets	H Ltd	S Ltd
	Rs	Rs		Rs	Rs
Share Capital (Shares of Rs.10 each)	2,50,000	1,00,000	Fixed Assets	1,50,000	50,000
Reserve	50,000	25,000	Investments (6000 shares)	81,200	-
P & L A/c	30,000	17,500	Current Assets	1,38,800	1,22,500
Creditors	40,000	30,000			
	3,70,000	**1,72,500**		**3,70,000**	**1,72,500**

'H' Ltd acquired the shares on 1-1-2020 on which date the Reserve and P & L A/c of 'S' Ltd. had a balance of Rs.20,000 and Rs.4,000 respectively. Compute Capital Reserve or Goodwill.

9. Dull Ltd. went into voluntary liquidation following was the position:
   1. Assets realized Rs.3,50,000 (excluding securities given to secured creditors)
   2. Share capital (of Rs.100 each) Rs.100000
   3. Secured creditors Rs.35,000 (securities realized Rs.40000)
   4. Preferential creditors Rs.6000
   5. Unsecured creditors Rs.140000
   6. Debentures having floating charges on assets Rs.250000
   7. Liquidation expenses Rs.5000 and liquidators remuneration Rs.7500

   Prepare the liquidators final statement of accounts.

III. Answer any FOUR of the following : (4×5= 20 Marks)

10. Define the term Amalgamation, Absorption and External Reconstruction.

11. The S Ltd is having the following paid up share capital:

1. 60,000 Preference shares of Rs.10 each Rs.6,00,000.
2. 4,00,000 equity shares of Rs.5 each Rs.20,00,000

The resolution was passed to reduce the share capital as under:

The preference shares are to be reduced to shares of Rs.5 each.

Equity shares are to be reduced to shares of Rs.1 each.

The balance of capital reduction account is used to write off Profit and Loss Account Rs.6,50,000 and Goodwill Rs.6,00,000 and land and building by Rs.3,00,000.

Pass required journal entries.

12. Trade creditors of Delhi Ltd include Rs 30,000 for goods supplied by Chennai Ltd on which Chennai Ltd made a profit of Rs 2,000. Half of the goods were still in Stock. Calculate and explain the treatment of unrealised profit.

13. Write a short note on Buy back of shares.

14. Write a note on Debenture Interest and how is it treated in Liquidatiors Financial Statement.

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19COM502 Reg No : ....

CHOICE BASED CREDIT SYSTEM

B.Com. FIFTH SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Management Accounting

Duration:3 Hours Max Marks:120

I. Answer any THREE of the following : (3×20= 60 Marks)

1. What is Management Accounting? Explain the characteristics and functions of Management Accounting.

2. The standard mix of a product is:

   X 600 units at 15 paise per unit

   Y 800 units at 20 paise per unit

   Z 1,000 units at 25 paise per unit

   The consumption was:

   X 640 units at 20 paise per unit

   Y 960 units at 15 paise per unit

   Z 840 units at 30 paise per unit

   Calculate the material variances.

3. A company has a capacity of producing 1,00,000 units of a certain product in a month. The sales department reports that the following schedule of sale prices is possible:

Volume of production	Selling price per unit Rs
At 60% capacity 60,000 units	0.90
At 70% capacity 70,000 units	0.80
At 80% capacity 80,000 units	0.75
At 90% capacity 90,000 units	0.67
At 100% capacity 1,00,000 units	0.61

   Variable cost of manufacture is 15 paise per unit and total fixed cost Rs 40,000. Prepare a statement showing incremental revenue and differential cost of each stage. At which volume of production will the profit be maximum?

4. a) JK Ltd sells two products Jay and Kay in four areas: North, South, East, and West. The following sales are budgeted for the month of January 2022:

   North Jay 5,000 units @ 30 each, and Kay 3,000 units @15 each

   South Kay 6,000 units @15 each

   East Jay 7,500 units @30 each

West Jay 4,000 units @30 each and Kay 2,500 units @15 each

Actual sales for the same period were as follows:

North Jay 5,750 units @ 30 each, and Kay 3,500 units @15 each

South Kay 6,250 units @15 each

East Jay 8,250 units @30 each

West Jay 4,750 units @30 each and Kay 2,625 units @15 each

On the basis of all the relevant factors, the following sales are budgeted for the month of February 2022:

North Jay 6,000 units and Kay 3,250 units

South Kay 6,500 units

East Jay 8,500 units

West Jay 4,500 units and Kay 2,750 units

It was decided that additional advertising campaign will be undertaken in South and East which will result in additional sales of 1,500 units of Jay in South and 2,500 units of Kay in East.

You are required to prepare a sales budget for the month of Feb 2022 for presentation to management, also showing the budgeted and actual sales for the month of Jan,2022 which are to be provided as a guide in preparing the sales budget. **(15 marks)**

b) Explain the concept of Budgeting and Budgetary Control. **(5 marks)**

II. Answer any FOUR of the following : (4×10= 40 Marks)

5. For production of 10,000 automatic irons, the following are the budgeted expenses:

	Per unit (Rs)
Direct materials	60
Direct labour	30
Variable overheads (production)	25
Fixed overheads (Rs 1,50,000)	15
Variable expenses (direct)	5
Selling expenses (10% fixed)	15
Administration expenses (Rs 50,000 rigid for all levels of production)	5
Distribution expenses (20% fixed)	5
Total cost per unit	**160**

Prepare a budget for production of 6,000, 7,000 and 8,000 units, showing distinctly marginal cost and total cost

6. J K Ltd has furnished you with the following data

Budget	Actual, July 2022
Number of working days	
25	27
Production in units	
20,000	22,000
Fixed overheads (Rupees)	
30,000	31,000

The budgeted fixed overhead rate is Rs 100 per hour. In July 2022, the actual hours worked were 31,500

Calculate: a) Efficiency variance b) Capacity variance c) Calendar variance d) Volume variance e) Expenditure variance f) Total overhead variance

7. Define Standard Costing. Differentiate between Standard Costs and Estimated Costs.

8. What are the possible cost drivers for the following?

Costs
Purchase costs
Inspection costs
Dispatch costs
Set-up costs
Production scheduling cost
Personnel Department costs
Machine Activity
Materials Handling Costs
Stores Administration
Security Costs

9. Due to industrial depression, a plant is running at present, at 50% of its capacity. The following details are available:

	Cost of production per unit
Direct Materials	Rs 2
Direct Labour	Rs 1
Variable overhead	Rs 3
Fixed overhead	Rs 2
	Rs 8
Production per month	20,000 units
Total cost of production	Rs 1,60,000
Sales Price	Rs 1,40,000
Loss	Rs 20,000

An exporter offers to buy 5,000 units per month at the rate of Rs 6.50 per unit and the company hesitates to accept the offer for fear of increasing its already operating losses.

Advise whether the company should accept or decline its offer.

III. Answer any FOUR of the following : (4×5= 20 Marks)

10. The Divisions R and S have the following data in respect of a product:

Particulars	Division K	Division L
Units	50,000	50,000
Total variable costs	Rs 2,50,000	Rs 6,00,000
Fixed costs	Rs 1,50,000	Rs 2,00,000

The head office is finalizing the transfer price for the output of Division K. Evaluate the transfer price to be fixed for Division K under the following assumptions.

a. Suppose Division L currently buys the component from the market at Rs 10 and there is an agreement between the external supplier and another Division T in the same group of firms. According to this agreement, the supplier will buy one product from Division T at a profit of Rs 4 per unit to that division.

11. Calculate P/V Ratio, BEP, Margin of Safety and Percentage of Margin of Safety:

	Year 1	Year 2
Sales	3,00,000	3,60,000
Fixed costs	90,000	1,20,000
Variable costs	1,50,000	2,16,000

12. The standard hours required to produce a certain number of units is 400 for which the standard rate is Re 1 per hour. But the actual hours were 380 and the actual rate was Re 1.25 per hour. Calculate a) Labour rate Variance b) Labour efficiency Variance.

13. Marginal cost Rs 2,400

Selling price Rs 3,000

Calculate P/V Ratio

14. What is a responsibility centre and describe its classfication?

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19COM504 Reg No : ....

CHOICE BASED CREDIT SYSTEM

B.Com. FIFTH SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Business Taxation

Duration:3 Hours Max Marks:120

I. Answer any THREE of the following : (3×20= 60 Marks)

1. Mrs. Kiran has a GTI of Rs. 12,36,000. She furnishes the following information.
Donation to PMNRF Rs. 30,000
Donation to recognized charitable trust Rs. 20,000
Medical insurance for self Rs. 20,000, health check up Rs. 6,000
Insurance premium of Rs. 25,000 on own life (Policy of Rs. 2,00,000; policy taken in 2011). Rs. 10,000 on her married daughters life (Policy of Rs. 3,00,000)
NSC purchased Rs. 15,000, interest accrued on NSC Rs. 3670
Repayment of housing loan (principal) Rs.18,500
Subscription to notified NABARD bonds Rs. 20,000
Deposit for 5 years tax savings scheme in SBI Rs.12,000
Repayment of education loan borrowed for daughter's education (engineering) Rs.10,000 interest and Rs. 16,450 principal.
Donation towards scientific research Rs. 16,450
Expenses incurred for the treatment of mother (aged 70 years) suffering from specified disease Rs.1,25,000 and father (74 years) Rs. 44,000
Compute Total Income and Tax Liability.

2. From the following information compute tax liability of X co. Ltd. keeping in view the provisions of MAT U/S 115 JB for the AY:

	Rs		Rs
To expenses relating to the goods of industrial undertaking	4,00,000	By sale of goods of industrial undertaking in free trade zone (Sec 10A)	1,00,000
To expenses relating to other business	4,50,000	By sale of other business	7,00,000
To income tax paid	20,000	By LTCG	2,00,000
To general reserve	40,000	By interest on Karnataka govt. bond	50,000

To office expenses	5,000	By dividend from domestic companies	50,000
To provision for contingent liability	40,000	By interest on tax free govt. bonds	1,00,000
To GST paid	20,000	By short term capital gains	60,000
To proposed dividend	1,00,000	By transfer fees	1,40,000
To balance C/D	3,25,000		
	14,00,000		14,00,000

Additional information:

-Brought forward loss as per books of accounts Rs. 1,00,000

-Brought forward depreciation as per books of accounts Rs. 80,000

-Brought forward loss under the head capital gains Rs. 60,000: LTCL Rs. 40,000, STCL Rs. 20,000

-Brought forward unabsorbed depreciation Rs. 3,00,000 for the AY

-Brought forward business loss as per tax purpose Rs. 70,000

-Deductions U/S 10A is 100% of profits of industrial undertaking in Free Trade Zone

3 A, B and C are equal partners in a firm. The firms accounts for the year ended 31st March 20XX disclosed a Net Profit of Rs. 1,90,500 after debiting the following items :

Salary of Rs. 1,15,000 paid to partner C, who is a chemist and is in charge of the firm's labaratory.

Rent of Rs. 9,100 paid to partner B for the portion of his building in which the firm's office was situated (debited to P & L A/C).

Rs. 9,100 paid as interest to partner A on loan advanced by him to the firm at 13% p.a. (debited to P & L A/C).

Rs. 65,000 paid for the purchase of patent right to manufacture a drug for cancer (debited to P & L A/C).

Depreciation debited to the P & L Account was Rs. 20,000, but depreciartion was Rs. 30,000 as permissible under the Act.

The Net Profit of Rs. 1,90,500 included Rs. 6,000, being interest on fixed deposit with State Bank of India.

Compute the total income and tax liability of the firm for the PY.

Also compute partners share in the income of the firm.

4. Tumkur Co-operative Society is engaged in processing agricultural produce of its members, without the aid of power and its marketing. It furnishes the following particulars for the year:

Income from processing of agricultural produce Rs. 26,000
Income from marketing agricultural produce Rs. 18,000
Income from agency business Rs. 95,000
Dividends from other co-operative societies Rs. 46,000
Interest on bank deposits (gross) Rs. 32,000
Interest on securities Rs. 15,000
Interest of deposits with co-operative bank Rs. 9,000
Income from letting godown Rs. 12,000 (computed)
The society donated Rs. 10,000 to PMNRF
Compute total income and the tax liability.

II. Answer any FOUR of the following : (4×10= 40 Marks)

5. Mr.Singh, Indian resident submits the following particulars:
Income from house let out Rs. 29,500
Profit from radio business Rs. 49,600
Interest from firm Rs. 15,800
Speculation income Rs. 19,900
STCG Rs. 30,200
LTCG Rs. 21,400
The following items have been brought forward:
Loss from radio business Rs. 14,600
Speculation loss Rs. 11,000
STCL from the year 2019-20, Rs. 14,100
LTCL from the year 2011-12, Rs. 13,000
B/F loss from house property Rs. 13,000
Current year's depreciation amounted to Rs. 15,000
You are required to compute his GTI and deal with the carry forward of losses.

6. Xavier Trust is wholly charitable. It runs hospitals and is engaged in other charitable activities. It is registered. From the following information find net income and tax liability of the trust for AY.
Income from property held for charitable purpose (includes income from hospital) Rs. 12,00,000
Voluntary contributions (with specific directions that they shall form part of corpus of the trust) (names and the address of donors/contributors available with the trust) Rs. 12,00,000
Voluntary contributions (without any specific directions) (names and address of donors available with the trust) Rs. 8,00,000

Voluntary contributions (without any specific directions) (names and address of donors not available with the trust) Rs. 30,00,000
Amount spent for charitable purpose Rs. 14,00,000

7. From the following information compute tax payable by an AOP and its members A, B and C to share profit of AOP for the AY. Income of AOP Rs. 9,00,000. Personal income of members A is Rs. 2,20,000, B is Rs. 2,30,000 and C is Rs. 2,40,000.

8. Mr. Don is an employee of a company at Udaipur. He would receive the following during the financial year:
Salary Rs. 9,60,000
Dearness Allowance Rs. 2,80,000
Bonus Rs. 80,000
Children education allowance Rs. 150 p.m. for one child
His annual contribution to provident fund Rs. 96,000
He paid life insurance premium of Rs. 12,000
Donation to PMNRF Rs. 10,000 by cheque
Compute his salary income liable to deduction of tax at source and the amount of tax to be deducted.

9. a) Write a note on International Taxation. **(5 Marks)**
b) Write a note on source of income pertaining to International Taxation. **(5 Marks)**

III. Answer any FOUR of the following : (4×5= 20 Marks)

10. What is the Procedure for Assessment?

11. High Tech Electronics Ltd. is a domestic company. The following are the particulars of income for the PY:
Total income Rs.50,60,000 including LTCG of Rs. 60,000
Book profit U/S 115 JB Rs. 66,30,000
Compute tax liability of the company.

12. Compute the income of the firm from business in the following cases: conditions u/s 184 and 40(b) fulfilled:
a) Book Loss Rs. 50,000, Remuneration paid to working partners Rs. 1,60,000
b) Book Loss Rs. 80,000, Remuneration to working partners Rs. 1,75,000

13. Explain the advantages of Tax Deducted at Source.

14. Write a note on Arm's Length Pricing.

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19COM505 **Reg No : ....**

CHOICE BASED CREDIT SYSTEM

B.Com. FIFTH SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Security Analysis and Portfolio Management

Duration:3 Hours **Max Marks:120**

I. Answer any THREE of the following : **(3×20= 60 Marks)**

1. Explain the Book Building process.

2. Calculate the duration for Bond A and Bond B with 7% and 8% coupon having a maturity period of 4 years. The Face Value is Rs 1000. Both the Bonds currently yield 6%.

3 Two alternative plans are under consideration of LSE Ltd. The forecasted figures are submitted to you.

Zee Project		Bee Project	
ROI	Probability	ROI	Probability
39	0.1	43	0.2
35	0.2	44	0.2
37	0.2	45	0.1
32	0.1	46	0.2
36	0.3	47	0.1
33	0.1	48	0.2

Determine the risk profile of the two projects through their Return and standard deviations.

4. A portfolio manager has the following information about several stocks. He has to build an optimum portfolio for his client.

Company	Ri	β	σei^2
A	22	1.0	35
B	20	2.5	30
C	14	1.5	25
D	18	1.0	80
E	16	0.8	20
F	12	1.2	10
G	19	1.6	25
H	17	2.0	30

II. Answer any FOUR of the following : (4×10= 40 Marks)

5. Explain the trading procedure to be followed by an investor for trading in the stock market.

6. Vigilant Company stock is currently selling at Rs.25 per share. The stock is expected to pay Rs.1 as dividend per share at the end of the next year. It is estimated that the stock will be available for as Rs.29 at the end of one year.

   a) If the forecasts about the dividend and price are accurate, is it advisable to buy at the present price. His required rate of return is 20%.

   b) If the investor requires 15% return when the dividend remains constant, what should be the price at the end of the first year?

7. Mr.X is evaluating two securities A & B. The expected returns and standard deviation of the returns of these securities are:

	A	B
Expected Return	10%	17%
Risk	12%	25%

   Correlation is 0. Find out the expected returns and standard deviation of the following portfolios:

   (I)75% in A and 25% in B (ii) 50% each of A and B

8. a) The rates of return for three growth oriented mutual funds for the past six years are given below:

	Return on Portfolio	SD
Pearl Fund	16	15
Diamond Fund	14	17
Ruby Fund	13	10
T Bills	8	-

   Rank each fund by Sharpe's Index of portfolio performance.

   b) Mr Andy is having units in a mutual fund for the past three years. He wants to evaluate its performance by comparing it to the market.

	Fund	Market
Return	70.60	41.40
SD	41.31	19.44
Risk Free rate	12	12
β	1.12	1

   Find out Sharpe's and Treynor's indices.

9. Explain the advantages and disadvantages of Forward Contracts.

III. Answer any FOUR of the following : **(4×5= 20 Marks)**

10. Explain the factors considered under Industry Analysis.

11. a) The standard deviation of shares of SB on BSE is 0.24 while that of Sensex during the same period is 0.2. Correlation Coefficient between the two is 0.9. Calculate the Beta Coefficient.

    b) Calculate the Beta Coefficient from the following data from the stock mentioned

Stock	σ	P
Sensex	0.21	-
AM	0.27	0.63
RI	0.35	0.84

On the basis of calculation, decide which stock is aggressive and which is defensive.

12. a) D ltd an investment company has invested in equity shares of a blue chip company. Its risk free rate of return is 5%, expected total return is 16%, Market sensitivity index is 1.5. Calculate the expected rate of return on the investment made in the security.

    b) Security J has a beta of 0.75 while security K has a beta of 1.45. Calculate the expected return for these securities, assuming that the risk free rate is 5% and the expected return of the market is 14%.

13. SBI and ICICI are two mutual funds. SBI has a average return of 13 and fund ICICI has a average return of 18 with the riskier fund ICICI having double beta at 2.0 as fund SBI. The respective standard deviations are 15 of ICICI and 19 of SBI. The average return for market index is 12, while the risk free return is 8%. Compute the Jensen index for each of the funds. What does it indicate?

14. What are Option Contracts? Explain the different types of Option Contracts.

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19COM521 Reg No : ....

CHOICE BASED CREDIT SYSTEM

B.Com. FIFTH SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Professional Accounting V

Duration:3 Hours Max Marks:120

I. Answer any THREE of the following : (3×20= 60 Marks)

1. The following is the Balance Sheet of Barbie. Ltd., on 31st December 2015:

Liabilities	Rs.	Assets	Rs.
CAPITAL:		Land and Buildings	1,00,000
20,000 shares of Rs.10 each	2,00,000	Plant and Machinery	1,50,000
Debentures	1,00,000	Work in Progress	30,000
Sundry creditors	30,000	Stock	60,000
Reserve Fund	25,000	Furniture and Fittings	2,500
Dividend Equalization Fund	20,000	Sundry Debtors	25,000
P & L Appropriation A/c	5,100	Cash at Bank	12,500
		Cash in Hand	100
	3,80,100		**3,80,100**

The Company is absorbed by Auto Ltd. on the above date. The consideration for the absorption is the discharge of the debentures at a premium of 5%, taking over the liability in respect of the sundry creditors, and a payment of Rs.7 in cash and one share of Rs.5 in Auto Ltd. at the market value of Rs.8 per share in exchange for one share in Barbie Ltd. The cost of liquidation of Rs.5,000 is to be met by the purchasing company.

Show the necessary accounts in the books of selling co and pass the entries recording the transactions in the books of purchasing co.

2. X Ltd. was ordered to be wound up on March 31st 2017 on which date its summarized balance sheet was as follows:

Liabilities			Assets	
Subscribed Capital:				
10,000 shares of Rs.100 each		10,00,000	Goodwill	1,00,000
5% Debentures	1,60,000		Building	3,50,000
Interest Accrued	4,000	1,64,000	Plant	5,50,000

(Secured by floating charge on all assets)		Fixtures	23,000
Bank Overdraft	25,000	Stock	38,000
(Secured by hypothecation of stock)			
Trade payables	36,000	Debtors	25,000
		Cash	500
		P & L A/c	1,38,500
	12,25,000		**12,25,000**

The amounts estimated to be realised are: Goodwill Rs.1,000; Building Rs.3,00,000; Plant Rs.5,25,000; Fixtures Rs.0,000; Stock Rs.31,000; Debtors Rs.20,000.

Creditors included Rs.6,000 on account of wages of 15 men at Rs.100 per month for 4 months immediately before the date of winding up : Rs.9,000 being the salaries of 5 employees at Rs.300 per month for the previous 6 months; Rent for godown for the last six months amounting to Rs.3,000; Income-tax deducted out of salaries of employees Rs.1,000 and Directors Fees Rs.500.

Three years ago, the debit balance in the Profit and Loss Account was Rs.77,925 and since that date the accounts of the company have shown the following figures:

	Year 31-3-2015 Rs.	**Year 31-3-2016** Rs.	**Year 31-3-2017** Rs.
Gross Profit	65,000	45,000	40,000
Wages and Salaries	40,500	36,000	34,400
Electricity and Water Tax	5,750	6,380	5,260
Debentures interest	8,000	8,000	8,000
Bad Debts	8,540	7,600	6,700
Depreciation	6,700	-	-
Directors' Fees	1,000	1,000	1,000
Miscellaneous Expenses	10,500	7,265	7,980
Total	**80,990**	**66,245**	**63,340**

In addition it is estimated that the company would have to pay Rs.5,000 as compensation to an employee for injuries suffered by him which was contingent liability not accepted by the company.

Prepare the Statement of Affairs and the Deficiency account.

3. From the following particulars, prepare a Statement of Affairs and the Deficiency of the Equipment Ltd., which went into liquidation on December 31, 2016:

	Rs.	Rs.
3,000 equity shares of 100 each, Rs. 80 paid-up		2,40,000
6% 1,000 preference shares of Rs. 100 each fully paid-up	1,00,000	
Less : Calls in arrear	(5,000)	95,000
5% Debentures having a floating charge on the assets (interest paid upto June 30, 2016)		1,00,000
Mortgage on Land & Buildings		80,000
Trade Creditors		2,65,500
Owing for wages		20,000
Secretary's salary (@ Rs. 500 p.m.) owing		3,000
Managing Director's salary (@ Rs. 1,500 p.m.) owing		6,000

Assets	Estimated to produce	Book value
	Rs.	Rs.
Land & Building	1,30,000	1,20,000
Plant	1,30,000	2,00,000
Tools	4,000	20,000
Patents	30,000	50,000
Stock	74,000	87,000
Investments in the hands of a Bank for an overdraft of Rs. 1,90,000	1,70,000	1,80,000
Book Debts	60,000	90,000

On 31st December, 2011 the balance sheet of the company showed a general reserve of Rs.40,000 accompanied by a debit balance of Rs.25,000 in the Profit & Loss Account.

In 2012 the company made a profit of Rs.40,000 and declared a dividend of 10% on equity shares. The company suffered a total loss of Rs.1,09,000 besides loss of stock due to fire of Rs.40,000 during 2013, 2014 and 2015. For 2016 accounts were not made.

4. The following is the Balance Sheet of Winners Ltd. as on 30th June:

Liabilities	Rs.	Assets	Rs.
Share capital		Goodwill	25,000
20,000 shares of Rs.10 each	2,00,000	Land and building	1,00,000
General reserve	30,000	Plant and machinery	1,45,000
10 % Debentures	1,00,000	Stock	55,000
Loan from banks	30,000	Debtors	65,000
Sundry creditors	80,000	Cash at bank	34,000
		Preliminary expenses	16,000
	4,40,000		**4,40,000**

The balance of Winners Ltd. is taken over by Superb Ltd. as on that date on the following terms:

1. All assets except Cash at Bank are taken over at Book Value less 10% subject to below:

2. Goodwill is to be valued at 4 years purchase of the excess of average (five years) Profits over 8% of the combined amount of Share Capital and General Reserve.

3. Trade Creditors are to be taken over subject to a discount of 5%.

4. Loan from Bank is to be repaid by Winners Ltd.

5. The Purchase Consideration is to be discharged in cash to the extent of Rs.1,50,000 and the balance in fully paid Equity Shares of Rs.10 each valued at Rs.12.50 per Share.

The average of the five years profit is Rs.30,100. The expenses of liquidation amount to Rs.2,000. Prior to 30th June, Winners Ltd. sold goods costing Rs.30,000 to Superb Ltd. For Rs.40,000. Debtors include Rs.20,000 still due from Superb Ltd. On the date of absorption, Rs.25,000 worth of goods were still in stock of Surperb Ltd.

Show: (a) Realisation Account, Bank Account, Sundry Shareholders Account and Shares in Superb Ltd. and (b) Journal Entries in the books of Purchasing co.

II. Answer any FOUR of the following : (4×10= 40 Marks)

5. P Ltd. granted option for 8,000 equity shares of nominal value of Rs.10 on 1st October, 20X0 at Rs.80 when the market price was Rs.170. The vesting period is 4½ years, 4,000 unvested options lapsed on 1st December, 20X2, 3,000 options were exercised on 30th September, 20X5 and 1,000 vested options lapsed at the end of the exercise period. Pass Journal Entries for above transactions.

6. On 1st April, 20X1, a company offered 100 shares to each of its 500 employees at Rs.50 per share. The employees are given a year to accept the offer. The shares issued under the plan shall be subject to lock-in on transfer for three years from the grant date. The market price of shares of the company on the grant date is Rs.60 per share. Due to post-vesting restrictions on transfer, the fair value of shares issued under the plan is estimated at Rs.56 per share.

   On 31st March, 20X2, 400 employees accepted the offer and paid Rs.50 per share purchased. Nominal value of each share is Rs.10.

   Record the issue of share in the books of the company under the aforesaid plan.

7. Following is the summarized Balance Sheet of Competent Limited as on 31st March, 2013:

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

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

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

8. Dee Limited (a non-listed company) furnishes the following summarized Balance Sheet as at 31st March, 2012:

	Rs. '000	Rs.'000
Liabilities		
Share capital:		
Authorised capital		30,00
Issued and subscribed capital:		
2,50,000 Equity shares of Rs.10 each fully paid up	25,00	
2,000, 10% Preference shares of Rs.100 each (Issued two months back for the purpose of buy back)	2,00	27,00
Reserves and surplus:		
Capital reserve	10,00	
Revenue reserve	30,00	
Securities premium	22,00	
Profit and loss account	35,00	97,00
Current liabilities and provisions		14,00
		1,38,00
Assets		
Fixed assets		93,00
Investments		30,00
Current assets, loans and advances (including cash and bank balance		15,00
		1,38,00

The company passed a resolution to buy back 20% of its equity capital @ Rs.50 per share. For this purpose, it sold all of its investment for Rs.22,00,000.

You are required to pass necessary journal entries and prepare the Balance Sheet.

9. Choice Ltd. grants 100 stock options to each of its 1,000 employees on 1.4.20X1 for Rs.20, depending upon the employees at the time of vesting of options. Options would be exercisable within a year it is vested. The market price of the share is Rs.50 each. These options will vest at the end of year 1 if the earning of Choice Ltd. is 16%, or it will vest at the end of the year 2 if the average earning of two years is 13%, or lastly it will vest at the end of the third year if the average earning of 3 years will be 10%. 5,000 unvested options lapsed on 31.3.20X2. 4,000 unvested options lapsed on 31.3.20X3 and finally 3,500 unvested options lapsed

on 31.3.20X4.

Following is the earning of Choice Ltd:

Year ended on	Earning (in %)
31.3.20X2	14%
31.3.20X3	10%
31.3.20X4	7%

850 employees exercised their vested options within a year and remaining options were unexercised at the end of the contractual life. Pass Journal entries for the above.

III. Answer any FOUR of the following : (4×5= 20 Marks)

10. In X Co, Ltd., theft of cash of Rs.5 lakhs by the cashier in January, 2013 was detected only in May, 2013. The accounts of the company were not yet approved by the Board of Directors of the company. Whether the theft of cash has to be adjusted in the accounts of the company for the year ended 31.3.2013. Decide.

11. During the year 2012-2013, Raj Ltd. was sued by a competitor for Rs.15 lakhs for infringement of a trademark. Based on the advice of the company's legal counsel, Raj Ltd provided for a sum of Rs.10 lakhs in its financial statements for the year ended 31st March 2013. On 18th May, 2013, the Court decided in favour of the party alleging infringement of the trademark and ordered Raj Ltd. to pay the aggrieved party a sum of Rs.14 lakhs. The financial statements were prepared by the company's management on 30th April, 2013, and approved by the board on 30th May, 2013.

12. A limited company created a provision for bad and doubtful debts at 2.5% on debtors in preparing the financial statements for the year 2010-2011. Subsequently on a review of the credit period allowed and financial capacity of the customers, the company decided to increase the provision to 8% on debtors as on 31.3.2011. The accounts were not approved by the Board of Directors till the date of decision. While applying the relevant accounting standard can this revision be considered as an extraordinary item or prior period item?

13. An earthquake destroyed a major warehouse of ACO Ltd. on 20.5.2012. The accounting year of the company ended on 31.3.2012. The accounts were approved on 30.6.2012. The loss from earthquake is estimated at Rs.30 lakhs. State with reasons, whether the loss due to earthquake is an adjusting or non-adjusting event and how the fact of loss is to be disclosed by the company.

14. The company finds that the stock sheets of 31.3.2012 did not include two pages containing details of inventory worth Rs.20 lakhs. State, how will you deal with this matter in the accounts of A Ltd., for the year ended 31st March, 2013 with reference to AS.

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19COM522 Reg No : ....

CHOICE BASED CREDIT SYSTEM

B.Com. FIFTH SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Financial Management

Duration:3 Hours **Max Marks:120**

I. Answer any THREE of the following : (3×20= 60 Marks)

1. From the following information, determine the appropriate weighted average cost of capital, relevant for evaluating long-term investment projects of the company.

   Cost of Equity – 18%

   After Tax cost of Long term debt – 8%

   After Tax cost of Short term debt – 9%

   Cost of Reserve – 15%

Sources	BV	MV
Equity Capital	300000	750000
LT Debt	400000	375000
ST Debt	100000	100000
Retained Earnings	200000	--------

2. Explain the objectives of Financial Management in detail.

3.

Type of Capital	Book Value	Market Value	Specific cost
Equity Capital	1,00,000	2,80,000	16%
Preference Capital	50,000	1,40,000	10%
Debentures	60,000	90,000	8%
Retained Earnings	40,000	------	16%

   Corporate Tax Rate is 30%.

   Calculate the weighted average cost of capital using –

   A. Book Value as weights

   B. Market Value as weights

4. From the following information, determine the appropriate weighted average cost of capital, relevant for evaluating long-term investment projects of the company.

Cost of Equity – 16%

After Tax cost of Long term debt – 7%

After Tax cost of Short term debt – 8%

Cost of Reserve – 16%

Sources	BV	MV
Equity Capital	300000	800000
LT Debt	400000	300000
ST Debt	100000	100000
Retained Earnings	200000	--------

Corporate tax 30%

II. Answer any FOUR of the following : (4×10= 40 Marks)

5. The following is the capital structure of a company.

Source	Amount (Rs.)	Before tax cost (%)
Equity capital	3,00,000	15
Retained earnings	2,00,000	13
Preference capital	1,50,000	16
Debentures	3,50,000	12

Assume tax rate at 30%. Compute weighted average cost of capital.

6. a)A Company raised preference share capital of Rs.1,00,000 by the issue of 10% preference share of Rs.10 each.Find out the cost of preference share if it is issued at

(i)10% premium

(ii)10% discount

b)A Company has 10% redeemable debenture with FV of Rs.10 each. The debenture will be redeemed after 10 years at 10% premium.Tax rate is 30%.Calculate Cost of debt.

7. Explain the difference between Financial Management and Financial Accounting.

8. RAS Ltd issued 20000, 8% debentures of Rs.100 each on 1.4.2012 to be matured on 1.4.2018.The Company wants to know the current cost of its existing debt if the market price of the debentures is Rs.120.00 and the tax rate is 20%

9. A)Calculate the cost of equity capital of F Ltd, whose risk free rate of return is 8% and the market return is 12%. The firm has risk of 1.20. The firm is expected to grow at 5%

B) Y ltd issued equity shares at Rs. 500 per share with expected dividend at the year end of Rs. 50. The company is expected to grow at 12% . The corporate tax rate is 30%. Calculate the cost of equity if ;

i. Issued at 8% premium with floatation cost of 5%

ii. Issued at 5% discount

III. Answer any FOUR of the following : (4×5= 20 Marks)

10. What is the meaning of Financial Management? What are its two aspects?

11. Dividend decisions relates to determination as to how much and how frequently cash can be paid out of the profits of an organisation as income for its owners/shareholders.Explain

12. A Company needs Rs.100 lakhs by one of two alternative method. 14% Term loan or 13% non convertible debentures.The term loan will have no incidental cost and NCD has to be issued at 2.5% discount and would involve cost of issue of Rs.100000.

    Advise the Company which option is better if the tax rate is 30%.

13. Explain 2 types of Risks in Capital asset pricing model.

14. What are the features of Debentures or Bonds?

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19COM523 **Reg No : ....**

CHOICE BASED CREDIT SYSTEM
B.Com. FIFTH SEMESTER DEGREE EXAMINATION JANUARY 2023
COMMERCE
Audit & Assurance I

Duration:3 Hours **Max Marks:120**

I. Answer any THREE of the following : (3×20= 60 Marks)

1. Explain the sufficiency of audit evidence and factors effecting sufficiency of audit evidence.
2. Explain test of control.
3. Explain the provisions of applicability of internal audit.
4. Highlight on the basics of standard on internal audit issued by ICAI.

II. Answer any FOUR of the following : (4×10= 40 Marks)

5. A. What are the audit procedures to obtain audit evidence?
   B. Explain substantive procedures.
6. Explain the assembly of final audit file.
7. Explain the component of Risk of Material Misstatement.
8. How does the auditor verify existence of related party transaction under SA 550.
9. What are the limitation of internal control?

III. Answer any FOUR of the following : (4×5= 20 Marks)

10. What's the difference between internal financial control and internal control over financial reporting?
11. Define SA 580 written representations and explain the objective of the auditor with regard to written representation.
12. Give examples of audit documentation.
13. Define:
    a) SA 505 - External confirmation
    b) Positive confirmation
14. What are the audit procedures the auditor should adopt while checking the opening balance under SA 510?

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19COM532 Reg No : ....

CHOICE BASED CREDIT SYSTEM

B.Com. FIFTH SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Capital Markets for BPS

Duration:3 Hours **Max Marks:120**

I. Answer any THREE of the following : (3×20= 60 Marks)

1. What is financial market? Explain its types. Explain the differences between primary market and secondary market.
2. Define Investment Bank. Explain the functions of Investment Banking.
3. What is Mutual Fund? Explain its types. Explain the merits and demerits of mutual funds.
4. Explain the different types of risk faced by financial services industry.

II. Answer any FOUR of the following : (4×10= 40 Marks)

5. Explain the merits and demerits of derivatives.
6. What are the different types of Corporate Actions?
7. Explain the different types of Reconciliation.
8. Write a note on players in Mutual Fund industry.
9. Explain the different types of risks faced by Banks.

III. Answer any FOUR of the following : (4×5= 20 Marks)

10. Explain the different types of Investment Products.
11. Explain the types of Settlements.
12. What are the key components of Private Equity Funds?
13. Write a note on entities that provide support to Hedge Funds.
14. What are the five instances of operational risk?

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18COM511 Reg No : ....

CHOICE BASED CREDIT SYSTEM

B.Com. FIFTH SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Strategic Business Reporting II

Duration:3 Hours Max Marks:120

I. Answer any THREE of the following : (3×20= 60 Marks)

1. Below are the statements of financial position of three entities as at 31 December 20X9.

	Tom	James	Emily
	$000	**$000**	**$000**
Non Current Assets			
Property, Plant & Equipment	959	980	840
Investments : 630,000 shares in James	805	-	-
168,000 shares in Emily	224	-	-
	1,988	**980**	**840**
Current assets			
Inventory	380	640	190
Receivables	190	310	100
Cash & cash equivalents	35	58	46
Total Assets	**2,593**	**1,988**	**1,176**
Equity			
Share capital ($1 shares)	1,120	840	560
Retained earnings	1,232	602	448
	2,352	**1,442**	**1,008**
Current Liabilities			
Trade payables	150	480	136
Taxation	91	66	32
Total Equity & Liabilities	**2,593**	**1,988**	**1,176**

Additional information:

a) Tom acquired its shares in James on 1 January 20X9, when James had retained earnings of $160,000. NCIs are to be valued at their fair value at the date of acquisition. The fair value of the NCI holding in James at 1 January 20X9 was $250,000.

b) Tom acquired its shares in Emily on 1 January 20X9 when Emily had retained earnings of $140,000.

c) An impairment test at the year-end shows that the goodwill for James remains unimpaired but that the investment in Emily is impaired by $2,000.

Prepare the consolidated statement of financial position for the year ended 31 December 20X9.

2. Statements of financial position for three entities at the reporting date are as follows:

	Pepsi	**Sprite**	**Tango**
	$000	**$000**	**$000**
Assets	1000	800	500
Investment in Sprite	326	-	-
Investment in Tango	165	-	-
Total assets	**1491**	**800**	**500**
Equity			
Share capital ($1 shares)	500	200	100
Retained earnings	391	100	200
	891	**300**	**300**
Liabilities	600	500	200
Total Equity & Liabilities	**1491**	**800**	**500**

Investment in Sprite

Pepsi acquired 80% of Sprite when Sprite's retained earnings were $25,000, paying cash consideration of $300,000. It is group policy to measure NCI at fair value at the date of acquisition. The fair value of the NCI holding in Sprite at acquisition was $65,000.At the reporting date, Pepsi purchased an additional 8% of Sprite's equity shares for cash consideration of $26,000. This amount has been debited to Pepsi's investment in Sprite.

Investment in Tango

Pepsi acquired 75% of Tango when Tango's retained earnings were $60,000, paying cash consideration of $200,000. The fair value of the NCI holding in Tango at the date of acquisition was $50,000. At the reporting date, Pepsi sold 10% of the equity shares of Tango for $35,000. The cash proceeds have been credited to Pepsi's investment in Tango.

Discuss how to account for the purchase of the additional 8% holding in Sprite's equity shares and the sale of the 10% holding in Tango's equity shares.

3. Below are the consolidated financial statements of the Pearl Group for the year ended 30 September 20X2:

Consolidated statements of financial position

	20X2	20X1
	$000	**$000**
Non Current Assets		
Goodwill	1930	1850
Property, Plant & Equipment	2545	1625
Investment in associate	620	540
	5095	**4015**
Current assets		
Inventory	470	435
Receivables	390	330
Cash & cash equivalents	210	140
Total Assets	**6165**	**4920**
Equity		
Share capital ($1 shares)	1500	1500
Retained earnings	1755	1085
Other reserves	750	525
	4005	**3110**
Non controlling interest	310	320
	4315	**3430**
Non current liabilities		
Loans	500	300
Deferred tax	150	105
Current Liabilities		
Trade payables	800	725
Tax payable	400	360
Total Equity & Liabilities	**6165**	**4920**

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 September 20X2

	$000
Revenue	2090
Operating expenses	(1155)
Profit from operations	935
Gain on disposal of subsidiary	100
Finance cost	(35)
Share of profit from associate	115

Profit before tax	1115
Tax	(225)
Profit for the period	**890**
Other comprehensive income	200
Other comprehensive income from associate	50
Total comprehensive income	**1140**
Profit for the year attributable to	
Owners of the parent	795
Non controlling interest	95
	890
Total comprehensive income for the year attributable to:	
Owners of the parent	1020
Non controlling interest	120
	1140

Consolidated statement of changes in equity

	Attributable to owners of the parent	Attributable to the NCI
	$000	$000
Equity brought forward	3110	320
Total comprehensive income	1020	120
Acquisition of subsidiary	-	340
Disposal of subsidiary	-	(420)
Dividends	(125)	(50)
Equity carried forward	4005	310

a) Depreciation of $385,000 was charged during the year. Plant with a carrying amount of $250,000 was sold for $275,000. The gain on disposal was recognised in operating costs. Certain

properties were revalued during the year resulting in a revaluation gain of $200,000 being recognised.

b) During the year, Pearl acquired 80% of the equity share capital of Gem paying cash consideration of $1.5 million. The NCI holding was measured at its fair value of $340,000 at the date of acquisition. The fair value of Gem's net assets at acquisition was made up as follows:

	$000
Property, plant and equipment	1280

Inventories	150
Trade receivables	240
Cash & cash equivalents	80
Trade payables	(220)
Tax payable	(40)
	1490

c) During the year, Pearl disposed of its 60% equity shareholding in Stone for cash proceeds of $850,000. The subsidiary had been acquired several years ago for cash consideration of $600,000. The NCI holding was measured at its fair value of $320,000 at acquisition and the fair value of Stone's net assets were $730,000. Goodwill had not suffered any impairment. At the date of disposal, the net assets of Stone were carried in the consolidated statement of financial position as follows:

	$000
Property, plant and equipment	725
Inventories	165
Trade receivables	120
Cash & cash equivalents	50
Trade payables	(80)
	980

Prepare the consolidated statement of cash flows for the Pearl group for the year ended 30 September 20X2.

4. Financial statements for three entities for the year ended 30 June 20X8 are as follows:

Statements of financial position

	Borough	**High**	**Street**
Assets	$	$	$
Property , Plant & Equipment	100,000	80,000	60,000
Investments	121,000	-	-
Inventories	22,000	30,000	15,000
Receivables	70,000	10,000	2,000
Cash & Cash equivalents	47,000	25,000	3,000
	360,000	**145,000**	**80,000**
Equity & Liabilities			
Equity capital ($1 shares)	100,000	75,000	35,000
Retained earnings	200,000	50,000	40,000
Other components of equity	10,000	5,000	-
	360,000	**145,000**	**80,000**

On 1 July 20X7, Borough purchased 45,000 shares in High for $100,000. At that date, High had retained earnings of $30,000 and no other components of equity. High's net assets had a fair value of $120,000 and the fair value of the non-controlling interest was $55,000. It is group policy to value the non-controlling interest at acquisition at fair value. The excess of the fair value of High's net assets over their carrying amounts at the acquisition date relates to property, plant and equipment.

This had a remaining estimated useful life of five years at the acquisition date. Goodwill has been subject to an impairment review and it was determined to be impaired by $7,000.

On 1 July 20X7, Borough purchased 10,500 equity shares in Street for $21,000. At that date, Street had retained earnings of $25,000 and no other components of equity.

During the year Borough sold goods too High for $10,000 at a margin of 50%. By the reporting date, High had only sold 80% of these goods. Included in the receivables of Borough and the liabilities of High are intragroup balances of $5,000.

On 5 July 20X8, Borough received notification that an employee was claiming damages against them as a result of a work-place accident that took place on 30 April 20X8. Lawyers have advised that there is a 60% chance that Borough will lose the case and will be required to pay damages of $30,000.

Prepare the consolidated statement of financial position as at 30 June 20X8

II. Answer any FOUR of the following : (4×10= 40 Marks)

5. On 1 July 20X9 Zebedee acquired 75% of the equity shares of Xavier. The following statements of profit or loss and other comprehensive income have been produced by Zebedee and Xavier for the year ended 31 December 20X9.

	Zebedee	**Xavier**
	$000	$000
Revenue	1,260	520
Cost of sales	(420)	(210)
Gross profit	**840**	**310**
Operating expenses	(300)	(150)
Profit from operations	**540**	**160**
Investment income	36	-
Profit before tax	**576**	**160**
Income tax expense	(130)	(26)
Profit for the year	**446**	**134**

Other comprehensive income	100	50
Total comprehensive income	**546**	**184**

a) At 31 December 20X9, goodwill arising on consolidation was reviewed for impairment. An impairment loss of $15,000 had arisen which should be charged to operating expenses. It is group policy to measure NCI at fair value at the date of acquisition.

b) Zavier paid a dividend of $32,000 on 30 November 20X9.

Prepare the consolidated statement of profit or loss and other comprehensive income for the Zebedee group for the year ended 31 December 20X9.

6. Ayre has owned 90% of the ordinary shares of Fleur for many years. Ayre also has a 10% investment in the shares of Byrne, which was held in the consolidated statement of financial position as at 31 December 20X6 at $24,000 in accordance with IFRS 9 Financial Instruments. On 30 June 20X7, Ayre acquired a further 50% of Byrne's equity shares at a cost of $160,000.

   The draft statements of profit or loss for the three companies for the year ended 31 December 20X7 are presented below:

	Ayre	**Fleur**	**Byrne**
	$000	$000	$000
Revenue	500	300	200
Cost of sales	(300)	(70)	(120)
Gross profit	**200**	**230**	**80**
Operating costs	(60)	(80)	(60)
Profit from operations	**140**	**150**	**20**
Tax	(28)	(30)	(4)
Profit for the year	**112**	**120**	**16**

   The non-controlling interest is calculated using the fair value method. On 30 June 20X7, fair values were as follows:

   • Byrne's identifiable net assets – $200,000

   • The non-controlling interest in Byrne – $100,000

   • The original 10% investment in Byrne – $26,000

   Prepare the consolidated statement of profit or loss for the Ayre Group for the year ended 31 December 20X7 and calculate the goodwill arising on the acquisition of Byrne.

7. Hague has held a 60% investment in Maude for several years, using the full goodwill method to value the non-controlling interest. Half of the goodwill has been impaired prior to the date of disposal of shares by Hague.

Details are as follows: (Amount in $000)

Cost of investment 6,000

Maude – Fair value of net assets at acquisition 2,000

Maude – Fair value of a 40% investment at acquisition date 1,000

Maude – Net assets at disposal 3,000

Maude – Fair value of a 25% investment at disposal date 3,500

Required: Assuming a full disposal of the holding and proceeds of $10 million, calculate the profit or loss arising:

(i) in Hague's individual financial statements

(ii) in the consolidated financial statements.

8. State the key simplifications in the SMEs standard.

9. An entity, Splash, established a share option scheme for its four directors. This scheme commenced on 1 July 20X8. Each director will be entitled to 25,000 share options on condition that they remain with Splash for four years, from the date the scheme was introduced. Information regarding the share options is provided below:

   Fair value of option at grant date $10

   Exercise price of option $5

   The fair value of the shares at 30 June 20X9 was $17 per share.

   A tax deduction is only given for the share options when they are exercised. The allowable deduction will be based on the intrinsic value of the options. Assume a tax rate of 30%.

   Required: Calculate and explain the amounts to be included in the financial statements of Splash for the year ended 30 June 20X9, including explanation and calculation of any deferred tax implications.

III. Answer any FOUR of the following : (4×5= 20 Marks)

10. What are the five issues that need to be addressed when adopting IFRS?

11. Jelly Roll has a year end of 31 December 20X1. On 30 June 20X1 the directors made the decision to sell a building. On this date the building – classified as property, plant and equipment – had a carrying amount of $2 million, a remaining useful life of 20 years, and nil residual value. The building was immediately advertised for sale at its fair value of $5 million

    and a sale within 12 months was deemed to be highly probable.

    Costs to sell are negligible and can be ignored.

    Required: How should the above be treated in accordance with International Financial Reporting Standards and FRS 102?

12. Consider each of the following situations

a. Mr P controls entity A and is able to exert significant influence over entity B.

b. Mr P is able to exert significant influence over entity A and entity B.

For each situation explain whether or not entity A and entity B are related parties.

13. Joey's share capital is comprised of 'A' class shares. These shares have been correctly classified as equity. Joey is considering issuing the following instruments:

• 'B' class shares that are not mandatorily redeemable but contain a call option allowing Joey to repurchase them. Dividends would be payable on the B shares if, and only if, dividends are paid on the A ordinary shares.

• Share options which will give the counterparty rights to buy a fixed number of ordinary shares for a fixed amount of $10 million.

The directors of Joey require advice as to whether these financial instruments should be classified as debt or equity in accordance with IAS 32 Financial Instruments: Presentation. Moreover, they wish to know if the Board's proposals, as outlined in the recent Discussion Paper DP/2018/1 Financial Instruments with Characteristics of Equity would change the classification of these two instruments.

Discuss whether the Board's proposals in DP/2018/1 Financial Instruments with Characteristics of Equity would change the classification of the 'B' class shares and the share options.

14. Define operating segment.

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19COM512 **Reg No : ....**

CHOICE BASED CREDIT SYSTEM

B.Com. FIFTH SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Strategic Business Reporting I

Duration:3 Hours **Max Marks:120**

I. Answer any THREE of the following : (3×20= 60 Marks)

1. a) On 1 December 20X1, Bristow provides a service to a customer for the next 12 months. The consideration is $12 million. Bristow is entitled to an extra $3 million if, after twelve months, the number of mistakes made falls below a certain threshold. Required: Discuss the accounting treatment of the above in Bristow's financial statements for the year ended 31 December 20X1 if:

   (i) Bristow has experience of providing identical services in the past and it is highly probable that the number of mistakes made will fall below the acceptable threshold.

   (ii) Bristow has no experience of providing this service and is unsure if the number of mistakes made will fall below the threshold. **(10 Marks)**

   b) Shred sells a machine and one year's free technical support for $100,000. The sale of the machine and the provision of technical support have been identified as separate performance obligations. Shred usually sells the machine for $95,000 but it has not yet started selling technical support for this machine as a stand-alone product. Other support services offered by Shred attract a mark-up of 50%. It is expected that the technical support will cost Shred $20,000.

   equired: How much of the transaction price should be allocated to the machine and how much should be allocated to the technical support? **(10 Marks)**

2. a) Hoy raised finance on 1 January 20X1 by the issue of a two-year 2% bond with a nominal value of $10,000. It was issued at a discount of 5% and is redeemable at a premium of $1,075. Issue costs can be ignored. The bond has an effective rate of interest of 10%.

   Wiggins raised finance by issuing $20,000 6% four-year loan notes on 1 January 20X4. The loan notes were issued at a discount of 10%, and will be redeemed after four years at a premium of $1,015. The effective rate of interest is 12%. The issue costs were $1,000.

   Cavendish raised finance by issuing zero coupon bonds at par on 1 January 20X5 with a nominal value of $10,000. The bonds will be redeemed after two years at a premium of $1,449. Issue costs can be ignored. The effective rate of interest is 7%. The reporting date for each entity is 31 December.

Required: Illustrate and explain how these financial instruments should be accounted for by each company. **(15 Marks)**

b) On 1 January 20X1, McGrath issued a financial liability for its nominal value of $10 million. Interest is payable at a rate of 5% in arrears. The liability is repayable on 31 December 20X3. McGrath trades financial liabilities in the short-term. At 31 December 20X1, market rates of interest have risen to 10%.
Discuss the accounting treatment of the liability at 31 December 20X1. **(5 Marks)**

3. a) Write a note on Functional currency . **(5 Marks)**

b) An entity, Butter has a reporting date of 31 December and a functional currency of dollars ($). On 27 November 20X6 Butter buys goods from a Swedish supplier for SwK 324,000. On 19 December 20X6 Butter plc pays the Swedish supplier in full. Exchange rates were as follows:
27 November 20X6 – SwK 11.15: $1
19 December 20X6 – SwK 10.93: $1
Required: Describe how the above transaction should be accounted for in the financial statements of Butter for the year ended 31 December 20X6. **(5 Marks)**

c) An entity, Jam, has a reporting date of 31 December and the dollar ($) as its functional currency. Jam borrows in the foreign currency of the Kram (K). The loan of K120,000 was taken out on 1 January 20X7. A repayment of K40,000 was made on 1 March 20X7.Exchange rates were as follows
1 January 20X7 – K1: $2
1 March 20X7 – K1: $3
31 December 20X7 – K1: $3.5
Required: Describe how the above should be accounted for in the financial statements of Jam for the year ended 31 December 20X7. **(5 Marsks)**

d) An entity, A Ltd, has a reporting date of 31 December and has the dollar ($) as its functional currency. A Ltd purchased a plot of land overseas on 1 March 20X0. The entity paid for the land in the currency of the Rylands (R). The purchase cost of the land at 1 March 20X0 was R60,000. The value of the land at the reporting date was R80,000.
Exchange rates were as follows:
1 March 20X0 – R8 : $1
31 December 20X0 – R10 : $1
Required: Describe how the above transaction should be accounted for in the financial statements of A Ltd for the year ended 31 December 20X0 if the land is measured at: i. cost ii. fair value. **(5 Marks)**

4. a) The directors of Cookie are very confident about the quality of the products that the company sells. Historically, the level of complaints received about product quality has been low. However, when calculating their warranty provision, they

have over-estimated the number of items that will be returned as faulty. The directors believe that this is acceptable because it is important for financial statements to exhibit prudence. Required: Discuss the ethical issues raised by the treatment of the warranty provision.

b) Totorus has a number of investments in listed shares that are designated to be measured at fair value through other comprehensive income. A new ACCA qualified accountant has started work at Totorus and she has discovered that the finance director measures the fair value of these investments as the present value of the expected future dividend receipts. This calculation gives a higher fair value figure than the quoted share price. The finance director has justified this fair value measurement to the accountant on the grounds that Totorus does not trade shares in the short-term and so quoted share prices understate the value that Totorus will realise over the lifetime of these investments.

Required: Discuss why the finance director's fair value measurement is not in line with IFRS Standards, and discuss the ethical issues that arise.

II. Answer any FOUR of the following : (4×10= 40 Marks)

5. i. What are Biological assets? Explain the initial and subsequent measurement of Biological assets ? **(5 Marks)**

   ii. An entity has the following items of inventory.

   (a) Raw materials costing $12,000 bought for processing and assembly for a profitable special order. Since buying these items, the cost price of the raw materials has fallen to $10,000.

   (b) Equipment constructed for a customer for an agreed price of $18,000. This has recently been completed at a cost of $16,800. It has now been discovered that, in order to meet certain regulations, conversion with an extra cost of $4,200 will be required. The customer has accepted partial responsibility and agreed to meet half the extra cost.

   Required: In accordance with IAS 2 Inventories, at what amount should the above items be valued? **(5 marks)**

6. HP has a defined benefit pension plan and prepares financial statements to 31 March each year. The following information is relevant for the year ended 31 March 20X3:

   The net pension obligation at 31 March 20X3 was $55 million. At 31 March 20X2, the net obligation was $55 million, comprising the present value of the plan obligation stated at $100 million, together with plan assets stated at fair value of $45 million.

   The discount rate relevant to the net obligation was 6.25% and the actual return on plan assets for the year was $4 million.

   The current service cost was $14 million.

   At 31 March 20X3, HP granted additional benefits to those currently receiving benefits that are due to vest over the next four years and which have a present value of $4.5 million at that date. They were not allowed for in the original actuarial assumptions.

During the year, HP made pension contributions of $8.5 million into the scheme and the scheme paid pension benefits in the year amounting to $4 million.

Required: Explain the accounting treatment of the HP pension scheme for the year to 31 March 20X3, together with supporting calculations.

7. Hoggard buys 100 options on 1 January 20X6 for $5 per option. Each option gives Hoggard the right to buy a share in Rowling on 31 December 20X6 for $10 per share.

   How should this be accounted for, given the following outcomes?

   (a) The options are sold on 1 July 20X6 for $15 each.

   (b) On 31 December 20X6, Rowling's share price is $8 and Hoggard lets the option lapse unexercised.

   (c) The option is exercised on 31 December when Rowling's share price is $25. The shares are classified as held for trading.

8. On 31 December 20X1, an entity noticed that one of its items of plant and machinery is often left idle. On this date, the asset had a carrying amount of $600,000 and a fair value of $425,000. The estimated costs required to dispose of the asset are $25,000. If the asset is not sold, the entity estimates that it would generate cash inflows of $300,000 in each of the next two years. Assume that the cash flows occur at the end of each year. The discount rate that reflects the risks specific to this asset is 10%.

   Required:

   (a) Discuss the accounting treatment of the above in the financial statements for the year ended 31 December 20X1.

   (b) How would the answer to part (a) be different if there was a balance of $10,000 in other components of equity relating to the prior revaluation of this specific asset?

9. a) Coffee Bean enters into a contract with an airport operator to use some space in the airport to sell its goods from portable kiosks for a threeyear period. Coffee Bean owns the portable kiosks. The contract stipulates the amount of space and states that the space may be located at any one of several departure areas within the airport. The airport operator can change the location of the space allocated to Coffee Bean at any time during the period of use, and the costs that the airport operator would incur to do this would be minimal. There are many areas in the airport that are suitable for the portable kiosks. Required: Does the contract contain a lease? **(5 Marks)**

   b) AFG enters into a contract with Splash, the supplier, to use a specified ship for a five-year period. Splash has no substitution rights. During the contract period, AFG options immediately.

(ii) The fair value of a share was $1.50 and all eligible directors allowed their share options to lapse.

13. An asset is sold in two different active markets at different prices. An entity enters into transactions in both markets and can access the price in those markets for the asset at the measurement date as follows:

	Market 1	Market 2
	$	$
Price	26	25
Transaction cost	(3)	(1)
Transport costs	(2)	(2)
Net Price received	21	22

What is the fair value of the asset if

(a) market 1 is the principal market for the asset?

(b) no principal market can be determined?

14. During the year ended 31 December 20X1, Scone spent $2 million on researching and developing a new product. The entity has recognised all $2 million as an intangible asset. A breakdown of the expenditure is provided below:

	$m
Research into materials	0.5
Market research	0.4
Employee training	0.2
Development activities	0.9

The expenditure on development activities was incurred evenly over the year. It was not until 1 May 20X1 that market research indicated that the product was likely to be profitable. At the reporting date, the product development was not yet complete.

Required: Discuss the correct accounting treatment of the research and development expenditure in the year ended 31 December 20X1.

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decides what cargo will be transported, when the ship will sail, and to which ports it will sail. However, there are some restrictions specified in the contract. Those restrictions prevent AFG from carrying hazardous materials as cargo or from sailing the ship into waters where piracy is a risk. Splash operates and maintains the ship and is responsible for the safe passage of the cargo on board the ship. AFG is prohibited from hiring another operator for the ship, and from operating the ship itself during the term of the contract. Required: Does the contract contain a lease? **(5 Marks)**

III. Answer any FOUR of the following : (4×5= 20 Marks)

10. The following material events have occurred after the reporting period and prior to the date of approval of the financial statements by the directors

(i)The insolvency of a major credit customer

(ii) The uninsured loss of inventory in a fire

(iii) The proposal of a final equity dividend

(iv) A change in foreign exchange rates

(v)The sale of inventory after the reporting date

Required: State whether the above are adjusting or non-adjusting events

11. What are the components of Financial statements? State any five indicators of going concern uncertainity .

12. Beginner offered directors an option scheme conditional on a threeyear period of service. The number of options granted to each of the ten directors at the inception of the scheme was 1 million. The options were exercisable shortly after the end of the third year. Upon exercise of the share options, those directors eligible would be required to pay $2 for each share of $1 nominal value. The fair value of the options and the estimates of the number of options expected to vest at various points in time were as follows:

Year	Right expected to vest	Fair value of the option
		$
Start of Year One	8m	0.30
End of Year One	7m	0.33
End of Year Two	8m	0.37

At the end of year three, 9 million rights actually vested.

Required:

(a) Show how the option scheme will affect the financial statements for each of the three years of the vesting period.

(b) Show the accounting treatment at the vesting date for each of the following situations:

(i) The fair value of a share was $5 and all eligible directors exercised their share

19COM513 Reg No : ....

CHOICE BASED CREDIT SYSTEM

B.Com. FIFTH SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Advanced Financial Management I

Duration:3 Hours **Max Marks:120**

I. Answer any THREE of the following : (3×20= 60 Marks)

1. MesmerMagic Co (MMC) is considering whether to undertake the development of a new computer game based on an adventure film due to be released in 22 months. It is expected that the game will be available to buy two months after the film's release, by which time it will be possible to judge the popularity of the film with a high degree of certainty. However, at present, there is considerable uncertainty about whether the film, and therefore the game, is likely to be successful. Although MMC would pay for the exclusive rights to develop and sell the game now, the directors are of the opinion that they should delay the decision to produce and market the game until the film has been released and the game is available for sale.

   MMC has forecast the following end of year cash flows for the four-year sales period of the game.

Year	1	2	3	4
Cash flows ($ million)	25	18	10	5

   MMC will spend $12 million immediately to develop the game, the gaming platform, and to pay for the exclusive rights to develop and sell the game. Following this, the company will require $35 million for production, distribution and marketing costs at the start of the four- year sales period of the game. It can be assumed that all the costs and revenues include inflation. The relevant cost of capital for this project is 11% and the risk free rate is 5%. MMC has estimated the likely volatility of the cash flows at a standard deviation of 50%.

   a) Estimate the financial impact of the directors' decision to delay the production and marketing of the game. The Black-Scholes Option Pricing model may be used, where appropriate. All relevant calculations should be shown. **(13 marks)**

   b) Briefly discuss the implications of the answer obtained in part (a) above. **(7 marks)**

2. Robson Co and project information Robson Co is a food manufacturer with a portfolio of well-known brands. The founding directors retain a significant minority shareholding in the company and continue to serve on the board following a successful listing ten years ago. After obtaining the listing, Robson Co's gearing ratio increased significantly above the sector average as the result of a poorly timed expansion strategy, mainly financed by debt. Earnings became increasingly volatile and the debt burden triggered a decline in the company's financial performance. The board responded to these problems five years ago by pursuing a debt-reduction turnaround strategy, which has been financed by a series of rights issues and asset disposals. Even though this strategy successfully reduced the gearing ratio, which is now equal to the industry average, the share price remains depressed due to competitive pressures within the industry. The company's credit rating has recently been downgraded once again. Robson Co's chief executive officer (CEO) has identified an opportunity to relocate the manufacturing plant and develop a state-of-the-art automated production line, which will reduce the underlying cost base and be a source of competitive advantage.

Project information Robson Co's finance director has prepared estimates of the free cash flows generated by the project, based on a four-year time horizon:

Year	0 $m	1 $m	2 $m	3 $m	4 $m
Free cash flows		20.9	20.6	28.7	104.6

The investment cost is $120m, which Robson Co's CEO proposes to finance as follows:
Disposal of existing manufacturing plant $20m
Rights issue $10m
Subsidised loan, 3.5% annual interest rate $40m
Bank loan, 9% annual interest rate $50m
Total $120m

The bank loan is repayable in equal annual instalments over four years. Issue costs of 2% are payable on gross external financing and are not allowable for corporation tax. Issue costs are payable out of available cash reserves. The finance director has asked you to ignore underwriting costs relating to the rights issue.

Additional information

Robson Co's current asset beta is 1.222. The risk free rate is 3% and the market risk premium is 9%. The CEO expects the business risk of the company to remain unchanged as a result of the investment. Corporation tax is payable at an annual rate of 20%.

Further information on project finance

The board discussed the financing of the project at a recent meeting. Robson Co's corporate bankers have already approved the funding decision for the $50m bank loan but the finance director is concerned about the following capital providers:

External shareholders

The last rights issue took place 18 months ago and there were two others in the previous five years. A group of shareholders have formed an action group to exert pressure on the board for more drastic change. This included a campaign to replace the CEO, which was only narrowly avoided when the shareholders voted at the most recent annual general meeting. The CEO is optimistic about the prospects of a rights issue but suggested underwriting the issue to reduce the risk of failure.

Subsidised loan provider

The government funds the subsidised loan programme to boost job creation in the economically deprived northern region of the country, which is where the new automated manufacturing plant is to be located. Although the loan has yet to be approved, the chief executive is optimistic about the outcome of their application. One feature of the loan programme is that it is open to applicants without assets available to provide security although other restrictions may be imposed. This is relevant to Robson Co since surplus assets were disposed of during the turnaround strategy and those which remain will be used to secure the new bank loan.

a) Discuss the factors the capital providers, excluding the bank, will consider before deciding whether or not to approve the funding decision for Robson Co's investment in a new manufacturing plant.

3. GNT Co is considering an investment in one of two corporate bonds. Both bonds have a nominal value of $1,000 and pay coupon interest on an annual basis. The market price of the first bond is $1,079. 68. Its coupon rate is 6% and it is due to be redeemed at par in five years. The second bond is about to be issued with a coupon rate of 4% and will also be redeemable at par in five years. Both bonds are expected to have the same gross redemption yields (yields to maturity). GNT Co considers duration of the bond to be a key factor when making decisions on which bond to invest.

a) Estimate the Macaulay duration of the two bonds GNT Co is considering for investment.

4. Caterpillar Co manufactures heavy agricultural equipment and machinery which can be used in difficult farming conditions. Caterpillar Co's chief executive has been investigating a significant opportunity in the country of Naswa, where Caterpillar Co has not previously sold any products. The government of Naswa has been undertaking a major land reclamation programme and Caterpillar Co's equipment is particularly suitable for use on the reclaimed land. Because of the costs and other problems involved in transporting its products, Caterpillar Co's chief executive proposes that Caterpillar Co should establish a plant for manufacturing machinery in Naswa. He knows that the Naswan government is keen to encourage the development of sustainable businesses within the country.
Initial calculations suggest that the proposed investment in Naswa would have a negative net present value of $1.01 million. However, Caterpillar Co's chief executive believes that there may be opportunities for greater cash flows in future if the Naswan government expands its land reclamation programme. The government at present is struggling to fund expansion of the programme out of its own resources and is looking for other funding. If the Naswan government obtains this funding, the chief executive has forecast that the increased demand for Caterpillar Co's products would justify $15 million additional expenditure at the site of the factory in three years' time. The expected net present value for this expansion is currently estimated to be $0.
It can be assumed that all costs and revenues include inflation. The relevant cost of capital is 12% and the risk free rate is 4%. The chief executive has estimated the likely volatility of cash flows at a standard deviation of 30%. One of Caterpillar Co's non-executive directors has read about possible changes in interest rates and wonders how these might affect the investment appraisal.
a) Assess, showing all relevant calculations, whether Caterpillar Co should proceed with the significant opportunity. Discuss the assumptions made and other factors which will affect the decision of whether to establish a plant in Naswa. The Black Scholes pricing model may be used, where appropriate.

II. Answer any FOUR of the following : (4×10= 40 Marks)

5. Sparks is a company in the electronics industry and is looking to expand through acquisition. A target company, EBMS, has been identified and the directors of Sparks are looking to value the entire equity capital of EBMS. From discussions with the directors of EBMS, the assets of EBMS have been valued at $1,450m which the directors of EBMS consider to be their fair value in use in the business. The volatility of the asset value has been agreed at 10% per year. EBMS currently has 4% bonds in issue with a book value of $900m which are redeemable in 3 years' time at a premium of 25% over par. Interest is payable annually.
Short-dated Government bonds are currently yielding on average 4.2% and SOFR is 0.8% above this. EBMS currently has a BBB credit rating and the following data on credit risk premiums (in basis points) has been obtained from commercial rating sources:
1 year 75
2 year 95
3 year 125
5 year 135
The directors of Sparks always try to obtain as many different valuations as possible when evaluating a potential acquisition and wish to use option pricing theory in addition to the more usual methods.
Using the Black Scholes option pricing model, derive a value for the total equity of EBMS.

6. An entity has the following information in its balance sheet (statement of financial position):

Ordinary shares (50c nominal) $000 2,500
Debt (8% redeemable in 5 years) $000 1,000
The entity's equity beta is 1.25 and its credit rating according to S&P Global Ratings is A. The share price is $1.22 and the debenture price is $110 per $100 nominal.
Extract from S&P Global Ratings credit spread tables:

Rating	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr
AAA	5	10	15	22	27	30	55
AA	15	25	30	37	44	50	65
A	40	50	57	65	71	75	90

The risk-free rate of interest is 6% and the equity risk premium is 8%. Tax is payable at 30%. Required: Calculate the entity's WACC.

7. There are a huge range of potential conflicts of interest and each one results in additional costs for the business and therefore a reduction in returns to shareholders. Elaborate the statement

8. Often large companies set up foreign subsidiaries to invest in foreign projects and arrange the financing. Elaborate the statement.

9. Describe how banks have traditionally moved to lay off risk through a process of securitization using 'Collateralized Debt Obligations (CDOs).

III. Answer any FOUR of the following : (4×5= 20 Marks)

10. Discuss the role of the World Trade Organisation (WTO) and the possible benefits and drawbacks of reducing protectionist measures.

11. Comment on a strategy of vertical integration in the context of real options.

12. The current exchange rate is given as ($....to £1) 1.7025 - 1.7075.
Expected inflation rates are:

Year	USA	UK
1	5%	2%
2	3%	4%
3	4%	4%

Use the relationships above to work out the expected spot rate for the next three years.

13. A project requires an initial investment of $20,000 and will generate annual cash flows as follows:

Year	Cash flow $
1	4,000
2	(2,000)
3	6,000
4	7,600
5	10,000

The firm's financing rate (for negative cash flows) is 9%, and its reinvestment rate for positive cash flows is 6%. What is the MIRR?

14. The current return on 8-year treasury bonds is 4.2%. X Co has equivalent bonds in issue but has a BBB rating. What is the expected yield on X's bonds?

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19COM515 Reg No : ....

CHOICE BASED CREDIT SYSTEM

B.Com. FIFTH SEMESTER DEGREE EXAMINATION JANUARY 2023

COMMERCE

Indian Taxation

Duration:3 Hours **Max Marks:120**

I. Answer any THREE of the following : **(3×20= 60 Marks)**

1. Following are the particulars of Income of Mr. Vishal for the PY. Compute the GTI if he is Resident, Not-ordinarily Resident and Non-resident.

   1. Salary accrued and received in India Rs.20,000
   2. Served for 3 months in the Indian Embassy in the US and salary received there Rs.30,000
   3. Profit from business in New York Rs.25,000
   4. Dividend declared in Perth but received in India Rs.10,000
   5. Dividend received in Germany from an Indian Co. Rs.15,000
   6. Income from business in Sri Lanka, business controlled from London Rs.10,000
   7. Interest on debentures of a company in France received in India Rs.8,000
   8. Profit from business in Delhi, the business is controlled from Nepal, profit received there Rs.18,000
   9. Income from business in New York controlled from Delhi Rs.30,000
   10. Interest on POSB a/c Rs.5,000
   11. Royalty received in Germany from Mr. Khan a resident in India for technical services provided for a business carried on in Germany Rs.20,000
   12. Interest received from Mr. Liam a non-resident on the loan provided to him for a business carried on in India Rs.20,000
   13. Interest received in London from Mr. Neil a non-resident on the loan provided to him for a business carried on in Sri Lanka Rs.15,000
   14. Interest on German Development Bonds (one-third received in India Rs.51,000)
   15. Income from agriculture in Bangladesh remitted to India Rs.30,000
   16. Income from business in Mumbai the business being controlled from London Rs.10,000
   17. Past untaxed foreign income brought into India during the PY Rs.20,000
   18. Rental income from Sri Lanka Rs. 36,000.
   19. Profit from business in South Africa Rs.28,000
   20. Income from agriculture in Mangaluru Ra.10,000

2. Mr. X furnishes the following particulars of his income for the financial year. He is a govt. employee:
   Basic salary – Rs.8,000 p.m.
   Dearness allowance – Rs.3,000 p.m. (50% enters into retirement benefits)
   Dearness pay – Rs.400 p.m.
   City compensatory allowance – Rs.500 p.m.
   Medical allowance – Rs.200 p.m.
   Travelling allowance – Rs.15,000 (Rs.12,000 is actually spent on his official tour and the balance spent on personal tour)
   Helper allowance – Rs.800 p.m.
   House Rent allowance – Rs.4,500 p.m. (He pays a rent of Rs.3,500 p.m. for his house in

Mumbai)
Entertainment allowance – Rs.600 p.m. (He spent 80% of it for official purposes)
Children's education allowance – Rs.300 p.m. (his son is studying in the university)
Hostel allowance – Rs.500 p.m. (his son resides in the university hostel)
He paid Rs.300 p.m. employment tax.
He contributed Rs.56,400 to RPF and the company contributed Rs.54,400 for the same.
The interest credited at 12% p.a. on the accumulated balance Rs.3,40,000.
He paid Rs.2,000 as life insurance premium during the PY.
Compute his taxable income from salary and deductions U/S 80C.

3. Mr. Ayush owns 5 houses, the municipal value of which are Rs.10,000, Rs.8,000, Rs.6,000, Rs.4,000 and Rs.8,000 respectively. He lived in the 1st house, runs his business in the 2nd house and he has let out the other 3 houses for Rs.400, Rs.350 and Rs.1000p.m. respectively. The 5th house was vacant for 2 months. A loan of Rs.50,000 was taken at 15%p.a. for the construction of the 5th house which began on 1-6-2017 and completed on 31-7-19. For the PY the interest paid by him amounted to Rs.7,500. Municipal taxes were assessed and paid at 10% of the municipal valuation. During the year he recovered unrealised rent Rs.2,000 which was claimed as deduction and incurred an expense of Rs.200 for the same. Compute his income form House Property for the PY

4. From the following Profit and Loss A/c of Mr. Vinod Mehta, compute the income from business.

	Rs.		Rs.
To Salary	15,000	By Gross profit	1,60,000
To General Expenses	15,000	By Bad debts recovered	
To Advertisements	4,000	(disallowed earlier)	2,000
To Interest on capital	2,000	By Profit on sale of	
To Interest on bank loan	500	residential house	3,25,000
To Bad debts	2,000	By Rent received	3,000
To Fire insurance premium let out property	100	By Dividend on Indian company shares	3,000
To Depreciation	4,000	By Interest on POSB A/c	1,000
To Reserve for GST	10,000		
To Income Tax	9,500		
To Donation to NDF	1,000		
To Local Tax on let out property	500		
To Motor car expenses	1,000		
To Net profit	4,29,400		
	4,94,000		4,94,000

Consider the following:-

1. Salary includes Rs.500p.m. drawn by Vinod as salary.
2. Advertisement includes Rs.1,200 being the cost of one neon sign board.
3. General expenses include Rs.1,200 being the fee paid to the CA in connection with income tax appeal before Appellate Tribunal.
4. ¼ of the car expenses related to personal use.
5. Depreciation is found to be in excess by Rs.1,500.
6. Actual bad debts amounted to Rs.1,000.

II. Answer any FOUR of the following : (4×10= 40 Marks)

5. Mr. A is working in a limited company since 1st October 2016 in the salary grade 4,800-200-5,000-500-10,000. The other particulars of this income for the financial year ending 31st March 2022 are as follows:
Dearness allowance – 40% of salary (60% paid under the terms of employment)
HRA – Rs.3,800 p.m. (He pays Rs.3,200 p.m. rent for his house)

Tiffin Allowance – Rs.150 p.m.
Servant allowance – Rs.300 p.m.
Compute the Gross Salary Income of Mr. A for the AY.

6. Sheethal retires from service after serving for 26 years and 7 months from XYZ Ltd., and received Rs.6,05,000 as gratuity. Her last drawn salary during February 2022 was Basic Rs.20,000, DA at 75% of Basic (80% is included for retirement benefits) and a commission of 1% on the turnover of Rs.12,50,000 achieved during the last 10 months. Compute taxable Gratuity if Sheethal is
1.Covered by the Payment of Gratuity Act of 1972
2.Not covered by the Payment of Gratuity Act of 1972

7. During the year Mr.Mohan sold the following assets:
1.Residential house let out purchased for Rs.7,60,000 in December 2017 sold for Rs.28,00,000 on 30-03-2022.
2.Self-cultivated Agricultural land in Patna purchased on 1-1-2010 for 1,20,000 sold on 1-2-2022 for Rs.4,50,000.
3.Machinery purchased in July 2021 for Rs.10,000 sold for 12,000 in February 2022.
4.Motor Truck purchased during the year for Rs.1,30,000 sold for 1,20,000 in February 2022.
5.Residential house purchased in July 2008 for Rs.4,50,000 sold for Rs.20,00,000 on 1st January 2022. During the year he purchased a new residential house for Rs.5,00,000. The expense incurred to sell the let out house is Rs.1,000. Compute his taxable capital gains. (CII for 2008-09:137, 2009-10:148, 2017-18:272, 2018-19:280, 2019-20:289, 2020-21:301, 2021-22:317)

8. Mrs. Parinitha's investments during the year ended on 31st March, 2022 consisted of the following

- Rs.35,000 -10% Govt. Securities.
- Rs.20,000 - 12% Poona Municipal bonds.
- Rs.40,000 - 9% Bombay Port Trust Bonds.
- Rs.20,000 - 7 Year Post Office NSC.
- Rs.20,000 - 9% Securities issued by foreign government
- 7% - Govt. Bonds - Rs.18,000.
- 7% - National Plan Certificates Rs.5,000.

He paid Rs.120 as commission for collecting the interest taxable under the head interest securities and Rs.2,400 as interest on loan taken for the purpose of purchasing the Bombay Port Trust Bonds. Find out his income from other sources.

9. Mr. Kiran's gross total income for the PY is Rs. 40,00,000. He makes the following donations in the PY
Maharashtra Chief Minister Relief Fund Rs. 10,000
National Foundation for Communal Harmony Rs. 15,000
Rs. 10,000 for an Educational Institution of National Eminence
Rs. 5,000 to National Children's Fund
Swachh Bharat Kosh Rs. 20,000
Municipal Corporation for promotion of family planning Rs. 40,000
Minority Community Corporation notified Rs. 25,000
Repairs of notified church Rs. 50,000
Compute his taxable income.

III. Answer any FOUR of the following : (4×5= 20 Marks)

10. Write a note on:
1.Previous Year
2.Assessment Year

11. Mr Rickson a foreigner came to India for the first time on 1st April 2014. He stayed here continuously for 3 years and went to France on 1st April 2017. He returned to India on 1st January 2018 and remained here until 1st July 2018, when he left for England. He again came to India on 1st November 2019 on official work and remained here till 31st July 2020 when he went back to England. He came to India on a service assignment on 25th January 2022. What is his residential status for the PY 2021-22.

12. Mr. Pradeep, government employee receives basic salary of Rs.15,000p.m. Pradeep was given Rs.1,000p.m. as entertainment allowance, but he spent only Rs.4,000. Calculate amount of deduction allowed under section 16(ii)?

13. From the following information compute depreciation allowable for the assessment year.

Particulars	Rs.
WDV of furniture on 1-4-2021	2,50,000
Furniture purchased in June 2021	30,000
Furniture purchased in January 2022	40,000
Part of furniture sold in February 2022	5,000
Rate of depreciation -10%a	

14. From the following particulars furnished by Mr Chaithanya, Compute Deductions u/s 80C.
    1.Paid life insurance premium of Rs.6,000 during the Year.
    2.Deposited Rs.10,000 in HLA a/c opened in SBI
    3.Paid towards annuity plan of LIC for receiving pension Rs.15,000
    4.Invested in ULIP of UTI Rs.5,000
    5.Purchased IDBI Infrastructure bonds of Rs.18,000.

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