

CHOICE BASED CREDIT SYSTEM
B.Com. SIXTH SEMESTER DEGREE EXAMINATION MAY 2023
COMMERCE
Financial Accounting VI

Duration:3 Hours

Max Marks:120

I. Answer any THREE of the following :

(3×20= 60 Marks)

1. From the following balance of Dhanalaxmi Bank Ltd. prepare a Profit & Loss Account and a Balance Sheet.

Balances on 31.12.2020

Current Accounts	45,50,000
Savings Bank accounts	14,52,000
Fixed & Time Deposits	37,18,000
Sundry Creditors	45,500
Sundry Creditors	12,20,000
Bills for Collection	22,10,000
Acceptances & Endorsements for Customers	11,16,800
Rebate on Bills Discounted	1,500
Branch Adjustments (Cr.)	4,55,500
Reserve Fund	10,00,000
Dividend Equalisation Fund	2,50,000
Capital 20,000 shares of Rs.100 each Rs.50 per share paid	10,00,000
Interest & Discount Received	5,80,000
Exchange & Commission (Cr.)	1,70,000
General Charges Recovered	5,500
P & L A/c Balance (Cr.) 1-1-2020	85,200
Cash in Hand	48,750
Cash with other Banks	6,86,950

Money at Call	1,50,000
Investments in Govt. Securities	45,20,000
Investment in Shares	4,70,000
Interest Accrued on Investments	87,500
Cash Credit & Loans	44,10,000
Bills Purchased & Discounted	33,10,000
Furniture & Fixtures, etc.	50,000
Depreciation Reserve	50,000
Interest Paid	1,20,000
Exchange & Commission Paid	10,000
Salaries	2,40,000
Director's Fees	10,000
Stationery & Advertisements	40,000
Miscellaneous Expenses	30,000
Premises	4,00,000
You are required to provide the following: Reserve for Taxation	50,000
Transfer to Reserve Fund	1,50,000
Transfer to Dividend Equalisation Fund	50,000

2. The following balances are extracted from the books of Seema Insurance Co. Ltd. as on 31.3.2020.

	Fire Rs.	Marine Rs	
Claims Paid	1,00,000	87,000	
Premiums Less Reinsurance received during the year	3,74,000	2,97,000	
Commission on Reinsurance Ceded	13,000	--	
Commission	62,000	51,000	
Expenses of Management	86,000	51,000	
Depreciation on Assets			36,000
Loss on Realisation of Investment			8,000
Audit Fee			13,000
Director's Remuneration			36,000

Interest & Dividend on Investment			63,000
Reserve for Unexpired Risks as on 1.4.2019	2,10,000	2,40,000	
Additional Reserves as on 1.4.2019	60,000	10,000	
Claims outstanding as on 1.4.2019	24,000	11,000	
Premium outstanding as on 1.4.2019	26,000	17,000	
Additional information: Premium outstanding as on 31.3.2020	30,000	15,000	
Claim outstanding as on 31.3.2020	46,000	17,000	

Out of the above a fire claim amounting to Rs.11,000 was covered by reinsurance.

1) Reserve for unexpired Risk is to be maintained at:

50% of net premium and at 100% net of premium of fire and marine respectively.

2) Additional Reserve for Fire is to be maintained at 20% of net Premium.

3) Interest accrued on Investment Rs.13,000.

Prepare Revenue Accounts and Profit and Loss Account for the year ended 31.3.2020.

3. The summarized Balance sheets of Nuthan Ltd., as on 31-12-2021 and 31-12-2020 are as follows:

Balance Sheets

Liabilities	2020(RS)	2021 (RS)	Assets	2020(RS)	2021 (RS)
Share capital	2,25,000	2,25,000	Fixed Assets	2,00,000	1,60,000
General reserve	1,50,000	1,55,000	Investments	25,000	30,000
P&L a/c	28,000	34,000	Stock	1,20,000	1,05,000
Creditors	84,000	67,000	Debtors	1,05,000	2,27,500
Tax Provisions	37,500	5,000	Bank	74,500	98,500
Mortgage loan	-	1,35,000			
	5,24,500	6,21,000		5,24,500	6,21,000

Additional details:

1. Investments costing Rs. 4,000 were sold for Rs.4,250.

2. Tax provisions made during the year was Rs.4,500

3. During the year part of the fixed assets costing Rs.5,000 was sold for Rs.6,000

and the profit was included in P&L account. You are required to prepare cash flow statement for 2021 .

4. Following is the summarised Balance Sheet of ABC Ltd as on 31 March 2019

Liabilities	Rs	Assets	Rs
Equity Share Capital	2,50,000	Goodwill	20,000
6% Preference Share Capital	1,50,000	Building	2,50,000
General Reserve	20,000	Machinery	1,75,000
Profit and Loss A/c	15,000	Furniture	10,000
5% Debentures	1,00,000	Stock	90,000
Creditors	28,000	Debentures	21,000
Billa Payable	12,000	Bank	5,000
		Preliminary Expenses	4,000
	5,75,000		5,75,000

Additional Information:

1.Total sales Rs 4,00,000 of which 20% made on credit.

2.Gross Profit for the year Rs 80,000 and net profit Rs 20,000.

Calculate 1) Current Ratio 2) Liquid Ratio 3) Debt Equity Ratio 4) Gross Profit Ratio 5) Net Profit Ratio 6) Proprietary Ratio.

II. Answer any FOUR of the following :

(4×10= 40 Marks)

5. From the following information prepare the Profit and Loss Account AMC Bank Ltd. for the year ended 31.03.2020 as per the statute.

	Rs
Interest on loan	64750
Interest on fixed deposits	68750
Commission	1800
Rebate on bills discounted required	12250
Exchange and brokerage	250
Employees' salaries	13500
Discount on bills discounted (gross)	48750
Interest on cash credits	55750
Interest on current accounts	10500

Rent and taxes	4500
Interest on overdraft	13500
Directors fees	750
Auditors fees	300
Interest on savings bank deposits	17000
Postage and telegram	350
Printing and stationery	725
Sundry charges	425
Depreciation on bank property.	1050

Bad debts to be written off amounts of Rs.10,000. Provision for taxation may be made at 50%.

Balance of profit from last year was Rs.30,000. Transfer 25% of profit to statutory reserve and the directors have recommended a dividend of Rs.5,000 for the shareholders.

6. What are the Regulatory requirements of NBFC in India?
7. On 31 December 2020, the books of the Ideal Insurance Co. Ltd. contained the following particulars in respect of fire insurance:

	Rs.
Reserve for unexpired risks on 31.12.2019	5,00,000
Additional Reserve on 31.12.2019	1,00,000
Claims paid	6,40,000
Estimated liability in respect of outstanding claims	
On 31.12.2019	65,000
On 31.12.2020	90,000
Expenses of management (including Rs.30,000 legal expenses paid in connection with the claims)	2,80,000
Re-insurance premiums	75,000
Re-insurance recoveries	20,000
Premiums	11,20,000
Interest and Dividends	64,520
Income-tax on above	6,520

Profit on sale of investments	11,000
Commission paid	1,52,000

Prepare the Fire Insurance Revenue Account for the year 2020 reserving 50% of the premiums for unexpired risks and keeping an additional reserve of Rs.75,000.

8. The net profits of the company after providing for taxation for the past five years are Rs.42000, Rs. 47000, Rs.43000 Rs.41000 and Rs.47000.

The capital employed in the business is Rs. 400000 on which reasonable rate of return of 10% is expected.

Calculate the goodwill under a) Capitalisation of Average profit b) Capitalisation of super profit.

9. Balance Sheets as at 31 March

Liabilities	2018	2019	Assets	2018	2019
Paid up Capital	2,00,000	2,00,000	Fixed Assets	4,34,400	4,39,620
Reserves and Surplus	1,34,500	1,69,000	Stock	1,12,320	98,920
Debentures	2,00,000	2,00,000	Debtors	22,520	23,420
Bills Payable	25,500	13,000	Cash	30,760	52,040
Creditors	40,000	32,000			
	6,00,000	6,14,000		6,00,000	6,14,000

Calculate a) Current Ratio b) Liquidity Ratio c) Debt Equity Ratio d) Proprietary Ratio.

III. Answer any FOUR of the following :

(4×5= 20 Marks)

10. Write a note on Non Performing Assets.
11. How do you treat the following in the Final Accounts of Life Insurance Companies
- Income from Investments
 - Outstanding Premium
 - Bonus in reduction of Premium
 - surrenders
 - Expenses of Management

12. How do you treat the following in the Final Accounts of General Insurance Companies.

1. Claims Outstanding
2. Premium Earned
3. Operating expenses
4. Profit on sale or revaluation of investment of asset
5. Borrowings

13. M and Co Ltd decided to purchase a business for Rs 80,000. Its Profits for the last 4 years are

Year	2015	2016	2017	2018
Profit	10,000	12,500	12,000	11,500

To cover management cost, an annual charge of Rs 3,000 has to be made.

Find out the amount of goodwill, if it is valued on the basis of three years purchase of the average net profits for the last four years.

14. Show how will you calculate the following Ratios

- a) Stock Turnover Ratio b) Debt -Equity Ratio c) Debtors Turnover Ratio

SCHEDULES

Schedule No	Banking Company	Life Insurance Company	General Insurance Company
1	Capital	Premiums	Premium earned
2	Reserves & Surplus	Commission	Claims paid
3	Deposits	Operating Expenses	Commission
4	Borrowings	Benefits paid	Operating Expenses
5	Other Liabilities & Provisions	Share capital	Share capital
6	Cash & Balance with RBI	Reserves & Surplus	Reserves & Surplus
7	Balance with Banks & Money at Call & Short Notice	Borrowings	Borrowings
8	Investments	Investments	Investments
9	Advances	Loans	Loans
10	Fixed assets	Fixed assets	Fixed assets
11	Other assets	Cash & Bank balances	Cash & Bank balances
12	Contingent Liabilities	Advances & Other Assets	Advances & Other Assets
13	Interest earned	Current Liabilities	Current Liabilities
14	Other income	Provisions	Provisions
15	Interest expended	Miscellaneous Expenditure	Miscellaneous Expenditure
16	Operating expenses		

CHOICE BASED CREDIT SYSTEM**B.Com. SIXTH SEMESTER DEGREE EXAMINATION MAY/ JUNE 2023****COMMERCE****Auditing****Duration:3 Hours****Max Marks:120**

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

1. The main purpose of Auditing is detection and prevention of errors and frauds.Elaborate.
2. What are the provisions in the Companies Act for Appointment,Civil and Criminal liabilities of a Company Auditor?
3. Explain the objectives of Internal Control.
4. Elaborate on the verification of any four Non-Current Assets.

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

5. What is Auditing? Explain its scope.
6. What are the objects of an Audit Programme? How should an Audit Programme be prepared?
7. Discribe the advantages and limitations of Internal Control System.
8. Explain the concept of Routine Checking.
9. Explain the types of Auditor's Report.

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

10. Write a note on Resignation of a Company Auditor.
11. Explain the types of Errors and Frauds
12. Differentiate between Audit and Investigation.
13. How will you vouch payment to Creditors?
14. State the contents of Audit Report.

CHOICE BASED CREDIT SYSTEM**B.Com. SIXTH SEMESTER DEGREE EXAMINATION MAY/ JUNE 2023****COMMERCE****Marketing Management****Duration:3 Hours****Max Marks:120****I. Answer any THREE of the following :****(3×20= 60 Marks)**

1. What is a buying motive? Explain the types of buying motives.
2. Explain the internal and external factors affecting pricing decisions.
3. Explain the different types of Advertising Media available to advertisers to advertise their products.
4. What is Marketing Research? Elaborate the process of conducting Marketing Research.

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

5. Macro environment forces have considerable influence on any organisations marketing system. Elaborate.
6. Explain the stages in the development of a completely new product.
7. Explain the components of supply chain performance.
8. What is meant by advertising? Explain the advantages and limitations of advertising.
9. Critically evaluate the techniques used in conducting Marketing Research.

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

10. What is a market? Explain the classification of Markets on the basis of i) Transaction ii) Regulation iii) Competition iv) Demand and supply.
11. Explain any 5 benefits of Market segmentation.
12. Explain how consumers are benefited by branding.
13. Write short notes on (a) Speciality advertising (b) Political advertising (c) Trade advertising
14. "Marketing needs the services of middlemen but not too many". Justify this statement.

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CHOICE BASED CREDIT SYSTEM
B.Com VI SEMESTER DEGREE EXAMINATION MAY/JUNE 2023
COMMERCE
Corporate Governance and Ethics

Duration:3 Hours

Max Marks:120

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

1. Describe the Anglo American and German Model of Corporate Governance.
2. "Consumers are the king and sovereign deciding on the market forces and quality". Elaborate on the steps taken to protect their interests.
3. Who is a Director? Describe the role of a director in promoting Corporate Governance.
4. Explain the common unethical practices in finance in the Indian business organisation. How can unethical practices in finance be stopped?

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

5. Explain Transaction Cost Theory of Corporate Governance.
6. Describe the recommendation of Narayana Murthy Committee.
7. Who is an Executive Director? Explain the role of executive director.
8. Define Ethical Dilemma. Describe the types of ethical dilemma.
9. Explain the disadvantage of Corporate Social Responsibility.

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

10. Write the needs for Corporate Governance.
11. Who is an Additional and an Alternate Director?
12. What are the features of Ethical Dilemma?
13. What is Sexual Harassment? Write different circumstances at which it occurs.
14. Define Corporate Social Responsibility. What are the dimensions of Corporate Social Responsibility?

CHOICE BASED CREDIT SYSTEM**B.Com. SIXTH SEMESTER DEGREE EXAMINATION MAY/ JUNE 2023****COMMERCE****Indirect Taxes**

Duration:3 Hours

Max Marks:120

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

1. Explain the features and benefits of GST.
2. Ms. Naveli is a registered dealer in Goa. She furnishes the following information for the month. Compute the taxable turnover and GST payable.
 1. Goods of Rs. 12,00,000 sold to a dealer at Bihar (GST 5%)
 2. Commodity worth Rs. 5,25,000 sold to an unregistered dealer of Arunachal Pradesh (GST 12%)
 3. Goods of Rs. 3,30,000 supplied within state (GST 28%)
 4. Product A supplied to a dealer at Panaji, Goa for Rs. 8,17,500 (GST 18%)
 5. Product B worth Rs. 4,50,000 sent to job worker at Margao, Goa (GST 5%)
 6. Goods worth Rs. 7,50,000 supplied to a unit of SEZ at Mumbai (GST 18%)
 7. Goods worth Rs. 4,50,000 supplied to Andaman Islands (GST 28%)
 8. Goods worth Rs. 5,62,000 received from an registered dealer in Ponda, Goa (GST5%)
 9. Commodity C supplied to a dealer at France for Rs. 11,47,500 (GST 12%)
 10. Supplied goods worth Rs. 1,27,500 to Kochi (GST 18%)
 11. Goods of Rs. 3,75,000 supplied directly from job workers place to dealer of Mapusa, Goa (GST 12%)
 12. Commodity D worth Rs. 9,15,000 transferred to her branch in Maharashtra (GST 5 %)
 13. Goods purchased from an registered dealer of Panaji, Goa for Rs.15,00,000 (GST12%)
 14. Goods worth Rs. 4,87,500 supplied to a registered dealer at Mangaluru (GST 28%)
 15. Goods worth Rs. 3,00,000 received from job worker (GST 5%)
 16. Goods worth Rs. 12,00,000 sent to job worker at Ponda, Goa. He supplied the goods directly after processing to a dealer at Mumbai for Rs. 5,50,000 and a registered dealer at Margao, Goa for Rs. 6,50,000 (GST 18%)
 17. Goods sold to a dealer of Chennai who is registered under composition scheme for Rs. 4,50,000 (GST 12%)
 18. Goods purchased from a registered dealer at Madgao, Goa for Rs. 4,50,000 (GST5%)
 19. Total IGST and CGST/SGST Rs. 12,00,000
3. Ms. Chaya a dealer of Mangaluru submits the following information in relation to manufacture and selling of a machine. Compute the Net GST payable by Ms. Chaya.
 - Import of raw materials (excluding BCD at 10% and IGST at 5%) - Rs. 5,40,000
 - Raw materials purchased from Mangaluru (including GST at 28%) - Rs. 7,00,000
 - Import of technical know-how from Japan (excluding BCD at 10% and IGST at 18%) - Rs. 5,75,000
 - Raw materials purchased from Mumbai GST at 5% - Rs. 1,25,000

- Subsidy received from an NGO directly related to price of the goods - Rs. 75,000
- Penalty levied by Abco Ltd. for delayed payment - Rs. 2,300
- Subsidy received from Central Government directly linked to the price of the output - Rs. 45,000
- Additional incentives paid to the employees of sales department - Rs. 23,000
- Warranty charges - Rs. 11,800
- Manufacturing expenses - Rs. 23,000
- Services received from a registered dealer to manufacture a machinery; rate of GST applicable 18% - Rs. 20,000
- Services received from specialist from Pune, these goods are exempt from tax - Rs. 77,000
- Purchased raw materials which are charged at zero rate - Rs. 2,00,000

Along with the machine, Ms. Chaya supplied two accessories worth Rs. 90,000 in total which are naturally bundled along with machine. GST rate of the two products are 12% and 28% respectively.

Ms. Chaya sold the machine to Mr. Shahid a registered dealer in Bengaluru at a profit of 16% on selling price of the machine and the rate of GST on such sale is 18%.

4. A commodity is imported by ABC Ltd., of India from XYZ Ltd. of China. Determine the duty liability under the Customs Act, 1962 from the following information:

Cost of the imported product \$ 30,000

Packing charges are \$ 6,000

Returnable container \$ 300

Design and development charges \$ 500

Paid commission in India to broker who arranged the deal abroad Rs.10,000

Freight from China to airport of New Delhi \$ 6,000

Cost of insurance is paid on product but no details available

Transport cost incurred by supplier from his factory to airport in China \$ 200

ABC Ltd. paid Rs. 5,000 as transport cost from New Delhi airport to factory

ABC Ltd. sent goods to the exporter which was used in manufacturing the product Rs. 2,00,000

Date of Bill of Entry- 15.1.2023 (Rate of basic customs duty at 10%, IGST at 28%, exchange rate as notified by CBIC Rs. 82 per US \$)

Date of entry inward- 12.11.2022 (Rate of basic customs duty at 18%, IGST at 28%, exchange rate as notified by CBIC Rs. 83 per US \$)

Countervailing duty payable at 16%.

Social welfare surcharge is as applicable

As per notification issued by the Government of India, safeguard duty has been imposed on these goods at 30% ad-valorem

Anti-dumping duty imposed on these goods imported from China at 40%

Compensation cess applicable at 30%

II. Answer any FOUR of the following :

(4×10= 40 Marks)

5. A. State any five taxes subsumed to implement GST. **(5 Marks)**
 B. Classify GST. **(5 Marks)**

6. What is Supply? Explain the classification of Supply under GST.
7. A. Amazon Traders, Mangaluru is a registered trader under GST, they purchased a few items from an agriculturist. Determine the time of supply from the following information: **(5 Marks)**

Item Purchased	Date of Receipt of goods	Date of the bill issued by the supplier	Date on which payment is entered in the books of account	Date on which payment is debited in bank A/c
Cashew Nuts	5/11/2022	4/11/2022	5/11/2022	6/11/2022
Raw Cotton	8/10/2022	10/10/2022	1/10/2022	3/10/2022
Beedi Leaves	18/12/2022	12/11/2022	13/12/2022	14/12/2022
Tobacco leaves	16/10/2022	1/9/2022	5/9/2022	3/9/2022
Cashew Nuts	5/12/2022	3/12/2022	5/12/2022	7/12/2022

- B. From the following details determine the time of supply. **(5 Marks)**

Sl. No.	Date of Service Provided	Date of Invoice	Date on which payment received
1.	1/10/2022	30/10/2022	15/11/2022
2.	10/11/2022	30/12/2022	15/12/2022
3.	10/11/2022	30/10/2022	15/11/2022 (part) 10/12/2022 (balance)
4.	10/10/2022	24/11/2022	6/10/2022 (part) 19/12/2022 (balance)

8. From the following information you are required to calculate assessable value and the amount of GST payable by the dealer on his transaction (GST rate at 12%):

Selling price includes the following:

- Cost of durable and returnable packing Rs. 65,000
- Trade discount (it is allowed before or at the time of supply) Rs.75,000

The sale price of Rs.4,50,000 does not include the following:

1. Selling expenses Rs. 25,000
2. Insurance cost Rs. 10,000
3. Warranty expenses Rs. 25,000
4. Design and development charges Rs. 18,000
5. Pre-delivery inspection charges Rs. 13,000
6. Packing cost Rs. 17,000
7. Material purchased (exclusive of GST) Rs. 2,00,000
8. Publicity expenses Rs. 30000
9. Taxes, duties, cesses, fees and charges Rs. 75,000
10. Transportation charges Rs. 25,000
11. Installation and erecting expenses Rs. 30,000
12. Freight charges Rs. 50,000
13. Advertising charges Rs. 15,000

9. A. Mention persons who are not liable for registration. (5 Marks)
B. State any five requirements for registration under GST. (5 Marks)

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

10. From the following particulars compute aggregate turnover of XYZ Ltd. for the year:
1. Supplies interstate to dealer in Maharashtra Rs. 7,00,000
 2. Supplies intrastate to a dealer in Bengaluru Rs. 8,40,000
 3. Exempt supplies to a dealer in Goa Rs. 4,00,000
 4. Export supplies to China Rs. 5,00,000
 5. IGST Rs. 80,000, SGST Rs. 45,000, CGST Rs. 45,000 paid
 6. Inward supply of goods Rs. 12,00,000
11. Determine the place of supply in the following cases:
1. Mr. Karthik of Mumbai, Maharashtra sells goods to Mr. Shahid of Bengaluru, Karnataka.
 2. Mr. Aman of Nagpur, Maharashtra sells goods to Mr. Akbar of Ahmedabad, Gujarat for delivery at Mr. Akbar place of business in Ahmedabad.
 3. Ms. Chaya (a supplier registered in Uttar Pradesh having principal place of business at Noida) asks Ms. Ananya of Ahmedabad, Gujarat to deliver goods to her buyer Mr. Raj at Jaipur, Rajasthan.
 4. Mr. Ram (Chennai) has leased his machine to Mr. Ranjan (Hyderabad) for production of goods on a monthly rent. After a year Mr. Ranjan requested Mr. Ram to sell the machine to him, which is agreed to by Mr. Ram.
 5. ABC Ltd. (Mandya, Karnataka) opens a new branch office at Kochi, Kerala. It purchases a building for office from Supreme Builders (Kochi). It also enters into a separate contract with Supreme Builders for purchase of pre-installed office furniture and fixtures in the building.
12. Mr. Jacob has sold goods from Mandya to Mr. Aman of Mangaluru worth Rs. 50,000. After getting these goods, Mr. Aman resells it to Ms. Aadya of Bihar for Rs. 80,000. Rate of CGST & SGST at 2.5% respectively and IGST at 5%. Electronic Credit Ledger of Mr. Jacob shows the credit balance of IGST Rs. 500, CGST Rs. 500 and SGST of Rs. 4,000. Calculate tax payable under GST.
13. From the following details compute GST payable:
1. Selling price of the machine Rs. 1,50,000
 2. Cost of durable and returnable container included in the sale price Rs. 5,000
 3. Design and development charges Rs. 20,000.
 4. Warranty charges paid by the seller Rs. 3,000.
 5. Rate of GST 18%.
14. An importer imported commodity Z from People's Republic of China. Assessable was US \$ 20000 and quantity 1000 kgs. Exchange rate was 1 US \$ = Rs. 83 on date of presentation of bill of entry. Customs duty rates are
1. Basic customs duty 10%
 2. Social welfare surcharge at 10%
- The Anti-dumping duty will be equal to the difference between the cost of commodity calculated at US \$ 27.67 per kg and landed value of commodity imported. IGST at 5%. Compute custom duty liability.

CHOICE BASED CREDIT SYSTEM**B.Com. SIXTH SEMESTER DEGREE EXAMINATION MAY/ JUNE 2023****COMMERCE****Total Quality Management****Duration:3 Hours****Max Marks:120****I. Answer any THREE of the following :****(3×20= 60 Marks)**

1. Explain the advantages of TQM and the barriers to its implementation.
2. Explain the role of TQM Leaders.
3. Explain Kotter's Model of Change and discuss its significance in managing organizational change.
4. Avinash is the new general manager of administration at Phoenix Industries Ltd. He recently joined the company, after previously serving another for two years. He earned his M.B.A from top institution, deemed self-high-flier. As the new general manager of administration, he was excited and enthusiastic about his high-level position. Due to his youth and limited experience, Mr. Avinash was seen as a junior executive by his subordinates.

The company's administration department comprised four subunits: purchasing, record maintenance, printing, and secretarial services. Four managers reported directly to Mr. Avinash and team had 80+ years of experience and an average age of 45. Most had long tenures with the company and their current units, including Mr. As Avinash was young and inexperienced, the four managers were hesitant and suspicious about his appointment. They also had a preference for the former general manager, who had left the company.

Avinash, the new GM, held weekly department meetings but noticed that managers were reluctant to speak, leaving him as the sole contributor. He implemented efficiency-boosting changes and communicated them in weekly meetings, but management disregarded them. He spoke to them separately but they remained closed-off. The issue persisted. Avinash received complaints about administration department's services after two months, mainly related to printing and purchasing.

Avinash urged his managers to improve service during meetings, but saw little action from them. He got more complaints and grew more frustrated. On a particular day, he got upset after the third complaint about printing unit jobs that

week. He angrily left his house and went to the printing unit, only to find the manager was absent.

Avinash scolded the print operator and demanded a same-day re-do. The printing unit manager later informed the three other managers in a meeting. Manager says we need to act as Avinash is inexperienced, ineffective, and authoritarian. "I agree, he undermines us by going directly to our employees instead of communicating with us in meetings." Manager-secretarial services said, "I'm fed up." The manager-maintenance responded, "We don't have a choice." Avinash is highly respected by management. If we keep going like this, we'll ruin our careers since we can't communicate with him and higher-ups. "I suggest we search for other job opportunities." The group reluctantly agreed and the meeting concluded. Please shorten this text.

1. Describe the nature of the problems in this case. (7 marks)
2. Explain what could have been done to prevent the problems. (7 marks)
3. Outline the means you would propose to solve the problems. (6 marks)

II. Answer any FOUR of the following :

(4×10= 40 Marks)

5. Explain the process of supplier selection and rating. How can an organization develop an effective supplier selection and rating system?
6. Discuss the causes of resistance to change at the individual and group level.
7. What are the steps involved in the benchmarking process?
8. Explain the characteristics and need for Business Process Reengineering (BPR) and how it can help organizations achieve significant improvements in their operations and overall performance.
9. Explain different types of Quality Audit.

III. Answer any FOUR of the following :

(4×5= 20 Marks)

10. Companies that have successfully established a customer focus share a number of common characteristics. Explain.
11. Briefly explain the PDCA Cycle.
12. Explain any five external forces of change that can impact organizations.
13. What are the objectives of business process re-engineering (BPR) and how do they align with an organization's overall goals and strategies?
14. Explain the guidelines for Performance Improvement.

CHOICE BASED CREDIT SYSTEM**B.Com. SIXTH SEMESTER DEGREE EXAMINATION MAY/JUNE 2023****COMMERCE****Strategic Business Leader II**

Duration:3 Hours

Max Marks:120

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

1. A. Describe the five elements of effective control system. **(10 Marks)**
B. Explain the objectives of an internal control system. **(10 Marks)**

2. Elaborate on the business argument against corruption.

3. Robson has over 200 other hotels around the world. It is now considering investing in the building of a new hotel in an area that is attracting very wealthy people. The hotel is to be 'state of the art', and Robson's management is hoping that it will be the first 7-star hotel in the area. It is expected that the richest people in the world will want to holiday here and the hotel will, therefore, command a premium price. Robson hotel rooms can be booked online but only through an agent or intermediary travel website. Robson has heavily invested in IT security and typical processes in place at each hotel are listed below.

- A security policy to allocate responsibility for the information and systems in the hotel.

- A management structure with roles defined and documented, covering authorisation of purchases of software and hardware, and systems to prevent unauthorised access to data.

In particular, some staff have access to clients' details and credit card information and this is protected by employing reputable staff, investing in comprehensive training and by having supervision at all times.

- An asset register of all hardware and software owned by the hotel.

- Systems in place and monitored to minimise risks from error, fraud, theft or hacking. All staff are fully trained to be able to use the systems, reducing the number of errors that might occur.

- Controls to restrict access and provide physical security against fire and theft of reception and hotel computer equipment. This includes passwords, locks on doors, security cameras and fire extinguishers.

- All systems are developed in accordance with standards, tested and documented.

- Change control systems are in place to control all development and maintenance work thereafter.

- A continuity/disaster-recovery plan to cover all information systems, including backup, offsite fireproof storage of data and alternative hardware, software and building site requirements for recovery.

- Adequate insurance.

The new hotel will have suites rather than standard rooms meaning that there will be a living and dining area as well as a number of rooms attached to each suite. Each suite will follow an individual theme such as suites themed on a famous movie or international location. Each suite will be unique and prospective visitors will be able to choose their desired suite through their agent or intermediary website. Suites may often be used for business reasons as well as for pleasure and therefore each suite will have open access to the internet via superfast wired connections. This goes beyond the service provided in existing hotels where visitors often have to share a slow and simple wifi connection that has web filtering software that restricts downloads and access to certain types of internet sites.

Explain the IT risks that the new hotel might bring to Robson and recommend controls to overcome these risks.

4. a. Eastoft Feeds and Fertilisers Co uses a number of standard raw materials for its product range. Product F4's main raw material is 'EF1'. The average price per tonne for this material, which is

subject to seasonal change, for each quarter during 20X5 is given below. The material is in short supply. (10 marks)

20X5	Q1	Q2	Q3	Q4
Average price per tonne	\$40	\$44	\$64	\$76
Seasonal variation	-\$4	-\$8	+\$4	+\$8

Use the following sample table to determine the underlying trend in the average price of raw material 'EF1'.

20X5	Q1	Q2	Q3	Q4
Average price per tonne				
Seasonal variation				
Trend				

Assuming a similar pattern of price movements was to continue, complete the following table to determine the likely purchase price per tonne for each of the 4 quarters of 20X6.

20X6	Q1	Q2	Q3	Q4
Trend (increase of \$8 per quarter)				
Seasonal variation				
Forecast price per tonne				

b. In IST Co, this year sales amount to \$1,325,000. Analysis of recent years show a growth trend of 2% per annum. The seasonal variation has been estimated as follows:

Quarter 1	+\$12,000
Quarter 2	+\$18,000
Quarter 3	-\$25,000
Quarter 4	-\$5,000

Forecast the sales for each quarter of next year. (10 marks)

II. Answer any FOUR of the following :

(4×10= 40 Marks)

5. Explain the roles in Risk Management.
6. Provide examples of situations where:
 - a. Disclosure of information could be seen as acting in the public interest.
 - b. Lack of disclosure of the information could be seen as acting in the public interest.
7. Explain the organisational structure suggested by Mintzberg.
8. McClair's is a local hairdressing salon. It offers services exclusively for females. McClair's customers tend to be very fashion conscious and will attend McClair's at least once per fortnight for treatment. McClair's is a well-known brand in the area and its sole large site is located in the main street of the city's most fashionable district and clients will travel up to 5 kilometres to visit the store. Prices are set at a premium level and services are consistently rated as excellent. McClair's promotes itself by advertising in the city's fashion magazines and supplements as well as having high quality shop frontage which appeals to passing trade. Adverts feature pictures of models with fashionable hair and provide information on McClair's location and opening times. Clients are encouraged to book an appointment well in advance as stylists at the salon are often operating at full capacity and can be in high demand for popular appointment times. Stylists are regularly asked for advice on areas such as current trends, how to look after hair to ensure vitality, and recommended hair products. Clients will often want to be served by a particular stylist therefore McClair's keeps a manual booking system (going forward for 1 month in advance) which attempts to match appointments to available stylists. McClair's is considering expanding its capacity by purchasing recently vacated premises adjacent to its current site. It

aims to support this expansion with the launch of a new website accompanied with social media pages on popular social media networks in order to increase the business' visibility. It is however unsure whether the new website is actually necessary and whether it will gain any extra benefits beyond its usual marketing efforts.

Evaluate how the principles of interactivity and independence of location could be exploited through the launch of the new website.

9. Printplus Inc is a printing company that has recently begun implementing a new computerised job costing system. The project manager who had started the project is now no longer with the company. You have been asked to step into the role of the project manager and complete the task of implementing the new system.
- (a) Briefly describe the key factors that you will need to review in order to get to grips with the current status of the project.
- (b) Identify possible threats to timely completion of the project, and state briefly how they can be minimised.

III. Answer any FOUR of the following :

(4×5= 20 Marks)

10. Explain briefly the role of the Internal Audit Department.
11. What is Risk Appetite? How does it affect risk policy?
12. Elaborate on the Accountant's role in the distribution of power and wealth.
13. X Co has created a brand of electronic toothbrushes that can sync with a mobile phone to let the user know the appropriate length of time they should be spending brushing their teeth.
This is an example of _____
- A. Big data
B. Internet of things
C. 3D printing
D. Mobile technologies
14. At what stage of the project life cycle should the following events take place?
- Review progress to date against agreed performance measures and targets
 - Compare project costs and benefits to create a financial rationale for the project
 - Determine what project staff will be needed, when they will be needed and what roles each staff member will play
 - Evaluate why expected project benefits have not accrued
 - Make enabling changes to facilitate the achievement of proposed business changes.

CHOICE BASED CREDIT SYSTEM
B.Com. SIXTH SEMESTER DEGREE EXAMINATION MAY/JUNE 2023
COMMERCE
Strategic Business Reporting II

Duration:3 Hours

Max Marks:120

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

1. 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 and liabilities			
Equity capital (\$1 shares)	100,000	75,000	35,000
Retained earnings	200,000	50,000	40,000
Other component of equity	10,000	5,000	-
Liabilities	50,000	15,000	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 intra group 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.

2. On the 1 July 20X1 Saint acquired 60% of Albans, whose functional currency is Ds. The presentation currency of the Saint group is the dollar (\$). The financial statements of both entities are as follows.

Statement of financial position as at 30 June 20X2

	Saint(\$)	Albans
Assets	\$	D
Investment in Albans	5000	-
Loan to Albans	1400	-
Property, Plant and equipment	10000	15400
Inventories	5000	4000
Receivables	4000	500
Cash and cash equivalents	1600	560
Equity and liabilities		
Equity capital (\$1/D1)	10,000	1000
Share premium	3000	500
Retained earnings	4000	12500
Non current Liabilities	5000	5460
Current Liabilities	5000	1000

The following information is applicable

- Saint purchased the shares in Albans for D10,000 on the first day of the accounting period. At the date of acquisition, the retained earnings of Albans were D500. The fair value of Albans' net assets exceeded the carrying amount by D1,000. This fair value adjustment was attributable to plant with a remaining five-year life as at the date of acquisition.
- Just before the year-end Saint acquired some goods from a third party at a cost of \$800, which it sold to Albans for cash at a markup of 50%. At the reporting date all these goods remain in the inventories of Albans.
- On 1 June 20X2 Saint lent Albans \$1,400. The liability is recorded at the historic rate within the non-current liabilities of Albans.
- Saint measures non-controlling interests at acquisition at fair value. The fair value of the non-controlling interest in Albans at the date of acquisition was D5,000. An impairment review was performed and goodwill had reduced in value by 10% at 30 June 20X2
- On 1 July 20X1, Saint received a government grant for \$4,000. This grant was provided as a contribution towards the costs of training employees over the next two years. Saint has reduced its administrative expenses by the full \$4,000
- Exchange rates are as follows:

	D:\$1
1 July 20X1	2.0
Average rate	3.0
1 June 20X2	3.9
30 June 20X2	4.5

Prepare the equity section of the consolidated statement of financial position as at 30 June 20X2. With respect to Albans, your answer should explain why foreign exchange differences arise in the consolidated financial statements.

3. a. Dravid has owned 90% of Goomsy's ordinary shares for many years. On the last day of the reporting period, Dravid sold 5% of Goomsy's ordinary shares for \$5,000 (leaving it with a holding of 85%). At the date of the sale, net assets and goodwill of Goomsy were carried in the consolidated financial statements at \$70,000 and \$20,000 respectively. The NCI of Goomsy at acquisition was valued at fair value.

Required: Discuss how the share sale should be accounted for in the consolidated financial statements of the Dravid group? (5 Marks)

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

	\$000
Cost of investment	6000
Maude – Fair value of net assets at acquisition	2000
Maude – Fair value of a 40% investment at acquisition date	1000
Maude- Net assets at disposal	3000
Maude- Fair value of a 25% investment at disposal date	3500

Required

- (a) Assuming a full disposal of the holding and proceeds of \$10 million, calculate the profit or loss arising: (i) in Hague's individual financial statements (ii) in the consolidated financial statements.

- (b) Assuming a disposal of a 35% holding and proceeds of \$5 million: (i) calculate the profit or loss arising in the consolidated financial statements (ii) explain how the residual shareholding will be accounted for. (15 Marks)

4. a. You advise a client who is in the process of incorporating a new UKbased company. The company would qualify as a micro-entity and, as such, could apply FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime. Alternatively, it could apply FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

What factors should be considered when establishing whether the client should use FRS 105? (5 Marks)

- b. Cocoa purchased a debt instrument in the current reporting period that is measured at amortised cost. By the reporting date no actual defaults had occurred. However, due to a general economic decline, the directors of Cocoa concluded that credit risk associated with the remaining loan period had increased significantly. The following credit losses have been calculated: 12 month expected credit losses: \$0.3 million Lifetime expected credit losses: \$1.0 million.

Explain how the above should be dealt with under International Financial Reporting Standards and FRS 102. (5 Marks)

- c. 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? (5 Marks)

- d. On 1 January 20X1, Peanut acquired 30% of the ordinary shares of Almond for \$4 million. At this date, Almond's identifiable net assets were carried at \$10 million. This was the same as their fair value. The useful economic life of any goodwill acquired cannot be

measured reliably, but Peanut used the largest estimate permitted. In the year ended 31 December 20X1, Almond made a profit after tax of \$2 million. Required: In accordance with FRS 102, explain how the investment in the associate should be accounted for in the consolidated financial statements for the year ended 31 December 20X1. (5 Marks)

II. Answer any FOUR of the following :

(4×10= 40 Marks)

5. The management of a company have identified operating segments based on geographical location. Information for these segments is provided below:

Segment	Total Revenue	External Revenue	Internal revenue	Profit/ (Loss)	Assets
	\$000	\$000	\$000	\$000	\$000
Bangalore	260	140	120	98	3400
Mumbai	78	33	45	(26)	345
Chennai	150	150	-	47	995
Delhi	330	195	135	121	3800
Lucknow	85	40	45	(15)	580
Tamilnadu	97	54	43	12	880
	1000	612	388	237	10000

According to IFRS 8, which segments must be reported?

6. Identify related party relationships in the following cases:
- Entity A owns 60% of shares in Entity B and 70% in Entity C. Entity C owns 35% in Entity D.
 - Mr P owns all of the issued share capital of entity A. He also is a member of the key management personnel of entity B which, in turn, owns all of the issued share capital of entity C.
7. Parrot acquired 75% of the 5 million issued ordinary shares of Spring on 1 April 20X5, paying \$6.5m in cash. At this date, the retained earnings of Spring were \$2.5m. The retained earnings reported in the financial statements of Parrot and Spring as at 31 March 20X8 are \$10.8 million and \$4.5 million respectively. The group elect to measure non-controlling interest at fair value at the date of acquisition. The fair value of the non-controlling interest was \$2 million on 1 April 20X5. An impairment review performed on 31 March 20X8 indicated that goodwill on the acquisition of Spring had been impaired by 20%. Required: 1 Calculate the amounts that will appear in the consolidated statement of financial position of the P group as at 31 March 20X8 for: (a) Goodwill (b) Consolidated retained earnings
8. P purchased 60% of the shares of S on 1 January 20X1. At the acquisition date, S had share capital of \$10,000 and retained earnings of \$190,000. The property, plant and equipment of S includes land with a carrying value of \$10,000 but a fair value of \$50,000. Included within the intangible assets of S is goodwill of \$20,000 which arose on the purchase of the trade and assets of a sole-trader business. S has an internally generated brand that is not recognised (in accordance with IAS 38 Intangible Assets). The directors of P believe that this brand has a fair value of \$150,000. In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the financial statements of S disclose the fact that a customer has initiated legal proceedings against them. If the customer wins, which lawyers have advised is unlikely, estimated damages would be \$1 million. The fair value of this contingent liability has been assessed as \$100,000 at the acquisition date. The directors of P

wish to close one of the divisions of S. They estimate that this will cost \$200,000 in redundancy payments.

Discuss, with calculations, the fair value of S's identifiable net assets at the acquisition date.

9. Entities A and B are identical in all respects, except for their application of IAS 16 Property, Plant and Equipment. Entity A accounts for buildings using the cost model whereas Entity B uses the revaluation model. Property prices have risen recently and so Entity B recorded a revaluation gain at the beginning of the current reporting period. Extracts from the financial statements of both entities are provided below:

Statements of profit or loss (extracts)

	A \$000	B \$000
Revenue	220	220
Operating costs (including depreciation)	(180)	(210)
Profit from operations	40	10

Statements of financial position (extracts)

	A \$000	B \$000
Share capital	50	50
Retained earnings	90	60
Other components of equity	-	210
Total equity	140	320
Borrowings	100	100
Total equity and liabilities	240	420

Using ratio analysis, compare the financial statements of Entity A and Entity B and explain how the differences may impact stakeholder perception.

III. Answer any FOUR of the following :

(4×5= 20 Marks)

10. Mug has owned 80% of the ordinary shares of Glass for many years. During the current year, Mug sold inventory to Glass for \$250,000 making a gross profit margin of 40%. One quarter of this inventory remains unsold by Glass at the reporting date. The tax rate is 20%. Required: Discuss the deferred tax implications of the above transaction
11. What are the five issues that needs to be addressed when adopting IFRS Standards?
12. Major, a public limited entity, has numerous subsidiaries and has prepared consolidated financial statements for many years. Major acquired 40% of Tom's 100,000 \$1 ordinary shares on 31 December 20X4 for \$90,000 in cash. This holding gave Major significant influence over Tom. The retained earnings of Tom at this date were \$76,000. Major acquired a further 20% of Tom's ordinary shares on 31 December 20X6 for \$70,000 in cash. On this date, the fair value of the previous 40% holding in Tom was \$105,000 and Tom's retained earnings balance was \$100,000. The non-controlling interest at acquisition should be valued using the proportion of net assets method. Discuss how to account for the purchase of the additional 20% holding in Tom in the consolidated financial statements for the year ended 31 December 20X6.

13. Classify the following into Cashflow from operating, investing and financing activity
 - a. Capital element of lease payments
 - b. Cash received for the sale of investments
 - c. Salary paid to employees
 - d. Payments to redeem the entity's shares
 - e. Dividends paid

14. The directors of Carsoon are committed to producing high quality reports that enable its investors to assess the performance and position of the business. They have heard that the Board has published a Practice Statement on management commentary. However, they are unsure what is meant by management commentary, and the extent to which it provides useful information. Required: Discuss the nature of management commentary and the extent to which it embodies the qualitative characteristics of useful financial information (as outlined in the Conceptual Framework).

CHOICE BASED CREDIT SYSTEM
B.Com. SIXTH SEMESTER DEGREE EXAMINATION MAY/JUNE 2023
COMMERCE
Advanced Financial Management II

Duration:3 Hours

Max Marks:120

I. Answer any **THREE** of the following :

(3×20= 60 Marks)

1. CSL Co needs to borrow \$5 million for 6 months, starting in 4 months' time on 1st August.

The current SOFR rate is 3.50% but there is a risk that interest rates will change over the next few months by up to 0.5% either way, so the company's treasurer is considering hedging the interest payments using futures contracts or options. CSL Co can borrow at 25 basis points above the SOFR rate.

Current futures/options information:

Futures (\$500,000 3 month contracts)

June 96.40

September 96.10

December 95.86

Options on futures (premiums quoted as an annual percentage)

Exercise price	Call	Call	Call
	June	Sept	Dec
96.40	0.155	0.260	0.320

Exercise price	Put	Put	Put
	June	Sept	Dec
96.40	0.305	0.360	0.445

Estimate the likely financial position if CSL Co hedges the interest rate risk using:

a) futures contracts

b) options over futures contracts.

and recommend which method the company should use in this case.

2. **Roche Co**

Roche Co is a publicly listed company involved in the production of highly technical and sophisticated electronic components for complex machinery. It has a number of diverse and popular products, an active research and development department, significant cash reserves and a highly talented management who are very good in getting products to market quickly.

A new industry that Roche Co is looking to venture into is biotechnology, which has been expanding rapidly and there are strong indications that this recent growth is set to continue. However, Roche Co has limited experience in this industry. Therefore it believes that the best and quickest way to expand would be through acquiring a company

already operating in this industry sector.

Strand Co

Strand Co is a private company operating in the biotechnology industry and is owned by a consortium of business angels and company managers. The owner-managers are highly skilled scientists who have developed a number of technically complex products, but have found it difficult to commercialise them. They have also been increasingly constrained by the lack of funds to develop their innovative products further.

Discussions have taken place about the possibility of Strand Co being acquired by Roche Co. Strand Co's managers have indicated that the consortium of owners is happy for the negotiations to proceed. If Strand Co is acquired, it is expected that its managers would continue to run the Strand Co part of the larger combined company.

Strand Co is of the opinion that most of its value is in its intangible assets, comprising intellectual capital. Therefore, the premium payable on acquisition should be based on the present value to infinity of the after tax excess earnings the company has generated in the past three years, over the average return on capital employed of the biotechnological industry. However, Roche Co is of the opinion that the premium should be assessed on synergy benefits created by the acquisition and the changes in value, due to the changes in the price-to-earnings (PE) ratio before and after the acquisition.

Financial information

Given below are extracts of financial information for Roche Co for 20X3 and Strand Co for 20X1, 20X2 and 20X3:

Year ended 30 April	Roche Co 20X3 \$ million	20X3 \$ million	Strand Co 20X2 \$ million	20X1 \$ million
Earnings before tax	1,980	397	370	352
Non-current assets	3,965	882	838	801
Current assets	968	210	208	198
Share capital (\$0.25/share)	600	300	300	300
Reserves	2,479	183	166	159
Non-current liabilities	1,500	400	400	400
Current liabilities	354	209	180	140

The current average PE ratio of the biotechnology industry is 16.4 times and it has been estimated that Strand Co's PE ratio is 10% higher than this. However, it is thought that the PE ratio of the combined company would fall to 14.5 times after the acquisition. The annual after tax earnings will increase by \$140m due to synergy benefits resulting from combining the two companies.

Both companies pay tax at 20% per year and Strand Co's annual cost of capital is estimated at 7%. Roche Co's current share price is \$9.24 per share. The biotechnology industry's pre-tax return on capital employed is currently estimated to be 20% per year.

Roche Co has proposed to pay for the acquisition using one of the following methods:

- i) A cash offer of \$5.72 for each Strand Co share; or
 - ii) A cash offer of \$1.25 for each Strand Co share plus one \$100 3% convertible bond for every \$5 nominal value of Strand Co shares. In six years, the bond can be converted into 12 Roche Co shares or redeemed at nominal value.
- a) Based on the two different opinions expressed by Roche Co and Strand Co, calculate the maximum acquisition premium payable in each case. **(10 marks)**
- b) Calculate the percentage premium per share that Strand Co's shareholders will receive under each acquisition payment method and justify, with explanations, which payment method would be most acceptable to them. **(10 marks)**

3. Morgan Construction has suffered from losses in the last three years. Its statement of financial position as at 31 December 20X1 shows:

Non-current assets	\$	\$
Land and buildings		193,246
Equipment		60,754
Investment		27,000
		281,000
Current assets		
Inventory	120,247	
Receivables	70,692	190,939
Total assets		471,939
Equity and liabilities		
Ordinary shares-\$1		200,000
5% Cumulative preference shares-\$1		70,000
Profit and loss		(39,821)
		230,179
Non-current liabilities		
8% Debenture 20X4		80,000
Current liabilities		
Trade payables	112,247	
Interest payable	12,800	
Overdraft	36,713	161,760
		471,939

Sales have been particularly difficult to achieve in the current year and inventory levels are very high. Interest has not been paid for two years. The debenture holders have demanded a scheme of reconstruction or the liquidation of the company.

a) Show the likely position of the key stakeholders (ordinary shareholders, preference shareholders and debenture holders) if the firm goes into liquidation. (7 marks)

Assume that

1. The investment is to be sold at the current market price of \$60,000.
2. 10% of the receivables are to be written off.
3. The remaining assets were professionally valued as follows:

Land \$80,000

Building \$80,000

Equipment \$30,000

Inventory and work-in-progress \$50,000

b) During a meeting of shareholders and directors, it was decided to carry out a scheme of internal reconstruction. The following scheme has been proposed:

1. Each ordinary share is to be re-designated as a share of 25c.
2. The existing 70,000 preference shares are to be exchanged for a new issue of 35,000 8% cumulative preference shares of \$1 each and 140,000 ordinary shares of 25c each.
3. The ordinary shareholders are to accept a reduction in the nominal value of their shares from \$1 to 25c, and subscribe for a new issue on the basis of 1 for 1 at a price of 30c per share.
4. The debenture holders are to accept 20,000 ordinary shares of 25c each in lieu of the interest payable. It is agreed that the value of the interest liability is equivalent to the nominal value of the shares issued. The interest rate is to be increased to 9.5% and the repayment date deferred for three years. A further \$9,000 of this 9.5% debenture is to be issued and taken up by the existing holders.

5. The profit and loss account balance is to be written off.
6. The bank overdraft is to be repaid.
7. It is expected that, due to the refinancing, operating profits will be earned at the rate of \$50,000 per year after depreciation but before interest and tax.
8. Corporation tax is 21%.

Prepare the statement of financial position (balance sheet) of the company, assuming that the proposed reconstruction has just been undertaken. **(13 marks)**

4. **Gogarth Co's currency risk management**

Gogarth Co is an electrical equipment manufacturer, based in Malaysia, looking to develop its operations abroad. One of its biggest sales markets is the USA and Gogarth Co also imports components from the USA. Gogarth Co regularly hedges transactions in foreign currencies.

It is currently 1 May. On 31 August, Gogarth Co is due to pay \$14,500,000 to an American supplier and receive \$37,400,000 from an American customer.

The following quotations have been obtained:

Exchange rates (quoted as US dollar per Malaysian Ringgit US\$/MR1)

Spot: 0.2355 – 0.2358

Four months forward: 0.2370 – 0.2374

Currency futures (contract size MR500,000, futures price quoted as US\$/MR1)

Futures price

June 0.2366

September 0.2378

Currency options (contract size MR500,000, exercise price quoted as US\$/MR1, premium: US cents/MR1)

	Calls	Calls	Puts	Puts
Exercise price	June	Sept	June	Sept
0.2368	0.11	0.14	0.19	0.23

Futures and options contracts mature at the month end. The number of contracts to be used should be rounded to the nearest whole number in calculations. If the amount cannot be hedged using an exact number of futures or options contracts, the amount unhedged or over-hedged should be hedged using the forward market. For the purposes of the calculations, it should be assumed that the options are exercised.

Board queries about risk management

The head of Gogarth Co's treasury function gave a presentation about the treasury function and what it does to manage foreign exchange risk at the last board meeting

A new non-executive director has stated that he understands what the treasury function does in relation to the management of transaction risk, but is unclear on the treasury function's role in the management of economic risk.

a) Advise Gogarth Co on, and recommend, an appropriate hedging strategy for its US\$ cash flows on 31 August. Include relevant calculations. **(15 marks)**

b) Discuss the role of Gogarth Co's treasury function in relation to the management of economic risk in relation to foreign exchange. **(5 marks)**

II. Answer any FOUR of the following :

(4×10= 40 Marks)

5. Company K wishes to raise \$50 million. It would prefer to issue fixed rate debt and can borrow for one year at 6% fixed or SOFR + 80 points. Company L also wishes to raise \$50 million and to pay interest at a floating rate. It can borrow for one year at a fixed rate of

5% or at SOFR + 50 points.

Calculate the effective swap rate for each company – assume savings are split equally

6. A and B Co are listed on the Stock Exchange. Relevant information is as follows:

	A Co.,	B Power Co.,
Share price today	\$3.05	\$6.80
Shares in issue	48 million	13 million

A Co wants to acquire 100% of the shares of B Co. The directors are considering offering 2 new A Co shares for every 1 B Co share.

Calculate the gains to both sets of shareholders (in \$ and % terms) as a result of the share for share exchange, and evaluate whether the 2 for 1 share for share exchange will be likely to succeed. If necessary, recommend revised terms for the offer which would be likely to succeed.

7. Daniels Co, a mining company based in the fictitious country of Krownland, wishes to hedge 1 year foreign exchange risk, which will arise on an investment in Chile. The investment is for 800m escudos and is expected to yield an amount of 1,000m escudos in 1 year's time.

Daniels cannot borrow escudos directly and is therefore considering two possible hedging techniques:

(a) Entering into a forward contract for the full 1000m escudos receivable.

(b) Entering into a forex swap for the 800m escudos initial investment, and then a forward contract for the 200m escudos profit element.

The currency spot rate is 28 escudos to the krown, and the bank has offered a forex swap at 22 escudos/krown with Daniels making a net interest payment to the bank of 1% in krowns (assume at T1).

Interest rates	Borrowing	Lending
Krownland	15%	12%
Chile	N/A	25%

A forward contract is available at a rate of 30 escudos per krown.

Determine whether Daniels should hedge its exposure using a forward contract or a forex swap.

8. A company prepares a forecast of future free cash flow at the end of each year. A period of 15 years is used as this is thought to represent the typical time horizon of investors in this industry. It is assumed that the planning horizon is three years – i.e. returns are likely to grow each year for the first three years after which they will reach a steady state.

The following data is available:

Free cash flows are expected to be \$2.5 million in year 1, \$4.5 million in year 2 and \$6.5 million in year 3. The stock market value of debt is \$5m and the company's cost of capital is 10%.

Calculate the current value of the firm and the value of the equity.

9. What is corporate failure and its Research into the causes of corporate failure?

III. Answer any FOUR of the following :

(4×5= 20 Marks)

10. Assume that today is the 25th of January.

A company is going to borrow \$2,000,000 in two months' time for a period of three months. It fears that the current interest rate will rise from its current level of 5%, so it wants to use \$500,000 3-month interest rate futures to hedge the position. Data from the

futures market:

March futures price = 94.90

June futures price = 94.65

Calculate the result of the relevant futures hedge on the assumption that interest rates have risen to 7% and the futures price has moved to 92.90 in two months' time.

11. Discuss the advantages and disadvantages of the acquisition.
12. A five year project has an NPV of \$1.5 million. The project's cash flows are normally distributed and the annual standard deviation associated with the cash flows is \$0.4 million. Company policy is to accept only those projects where there is at least a 90% certainty that the net present value will be positive. Calculate the value at risk of the project, and advise whether it should be undertaken.
13. The industry sector average Market to Book ratio for the industry of X Co is 4.024. The book value of X Co is \$3,706 million and it has 1,500 million shares in issue. Calculate the predicted share price.
14. Why might the decision be made to liquidate a failing company rather than attempt to carry out a reconstruction?

CHOICE BASED CREDIT SYSTEM
B.Com. SIXTH SEMESTER DEGREE EXAMINATION MAY 2023
COMMERCE
Advanced Performance Management II

Duration:3 Hours

Max Marks:120

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

1. Landual Lamps (Landual) manufactures and delivers floor and table lamps for homes and offices in Bceland. The company sells through its website and uses commercial logistics firms to deliver their products. The markets for its products are highly competitive. The company has traditionally relied on the high quality of its designs to drive demand for its products.

The company is divided into two divisions (components and assembly), plus a head office that provides design, administrative and marketing support.

The manufacturing process involves:

1. the components division making the housing components and electrical components for the lamp. This is an intricate process as it depends on the specific design of the lamp and so serves as a significant source of competitive advantage for Landual
2. the assembly division assembling the various components into a finished lamp ready for shipment. This is a simple process.

The finance director (FD) of Landual is currently overloaded with work due to changes in financial accounting policies that are being considered at board level. As a result, she has been unable to look at certain management accounting aspects of the business and has asked you to do a review of the transfer pricing policy between the components and assembly divisions.

The current transfer pricing policy at Landual is as follows:

1. market prices for electrical components are used as these are generic components for which there is a competitive external market; and
2. prices for housing components based on total actual production costs to the components division are used as there is no external market for these components since they are specially designed for Landual's products.

Currently, the components division produces only for the assembly division in order to meet overall demand without the use of external suppliers for housing and electrical components. If the components division were to sell its electrical components externally, then additional costs of \$269,000 would arise for transport, marketing and bad debts.

The FD is considering two separate changes within Landual: one to the transfer pricing policy and a second one to the divisional structure.

First, the transfer pricing policy for housing components would change to use variable cost to the components division. The FD wants to know the impact of the change in transfer pricing policy on the existing results of the two divisions and the company. (No change is proposed to the transfer price of the electrical components.)

Second, as can be seen from the divisional performance report below, the two divisions are currently treated as profit centres. The FD is considering splitting the components division into two further separate divisions: an electrical components division and a housing components division. If the board agrees to this proposal, then the housing components division will be treated as a cost centre only, charging its total production cost to the assembly division. The electrical components and assembly divisions will remain as profit centres.

The FD needs to understand the impact of this proposed new divisional structure on divisional performance assessment and on the company as a whole. She has asked that, in order to keep the discussion on the new divisional structure simple, you use the existing transfer pricing policy to do illustrative calculations. She stated that she would reallocate head office costs to the two new components divisions in proportion to their cost of sales. You are provided with the following financial and other information for Landual Lamps. Actual data for Landual Lamps for the year ended 31 March 2013

	Components division	Assembly division	Landual Lamps
	\$000	\$000	\$000
Sales Electrical	1,557		
Housing	8,204		
sub-total	9,761	15,794	15,794
Cost of sales			
Electrical	804	1,557	
Housing	6,902	8,204	
sub-total	7,706	9,761	7,706
Fixed production costs			
Electrical	370		
Housing	1,302		
sub-total	1,672	1,268	2,940
Allocated head office costs	461	2,046	2,507
Profit	(78)	2,719	2,641

Note:

The components division has had problems meeting budgets recently, with an adverse variance of \$575,000 in the last year. This variance arises in relation to the cost of sales for housing component production.

- a. Advise the finance director (FD) on the impact of changing the transfer pricing policy for housing components as suggested by the FD and comment on your results, using illustrative calculations as appropriate.
 - b. Evaluate the impact of the change in proposed divisional structure on the profit in the divisions and the company as directed by the FD.
2. Cantor Group (Cantor) is a listed company with two subsidiaries, both involved in food and drink retailing in the small country of Deeland. Its mission is 'to maximise shareholder value through supplying good value food and drink in appealing environments for our customers'.
- Cantor Cafes (Cafes) is the original operating company for the group and is a chain of 115 cafes specialising in different coffee drinks but also serving some simple food dishes. Cafes has been running successfully for 15 years and has reached the limit of its expansion as the cafe market is now considered to be saturated with competition. Further growth will occur

only as the opportunity to obtain profitable, new sites is presented, although such opportunities are not expected to be significant over the next few years.

Cantor Juicy (Juicy) was started by the Cantor Group two years ago. Now, it is made up of 15 juice bars which serve a variety of blended fruit juice drinks and health snacks. The products served by Juicy have benefited from an increased awareness in Deeland of the need to eat and drink healthily. Cantor Group expects to increase the rate of property acquisition in order to feed the rapid growth of this business, intending to open 25 outlets per year for the next four years.

Cantor Group organises its two subsidiaries in a similar way, as they are involved in similar areas of business. There is one exception to this, namely in the arrangements over the properties from which the subsidiaries operate. Cafes rent their properties on the open market on standard commercial terms with a five-year lease at a fixed rental payable quarterly in advance. Juicy, on the other hand, has made a single arrangement with a large commercial landlord for all of its properties. Juicy has agreed that the rent for its sites is a percentage of the revenue generated at each site. Juicy believes that it can continue its expansion by obtaining more sites from this landlord under the same terms.

The chief executive officer (CEO) requires assistance from you, a performance management expert and has asked you to produce a report for the board of Cantor to cover a number of areas.

Performance reporting

First, the board of Cantor is reviewing their performance reporting systems. You have been asked to evaluate the current performance report given in Appendix 1. This performance report contains information for both of the subsidiaries and the group and is used by all three boards. The CEO has advised you that the board does not require an evaluation of Cantor's performance.

Cost structures

Second, the CEO wants you to consider the cost structures at Cantor. Your report should assess the balance of fixed and variable elements of the key cost areas of staff and property in each of the two subsidiaries and the impact which this may have on performance management of these costs. Note: Detailed calculations are not required.

Value based management

At a recent shareholder meeting of Cantor, one of the large shareholders expressed concern that the group lacks focus and suggested the introduction of value-based management (VBM) using economic value added (EVA™) as the measure of value.

The CEO has asked you, in the next part of your report, to evaluate the EVA™ of Cantor Group, justifying any assumptions made. An example calculation of the EVA™ for the Group should be carried out using the current data (Appendices 1 and 2).

Next, the board needs you to explain how VBM could be implemented at Cantor and evaluate its potential impact on the group.

Change in mission statement

Finally, the board is considering amending the mission statement to include more information on the ethical values of the company. The area being considered for inclusion in the overall mission is on the treatment of employees as it is felt that they should share in the progress and profitability of Cantor since a happy working environment will help them to better serve the customers.

The proposed new mission statement would read:

'to maximise shareholder value and to provide a fair deal to our employees by supplying good value food and drink in appealing environments for our customers.'

The CEO has asked you to use the information in the appendices to provide justified recommendations for suitable performance measures to reflect the proposed change in the

company's mission statement. You have obtained additional information from the management information system to assist with this task, given in Appendix 3.

Appendix 1

Cantor Group		Year to 31 March						Costs and profit as a % of revenue	
Cafes	Cafes			Juicy	Juicy	Group	Group		
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual		Industry
	2014	2014		2014	2014	2014	2014	Group	average
\$	\$	\$	\$	\$	\$	\$	\$		
Revenue									
Drink	47,437,500	46,521,000	5,130,000	5,398,000	52,567,500	51,919,000			
Food	15,812,500	15,913,000	570,000	582,000	16,382,500	16,495,000			
Total	63,250,000	62,434,000	5,700,000	5,980,000	68,950,000	68,414,000			
Cost of sales									
Drink	12,808,125	12,560,670	1,385,100	1,457,460	14,193,225	14,018,130			
Food	3,478,750	3,500,860	125,400	128,040	3,604,150	3,628,900			
Total	16,286,875	16,061,530	1,510,500	1,585,500	17,797,375	17,647,030	25.8%		
Gross profit	46,963,125	46,372,470	4,189,500	4,394,500	51,152,625	50,766,970	74.2%	72.8%	
Staff costs	16,128,750	15,920,670	1,453,500	1,524,900	20,082,250	21,345,000	31.2%	30.9%	
Other operating costs									
Rent	2,875,000	2,875,000	342,000	358,800	3,929,000	3,945,800			
Local property									
tax	920,000	920,000	60,000	60,000	980,000	980,000			
Insurance	276,000	282,000	18,000	18,400	294,000	300,400			
Utilities	874,000	861,000	61,500	62,900	935,500	923,900			
Marketing	6,957,500	6,888,000	627,000	750,000	7,584,500	7,638,000	11.2%	10.0%	
Depreciation	4,427,500	4,427,500	353,400	353,400	4,780,900	4,780,900			
Total	16,330,000	16,253,500	1,461,900	1,603,500	18,503,900	18,569,000	27.1%		
Operating profit	14,504,375	14,198,300	1,274,100	1,266,100	12,566,475	10,852,970	15.9%	15.3%	
Finance costs									
Group profit before tax					11,768,475	10,051,970	14.7%		
Tax					2,942,119	2,512,993			
Group profit after tax					8,826,356	7,538,977	11.0%		

Appendix 2

Additionally, you have discovered the following data about the group for the financial year:

1	Debt/Equity	30.0%
2	Cost of equity	15.7%
3	Tax rate	25.0%
4	Group ROCE	19.0%

5. Group capital employed: \$53,400,000 at period start and \$58,500,000 at period end.

6. Pre-tax cost of debt 6.5%

7. There has been \$2.1m of tax paid in the year.

8. It is estimated that half of the marketing spend of \$7.638m is building the Cantor brand long term.

9. It is further estimated that there has been the same level of annual spending on long-term brand building in the years leading up to 2014.

Appendix 3

Additional management information

Cafes		Juicy	Group
No of employees			
At year start	1,495	96	1,611
Leavers	146	15	161
Joiners	152	35	187
At year end	1,501	116	1,637

Note 1: Group numbers include Cafes, Juicy and head office numbers.

(a) Evaluate the economic value added (EVA™) of Cantor Group, justifying any assumptions made.

(b) Explain how value-based management (VBM) could be implemented at Cantor and evaluate its potential impact on the group.

3. Posie is a large business which manufactures furniture. It is made up of two autonomous divisions in Deeland. The manufacturing division purchases raw materials from external suppliers, and performs all manufacturing and packaging operations. All sales are made through the retail division which has 95 retail stores in Deeland, as well as through Posie's own well-developed website. Posie has retail operations in eight other countries as well as in Deeland. These overseas businesses operate as independent subsidiaries within the Retail Division, each with their own IT and accounting functions.

The furniture is sold in boxes for customers to assemble themselves. About 10% of the products sold by Posie are purchased already packaged from other manufacturers. All deliveries are outsourced through a third party distribution company.

Posie's corporate objective is to maximise shareholder wealth by producing 'attractive, functional furniture at low prices'. This is how customers generally perceive the Posie brand. The CEO of Posie is concerned about increasing levels of returns made by customers and increasing numbers of consumers complaining on online forums about products purchased from Posie.

Six sigma:

Concerned about the impact on the Posie brand and the cost-leadership strategy, the CEO has asked you as a performance management expert to help Posie implement the six sigma technique to reduce the number of products returned and in particular to define customers' requirements and measure Posie's existing performance. The production director has been appointed to sponsor the project and you will be supported by a small team of managers who have recently received training in six sigma. The board member responsible for manufacturing quality recently resigned because she thought it was unfair that the manufacturing division was being held responsible for the increased level of customer returns.

You have been given access to some information concerning the reasons why customers return goods to help you measure existing performance in this area (Appendix 1). This is an extract from the management reporting pack presented to the board at their monthly meetings. The returns data, however, are only compiled every six months due to the lengthy analysis required of data from Posie's overseas retail operations. It is included twice a year in the board report along with the KPIs for customer satisfaction. The last time this information was produced 93% of customers indicated they were satisfied with the quality of the manufacture of Posie's products.

The CEO has heard that six sigma requires 'large amounts of facts and data'. He suggested that the returns data contain insufficient detail and that as part of your project you may need

to do more analysis, for example, on why customers are not satisfied with the manufacturing quality.

Information requirements:

He also added, 'I'm not sure that our current IT systems are capable of generating the data we need to identify which responsibility centres within the manufacturing division are the root causes of the problem of customer returns. We are planning to change the designation of the overseas retail businesses from profit centres to revenue centres, but again we need to know first how this will affect the information requirements of the business and any potential problems with doing so.'

Appendix 1

Reasons given by customers for returning goods

Category	Reason for return of goods	% Responses
1	Difficult to assemble or pieces missing	48%
2	Goods arrived damaged	14%
3	Goods were not as described or were defective	25%
4	Goods were of poor quality or no longer wanted	11%
5	Arrived late	2%
Total		100%

Advise the board how the six sigma project at Posie to reduce returns from customers could be implemented using DMAIC methodology.

4. FL provides training on financial subjects to staff of small and medium- sized businesses. Training is at one of two levels – for clerical staff, instructing them on how to use simple financial accounting computer packages, and for management, on management accounting and financial management issues. Training consists of tutorial assistance, in the form of workshops or lectures, and the provision of related material – software, texts and printed notes. Tuition days may be of standard format and content, or designed to meet the client's particular specifications. All courses are run on client premises and, in the case of clerical training courses, are limited to 8 participants per course. FL has recently introduced a 'helpline' service, which allows course participants to phone in with any problems or queries arising after course attendance. This is offered free of charge. FL employs administrative and management staff. Course lecturers are hired as required, although a small core of technical staff is employed on a part-time basis by FL to prepare customer-specific course material and to man the helpline. Material for standard courses is bought in from a group company, who also print up the customer-specific course material. Suggest a measure for each of the six dimensions of the building block model.

II. Answer any FOUR of the following :

(4×10= 40 Marks)

5. Laudan Advertising Agency (LAA) is based in Geeland and has three autonomous subsidiaries: A, B and C. All three subsidiaries are profit centres and LAA seeks to maximise the long-term wealth of its shareholders. A is based in Geeland, while both B and C are located in other parts of the world. LAA is a highly respected advertising agency, which in the last five years has created advertising campaigns for 25 of the world's top 100 most recognised brands. LAA's four key objectives published on its website are:

- To delight our clients by the quality of our work
- Provide excellent value for money to our clients
- Give our clients access to specialist and local knowledge
- Ensure our clients return to us time after time

There are three main functions within LAA:

1. Campaign management, which involves researching and understanding clients' requirements and budgets and designing a suitable advertising campaign for them.
2. Creative design, which is where the visual appearance of the advert and graphics are created.
3. Media buying, which negotiates prices with, and buys advertising time and space from, magazine and newspaper publishers, internet search engines and TV companies.

Each subsidiary has its own department for campaign management and for media buying. Only A, however, has a creative design department.

The directors at LAA believe that without visually appealing design, any advertising campaign is unlikely to be successful and meet the expectations of the client. They identified the importance of being able to produce high quality creative design as a critical success factor for the business. Two years ago, they decided to concentrate all of LAA's creative design at a 'centre of design excellence' within A. The intention was to improve the quality of creative design within the business by giving staff access to the latest design technology, and by attracting the most talented designers to work there.

To encourage the three subsidiaries to use the internal creative design department within A, instead of external third party design agencies, the directors created a new additional key performance indicator on which to appraise the performance of all subsidiaries and of subsidiary managers:

- All subsidiaries, including A, must purchase at least 90% of creative design work internally from A. Prior to the introduction of this performance indicator, 40% of creative design work in each of the three subsidiaries was purchased from external design agencies.

The directors of LAA have become concerned that the introduction of the new key performance indicator may be causing managers to operate in ways which are not helping to meet LAA's stated objectives. They have asked for comments from subsidiary managers (Appendix 1) about whether they have met the 90% target in the most recent period and if not, to explain why this is.

Appendix 1

Subsidiary managers' comments on achievement of KPI for 90% creative design work purchased internally

Subsidiary A

'A purchased 86% of design work from our internal design department in the period. It would have been almost 100%, but we won a large order for a new client who operates in a specialised industry of which we have no experience. As a result, we had to use the services of a specialised external design agency, which was much more expensive than using our in-house team.'

Subsidiary B

'B purchased 62% of design work internally in the period. Though the quality of the designs is very good, they were more appealing to consumers in Geeland than here in Veeland, where B operates. The internal design department did not seem to understand consumer preferences in Veeland, and many of their designs were rejected by a key client of ours. As a result, an important advertising campaign missed key deadlines, by which time the internal design department had insufficient capacity to finish the work and we had to use an external agency.'

'As there is no formal transfer pricing policy in place at LAA, the basis of the transfer price

charged by the internal design department is also unclear to us. It appears to be based on full cost of the design work, including apportioned overheads and an allowance for bad debts and marketing expenses, plus a very substantial mark up. We have spent a long time trying to negotiate this price with A, which is much more expensive than external designers. Furthermore, we are currently being investigated by the tax authorities here in Veeland who have indicated that the prices charged by A for design do seem well in excess of market rates.'

Subsidiary C

'C purchased 91% of design work from the internal design department in the period, as well as achieving all our other performance targets. A key client of ours ran a major advertising campaign during the period. We used the internal design department for the first time for this campaign, instead of the usual external agency that we have used in the past for work for this client. The client was very unhappy with the extra cost that this incurred, as the number of design hours and the hourly rate was much higher than for previous campaigns. The internal design department refused to reduce the price after long negotiations and we had to give a large discount to the client before they would settle our invoice. As a result, our gross profit margin for the period was significantly reduced.

'It would be much fairer if the transfer price charged by A was based on the market price of the services provided.

Assess the need for a formal transfer pricing policy at LAA.

6. Exhibit 1 – Company information and initiatives

Boltzman Machines (Boltzman) is a listed, multinational engineering business. It has two divisions, one manufacturing aerospace parts and the other automotive parts. The company is known for innovation and it allows its managers much autonomy to run their own divisions and projects. There has been recent criticism at a shareholders' meeting of the executive management for not listening to shareholders' concerns and allowing this autonomy to run out of control. Therefore, the board at Boltzman have decided to create a framework which brings together all of the initiatives described below.

The initiatives which are running at present are:

- An analysis of stakeholder influence at Boltzman leading to suitable strategic performance measures.
- A benchmarking exercise of the performance measures from initiative 1 with Boltzman's main competitor, General Machines.
- The introduction of quality initiatives bringing lean production methods to Boltzman.

The chief executive officer (CEO) has asked you to prepare a report to the board on several performance management matters for Boltzman.

Exhibit 2 – Performance pyramid

The CEO feels that the performance pyramid may be a suitable model for linking objectives and performance measures and has asked you to in the first part of the report to explain the four levels of the performance pyramid and discuss how the three initiatives relate to these levels.

The CEO also requires your input on each of these initiatives as they are all at various stages of progress.

Exhibit 3 – Stakeholder analysis;

A stakeholder analysis has been completed by one of Boltzman's managers (in Appendix 1) but she has gone on holiday and has not written up a commentary of her results. Therefore,

the CEO wants you to take the information in Appendix 1 and briefly justify appropriate management approaches to each of the stakeholders and, based on this analysis, evaluate the appropriateness of the performance measures suggested in Appendix 1. The CEO has asked that you do not, at this stage, suggest long lists of additional indicators.

Exhibit 4 – Benchmarking

The CEO wants you to use these suggested measures to benchmark the performance of Boltzman against General Machines. The CEO stated, ‘Make sure that you calculate the measures given in Appendix 1 and briefly conclude on the relative performance of the two companies. However, restrict your calculations to the five measures and don’t drown us with detail about individual business units.’ A junior analyst has gathered data to use in the benchmarking exercise in Appendix 2. The CEO would also like you to evaluate the approach to benchmarking used.

Exhibit 5 – Just-in-time (JIT) manufacturing

The company has stated that one of its strategic aims is to be the highest quality supplier in the market place. In order to achieve this, the head of the aerospace division has already started a project to implement JIT manufacturing. An extract of his email proposing this change is given in Appendix 3. The CEO feels that there are some important elements hinted at but not developed in this email. In the final part of the report, the CEO wants you to explain the problems which will accompany a move towards JIT manufacturing at Boltzman.

It is now 1 September 20X5.

Write a report to the board of Boltzman responding to the CEO’s instructions for work on the following areas:

- A. The performance pyramid and how the three initiatives fit within it
- B. Problems of a move towards JIT Manufacturing

Exhibit 6 – Appendix 1

Key stakeholders	Level of interest	Level of power
Shareholders	Low – institutions have delegated management to the board and are only interested in financial returns	High – ability to vote out existing management
Employees	Medium – in a high skill industry employees are interested in the new opportunities which the market can present	Low – although there is a group of key employees in product development whose skills must not be lost
Customers	Medium – some of the parts supplied by Boltzman are unique and specifically designed for the customer	High – as there are few major players in the aerospace and automotive businesses, the loss of a customer would have a significant impact on Boltzman
Suppliers	Medium – Boltzman is one of the large customers to many of the company’s suppliers	Low – the suppliers are generally bulk component producers and there is significant competition for Boltzman’s business

- Return on capital employed
- Economic value added
- Revenue growth
- Average pay per employee
- Net profit margin

Exhibit 7 – Appendix 2

The figures are drawn from the financial statements for the year to June 20X5.

	Boltzman \$m	General Machines \$m
	20X5	20X5
Revenue	23,943	25,695
Cost of sales	18,078	20,605
Other costs	2,958	3,208
Operating profit	2,907	1,882
Financing costs	291	316
Tax	663	718
Net income	1,953	848

Boltzman

General Machines

	\$m	\$m	\$m	\$m
	20X4	20X5	20X4	20X5
Non-current assets	16,335	16,988	17,716	17,893
Current assets	10,618	11,043	11,515	11,630
	26,953	28,031	29,231	29,523
Equity	8,984	9,961	9,744	10,083
Non-current liabilities	9,801	9,739	10,629	10,405
Current liabilities	8,168	8,331	8,858	9,035
	26,953	28,031	29,231	29,523

	Boltzman 20X5	General Machines 20X5
Notes:		
No of employees	86,620	93,940
Staff costs	(\$m) 4,731	4,913
Revenue for 2013	(\$m) 22,506	25,438
Product development costs	(\$m) 2,684	2,630

No. of top 10 biggest potential customers where the business has top tier supplier status

AcroSPACE	6	6
Automotive	7	8

A suitable cost of capital for both companies is 11%. The tax rate is 28%.

Exhibit 8 – Appendix 3

Extract of Head of Aerospace’s email on his quality initiative:

In order to improve the quality and profitability of our products, we intend to begin by introducing a lean approach to manufacturing.

The first step in our move to lean manufacturing will be the introduction of JIT manufacturing. Although this will be a difficult process, the financial rewards in reduced working capital required and a decluttering of the workplace should be significant. We will have to consider how this change impacts up and down our supply chain with customers and suppliers.

7. Maple Council is concerned about the performance of St George’s School, one of the primary schools within its jurisdiction and, in order to substantiate this concern, the Council’s Education Department has collected the following information regarding the last two years.

	20X7	20X8
School Roll (no of pupils)	502	584
Number of teaching staff	22	21
Number of support staff	6	6
Number of classes	20	20
Possible teaching days in a year	290	290
Actual teaching days in a year	279	282
Total pupil absences (in pupil teaching days)	2,259	3,066
Total teaching staff absences (in pupil teaching days)	132	189
	\$	\$
Budgeted expenditure	2,400,000	2,600,000
Actual expenditure	2,200,000	2,900,000

The data has been sent to the council’s finance department in which you work for analysis. Calculate relevant performance measures for St George’s School for each of the last two years.

Based on your calculations analyse the school’s performance in terms of value for money and explain the possible management responses to your findings.

8. Exhibit 1 – Company information

Chicory operates a chain of depots in Deeland, supplying and fitting tyres and other vehicle parts to lorries, buses and agricultural vehicles. Chicory’s objective is to maximise shareholder wealth. Due to a slowdown in the Deeland economy, Chicory’s recent performance has been weak. An unsuccessful acquisition has also caused cash flow problems and a write-off of goodwill of \$24.7m in the year to 30 June 20X5.

The chief executive officer (CEO) of Chicory has given you some tasks.

Exhibit 2 – Benchmarking exercise

The board has commissioned a benchmarking exercise to help improve Chicory’s performance. This exercise will involve comparison of a range of financial and other operational performance indicators against Fennel, a similar business in Veeland. Fennel has agreed to share some recently available performance data with Chicory as they operate in different countries. The reason Fennel was chosen as a benchmark is that as well as supplying and fitting tyres and parts to heavy vehicles, a large part of Fennel’s business involves supplying electricity to charging points to recharge electric cars. Fennel installs and operates the charging points in public places, and users pay Fennel for the electricity they use. The board of Chicory intends to follow a similar business model as the use of

electric cars is increasing in Deeland.

The Veeland economy is growing strongly. Electric car use there has increased rapidly in the last two years, encouraged by tax incentives for businesses, like Fennel, to install and operate charging points. The Veeland government has also underwritten loans taken out by businesses to finance this technology, which has enabled Fennel to borrow funds for the significant capital investment required. The cost of components used in the charging points is falling rapidly. Capitalisation of development costs related to this technology is permitted in Veeland, but not in Deeland. In 20X3, Fennel invested heavily in IT systems which significantly improved performance by increasing the availability of parts in its depots, and reducing inventories.

Exhibit 3 – ROCE and EBITDA

Chicory uses return on average capital employed (ROCE) as its main financial performance indicator, and this is to be benchmarked against Fennel. One board member suggested that, though it may have some disadvantages, EBITDA (earnings before interest, tax, depreciation and amortisation) could have advantages as a performance measure over the existing measure, and should also be included in the benchmarking exercise.

You have been given the most recently available financial data for both businesses in Appendix 1, with the data for Fennel being converted into \$ from its home currency.

The CEO has asked you to evaluate the relative financial performance of Chicory against Fennel using the two financial performance measures of ROCE and EBITDA identified in the benchmarking exercise. They have also asked you to evaluate the use of each of these as performance measures in this situation.

Exhibit 4 – Benchmarking problems

Finally, the CEO has asked you to advise Chicory on the problems of using the benchmarking exercise with Fennel as a way to improve performance.

It is now 1 September 20X5. Respond to the CEO's request for work on the following areas:

The relative financial performance using EBITDA and the use of these performance measures.

EBITDA

Exhibit 5 – Appendix 1		
Benchmark data (\$m)		
Extract from statement of financial position	position	
End of year	30 June 20X5 Chicory	31 December 20X3 Fennel
Total assets	140.0	296.0
Current liabilities	(81.0)	(120.0)
Beginning of year	Chicory	Fennel
Total assets	138.0	290.0
Current liabilities	(60.0)	(120.0)
Income statement		
	30 June 20X5	31 December 20X3
	Chicory	Fennel
Revenue	175.1	350.0
Cost of sales	(130.1)	(299.0)

Gross profit	45.0	51.0
Administrative expenses	(11.0)	(25.0)
Write off of goodwill	(24.7)	
Operating profit ²	9.3	26.0
Interest payable	(1.8)	(8.0)
Profit before tax	7.5	18.0
Tax	(3.0)	(1.0)
Net profit	4.5	17.0

9. Critically evaluate the Word Processor as a software application used in the work place.

III. Answer any FOUR of the following :

(4×5= 20 Marks)

10. A company's share capital is as follows:

Ordinary shares (\$1 each) \$6,000,000

9% Preference shares \$1,000,000

The company made profits before tax of \$5,500,000.

Corporation tax on this is calculated as \$2,100,000.

Calculate the company's EPS.

11. Write a note on International Transfer Pricing.

12. Write note on Value for Money.

13. Explain the drawbacks of reliance on financial performance measures for assessing the performance of a company.

14. Explain the reasons why quality may be important to an organisation.

CHOICE BASED CREDIT SYSTEM

B.Com. SIXTH SEMESTER DEGREE EXAMINATION MAY/JUNE 2023

COMMERCE

Professional Accounting VI

Duration:3 Hours

Max Marks:120

I. Answer any THREE of the following :

(3×20= 60 Marks)

1. The following are the ledger balances (in Rupees thousands) extracted from the books of Vaishnavi Bank as on March 31, 2013 :

	Dr.	Cr.
Share Capital		19,00,00
Current accounts control		9,70,00
Employee security deposits		74,20
Investments in Govt. of India Bonds	9,43,70	
Gold Bullion	1,51,30	
Silver	20,00	
Constituent liabilities for		
acceptances and endorsements	5,65,00	5,65,00
Borrowings from banks		7,72,30
Building	6,50,00	
Furniture	50,00	
Money at call and short notice	2,60,00	
Commission & brokerage		2,53,00
Saving accounts		1,50,00
Fixed deposits		2,30,50
Balances with other banks	4,63,50	
Other investments	5,56,30	

Interest accrued on investments	2,46,20	
Reserve Fund		14,00,00
P & L A/c		65,00
Bills for collection	4,35,00	4,35,00
Interest		6,20,00
Loans	18,10,00	
Bills discounted	1,25,00	
Interest	79,50	
Discounts		4,20,00
Rents		6,00
Audit fees	50,00	
Depreciation reserve (furniture)		2,00
Salaries	2,12,00	
Rent, rates and taxes	1,20,00	
Cash in hand and with Reserve Bank	7,50,00	
Miscellaneous income		39,00
Depreciation reserve (building)		8,00
Directors fees	10,00	
Postage	12,50	
Loss on sale of investments	2,00,00	
Branch adjustments	2,00,00	
	79,10,00	79,10,00

Other Information:

The bank's Profit and Loss Account for the year ended and Balance Sheet as on 31st March, 2013 are required to be prepared in appropriate form. Further information (in Rupees thousands) available is as follows —

(a) Rebate on bills discounted to be provided 40,00

(b) Depreciation for the year

Building 50,00

Furniture 5,00

(c) Included in the current accounts ledger are accounts overdrawn to the extent of 25,00

2. Given below is the summarized balance sheet of Rebuilt Ltd. as on 31.3.20X1:

Liabilities	Amount	Assets	Amount
Authorised and issued capital:		Building at cost less depreciation	4,00,000
12,000, 7% Preference shares of Rs.50 each (Note: Preference dividend is in arrear for five years)	6,00,000	Plant at cost less depreciation	2,68,000
15,000 Equity shares of Rs. 50 each	7,50,000	Trademarks and goodwill at cost	3,18,000
Loan	5,73,000	Inventory	4,00,000
Trade payables	2,07,000	Trade receivables	3,28,000
Other liabilities	35,000	Profit and loss A/c	4,51,000
	21,65,000		21,65,000

The Company is now earning profits short of working capital and a scheme of reconstruction has been approved by both the classes of shareholders. A summary of the scheme is as follows:

- The equity shareholders have agreed that their Rs.50 shares should be reduced to Rs. 2.50 by cancellation of Rs.47.50 per share. They have also agreed to subscribe for three new equity shares of Rs.2.50 each for each equity share held.
- The preference shareholders have agreed to cancel the arrears of dividends and to accept for each Rs. 50 share, 4 new 5% preference shares of Rs. 10 each, plus 6 new equity shares of Rs. 2.50 each, all credited as fully paid.
- Lenders to the company for Rs. 1,50,000 have agreed to convert their loan into share and for this purpose they will be allotted 12,000 new preference shares of Rs. 10 each and 12,000 new equity shares of Rs. 2.50 each.
- The directors have agreed to subscribe in cash for 40,000, new equity shares of Rs. 2.50 each in addition to any shares to be subscribed by them under (a) above.
- Of the cash received by the issue of new shares, Rs. 2,00,000 is to be used to reduce the loan due by the company.
- The equity share capital cancelled is to be applied:

1. to write off the debit balance in the profit and loss A/c; and
2. to write off Rs. 35,000 from the value of plant.

Any balance remaining is to be used to write down the value of trademarks and goodwill.

Show by journal entries how the financial books are affected by the scheme and prepare the balance sheet of the company after reconstruction. The nominal capital as reduced is to be increased to Rs. 6,50,000 for preference share capital and Rs. 7,50,000 for equity share capital

3. Daksh Associates is a reputed firm. On account of certain misunderstanding between the partners, it was decided to dissolve the firm as on 31st December, 20X1. Their Balance Sheet as on 31st December, 20X1 was follows:

Liabilities	Rs.	Assets	Rs.
Capitals:		Land and Buildings	7,00,000
Daksh	3,00,000	Other Fixed Assets	3,00,000
Yash	2,00,000	Stock in Trade	2,00,000
Siddhart (Minor)	1,00,000	Debtors	4,00,000
Trade Loans	3,00,000	Bills Receivable	1,50,000
Bank Overdraft	3,00,000	Goodwill	30,000
Other Loans	2,00,000	Cash	20,000
Creditors	2,00,000		
Siddhart's Loan	2,00,000		
	18,00,000		18,00,000

It was decided that Mr. Daksh will be in-charge of Realisation. He will set apart 10,000 towards expenses. He will be paid a remuneration of 5 percent on the amounts distributed to the partners towards their contribution other than loans.

Assets realised are as under:

		Rs.
1-1-20X2	Debtors	3,50,000

15-1-20X2	Fixed Assets	4,00,000
1-2-20X2	Debtors	50,000
15-2-20X2	Bills Receivable	1,40,000
1-3-20X2	Fixed Assets	50,000
15-3-20X2	Land and Buildings	8,00,000

Prepare a statement showing how the money received on various dates will be distributed assuming:

1. The actual expenses of realisation amounted to Rs. 20,005.
2. The firm is solvent.
3. The profit sharing ratio was as under:

	Profit	Loss
Daksh	2	1
Yash	2	1
Siddhart	1	Nil
	5	2

The final dissolution is made on 15th March, 20X2.

4. The following is the Balance Sheet of A, B, C on 31st December, 20X1 when they decided to dissolve the partnership:

Liabilities	Rs.	Assets	Rs.
Creditors	2,000	Sundry Assets	48,500
A's Loan	5,000	Cash	500
B	18,000		
C	9,000		
	49,000		49,000

The assets realised the following sums in instalments:

I	1,000
II	3,000
III	3,900
IV	6,000
V	20,100
	34,000

The expenses of realisation were expected to be Rs. 500 but ultimately amounted to Rs.400 only.

Show how at each stage the cash received should be distributed between partners. They share profits in the ratio of 2:2:1.

II. Answer any FOUR of the following :

(4×10= 40 Marks)

5. From the following information, prepare Profit and Loss A/c of Dimple Bank as on 31-3- 2013 :

'000	Item	'000
2011-12		2012-13
14,27	Interest and Discount	20,45
1,14	Income from investment	1,12
1,55	Interest on Balances with RBI	1,77
7,22	Commission, Exchange and Brokerage	7,12
12	Profit on sale of investments	1,22
6,12	Interest on Deposits	8,22
1,27	Interest to RBI	1,47
7,27	Payment to and provision for employees	8,55
1,58	Rent, taxes and lighting	1,79
1,47	Printing and stationery	2,12
1,12	Advertisement and publicity	98
98	Depreciation	98
1,48	Director's fees	2,12
1,10	Auditor's fees	1,10
50	Law charges	1,52
48	Postage, telegrams and telephones	62
42	Insurance	52
57	Repair & maintenance	66

Also give necessary Schedules. Other Information:

- i. The following items are already adjusted with

Interest and Discount (Cr.): Tax Provision ('000 `) 1,48

Provision for Doubtful Debts ('000 `) 92

Loss on sale of investments ('000 `) 12

Rebate on Bills discounted ('000 `) 55

ii.Appropriations : 25% of profit is transferred to Statutory Reserves 5% of profit is transferred to Revenue Reserve.

6. The Balance Sheet of Vaibhav Ltd. as on 31st March 20X1 is as follows:

Liabilities	Rs.	Assets	Rs
Equity Shares of Rs.100 each	2,00,00,000	Fixed Assets	2,50,00,000
6%, Cumulative Preference Shares of Rs.100 each	1,00,00,000	Investments (Market Value Rs. 19,00,000)	20,00,000
5% Debentures of Rs. 100 each	80,00,000	Current Assets	2,00,00,000
Sundry Creditors	1,00,00,000	P & L A/c	12,00,000
Provision for taxation	2,00,000		
TOTAL	4,82,00,000	TOTAL	4,82,00,000

The following scheme of Internal Reconstruction is sanctioned:

- 1.All the existing equity shares are reduced to Rs. 40 each.
- 2.All preference shares are reduced to Rs. 60 each.
- 3.The rate of Interest on Debentures increased to 6%. The Debenture holders surrender their existing debentures of Rs.100 each and exchange the same for fresh debentures of Rs.70 each for every debenture held by them.
- 4.Fixed assets are to be written down by 20%.
- 5.Current assets are to be revalued at Rs.90,00,000.
- 6.Investments are to be brought to their market value.
- 7.One of the creditors of the company to whom the company owes
- 8.40,00,000 decides to forgo 40% of his claim. The creditor is allotted with 60000 equity shares of Rs. 40 each in full and final settlement of his claim.

9. The taxation liability is to be settled at Rs. 3,00,000.

10. It is decided to write off the debit balance of Profit & Loss A/c.

Pass journal entries

7. Repair Ltd. is in the hands of a receiver for debenture holders who holds a charge on all assets except uncalled capital. The following statement shows the position as regards creditors as on 30th June, 20X1:

Liabilities	Rs.	Assets	Rs.
6,000 shares of Rs. 60 each, Rs. 30 paid up		Property, machinery and plant etc. (Cost Rs. 3,90,000) Estimated at	1,50,000
First debentures	3,00,000	Cash in hand of the receiver	<u>2,70,000</u>
Second debentures	6,00,000	Charged under debentures	4,20,000
Unsecured trade payables	4,50,000	Uncalled capital	<u>1,80,000</u>
			6,00,000
		Deficiency	<u>7,50,000</u>
	13,50,000		13,50,000

A holds the first debentures for Rs. 3,00,000 and second debentures for Rs. 3,00,000. He is also an unsecured creditor for Rs. 90,000. B holds second debentures for Rs. 3,00,000 and is an unsecured trade payables for Rs. 60,000. The following scheme of reconstruction is proposed:

1. A is to cancel Rs. 2,10,000 of the total debt owing to him, to bring Rs. 30,000 in cash and to take first debentures (in cancellation of those already issued to him) for Rs. 5,10,000 in satisfaction of all his claims.
2. B is to accept Rs. 90,000 in cash in satisfaction of all claims by him.
3. In full settlement of 75% of the claim, unsecured creditors (other than A and B) agreed to accept four shares of Rs. 7.50 each, fully paid against their claim for each share of Rs. 60. The balance of 25% is to be postponed and to be payable at the end of three years from the date of Court's approval of the scheme. The nominal share capital is to be increased accordingly.

4. Uncalled capital is to be called up in full and Rs. 52.50 per share cancelled, thus making the shares of Rs.7.50 each.

Assuming that the scheme is duly approved by all parties interested and by the Court, give necessary journal entries

8. M/s X, Y and Z who were in partnership sharing profits and losses in the ratio of 2:2:1 respectively, had the following Balance Sheet as at December 31, 20X1 :

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital : X	29,200		Fixed Assets		40,000
Y	10,800		Stock		25,000
Z	10,000	50,000	Book Debts	25,000	
Z's Loan		5,000	Less : Provision	(5,000)	20,000
Loan from Mrs. X		10,000	Cash		1,000
Sundry Trade Creditors		25,000	Advance to Y		4,000
		90,000			90,000

The firm was dissolved on the date mentioned above due to continued losses. After drawing up the balance sheet given above, it was discovered that goods amounting to Rs. 4,000 have been purchased in November, 20X1 and had been received but the purchase was not recorded in books.

Fixed assets realised Rs. 20,000; Stock Rs. 21,000 and Book Debt Rs. 20,500. Similarly, the creditors allowed a discount of 2% on the average. The expenses of realisation come to Rs. 1,080. X agreed to take over the loan of Mrs. X. Y is insolvent, and his estate is unable to contribute anything.

Give accounts to close the books; work according to the decision in Garner vs. Murray.

9. A, B, C and D sharing profits in the ratio of 4:3:2:1 decided to dissolve their partnership on 31st March 20X1 when their balance sheet was as under:

Liabilities	Rs.	Assets	Rs.
Creditors	15,700	Bank	535
Employees Provident Fund	6,300	Debtors	15,850
Capital Accounts :-		Stock	25,200
A	40,000	Prepaid Expenses	800

B	20,000	60,000	Plant & Machinery	20,000
			Patents	8,000
			C's Capital A/c	3,200
			D's Capital A/c	8,415
		82,000		82,000

Following information is given to you :-

1. One of the creditors took some of the patents whose book value was Rs. 5,000 at a valuation of Rs.3,200. Balance of the creditors were paid at a discount of Rs. 400.

2. There was a joint life policy of Rs. 20,000 (not mentioned in the balance sheet) and this was surrendered for Rs.4,500.

3. The remaining assets were realised at the following values:- Debtors Rs.10,800; Stock Rs. 15,600; Plant and Machinery Rs. 12,000; and Patents at 60% of their book- values. Expenses of realisation amounted Rs.1,500.

D became insolvent and a dividend of 25 paise in a rupee was received in respect of the firms claim against his estate. Prepare necessary ledger accounts.

III. Answer any FOUR of the following :

(4×5= 20 Marks)

10. Calculate Rebate on Bills discounted as on 31 December, 2013 from the following data and show journal entries:

Date of Bill	Rs.	Period	Rate of Discount
(i) 15.10.13	25,000	5 months	8%
(ii) 10.11.13	15,000	4 months	7%
(iii) 25.11.13	20,000	4 months	7%
(iv) 20.12.13	30,000	3 months	9%

11. Outstanding Balance Rs.4 lakhs
 ECGC Cover 50%
 Period for which the advance has remained doubtful More than 3 years remained doubtful (as on March 31, 2012)
 Value of security held (realizable value) 1.50 lakhs only 80%)

You are required to calculate provisions as per applicable rates.

12. Calculate Rebate on Bills Discounted as on 31-3-2013 and show necessary journal entries.

The following information is available in the books of X Bank Limited as on 31st March, 2013:

	Rs.
Bills discounted	1,37,05,000
Rebate on Bills discounted (as on 1.4.2012)	2,21,600
Discount received	10,56,650

Details of bills discounted are as follows:

Value of bill (Rs.)	Due date	Rate of Discount
18,25,000	5.6.2013	12%
50,00,000	12.6.2013	12%
28,20,000	25.6.2013	14%
40,60,000	6.7.2013	16%

Calculate the rebate on bills discounted as on 31.3.2013 and give necessary journal entries

13. C Ltd. had Rs.5,00,000 authorised capital on 31-12-20X1 divided into shares of Rs. 100 each out of which 4,000 shares were issued and fully paid up. In June 220X2 the Company decided to convert the issued shares into stock. But in June, 20X3 the Company re-converted the stock into shares of Rs. 10 each, fully paid up.

Pass entries and show how Share Capital will appear in Notes to Balance Sheet as on 31-12-20X1, 31-12-20X2 and 31-12-20X3.

14. Explain Higher Relative Capital Method and Maximum Loss Method

CHOICE BASED CREDIT SYSTEM**B.Com. SIXTH SEMESTER DEGREE EXAMINATION MAY /JUNE 2023****COMMERCE****Strategies for Business****Duration:3 Hours****Max Marks:120****I. Answer any THREE of the following :****(3×20= 60 Marks)**

1. Explain the following corporate level strategies:
 - a. Turnaround strategy **(10 marks)**
 - b. Liquidation Strategy **(10 marks)**
2. (a) Explain the method of identifying the strongest and weakest companies with the help of Strategic Group Mapping. **(10 marks)**
(b) How is TOWS Matrix an improvement over the SWOT Analysis? Describe the construction of TOWS Matrix. **(10 marks)**
3. a) Explain Cost Leadership Strategy. What are the risks of pursuing Cost Leadership? **(10 marks)**
b) What are the actions to be taken by a firm to achieve Cost leadership? **(4 marks)**
c) What are the advantages of Cost Leadership strategy? **(4 marks)**
d) What are the disadvantages of Cost Leadership strategy? **(2 marks)**
4. a) Explain the Strategic Business Unit structure & its characteristics. **(12 marks)**
b) What are the attributes of an SBU and the benefits a firm may derive by using the SBU structure? **(8 marks)**

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

5. Explain Ansoff's Product Market Growth Matrix.
6. (a) Shri Alok Kumar is having his own medium size factory in Aligarh manufacturing hardware consisting of handles, hinges, tower bolts and so on. He has a staff of more than 220 in his organisation. One of the leading brands of Hardware seller in India is rebranding and selling the material from his factory. Shri Alok Kumar believes in close supervision and takes all major and minor decisions in the organisation.
Do you think Shri Alok should take all decisions himself? What should be the nature of decisions that should be taken by him? **(6 marks)**
b) What is the difference between vision and mission? **(4 marks)**

7. What is Benchmarking? Explain briefly the elements involved in Benchmarking process.
8. (a) Helpbuddy is a not-for-profit organisation providing medical facilities to poor and needy at highly affordable costs. The organisation is dependent on Government grants and donations to manage its affairs. Mayank who is running the organisation, believes in taking things as they come and will change the level of activities based on the funds available.
Do you think Mayank is right in taking things as they come? What will you advise him? **(6 marks)**
(b) Yummy Foods and Tasty Foods are successfully competing in the business of ready to eat snacks in Patna. Yummy has been pioneer in introducing innovative products. These products will give them good sale. However, Tasty Foods will introduce similar products in reaction to the products introduced by the Yummy Foods taking away the advantage gained by the former.
Discuss the strategic approach of the two companies. Which is superior?
(4 marks)
9. Explain the prominent areas where Human Resource Manager can play a strategic role.

III. Answer any FOUR of the following :

(4×5= 20 Marks)

10. Is strategy formulation an intellectual process? How is it different from strategy implementation?
11. Atrix Ltd. is a company engaged in the designing, manufacturing, and marketing of mechanical instruments like speed meters, oil pressure gauges, and so on. Their products are fitted into two and four wheelers. During the last couple of years, the company has been observing a fall in the market share. This is on account of shift to the new range of electronic instruments. The customers are switching away mechanical instruments that have been the backbone of Atrix Ltd. As a CEO of Atrix Ltd., what can be the strategic options available with you?
12. State any five characteristics of Stability Strategy.
13. ABC Ltd is a company that has grown eleven times its size in last five years. With the increase in size the company is facing difficulty in managing things. Many a times functional level is not in sync with the corporate level. What will you like to advise to the company and why?
14. What is an 'hourglass structure'? How can this structure benefit an organization?

CHOICE BASED CREDIT SYSTEM**B.Com. SIXTH SEMESTER DEGREE EXAMINATION MAY/JUNE 2023****COMMERCE****Audit and Assurance II****Duration:3 Hours****Max Marks:120****I. Answer any THREE of the following :****(3×20= 60 Marks)**

1. Explain the Sample Selection Methods with appropriate examples.
2. Briefly explain the duties of an Auditor.
3. Explain:
1.Modified opinion 2.Qualified opinion 3.Adverse opinion 4.Disclaimer of opinion
4. Explain the provisions relating to audit of NGO.

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

5. Explain Internal Financial Control as per regulatory requirement and brief on reference , responsibility and applicability.
6. What are the approaches to Sampling ? Explain.
7. Explain filling of Casual Vacancy.
8. Explain the element of Audit report
1.Title 2.Addressee 3.Unmodified opinion
9. Write a note on Duty to report fraud under Companies Act, 2013.

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

10. What are the key features of an Automated Environment?
11. Explain the applicability of CARO.
12. State the contents of Audit Report.
13. State the types of Banks.
14. State the types of Advances.

CHOICE BASED CREDIT SYSTEM

B.Com. SIXTH SEMESTER DEGREE EXAMINATION MAY/JUNE 2023

COMMERCE

Economics for Finance

Duration:3 Hours

Max Marks:120

I. Answer any THREE of the following :

(3×20= 60 Marks)

1. What are the benefits of Foreign Direct Investment?
2. Explain the following Tariffs:
 1. Specific Tariff (4 marks)
 2. Ad valorem Tariff (4 marks)
 3. Compound Tariff (4 marks)
 4. Preferential Tariff (4 marks)
 5. Countervailing Duties (4 marks)
3. (a) Explain the usefulness and significance of National Income estimates.
(8 marks)
- (b) The nominal and real GDP respectively of a country in a particular year are Rs. 3000 Crores and Rs. 4700 Crores respectively. Calculate GDP deflator and comment on the level of prices of the year in comparison with the base year.
(3 marks)
- (c) Calculate the Operating Surplus with the help of following data: (5 marks)

Particulars	Rs. in Crores
Sales	2000
Compensation of Employees	400
Intermediate Consumption	300
Rent	200
Interest	150
Net Indirect Tax	250
Consumption of Fixed Capital	100
Mixed Income	200

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

(4 marks)

Particulars	Rs. in Crores
Net national product at market price	1,891
Income from property and entrepreneurship accruing to government administrative departments	45
Indirect taxes	175
Subsidies	30
Saving of non-departmental enterprises	10
Interest on National debt	15
Current transfers from government	35
Current transfers from rest of the world	20
Saving of private corporate sector	25
Corporate profit tax	25

4. Explain the Keynesian theory of demand for money.

II. Answer any FOUR of the following :

(4×10= 40 Marks)

5. Explain the different types of Regional Trade Agreements which are formed due to trade negotiations.
6. (a) If the required reserve ratio is 10 percent, currency in circulation is Rs. 400 billion, demand deposits are Rs. 800 billion, and excess reserves total Rs. 0.8 billion, find the value of money multiplier. What is the value of the money multiplier if the reserve ratio is increased to 15 percent? **(5 marks)**
(b) What is the meaning of the term 'money supply'? State the components of M1, M2, M3 and M4 in the monetary aggregates published by the RBI. **(5 marks)**
7. Explain the Stabilization function of the Government in a market economy.
8. (a) State any five reasons that causes leakages in an economy. **(5 marks)**
(b) Suppose we have the following data about a simple economy:
 $C = 10 + 0.75Y_d$, $I = 50$, $G = T = 20$, where C is consumption, I is investment, Y_d is disposable income, G is government expenditure and T is tax, find out the equilibrium level of national income. What is the size of the multiplier? **(3 marks)**
(c) Suppose in a country investment increases by Rs. 250 Crores and consumption is given by $C = 10 + 0.6Y$ (where C = consumption and Y = income). How much increase will take place in income? **(2 marks)**

9. (a) What are Externalities? (2 marks)
(b) Explain the following externalities:
1.Negative production externalities (4 marks)
2.Positive production externalities (4 marks)

III. Answer any FOUR of the following :

(4×5= 20 Marks)

10. Explain the advantages of tradeable permits.
11. (a) Assume that the MPC is equal to 0.6.
1.What is the value of government spending multiplier?
2.What impact would a 50 billion increase in government spending have on equilibrium GDP?
3.What about a 50 billion decrease in government spending? (3 marks)
(b) Average per capita income of country Y rose from 42,300 to 50,000 and the corresponding figures for per capita consumption rose from 35,400 to 42,500. Find the spending multiplier for this economy. (2 marks)
12. Explain Statutory Liquidity Ratio as an instrument of monetary policy.
13. State any five differences between Theory of Comparative Costs and Modern Theory.
14. Explain the following:
1.Devaluation vs Depreciation (3 marks)
2.Revaluation vs Appreciation (2 marks)

CHOICE BASED CREDIT SYSTEM
B.Com. SIXTH SEMESTER DEGREE EXAMINATION MAY/ JUNE 2023
COMMERCE
Managing Business Processes II

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

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

1. Enumerate the Quality Check tools for Simple Problem Solving.
2. What is meant by Knowledge Management? Elaborate the Process of Knowledge Management and also the Knowledge Management Infrastructure.
3. Briefly explain the Call Centre Capacity Planning.
4. Summarize the types of Risk and types of Control.

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

5. Briefly explain the Process Solving steps.
6. Summarize the Problem Solving steps and mention the benefits of Problem Solving Process.
7. Elaborate the concept of Containment Action.
8. Briefly explain the BPO Pricing Models.
9. Define Customer Management. What are the salient features of a BPO Contract?

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

10. Explain how to complete the Five Why's with example.
11. Define People Management. Describe the People Management Approaches.
12. Summarize the traps to watch out Transition Management.
13. Define Knowledge Management. Explain the drivers of Knowledge Management.
14. What is the meaning of Risk Management? Mention the key steps involved in Risk Management.
