21COMC401 Reg No : ....................

**CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME**

**B.Com FOURTH SEMESTER DEGREE EXAMINATION APRIL/MAY 2025**

**COMMERCE**

**Advanced Corporate Accounting**

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

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## Section-A

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

1. The following is the Balance Sheet of M/s Unfortunate Limited as on 31st December, 2024.

| Liabilities | Rs. | Assets | Rs |
|---|---|---|---|
| 4,000 6% preference shares of Rs.100 each fully paidup | 4,00,000 | Land and Buildings | 2,00,000 |
| | | Plant & Machinery | 5,00,000 |
| | | Patents | 80,000 |
| 2,000 Equity shares of Rs.100 each, Rs.75 per share paid up | 1,50,000 | Stock at cost | 1,10,000 |
| | | Sundry Debtors | 2,20,000 |
| | | Cash at Bank | 60,000 |
| 6,000 Equity shares of Rs.100 each, Rs.60 per share paid up | 3,60,000 | Profit & Loss A/c | 2,40,000 |
| 5% Debentures (having a floating charge on all assets) | 2,00,000 | | |
| Interest outstanding on debentures (also secured as above) | 10,000 | | |
| Creditors (due for income tax Rs.10,000) | 2,90,000 | | |
| | 14,10,000 | | 14,10,000 |

On that date, the company went into voluntary liquidation. The dividends on preference shares were in arrears for two years. The arrears are payable on liquidation. Creditors include a loan of Rs.1,00,000 on mortgage of land and buildings. The assets realized were as under:

| | Rs. |
|---|---|
| Land and Buildings | 2,40,000 |
| Plant & Machinery | 4,00,000 |
| Patents | 60,000 |
| Stock | 1,20,000 |
| Sundry Debtors | 1,60,000 |

The expenses of liquidation amounted to Rs.21,800. The liquidator is entitled to a commission of 3% on all assets realized (except cash at Bank) and commission of 2% on amounts distributed among unsecured creditors including preferential creditors. Preferential creditors amount to Rs.30,000. All payments will be made on 30th June, 2025.

Prepare the Liquidator's Final Statement of Account.

2. The following are the Balance Sheets of M Ltd. and N Ltd. as on 31.03. 2024

| Liabilities | M Ltd. Rs. | N Ltd. Rs. | Assets | M Ltd. Rs. | N Ltd. Rs. |
|---|---|---|---|---|---|
| Equity Share Capital (Rs.100 per share) | 1,00,000 | 60,000 | Land & Buildings | 30,000 | -- |
| 6% Debentures of Rs.10 each | 20,000 | -- | Plant & Machinery | 1,10,000 | 50,000 |
| Reserve Fund | 34,000 | -- | Stock | 16,000 | 8,000 |
| Dividend Equalisation Fund | 4,000 | -- | Cash | 3,000 | 1,000 |
| Employees' Provident Fund | 3,000 | -- | Debtors | 14,000 | 9,000 |
| Trade Creditors | 10,000 | 8,000 | | | |
| Profit & Loss A/c | 2,000 | -- | | | |
| | 1,73,000 | 68,000 | | 1,73,000 | 68,000 |

The two companies agree to amalgamate and form a new company called MN Ltd. which takes over the assets and liabilities of both the companies.

The authorised share capital of MN Ltd. is Rs.10,00,000 consisting of 1,00,000 Equity shares of Rs.10 each.

The assets of M Ltd. are taken over at a reduced valuation of 10% with the exception of land and buildings which are accepted at book value.

Both the companies are to receive 5% of the net valuation of their respective business as goodwill.

The entire purchase price is to be paid by MN Ltd. in fully paid Equity shares.

In return for debentures in M Ltd., debentures of the same amount and denomination are to be issued by MN Ltd.

You are required to compute the Purchase Consideration and Journalize the transactions & present the Balance Sheet of MN Ltd. assuming that the amalgamation is in the nature of Purchase.

3. A Ltd. acquired 1,600 ordinary shares of Rs.100 each in B Ltd. on 31.12.2024. The summarised Balance Sheets of A Ltd. and B Ltd. as on that date were as under.

Balance Sheets of A Ltd. and B Ltd.

| Liabilities | A Ltd. Rs. | B Ltd. Rs. |
|---|---|---|
| Share Capital: | - | - |
| 5,000 ordinary shares of Rs.100 each | 5,00,000 | - |
| 2,000 ordinary shares of Rs.100 each | - | 2,00,000 |
| Capital Reserve | - | 1,20,000 |
| General Reserve | 2,40,000 | - |
| Profit and Loss A/c | 57,200 | 36,000 |
| Bank overdraft | 80,000 | - |
| Bills Payable (including Rs.4,000 to A Ltd.) | - | 8,400 |
| Creditors | 47,100 | 9,000 |
| | 9,24,300 | 3,73,400 |
| Assets | | |
| Land and Buildings | 1,50,000 | 1,80,000 |
| Plant and Machinery | 2,40,000 | 1,09,400 |
| Investments in B Ltd. | 3,40,000 | - |
| Stock | 1,20,000 | 36,000 |
| Debtors | 44.000 | 40,000 |
| Bills Receivables (including Rs.3,000 from B Ltd.) | 15,800 | - |
| Cash at Bank | 14,500 | 8,000 |
| | 9,24,300 | 3,73,400 |

You are supplied with the following information:

1. Stock of B Ltd., includes Rs.10,000 worth of Stock supplied by A Ltd. at a profit of 20% on selling price.

2. The directors are advised that Land and Buildings of B Ltd. are undervalued by Rs.20,000 and Plant and Machinery of B Ltd. overvalued by Rs.10,000 on the date

of acquisition.These assets have to be adjusted accordingly.

3. Sundry Creditors of A Ltd.include Rs.12,000 due from B Ltd. You are required to prepare the consolidated Balance Sheet as on 31.12.2024.

## Section-B

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

4. Apoorva Ltd. went into voluntary liquidation on 31st March 2025. The following was its position:

   Assets realized Rs.4,00,000 (excluding securities given to secured creditors)

   Share Capital Rs.1,00,000.

   Secured creditors Rs.35,000 (securities realized Rs.45,000)

   Preferential creditors Rs.10,000.

   Unsecured creditors Rs.1,50,000.

   6% Debentures Rs.2,50,000 and debenture holders are promised to pay their dues on 30th June 2025.

   Liquidation expenses Rs.5,000.

   Prepare Liquidator's Final Statement of Account allowing for his remuneration at 2% on the assets realized (including surplus from secured creditors) and 2% on the amount distributed to unsecured creditors other than the preferential creditors.

5. On 31.12.2024 the Balance Sheet of a Limited Co., disclosed the following position:

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| Issued Capital in Rs.10 shares | 4,00,000 | Fixed Assets | 5,00,000 |
| Reserves | 90,000 | Current Assets | 2,00,000 |
| Profit and Loss Account | 20,000 | Goodwill | 40,000 |
| 5% Debentures | 1,00,000 | | |
| Current liabilities | 1,30,000 | | |
| | 7,40,000 | | 7,40,000 |

   On this date, fixed assets were independently valued at Rs.3,50,000 and the goodwill at Rs.50,000. The net profit for the three years were 2022 –Rs.51,600; 2023 – Rs.52,000; 2024 – Rs.51,650 of which 20% was placed to Reserve. The normal rate of return in similar companies may be taken at 10%.

   Compute the value of share of the Limited company by:

   1. Net Assets Method.
   2. Yield Method.

6. The assets and liabilities position of Hopeful Co., Ltd. as on 1st April, 2025 was as follows.

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| Issued and Paid up Capital: 40,000 Equity Shares of Rs.10 each, Rs.7.50 paid up | 3,00,000 | Goodwill | 20,000 |
| | | Land & Building | 1,60,000 |
| | | Plant & Machinery | 1,20,000 |
| 2,000, 9% Preference shares of Rs.100 each fully paid up | 2,00,000 | Investments | 24,000 |
| | | Stock | 54,000 |
| Unsecured Loans | 80,000 | Debtors | 1,18,000 |
| Trade Creditors | 48,000 | Cash in Hand | 6,000 |
| Bank Overdraft | 16,800 | Profit & Loss A/c | 1,42,800 |
| | 6,44,800 | | 6,44,800 |

Note:

1. Dividends on Preference Shares are in arrears for two years.

2. No provision has been made for sales tax liability of Rs.9,600.

Following scheme of reconstruction has been prepared and sanctioned:

1. Uncalled capital is to be called up in full and equity shares are to be reduced to Rs.5 per share.

2. Sales Tax liability of Rs.9,000 is to be paid immediately.

3. Land and Buildings are to be shown in the balance sheet at full market value of Rs.2,20,000 and goodwill is to be written off.

4. Trade Creditors have consented to forego 25% of their liability on a condition that 25% of the net liability is to be paid immediately and the balance is to be paid within one year.

5. Investments are to be taken over by bank in full settlement of the overdraft balance.

6. Preference shareholders have agreed to give up their right for the two years' dividend and accept twelve fully paid equity shares of Rs.5 each for each fully paid preference shares.

You are required to pass journal entries to record the above transactions.

## Section-C

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

7. Mention the five conditions that satisfy an amalgamation in the nature of Merger.

8. From the following information, calculate the value of an equity share under Yield Method.

a) The paid up share capital of a company consists of 1,000, 15% preference shares of Rs.100 each and 20,000 equity shares of Rs.10 each.

b) The average annual profits of a company, after providing for depreciation and taxation amounted to Rs.75,000. It is considered necessary to transfer Rs.10,000 to General Reserve before declaring dividend.

c) The normal rate of return in similar business houses is 10%.

9. Following was the Balance Sheet of Star Ltd. as on March 31, 2025.

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| 4,000, Equity shares of Rs.100 each | 4,00,000 | Goodwill | 50,000 |
| 2000, 7% preference shares of Rs.100 each | 2,00,000 | Plant and Machinery | 1,50,000 |
| 6% Debentures | 2,00,000 | Land and Buildings | 1,40,000 |
| Sundry Creditors | 2,00,000 | Patent Rights | 40,000 |
| | | Stock | 1,60,000 |
| | | Debtors | 2,15,000 |
| | | Cash in Hand | 5,000 |
| | | Preliminary Expenses | 25,000 |
| | | Discount on Issue of debentures | 15,000 |
| | | Profit Loss Account | 2,00,000 |
| | **10,00,000** | | **10,00,000** |

The following scheme of reconstruction was duly approved:

1. Equity shares are to be reduced to equal number of fully paid shares of Rs.50 each.
2. 7% Preference shares are to be reduced by 30% and the rate of dividend increased to 9%.
3. The value of Land and Buildings to be increased by 10%.
4. The Debentures are to be reduced by 20%.
5. All nominal and fictitious assets are to be eliminated and any balance remaining is used to write off patents.

Pass Journal entries to record the above scheme of reconstruction.

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19COM401 Reg No : ........................

CHOICE BASED CREDIT SYSTEM

B.Com. FOURTH SEMESTER DEGREE EXAMINATION APRIL/MAY 2025

COMMERCE

Financial Accounting IV

Duration:3 Hours Max Marks:120

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

1. a. Explain the conditions laid down in the companies Act for redeeming the Preference shares.

   b. Emami Ltd wishes to redeem its preference shares amounting to Rs. 1,00,000 at a premium of 5% and for this purpose it issues 5,000 Equity shares of Rs. 10 each at a premium of 5%. The company has also a balance of Rs. 1,00,000 in General Reserve and Rs. 50,000 in Profit & Loss A/c.

   Pass the journal entries for redeeming the preference shares.

2. On 1.4.2018 Sindhur Ltd. issued 8,000, 8% Debentures of Rs.10 each at par repayable at the end of 4 years at a premium of 5%. It is decided to institute a Sinking Fund for the purpose. The investments being expected to earn 4% net. The tables show that Rs.0.235490 annually amounts to Rs.1 at 4% in four years. Investments were made in multiples of Rs.100 only.

   On 31.3.2022 the balance at bank was Rs.40,000 (before interest on investments) and the investments realized at 10% profit and the debentures were paid off.

   Prepare:

   1. Sinking Fund A/c
   2. Sinking Fund Investment A/c
   3. Bank A/c
   4. Debenture holders A/c

3. The following Trial Balance appeared as on 31.03.2022 in the books of Maruthi Ltd., whose equity shares of Rs.10 each out of which 4000 equity shares were issued.

| | Rs. | | Rs. |
|---|---|---|---|
| Calls in arrears | 500 | Capital (3000 shares Rs.10 each) | 30,000 |
| Stock | 2,720 | | |
| Purchases | 29,120 | Sales | 36,310 |
| Salaries | 4,100 | General Reserve | 10,000 |
| Other expenses | 1,820 | Creditors | 2,030 |

| | | | |
|---|---|---|---|
| | | Provision of | |
| Investments | 9,000 | Taxation | 10,000 |
| | | Dividend on | |
| Plant | 8,000 | Investment | 620 |
| Debtors | 14,200 | Profit & Loss A/c | 6,050 |
| Goods sent on consignment | 1,720 | | |
| Cash at Bank | 21,730 | | |
| Income tax paid | 2,100 | | |
| | **95,010** | | **95,010** |

Adjustments:

1. Closing Stock was valued at Rs.10,000.
2. Provide reserve for bad and doubtful debts at 10% on debtors.
3. Proposed dividend 10%.
4. Depreciation on plant 10%.
5. Transfer Rs.5,000 to General Reserve.
6. All the goods on consignment have been sold for Rs.2,000 by the consignee and his expenses were Rs.15 and commission@ 5%.
7. Provision for taxation Rs.7,000.

Prepare the Consignment Account & Consignee's Account and final accounts in the prescribed form.

4. Sanju Co. acquired on lease a colliery on 1st January 2018 at a minimum of Rs.20,000 p.a., merging into a royalty of Rs.2 per ton with a power to recover shortworking over the first three years only. The output for the first four years were as follows:

| Year | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Output (tons) | 8000 | 10000 | 11500 | 13000 |

Prepare: Royalties A/c, Short workings A/c and Landlord's A/c in the books of Sanju Co.

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

5. Akash Ltd Co. issued 10,000 equity shares of Rs.10 each at a premium of 10% for the purpose of redemption of preference shares. The Company has 5000, 9% redeemable Preference shares of Rs.30 each to be redeemed at a premium of 10%.

   Journalise the above transactions assuming that the company has sufficient profit in its profit & loss account and sufficient bank balance.

6. Beta Ltd., had Rs.3,00,000/-, 8%, Debentures outstanding on Jan.1, 2021. On that date, the Debenture Redemption Fund had Rs.2,50,000/- invested in Rs.2,65,000, 6% Government Loan Bonds. The annual appropriation from profits to the fund was Rs.41,150. On Dec. 31, 2021, the Bank balance was Rs.78,200 (before interest on investments). The debentures were redeemed by realizing the bonds at 87%.

   Show for the year 2021:

   a. Sinking Fund A/c

   b. Sinking Fund Investment A/c

   c. Bank A/c

7. From the following Balances, prepare Profit and Loss A/c of Nava Bharath Co. Ltd. on 31st March 2022:

| Balances | Amt. Rs |
|---|---|
| Sales | 900000 |
| Discount received | 10000 |
| Purchases | 600000 |
| Wages | 60000 |
| Stock on 1.4.2021 | 200000 |
| Purchase returns | 20000 |
| Stock on 31.3.2022 | 180000 |
| Depreciation | 10000 |
| Provision for doubtful debts | 1000 |
| S. Expenses | 12000 |
| Salaries and wages | 24000 |
| Interest on debentures | 1000 |
| Cost of material consumed | 10000 |

   Note: Make provision for tax at the rate of 50% of profit before tax.

8. Brown Coal Company took a lease from Kautilya on a royalty of Rs.5 per ton of coal raised with a minimum rent of Rs.1,00,000 in the first year and there after an increase of Rs.10,000 every year till it reaches Rs.1,30,000 when it becomes fixed for all future years. The short working of every year is recoverable during the subsequent three years. The output of first 6 years are as follows:

| Year | Production (in tons) |
|---|---|
| 2015 | 10,000 |
| 2016 | 18,000 |
| 2017 | 18,000 |
| 2018 | 32,000 |
| 2019 | 31,000 |
| 2020 | 25,000 |

   From the above particulars, prepare the analytical table.

9. From the following balances extracted from the books of Mahesh, prepare departmental trading and profit and loss account for the year ended 31st March, 2021.

| | | Debit Rs. | Credit Rs. |
|---|---|---|---|
| Capital | | -- | 50000 |
| Buildings | | 12500 | -- |
| Furniture: Department A | | 2500 | -- |
| Opening Stock: | Dept. A | 3000 | -- |
| | Dept. B | 4000 | -- |
| Purchases : | Dept. A | 100000 | -- |
| | Dept. B | 150000 | -- |
| Sales : | Dept. A | -- | 200000 |
| | Dept. B | -- | 300000 |
| Audit Fees | | 5000 | -- |
| Electricity | | 10000 | -- |
| Salaries | | 50000 | -- |
| Sales Commission | | 30000 | -- |
| Carriage inwards | | 5000 | -- |
| Building Rent | | 40000 | -- |
| Sundry Debtors | | 20000 | -- |
| Sundry Creditors | | -- | 10000 |
| Drawings | | 28000 | -- |
| Cash at Bank | | 100000 | -- |
| | | 5,60,000 | 5,60,000 |

Additional information:

1. Depreciate Buildings by 5% and Furniture by 10% per annum
2. Staff is employed in the ratio of 2:1
3. Area occupied by each Dept. is equal.
4. Electricity consumption is in the ratio of 1:2.
5. Closing stock: Dept. A Rs.13,000, Dept. B Rs.26,000.
6. Audit fees be apportioned on the basis of turnover.

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

10. Extracts of the Balance Sheet of A Ltd. revealed the following balances:

| | | |
|---|---|---|
| Reserve Fund | - | Rs. 25,000 |
| Profit and Loss A/c | - | Rs. 5,000 |

A resolution was passed to issue 1,000 bonus shares of Rs. 10 each by providing entire balance of the Profit and Loss A/c and the balance amount out of reserve fund.Pass Journal Entries.

11. A company has decided to increase its existing share capital by making a rights issue to the existing shareholders in the proportion of one new share for every two old shares held. You are required to calculate the value of "right", if the market value for the share at the time of announcement of rights issue is Rs.240. The company had decided to give one share of Rs.100 each at a premium of Rs.20 each.

12. Write under which heading the following items of Trial Balance would appear in the Final Accounts of a Company.

- Salaries
- Goodwill
- Preliminery Expenses
- Discount allowed
- Debenture Interest

13. Marx &Co. leased a colliery with a minimum rent of Rs.20,000 per annum merging into a royalty of Rs.10 per ton with a power to recoup short workings over the first two years of the lease. The output of the coal mine are: 2019- 1200 tons, 2020- 1600 tons and 2021- 2200 tons.
Prepare an analytical table showing the irrecoverable short workings if any.

14. What would be the appropriate basis of apportionment for the following expenses in the Departmental accounts?
a. Salary b. Discount Received c. Publicity d. Carriage Outwards e. Cartage

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21COMC401 Reg No : ....................

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com. SECOND SEMESTER DEGREE EXAMINATION APRIL/MAY 2025

COMMERCE

Advanced Corporate Accounting

Duration:2 Hours Max Marks:60

## Section-A

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

1. The position of Weak Ltd. in liquidation on 31.03.2025 was as follows:

   Issued Share Capital:

   1,000, 6 % Preference Shares of Rs.100 each fully paid (Arrears of dividend for one year, payable on liquidation).

   1,000 Equity shares of Rs.50 each fully paid.

   1,000 Equity shares of Rs.40 each, Rs.30 paid up.

   Calls in Arrears Rs.4,000.

   Calls in Advance Rs.6,000.

   Cash left with the liquidator after making payment to Creditors but before making any call was Rs.1,16,000.

   Prepare Liquidator's Final Statement of Account.

2. The following are the Balance Sheets of X Ltd. and Y Ltd. as on 31.12.2024.

| Liabilities | X Ltd. Rs. | Y Ltd. Rs. | Assets | X Ltd. Rs. | YLtd. Rs. |
|---|---|---|---|---|---|
| Equity Share capital (Rs.100 per share) | 1,00,000 | 60,000 | Land & Buildings | 30,000 | -- |
| 6% Debentures of Rs.10 each | 20,000 | -- | Plant & Machinery | 1,10,000 | 50,000 |
| Reserve Fund | 34,000 | -- | Stock | 16,000 | 8,000 |
| Dividend Equalisation Fund | 4,000 | -- | Cash | 3,000 | 1,000 |
| Employees' Provident Fund | 3,000 | -- | Debtors | 14,000 | 9,000 |
| Trade Creditors | 10,000 | 8,000 | | | |
| Profit & Loss A/c | 2,000 | | | | |
| | **1,73,000** | **68,000** | | **1,73,000** | **68,000** |

1. The two companies agree to amalgamate and form a new company called Z Ltd. which takes over the assets and liabilities of both the companies.

2. The authorised share capital of Z Ltd. is Rs.10,00,000 consisting of 1,00,000 Equity shares of Rs.10 each.

3. The assets of X Ltd. are taken over at a reduced valuation of 10% with the exception of land and buildings which are accepted at book value.

4. Both the companies are to receive 5% of the net valuation of their respective business as goodwill.

5. The entire purchase price is to be paid by Z Ltd. in fully paid Equity shares.

6. In return for debentures in X Ltd., debentures of the same amount and denomination are to be issued by Z Ltd.

You are required to compute the Purchase Consideration and Journalize the transactions & present the Balance Sheet of Z Ltd. assuming that the amalgamation is in the nature of Purchase.

3. The following are the summarized Balance Sheets of Imperial Co. Ltd. and Colonial Co. Ltd. as on 31.12.2024.

| Liabilities | Imperial Co. Rs. | Colonial Co. Rs. | Assets | Imperial Co. Rs. | Colonial Co. Rs. |
|---|---|---|---|---|---|
| Paid up Capital In shares of Rs.10 each | 10,00,000 | 3,00,000 | Freehold Premises | 4,50,000 | 1,20,000 |
| General Reserve | 4,00,000 | 1,25,000 | Plant and Machinery | 3,50,000 | 1,60,000 |
| Profit & Loss A/c | 3,00,000 | 1,75,000 | Furniture | 80,000 | 30,000 |
| Sundry Creditors | 1,00,000 | 70,000 | Debtors | 3,00,000 | 1,70,000 |
| | | | Stock | 3,20,000 | 1,60,000 |
| | | | Investment in 20,000 Shares in Colonial Ltd. | 2,60,000 | -- |
| | | | Cash | 40,000 | 30,000 |
| | 18,00,000 | 6,70,000 | | 18,00,000 | 6,70,000 |

You are required to prepare a consolidated Balance Sheet as on 31.12.2024 showing in detail the necessary adjustments after taking into consideration the following information:

1. Imperial Co. Ltd. acquired the shares of Colonial Co. Ltd. on 01.01.2024, when the balances on their P & L Account and General Reserves were Rs.75,000 and Rs.80,000 respectively.

2. Stock of Rs.1,60,000 held by Colonial Co. Ltd. consists of Rs.60,000 goods purchased from Imperial Co. Ltd. who has charged profit at 25% on cost.

3. Creditors of Colonial Co. include Rs. 20,000 due to Imperial Co.

## Section-B

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

4. The following particulars relate to a Limited company which has gone into voluntary liquidation on 31 December 2024.

| | Rs. |
|---|---:|
| Preferential creditors | 10,000 |
| Unsecured creditors | 31,000 |
| 6% Debentures | 10,000 |
| Assets realized | 39,650 |
| Liquidation expenses | 1,000 |
| Cash in Hand | 6,000 |

You are required to prepare the Liquidator's Final Statement of Account allowing for his remuneration at 2% on the amount realized except cash, 2% on the amount distributed to unsecured creditors. The debenture holders are promised to pay their dues on 30th June 2025.

5. On 31st March 2025, the Balance Sheet of Anand Ltd. was as under:

| Liabilities | Rs. | Assets | Rs. |
|---|---:|---|---:|
| Share Capital: | | | |
| Shares of Rs.10 each fully paid | 4,00,000 | Goodwill | 40,000 |
| General Reserve | 1,90,000 | Other Fixed Assets | 5,00,000 |
| P & L Account | 1,20,000 | Current Assets | 4,00,000 |
| 14% Debentures | 1,00,000 | | |
| Current Liabilities | 1,30,000 | | |
| | **9,40,000** | | **9,40,000** |

On the above date the tangible fixed assets were independently valued at Rs.3,50,000 and Goodwill at Rs.50,000. The net profits for the previous three years were Rs.1,03,200; Rs.1,04,000 and Rs.1,03,300 of which 20% was placed to general reserve. The fair return on investment in the industry in which this company is engaged may be taken at 18%.

Compute the value of the company's shares by (a) Net assets method and (b) Yield method.

6. The Balance Sheet of Hard Luck Ltd. as on 30th April, 2024 was as follows:

| Liabilities | Rs. | Assets | | Rs. |
|---|---|---|---|---|
| Authorised Capital:<br>Equity shares of Re.1 each | 1,00,000 | Goodwill | | 22,600 |
| Issued & Paid up Capital<br>85,000 shares of Re. 1 each | 85,000 | Freehold property<br>Less: Depreciation | 50,000<br>800 | 41,500 |
| Share Premium a/c | 15,000 | Plant & Machinery<br>Less: Depreciation | 1,19,000<br>59,000 | 60,000 |
| Trade Creditors | 64,500 | Investments | | 46,000 |
| Bank Overdraft<br>(including interest) | 56,500 | Stock | | 23,000 |
| Loan from Bank | 60,000 | Debtors | | 19,600 |
| | | Profit & Loss A/c | | 68,300 |
| | **2,81,000** | | | **2,81,000** |

The following scheme to reconstruct the company was prepared and approved by the competent authorities:

1. The issued equity shares were reduced to 5 paise each paid, the unpaid value of the share was subsequently called up by the company and paid by all the shareholders.

2. The balance of unissued capital was allotted to the bank in part discharge of the loan, the balance was paid in cash.

3. The authorised capital of the company was to be increased by another 50,000 shares and these were to be issued to the existing shareholders as rights issue. The amount due from the shareholders was realised.

4. Trade creditors were to give up 25% secured debentures of Rs.100 each.

5. Interest of Rs.6,500 on bank overdraft to be waived by the bank and the balance overdraft to be paid off.

6. All amounts available including share premium, to be utilised to write off losses, goodwill and investments.

Show the Journal entries to record the above scheme of internal reconstruction.

## Section-C

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

7. Following is the Balance Sheet of A Co.Ltd.as on 31.03.2025.

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| Share Capital | 2,00,000 | Fixed Assets | 3,00,000 |
| Reserve Fund | 75,000 | Current Assets | 1,00,000 |
| P & L A/c | 25,000 | Preliminary expenses | 50,000 |
| Debentures | 50,000 | | |
| Current Liabilities | 1,00,000 | | |
| | **4,50,000** | | **4,50,000** |

B.Co. Ltd. takes over the business of A Co. Ltd. The purchase price has to be paid in cash to the extent of Rs.50,000 and the balance in fully paid equity shares of Rs.10 each. Calculate the amount of purchase consideration and show the mode of payment.

8. Following is the Balance Sheet of Swasthik Ltd. as on 31.03.2025.

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| Capital, Shares of Rs.10 each | 1,50,000 | Building | 1,20,000 |
| Profit and Loss A/c | 65,000 | Plant & Machinery | 90,000 |
| 6% Debentures | 45,000 | Stock | 22,000 |
| Creditors | 15,500 | Cash at Bank | 3,500 |
| | | Debtors | 40,000 |
| | **2,75,500** | | **2,75,500** |

Building and Plant & Machinery are 10% less than the book value. Rs. 2000 of Debtors is to be taken as bad. Find the Intrinsic value of a share.

9. Sinchana Ltd. had the following Balance Sheet as on 31st March 2025.

| Liabilities | Rs. | Assets | Rs. |
|---|---|---|---|
| 1,500 8% Preference shares of Rs.100 each | 1,50,000 | Goodwill | 40,000 |
| 3,000 Equity Shares of Rs.100 each | 3,00,000 | Buildings | 2,00,000 |
| 9% Debentures | 1,00,000 | Patents | 70,000 |
| Creditors | 35,000 | Stock | 1,00,000 |
| | | Debtors | 80,000 |
| | | Profit and Loss a/c | 95,000 |
| | **5,85,000** | | **5,85,000** |

The following scheme of reconstruction was adopted:

1. 8% Preference shares were to be reduced to share of Rs.50 each.
2. Equity shares were to be reduced to a share of Rs.40 each.
3. Debenture holders have agreed to accept 800, 10% Debentures of Rs.100 each in full satisfaction of their claims.
4. All the fictitious assets including Goodwill and Patents were to be eliminated.
5. Buildings to be reduced by 20% and stock by 25%.
6. A provision of 5% on Debtors for doubtful debts was to be created.

Pass journal entries to record the above scheme of reconstruction.

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176

21COMC402 Reg No : ........................

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com FOURTH SEMESTER DEGREE EXAMINATION APRIL/MAY 2025

COMMERCE

Costing Methods and Techniques

Duration:2 Hours Max Marks:60

## SECTION – A

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

1) Following particulars in respect of a contract are available as on 1st April 2022. The contract work commenced on 1st April 2021 worth Rs.1,00,000.

| | Rs. |
|---|---|
| Plant | 5,000 |
| Materials | 18,000 |
| Wages | 16,250 |
| Sundries | 1,325 |
| Establishment expenses | 2,925 |

A part of material unsuitable to the contract was sold for Rs.3,625 (Cost Rs.3,000)

A portion of the plant was scrapped and sold for Rs.575.

As on 1st April 2022 the value of plant was Rs.1,550 and materials Rs.850. Cash received representing 80% of work certified was Rs.35,000. Uncertified amount Rs.5,475 which was later certified for Rs.6,250.

They wanted to estimate the expenses and profit and to take that portion of profit to P/L A/c in the ratio of total expenditure, which bears to the work certified as on 31.3.2022. The contract requires further 9 months, wages Rs.17,875 and materials in addition to those on hand would be Rs.17,150. Further expenses Rs.1,500. Further investment on plant would be Rs.6,250 which will have scrap value of Rs.750. The establishment charges would be same on monthly basis. 2.5% of the total cost of the contract should be allowed for contingencies.

Prepare the contract Account and also the estimate on the contract as on 31.12.2022.

2) A product passes through three processes viz. A, B and C.

| Particulars | A | B | C |
|---|---|---|---|
| Normal Wastage | 3% | 5% | 10% |
| | Rs. | Rs. | Rs. |
| Scrap Value per unit | 0.25 | 0.50 | 1.00 |
| Sundry Materials | 2,000 | 3,200 | 1,000 |

| | | | |
|---|---|---|---|
| Wages | 15,000 | 18,000 | 12,000 |
| Expenses | 2,100 | 2,600 | 5,600 |
| Factory Overheads | 3,200 | 4,800 | 3,500 |
| Output in units | 19,200 | 18,400 | 16,400 |

20,000 units were issued to process A in the beginning of the process at Rs.3 per unit. Prepare necessary accounts.

3) Raksha' Transport Co. owns a bus, which runs between Delhi and Chandigarh and back for 10 days in a month. The distance from Delhi to Chandigarh is 240 Kms. The bus completes the trip from Delhi and Chandigarh and back in the same day. The bus goes another 10 days in a month towards Agra and the distance between Delhi and Agra is 190 Kms. This trip is also completed in the same day. For the rest 4 days of its operation in a month it runs in the local city. Daily distance covered in local city is 70 Kms. Calculate the rate per passenger K.M., when a profit of 33 1/3% on takings is maintained.

Other information is as follows:

Cost of the bus Rs.1,80,000.

Depreciation 20% per annum.

Driver's salary Rs.1,050 per month.

Conductor's salary Rs.1,050 per month.

Part Time Accountants salary Rs.480 per month.

Insurance Rs.5,040 per annum.

Diesel consumption 7 Kms. Per litre costing Rs.7 per litre.

Token tax Rs.1,800 per month.

Lubricant oil Rs.20 per 100 Kms.

Repairs ad maintenance Rs.1,500 per month

Permit fees Rs.500 per month.

Normal capacity of the bus 50 passengers.

The bus is generally occupied 90% of the capacity between Delhi and Chandigarh and 80% between Delhi & Agra. It is always full when it runs within the city.

4) From the following forecasts of income and expenditure prepare cash budget for months. January 2020- April 2020.

| Month | Sales | Purchases | Wages | Manufacturing expenses | Administrative expenses | Selling expenses |
|---|---|---|---|---|---|---|
| November 2019 | 30,000 | 15,000 | 3,000 | 1,150 | 1,060 | 500 |
| December 2019 | 35,000 | 20,000 | 3,200 | 1,225 | 1,040 | 550 |

| | | | | | | |
|---|---|---|---|---|---|---|
| January 2020 | 25,000 | 15,000 | 2,500 | 990 | 1,100 | 600 |
| February | 30,000 | 20,000 | 3,000 | 1,050 | 1,150 | 620 |
| March | 35,000 | 22,500 | 2,400 | 1,100 | 1,220 | 570 |
| April | 40,000 | 25,000 | 2,600 | 1,200 | 1,180 | 710 |

Other information:

1. Customers are allowed credit period of 2 months
2. Dividend of Rs.10,000 is payable in April
3. Capital expenditure to be incurred, plant purchased on 15th January Rs.5,000
4. A building has been purchased on 1st march and the payments are to be made in monthly installment of Rs.2,000.
5. The creditors are allowing a credit period of 2months
6. Wages are paid on 1st of next month
7. Lag in payment of other expenses is one month.
8. Balance of cash in hand on 1st January 2020 is Rs.15,000

## SECTION – B

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

5) R.K. Ltd. has to quote for a price for Job No.31. From the following data prepare a Job cost sheet.

Direct materials : 35 units at Rs.5 per unit.

Direct labour : Department A – 12 hours at Rs.2 per hour.

Department B – 20 hours at Rs.1.50 per hour.

Additional Information:

Department A : Variable overheads Rs.18,000

Hours worked : 18000

Department B : Variable overheads Rs.18,000

Hours worked : 10000

Fixed overheads for the company : Rs.1,00,000

Total hours worked : 50000

Profit is taken at 20% of the selling price.

6) Sumukha transport company has 10 trucks, each with capacity of 4 tons. Each truck makes 3 round trips a day between 2 places, 40kms apart. In the onward journey full load of bricks and in the return journey on an average 20% of capacity filled. Trucks are laid down for repairs for 5 days in a month consisting of 30 days. Calculate total ton kms.

7) Write any five features of Activity Based Costing system.

8) From the following particulars find out Margin of Safety.
Sales Rs. 10,00,000 Fixed Cost Rs.3,00,000 Profit Rs. 2,00,000

9) The standard labour mix for producing 100 units of a product is:
4 skilled men at Rs.3 per hour for 20 hours.
6 unskilled men at Rs.2 per hour for 20 hours.
Actual hours paid for were:
2 skilled men at Rs.4 per hour for 25 hours.
10 unskilled men at Rs.2.5 per hour for 25 hours.
Compute:
a) Labour cost variance
b) Labour efficiency variance

10) Prepare a flexible budget for production at 80% activity on the basis of the following information:

| | |
|---|---|
| Production at 50% capacity | 5,000 units |
| Raw Materials | Rs. 80 per unit |
| Direct Labour | Rs. 50 per unit |
| Direct Expenses | Rs.15 per unit |
| Factory Expenses | Rs. 50,000 (50% fixed) |
| Administration Expenses | Rs. 60,000 (60% variable) |

## SECTION – C

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

11) Explain the following concepts.
1. Work certified
2. Work uncertified.

12) What is Abnormal Gain?

13) What is Cost Drivers?

14) The sales turnover and profit during two periods are as under:

| | Sales (Lakhs) | Profit (Lakhs) |
|---|---|---|
| Period I | 20 | 2 |
| Period II | 30 | 4 |

Calculate P/V Ratio.

15) What is P/V Ratio?

16) State any two objectives of Standard Costing.

17) Write any two advantages of Cash Budget.

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177

21COMC402 Reg No : ........................

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com FOURTH SEMESTER DEGREE EXAMINATION APRIL/MAY 2025

COMMERCE

Costing Methods and Techniques

Duration:2 Hours Max Marks:60

## SECTION – A

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

1) The contract ledger of Sharma and company showed the following expenditure on account of a contract on 31st December 2021:

| | Rs |
|---|---|
| Materials | 2,10,000 |
| Plant | 70,000 |
| Wages | 2,93,000 |
| Sundry expenses | 15,000 |
| Establishment charges | 10,000 |

The contract was started on 1st January 2021 and the contract price was Rs.10,00,000. Cash received to date was Rs.4,80,000 representing 80% of the work certified. The value of plant on 31st December 2021 was Rs.20,000 and value of materials on hand was Rs.6,000. The cost of work finished but not certified was Rs.50,000. Some of the materials costing Rs.20,000 were found unsuitable and were sold for Rs.16,000 and a part of the plant costing Rs.5,000 was unsuited to the contract was sold at a profit of Rs.1,000.

In order to calculate the profit made on 31.12.2021, the contract estimated further expenditure that would be incurred in completing the contract and took to the credit of profit and loss account for the year that proportion of the estimated net profit to be realized on the contract which the value of work certified bore to the contract price.

The estimates were as under:

a) That the contract would be completed by 30th June 2022.

b) That a further sum of Rs.30,000 would have to be spent on plant and the residual value of the plant on the completion of the contract would be Rs.12,000.

c) The materials in addition to those on hand on 31.12.2021 would cost Rs.1,00,000 and that further sundry expenses Rs.7,000 would be incurred.

d) That the wages for the six months would amount to Rs.1,69,000.

e) That the establishment charges would cost the same amount per month as in the previous year.

f) Total Rs.18,000 would be sufficient to meet the contingencies.

Prepare contract account and show your calculation of the profit to be credited to profit and loss account for the year.

2) Chaithanya Transport services runs the following buses in the city limit of K.R. Nagar for 30 days in a month.

20 Buses of 45 passengers capacity and 30 buses of 40 passengers capacity. On an average, each bus makes 10 trips a day covering a distance of 8 km. in each trip with 80% of the seats occupied. Generally 10 buses are kept away from the roads for repairs.

Following are the monthly charges:

| | |
|---|---|
| Garage rent, rates and insurance | Rs.60,000 |
| Vehicle tax | Rs.5,000 |
| Salary of 50 Drivers | Rs.2,600 each. |
| Consumable stores | Rs.16,000 |
| Chief Manger's salary | Rs.6,000 |
| Salary of 4 mechanics | Rs.3,600 each |
| Salary of 3 supervisors | Rs.4,000 each |
| Wages of 50 cleaners | Rs.2,400 each |
| Miscellaneous expenses | Rs.15,000 |
| Cost of Diesel | Rs.1,88,000 |
| Replacement of Tyres & Tubes | Rs.12,000 |
| Depreciation | Rs.36,000 |
| Repairs & Paintings | Rs.27,000 |

Find out the operating cost per passenger km.

3) A product passes through three distinct processes to completion. During the quarter ending 31st March 2021, the cost and production were as under

| | Processes | | |
|---|---|---|---|
| | A<br>Rs. | B<br>Rs. | C<br>Rs. |
| Other materials | 20,000 | 30,000 | 32,000 |
| Direct labour | 30,000 | 40,000 | 50,000 |
| Direct expenses | 5,000 | 3,000 | 2,000 |
| Normal loss in output | 10% | 5% | 10% |
| Sale of scrap per unit | Rs.30 | Rs.50 | Rs.60 |
| Production in units | 920 | 870 | 800 |

Total production overheads Rs.60,000. 1000 units at Rs.50 per unit were introduced to Process A. Production overhead is allocated to each process on the basis of 50% of direct labour. Prepare Process Accounts, Abnormal Loss Account and Abnormal Gain Account.

4) From the following information of ABC Ltd you are required to prepare cash budget for 6 months i.e. January 2020 – June 2020 showing cash credit facility available in the bank. Opening overdrawn balance is 1,50,000.

| Month | Purchases | Wages | Sales | Production expenses | Selling expenses | Administrative expenses |
|---|---|---|---|---|---|---|
| January | 50,000 | 20,000 | 1,44,000 | 12,000 | 8,000 | 3,000 |
| February | 62,000 | 24,800 | 1,94,000 | 12,600 | 10,000 | 3,400 |
| March | 51,000 | 21,200 | 1,72,000 | 12,000 | 11,000 | 4,000 |
| April | 61,200 | 50,000 | 1,77,200 | 13,000 | 13,400 | 4,400 |
| May | 74,000 | 44,000 | 2,05,000 | 16,000 | 17,000 | 5,000 |
| June | 77,600 | 46,000 | 2,17,400 | 16,400 | 18,000 | 5,000 |

1. Out of the total sales 50% is cash and 50% is realised in the month following.
2. Payment of purchases of assets is to be made of Rs.16,000 in February, Rs.25,000 in March and Rs.5,000 in April
3. Proceeds from sale of scrap have to be received in May amounting to Rs.6,000
4. Dividend of Rs.90,000 is to be paid in June
5. Sales commission is to be paid at 3% of total sales in the same month of sales
6. Suppliers are paid in the month following the purchases
7. Wages are paid in the same month
8. Lag in payment of other expenses is one month.

## SECTION – B

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

5) Prepare a Job Cost Sheet from the following information.

Materials Rs.4,010.

Wages – Dept. A 60 hrs. at Rs.30 per hour
B 40 hrs. at Rs.20 per hour
C 20 hrs. at Rs.10 per hour

Overheads – Variable Rs. 2 per hour.
Fixed: Rs.30,000 for 10,000 hours.

Calculate the cost of the Job in Job Cost Sheet and the price for the job to earn a profit of 25% on the selling price.

6) The output from process 'A' totaled 5000 units. It was considered that 400 units were an abnormal loss. Normal loss allowed was 10%. Additional information obtained was as under:

Material @ Rs.10 per unit, labour Rs.16,000, overhead Rs.13,400, wastage realized Rs.5 per unit. Prepare process 'A' account.

7) Describe Kaplan and Cooper's approach.

8) A company produces and sells 50000 units of a product at variable cost of Rs.41 each. The fixed cost are Rs.2,00,000. The selling price is fixed to make a profit at 25% on sales. You are required to calculate

a) Contribution

b) P/V ratio

c) Break-even-point in units and

d) Break-even-sales.

9) The standard cost card reveals the following information:

Standard labour rate: 50 per hour

Standard hours required per unit: 10 hours

Actual data are given below:

Units produced: 500

Actual hours worked: 6,000

Actual labour cost: Rs.2,40,000

Calculate:

1. Labour cost variance
2. Labour efficiency variance

10) Prepare a flexible budget for production at 80% activity on the basis of the following information:

| | |
|---|---|
| Production at 50% capacity | 5,000 units |
| Raw Materials | Rs. 80 per unit |
| Direct Labour | Rs. 50 per unit |
| Direct Expenses | Rs.15 per unit |
| Factory Expenses | Rs. 50,000 (50% fixed) |
| Administration Expenses | Rs. 60,000 (60% variable) |

## SECTION – C

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

11) How is profit on Contracts computed when:

1. Complete contract
2. Contract nearing to completion

12) What is Process Costing?

13) Write the meaning of the following terms used in Activity Based Costing.

a) Cost Objects

b) Cost Pools

14) From the following particulars, find out the selling price per unit if Break- even point is to be brought down to 9000 units:

| | | |
|---|---|---|
| a) Variable cost per unit | : | Rs.75 |
| b) Fixed expenses | : | Rs.2,70,000 |
| c) Selling price per unit | : | Rs.100 |

15) Write any two features of Marginal Costing.

16) What is Sales Budget?

17) What is Labour Variance?

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21COMC403 Reg No : ......................

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com FOURTH SEMESTER DEGREE EXAMINATION APRIL / MAY 2025

COMMERCE

Business Regulatory Framework

Duration:2 Hours Max Marks:60

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## SECTION – A

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

1) Define Contract. State the essentials elements of a Contract.
2) Explain the entitlements of an unpaid seller.
3) Explain in detail the composition of Competition Appelate Tribunal.
4) Explain the measures taken by the Central Government to protect and improve the environment.

## SECTION – B

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

5) Explain the types of offers with examples.
6) Define sale. Explain the essentials of a contract of sale.
7) Write a note on the Competition Commision of India.
8) Explain the grounds on which a complaint can be made under the Consumer Protection Act 1986.
9) State the differences between FERA and FEMA.
10) State the objectives of Environment Protection Act.

## SECTION – C

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

11) List out the persons disqualified by law.
12) State the essentials of valid apportion of goods.
13) Define Cartel.

14) What is the term of office in National Commission Redressal Forum?

15) What is Intellectual Property?

16) What is Marine Pollution?

17) State any two objectives of Information Technology Act 2000.

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179

21COMC403 Reg No : ........................

# CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
## B.Com. FOURTH SEMESTER DEGREE EXAMINATION APRIL/MAY 2025
## COMMERCE
### Business Regulatory Framework

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

## SECTION – A

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

1) Define Acceptance. State and explain the requisites of a Valid Acceptance.
2) Explain the rights of an Unpaid Seller
3) Explain the composition of the Competition Commission of India along with its duties, powers and functions.
4) Explain the measures taken by the Central Government to protect and improve the environment.

## SECTION – B

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

5) "Every contract involves an agreement but every agreement does not necessarily result in a contract". Explain
6) State the differences between Condition and Warranty.
7) Explain the offences and penalties under Competition Appellate Tribunal.
8) Explain the Rights of Consumers under the Consumer Protection Act.
9) State the purpose of the Patent System.
10) State the salient features of Environment Protection Act 1986.

## SECTION – C

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

11) List out the persons Disqualified by Law.
12) What do you mean by Stipulation?
13) Mention the scope of The Competition Act of 2002.
14) Define Consumer Dispute.
15) Write the similarities between FERA and FEMA.
16) What is Soil Pollution?
17) State any two kinds of Cyber Crimes

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21COMC411 Reg No : ......................

**CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME**

**B.Com FOURTH SEMESTER DEGREE EXAMINATION APRIL /MAY 2025**

**COMMERCE**

**Audit and Assurance**

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

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## Section A

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

1. The directors of Sun Co are interested in being able to report that they comply with best practice corporate governance principles and have asked for your thoughts.

   The finance director has provided you with the following information:

   The board consists of the chief executive officer, finance director, HR director, production director and sales director. The aunt and uncle of the chief executive officer were appointed as non-executive directors last year. Previously they ran their own small cafe and used a firm of accountants for all financial matters due to their own lack of expertise in that area.

   The contracts signed by the non-executive directors state that they are in place until they decide to leave or unless they are found guilty of misconduct. They receive an annual fee and a number of share options in Sun Co as their remuneration. Since appointment, the two non-executives have formed an audit committee consisting of themselves and the human resources director as it was felt that the finance director would not be an independent member of the committee.

   They have also formed a remuneration committee with the finance director and are currently in the process of proposing and approving the salaries for all of the directors for the coming year.

   Required:

   (a) Explain whether Sun Co is required to comply with a code of corporate governance.**(5 Marks)**

   (b) Explain the strengths of Sun Co's current governance arrangements.**( 5 Marks)**

   (c) Identify and explain the weaknesses in Sun Co's current governance arrangements and for each weakness recommend an action the company should take to remedy the weakness.**(5 Marks)**

2. Ajio is a charity whose constitution requires that it raises funds for educational projects. These projects seek to educate children and support teachers in certain countries. Charities in the country in which Ajio operates have recently become subject to new audit and accounting regulations. Charity income consists of cash collections at fundraising events, telephone appeals, and money left to the charity by deceased persons. The charity is small and the trustees do not consider that the charity can afford to employ a qualified accountant. The charity employs a part-time bookkeeper and relies on volunteers for fundraising. Your firm has been appointed as accountants and auditors to this charity. Accounts have been prepared in the past by a volunteer who is a recently retired Chartered Certified Accountant but these accounts have not been audited.

   Required:

   (a) Explain the audit risks associated with the audit of Ajio. **(5 marks)**

   (b) Describe the audit procedures to be performed on income and expenditure from fund raising events. **(10 Marks)**

3. DinZee Co assembles fridges, microwaves, washing machines and other similar domestic appliances from parts procured from a large number of suppliers. As part of the interim audit work two weeks prior to the company's year end, you are testing the procurement and purchases systems and attending the inventory count. On the day of the inventory count, you attended depot nine at DinZee Co. You observed the following activities

   Pre-numbered count sheets were being issued to client staff carrying out the count. The count sheets showed the inventory balances from the inventory system for checking against physical inventory.

   All count staff were drawn from the inventory warehouse and were counting in teams of two.

   Three counting teams were allocated to each area of the stores to count. The teams were allowed to decide which pair of staff counted which inventory within each area. Staff were warned that they had to remember which inventory had been counted.

   Information was recorded on the count sheets in pencil so amendments could be made easily as required.

   Any inventory not located on the pre-numbered inventory sheets was recorded on separate inventory sheets which were numbered by staff as they were used.

   At the end of the count, all count sheets were collected and the numeric sequence of the sheets checked. The sheets were not signed.

   Required:

i. Describe three procedures that an auditor will normally perform prior to attending the client's premises on the day of the inventory count. **(3 marks)**

ii. Identify and explain SIX deficiencies in the control system for counting inventory, and state how each deficiency can be overcome **( 12 Marks)**

4. i. Explain the significance of Going concern concept in auditing the financial statements along with the reporting implication. **( 5 Marks)**

ii. It is 1 July 20X5. You are working on the audit of Grains 4U Co (Grains), a manufacturer of breakfast cereals which has three factories, four warehouses and three distribution depots spread across North America. The audit for the year ended 31 March 20X5 is almost complete and the financial statements and auditor's report are due to be signed shortly.Profit before tax is $7.9 million. The following events have occurred subsequent to the year end and no amendments or disclosures have been made in the financial statements.

Event 1 – Fire

On 15 May 20X5, a fire occurred at the largest of the distribution depots. The fire resulted in extensive damage to 40% of the company's vehicles used for dispatching goods to customers, however, there have been no significant delays to customer deliveries. The company estimates the level of damage to the vehicles to be in excess of $650,000. Only a minimal level of inventory, approximately $25,000, was damaged. Grain's insurance company has started to investigate the fire to assess the likelihood and level of payment, however, there are concerns the fire was started deliberately, and if true, would invalidate any insurance cover.

Event 2 – Inventory

On 18 May 20X5, it was discovered that a large batch of Grain's new cereal brand 'Loopy Green Loops' held in inventory at the year end was defective, as the cereal contained too much green food colouring. To date no sales of this new cereal have been made. The cost of the defective batch of inventory is $915,000 and the defects cannot be corrected. However, the scrapped cereal can be utilised as a raw material for an alternative cereal brand at a value of $50,000.

Required:

For each of the two subsequent events described above:

(i) Based on the information provided, explain whether the financial statements require amendment, and

(ii) Describe audit procedures which should now be performed in order to form a conclusion on any required amendment. **(10 Marks)**

## Section B

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

5. Explain confidentiality principle and also the circumstances in which disclosure is permitted or required.

6. State any ten contents of audit engagement letter.

7. i. Identify and explain five financial statement assertions relevant to period end balance **(5 marks)**

   ii. For each identified assertion, describe a substantive procedure relevant to the audit of year-end inventory **( 5 marks)**

8. Decribe the substantive procedures to performed while examining Payroll.

## Section C

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

9. Explain any five benefits of Audit committee.

10. Explain the reporting responsibility of Auditor in the context of fraud and error.

11. Explain the difference between External audit and Internal Audit.

12. ISA 701 Communicating Key Audit Matters in the Independent Auditor's Report requires auditors of listed companies to determine key audit matters and to communicate those matters in the auditor's report. Explain.

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181

21COMC411 (R) Reg No : ........................

# CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
## B.Com. FOURTH SEMESTER DEGREE EXAMINATION APRIL/MAY 2025
## COMMERCE
### Audit and Assurance

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

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### Section A

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

1. Who may act as an Auditor? Explain about the appoinment and removal of Auditors.
2. Explain the types of threats and safeguards.
3. What are the matters to be considered before relying on the work of the Management's Expert?
4. You are the audit manager of Daffy & Co and you are briefing your team on the approach to adopt in undertaking the review and finalisation stage of the audit. In particular, your audit senior is unsure about the steps to take in relation to uncorrected misstatements. During the audit of Minnie Co the following uncorrected misstatement has been noted. The property balance was revalued during the year by an independent expert valuer and an error was made in relation to the assumptions provided to the valuer.
   a. Describe the factors Daffy & Co should consider when placing reliance on the work of the independent valuer. **(4 marks)**
   b. The following additional issues have arisen during the course of the audit of Minnie Co. Profit before tax is $10m.
   (i) Depreciation has been calculated on the total of land and buildings. In previous years it has only been charged on buildings. Total depreciation is $2.5m and the element charged to land only is $0.7m.
   (ii) Minnie Co's computerised wages program is backed up daily, however for a period of two months the wages records and the back-ups have been corrupted, and therefore cannot be accessed. Wages and salaries for these two months are $1.1m.
   (iii) Minnie Co's main competitor has filed a lawsuit for $5m against them alleging a breach of copyright; this case is ongoing and will not be resolved prior to the auditor's report being signed. The matter is correctly disclosed as a contingent liability.
   Discuss each of these issues and describe the impact on the auditor's report if the above issues remain unresolved.**(11 marks)**

### Section B

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

5. You are an audit manager of Satsuma & Co and have been assigned to the audit of Tangerine Tech Co (Tangerine), a company which is planning to list on a stock exchange within six months. The listing rules of the stock exchange require compliance with corporate governance principles, and the directors are unsure whether they are following best practice in relation to this. They have asked the audit engagement partner for their view on this matter.
   Tangerine's board comprises six executive directors, a non-executive chair and three other non-executive directors (NEDs). The chair and one of the NEDs are former executive

directors of Tangerine and on reaching retirement age were asked to take on non-executive roles. The company has established an audit committee, and all NEDs are members including the chair who chairs the committee. All four members of the audit committee were previously involved in sales or production related roles

All of the directors have been members of the board for at least four years. As the chair does not have an executive role, he has sole responsibility for liaising with the shareholders and answering any of their questions. The company has not established an internal audit function to

monitor internal controls.

Using the information above describe four corporate governance weaknesses faced by Tangerine Tech Co and provide a recommendation to address each weakness to ensure compliance with corporate governance principles.

6. You are an audit senior responsible for understanding the entity and its environment and assessing the risk of material misstatements for the audit of Rock Co for the year-ending 31 December. Rock Co is a company listed on a stock exchange. Rock Co is engaged in the wholesale import, manufacture and distribution of basic cosmetics and toiletries for sale to a wide range of stores, under a variety of different brand names. You have worked on the audit of this client for several years as an audit junior.

   Describe the information you will seek and procedures you will perform in order to understand the entity and its environment and assess risk for the audit of Rock Co.

7. Goofy Co's year-end is 31 December, which is traditionally a busy time for NAB & Co. Goofy Co currently has an internal audit department of five employees but they have struggled to undertake the variety and extent of work required by the company, hence Goofy Co is considering whether to recruit to expand the department or to outsource the internal audit department. If outsourced, Goofy Co would require a team to undertake monthly visits to test controls at the various shops across the country, and to perform ad hoc operational

   reviews at shops and head office. Goofy Co is considering using NAB & Co to provide the internal audit services as well as remain as external auditors.

   Discuss the advantages and disadvantages to both Goofy Co and NAB & Co of outsourcing their internal audit department.

8. Describe substantive procedures an auditor would perform in verifying a company's bank balance.

## Section C

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

9. What is Expectation Gap?

10. What is Interim Audit?

11. Define 'tests of control' and explain the importance of tests of control in the audit of a company.

12. What are Adjusting events?

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21COMC412 Reg No : ........................

**CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME**

**B.Com FOURTH SEMESTER DEGREE EXAMINATION MAY 2025**

**COMMERCE**

**Strategic Business Leader II**

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

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## Section A

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

1. Explain Anti-Bribery and Corruption (AB&C) procedures.

2. The ZXC company manufactures aircraft. The company is based in Europe and currently produces a range of four different aircraft. ZXC's aircraft are reliable with low maintenance costs, giving ZXC a good reputation, both to airlines who purchase from ZXC and to airlines' customers who fly in the aircraft. ZXC is currently developing the 'next generation' of passenger aircraft, with the selling name of the ZXLiner.

   New developments in ZXLiner include the following.

   • Two decks along the entire aircraft (not just part as in the Boeing 747 series) enabling faster loading and unloading of passengers from both decks at the same time. However, this will mean that airport gates must be improved to facilitate dual loading at considerable expense.

   • 20% decrease in fuel requirements and falls in noise and pollution levels.

   • Use of new alloys to decrease maintenance costs, increase safety and specifically the use of Zitnim (a new lightweight conducting alloy) rather than standard wiring to enable the 'fly-by-wire' features of the aircraft. Zitnim only has one supplier worldwide.

   Many component suppliers are based in Europe although ZXC does obtain about 25% of the sub-contracted components from companies in the USA. At present, the US$ exchange rate is relatively weak. ZXC also maintains a significant R&D department working on the ZXLiner and other new products such as alternative environmentally friendly fuel for aircraft. At present, the relatively weak US$ is in ZXC's favour and so this risk is currently negligible. Although the ZXLiner is yet to fly or be granted airworthiness certificates, ZXC does have orders for 25 aircraft from the HTS company. However, on current testing schedules the ZXLiner will be delivered late. ZXC currently has about €4 billion of loans from various banks and last year made a loss of €2.3 billion. ZXC's chief executive has also just resigned taking a leaving bonus of around two year's salary.

   Identify and explain the sources of business risk that could affect ZXC. For each of those risks evaluate the impact of the risk on ZXC and where necessary, discuss how that risk can be mitigated by ZXC.

3. XL Travel is a tour operator based in the country's capital. It runs weekly trips to the seaside resort of Black Rock (around 140 km away) for four day visits (typically Friday to Monday).

   The tours are very popular – especially with people aged over 65 (who make up over 90% of XL's customers). The company has traded profitably for many years on the back of premium pricing. But recently profits have started to fall, coinciding with a minority of complaints from regular users.

   Some users feel that the quality of the trips has fallen and is not up to previous high standards. Other users feel that, whilst XL itself has invested (with plush new offices, better marketing, more staff, easier booking systems etc.), this investment has gone into the wrong areas.

   XL has built up a large cash surplus for further investment. One of the ways that it is considering using this cash is to invest and improve its supply chain.

   (a) What are likely to be the elements of XL's upstream supply chain? (5 marks)

   (b) What areas could XL aim to change?(5 Marks)

   (c) How might IT play a role in facilitating this change?.(5 Marks)

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. **(8 Marks)**

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

Use the following 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 |

You have been asked to forecast the sales for each quarter of next year. **(7 Marks)**

| Quarter | $ |
|---|---|
| 1 | |
| 2 | |
| 3 | |
| 4 | |
| Year | |

## Section B

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

5. Explain the role of different positions in risk management.

6. Explain why each of the following actions appears to be in conflict with fundamental ethical principles.

   A. An advertisement for a firm of accountants states that their audit services are cheaper and more comprehensive than a rival firm. **(2 marks)**

   B. An accountant prepares a set of accounts prior to undertaking the audit of those accounts.**(2 marks)**

   C. A director discusses an impending share issue with colleagues at a golf club dinner.**(2 marks)**

   D. The finance director attempts to complete the company's taxation computation following the acquisition of some foreign subsidiaries.**(2 marks)**

   E. A financial accountant confirms that a report on his company is correct, even though the report omits to mention some important liabilities.**(2 marks)**

7. Intranet or the Internet has obvious advantages, but also creates substantial risks. Explain.

8. Assess implications of change in an organisation using Balogun and Haley's contextual features.

## Section C

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

9. Write a short note on attribute standards for internal audit.

10. Assess which of the following processes is most suitable for outsourcing.
    - Environmental reporting
    - Processing online customers' credit card purchases
    - Customer queries and complaints

11. Organisations have a number of choices to handle e-branding. Explain

12. Explain the key elements of Talent Management.

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183

21COMC413 Reg No : ........................

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com FOURTH SEMESTER DEGREE EXAMINATION APRIL/MAY 2025

COMMERCE

Managerial Communication

Duration:2 Hours Max Marks:60

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## SECTION – A

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

1) What are some ways to achieve emphasis in business writing through mechanics and style?

2) Write an email to your professor requesting an extension on a class project. In your email, provide a valid reason for your request, propose a new deadline, and offer an explanation of how the extension will not impact the quality of your work.

3) You are a project manager and have been asked to provide a progress report on a new project. Draft a report summarizing the project's goals, timeline, and milestones achieved so far, identifying any challenges faced and the steps taken to address them.

4) You are applying for a job as a teacher. Draft a cover letter that explains your passion for teaching and highlights any relevant teaching experience or certifications you have.

## SECTION – B

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

5) What are some effective strategies for successful oral communication with intercultural audiences?

6) What are the advantages of using the direct strategy, also known as frontloading, when organizing business messages for receptive audiences?

7) What are the factors that affect the choice of the communication channel, and how does each factor influence the selection of a particular channel?

8) Provide five DOs and DON'Ts for writing a professional E-Mail and explain why each one is important.

9) What are the typical sections and structure of a well-structured business report, and why is it important to consider the intended audience and purpose of the report when structuring it?

10) Explain the strategies to tap into the hidden job market through networking.

## SECTION – C

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

11) What is grandstanding in the context of listening?

12) What is the importance of eye contact in communication?

13) What is a topic sentence and where is it typically placed in a paragraph?

14) List two advantages of using memos for official communication within organizations over email messages.

15) What is the purpose of evaluating the performance of an organization or individual in a report?

16) Give two advantages of developing a job-search strategy before starting to apply for jobs.

17) Why is it important to be professional on social media during a job search?

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184

23COMC421 Reg. No....................................

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com FOURTH SEMESTER DEGREE EXAMINATION APRIL/MAY 2025
PROFESSIONAL ACCOUNTING IV

Duration: 2 hours Max Marks: 60

## SECTION – A

I. Answer the following: (Compulsory) 1 x 20 = 20

1. From the Balance Sheets and information given below, prepare Consolidated Balance Sheet of Virat Ltd. and Anushka Ltd. as at 31st March. Virat Ltd. holds 80% of Equity Shares in Anushka Ltd. since its (Anushka Ltd.'s) incorporation.

*Balance Sheet of Virat Ltd. and Anushka Ltd. as at 31st March, 20X1*

| Particulars | Note No. | Virat Ltd. (₹) | Anushka Ltd. (₹) |
|---|---|---|---|
| I. Equity and Liabilities | | | |
| (1) Shareholder's Funds | | | |
| (a) Share Capital | 1 | 6,00,000 | 4,00,000 |
| (b) Reserves and Surplus | 2 | 1,00,000 | 1,00,000 |
| (2) Non-current Liabilities | | | |
| Long Term Borrowings | | 2,00,000 | 1,00,000 |
| (3) Current Liabilities | | | |
| (a) Trade Payables | | 1,00,000 | 1,00,000 |
| Total | | 10,00,000 | 7,00,000 |
| II. Assets | | | |
| (1) Non-current assets | | | |
| (a) Property, Plant and Equipment | | 4,00,000 | 3,00,000 |
| (b) Non-current investments | 3 | 3,20,000 | - |
| (2) Current Assets | | | |
| (a) Inventories | | 1,60,000 | 2,00,000 |
| (b) Trade Receivables | | 80,000 | 1,40,000 |
| (c) Cash & Cash Equivalents | | 40,000 | 60,000 |
| Total | | 10,00,000 | 7,00,000 |

*Notes to Accounts*

| | Particulars | (₹) | Virat Ltd. (₹) | Anushka Ltd. (₹) |
|---|---|---|---|---|
| 1. | *Share capital* | | | |
| | *60,000 equity shares of ₹ 10 each fully paid up* | | 6,00,000 | -- |
| | *40,000 equity shares of ₹ 10 each fully paid up* | | -- | 4,00,000 |
| | *Total* | | 6,00,000 | 4,00,000 |
| 2. | *Reserves and Surplus* | | | |
| | *General Reserve* | | 1,00,000 | 1,00,000 |
| | *Total* | | 1,00,000 | 1,00,000 |
| 3. | *Non-current Investments* | | | |
| | *Shares in Anushka Ltd* | | 3,20,000 | -- |

## SECTION– B

**II. Answer any FOUR questions: 4 x 10 = 40**

2. On 1st April, 2018, Tina Ltd. take over the business of Rina Ltd. and discharged purchase consideration as follows:

   (i) Issued 50,000 fully paid Equity shares of Rs. 10 each at a premium of Rs. 5 per share to the equity shareholders of Rina Ltd.

   (ii) Cash payment of Rs. 50,000 was made to equity shareholders of Rina Ltd.

   (iii) Issued 2,000 fully paid 12% Preference shares of Rs. 100 each at par to discharge the preference shareholders of Rina Ltd.

   (iv) Debentures of Rina Ltd. 20,000) will he converted into equal number and amount of 10% debentures of Tina Ltd.

   Calculate the amount of Purchase consideration as per AS-14 and pass Journal Entry relating to discharge of purchase consideration in the books of Tina Ltd

3. From the following details of an asset

   (i) Find out impairment loss

   (ii) Treatment of impairment loss

   (iii) Current year depreciation

Particulars of asset:

| | |
|---|---|
| Cost of asset | ₹ 56 lakhs |
| Useful life period | 10 years |
| Salvage value | Nil |
| Current carrying value | ₹ 27.30 lakhs |
| Useful life remaining | 3 years |
| Recoverable amount | ₹ 12 lakhs |
| Upward revaluation done in last year | ₹ 14 lakhs |

4. A Ltd. sold machinery having WDV of Rs. 40 lakhs to B Ltd. for Rs. 50 lakhs and the same machinery was leased back by B Ltd. to A Ltd. The lease back is operating lease.

   Comment if –

   (a) Sale price of Rs. 50 lakhs is equal to fair value.

   (b) Fair value is Rs. 60 lakhs.

   (c) Fair value is Rs. 45 lakhs and sale price is Rs. 38 lakhs.

   (d) Fair value is Rs. 40 lakhs and sale price is Rs. 50 lakhs.

   (e) Fair value is Rs. 46 lakhs and sale price is Rs. 50 lakhs

5. Preet Ltd. intends to set up a steel plant, for which it has acquired a dilapidated factor having an area of 5,000 acres at a cost of Rs. 60,000 per acre. Preet Ltd. has incurred Rs. 1.10 crores on demolishing the old Factory Building thereon. A sum of Rs. 63,00,000 (including 5% GST thereon) was realized from the sale of material salvaged from the site. Preet Ltd. incurred Stamp Duty and Registration Charges of 7% of land value, paid legal and consultancy charges Rs. 8,00,000 for land acquisition and incurred Rs. 1,25,000 on title guarantee insurance. Compute the value of the land acquired.

6. On 1st December, 20X1, Vishwakarma Construction Co. Ltd. undertook a contract to construct a building for Rs. 85 lakhs. On 31st March, 20X2, the company found that it had already spent Rs. 64,99,000 on the construction. Prudent estimate of additional cost for completion was Rs. 32,01,000. What amount should be recognized in the statement of profit and loss for the year ended 31st March, 20X2 as per provisions of Accounting Standard 7 (Revised)?

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21COMC421 Reg No : ........................

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com. FOURTH SEMESTER DEGREE EXAMINATION APRIL/MAY 2025

Commerce

Professional Accounting IV

Duration:2 Hours Max Marks:60

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## Section- A(compulsory)

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

1. (A) On 19th May, 20X2, the premises of Shri Garib Das were destroyed by fire, but sufficient records were saved, where from the following particulars were ascertained:

| | Rs. |
|---|---|
| Stock at cost on 1.1.20X1 | 36,750 |
| Stock at cost on 31.12.20X1 | 39,800 |
| Purchases less returns during 20X1 | 1,99,000 |
| Sales less return during 20X1 | 2,43,500 |
| Purchases less returns during 1.1.20X2 to 19.5.20X2 | 81,000 |
| Sales less returns during 1.1.20X2 to 19.5.20X2 | 1,15,600 |

In valuing the stock for the balance Sheet as at 31st December, 20X1, Rs. 1,150 had been written off on certain stock which was a poor selling line having the cost Rs. 3,450. A portion of these goods were sold in March, 20X2 at a loss of Rs. 125 on original cost of Rs. 1,725. The remainder of this stock was now estimated to be worth the original cost. Subject to the above exceptions, gross profit has remained at a uniform rate throughout. The stock salvaged was Rs. 2,900.

Show the amount of the claim of stock destroyed by fire. Memorandum Trading Account to be prepared for the period from 1-1-20X2 to 19-5-20X2 for normal and abnormal items. **(10 Marks)**

(B) Mr. Purohit furnishes the following details relating to his holding in 8% Debentures (Rs.100 each) of P Ltd., held as Current assets:

| Date | Particulars |
|---|---|
| 1.4.20X1 | Opening balance – Nominal value Rs. 1,20,000, Cost Rs. 1,18,000 |
| 1.7.20X1 | 100 Debentures purchased ex-interest at Rs. 98 |
| | |

| | |
|---|---|
| 1.10.20X1 | Sold 200 Debentures ex-interest at Rs. 100 |
| 1.1.20X2 | Purchased 50 Debentures at Rs. 98 cum-interest |
| 1.2.20X2 | Sold 200 Debentures ex-interest at V 99 |

Due dates of interest are 30th September and 31st March.

Mr. Purohit closes his books on 31.3.20X2. Brokerage at 1% is to be paid for each transaction. Show Investment account as it would appear in his books. Assume FIFO method. Market value of 8% Debentures of P Limited on 31.3.20X2 is Rs. 99.

**(10 Marks)**

**Section- B**

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

2. (A) X Ltd. began construction of a new building on 1st January 2016. It obtained Rs.1Lakh special loan to finance the construction of the building on 1st January 2016 at an interest rate of 10%. The company's other outstanding two non-specific loans were:

| Amount | Rate of Interest |
|---|---|
| Rs. 5,00,000 | 11% |
| Rs. 9,00,000 | 13% |

The expenditures that were made on the building project were as follows:

| | | Rs. |
|---|---|---|
| January | 2016 | 2,00,000 |
| April | 2016 | 2,50,000 |
| July | 2016 | 4,50,000 |
| December | 2016 | 1,20,000 |

Building was completed by 31st December, 2016. Following the principles prescribed in AS 16 'Borrowing Cost' calculate the amount of interest to be capitalised and pass one Journal Entry for capitalising the cost and borrowing cost in respect of the building. **(7 marks)**

(B) Explain "monetary item" as per Accounting Standard 11. Classify the following as monetary or non-monetary item:

(i) Share Capital

(ii) Trade Receivables

(iii) Investments in equity shares

(iv) Fixed Assets **(3 marks)**

3. There is transfer/sale among the three departments as below:

Department X sells goods to Department Y at a profit of 25% on cost and to Department Z at 20% profit on cost.

Department Y sells goods to X and Z at a profit of 15% and 20% on sales respectively.

Department Z charges 20% and 25% profit on cost to Departments X and Y respectively.

Department Managers are entitled to 10% commission on net profit subject to unrealized profit on departmental sales being eliminated.

Departmental profits after charging Managers' commission, but before adjustment of unrealized profit are as under:

| | Rs. |
|---|---|
| Department X | 1,80,000 |
| Department Y | 1,35,000 |
| Department Z | 90,000 |

Stocks lying at different Departments at the end of the year are as under:

| | Dept. X | Dept. Y | Dept. Z |
|---|---|---|---|
| Transfer from Department X | - | 75,000 | 57,000 |
| Transfer from Department Y | 70,000 | - | 60,000 |
| Transfer from Department Z | 30,000 | 25,000 | - |

Find out the correct departmental profits after charging Managers' commission.

4. The Balance Sheet of XYZ as at 31st December, 20X1 inter alia includes the following:

| Particulars | Rs. |
|---|---|
| 50,000, 8% Preference Shares of Rs.100 each, Rs.70 paid up | 35,00,000 |
| 1,00,000 Equity Shares of Rs.100 each fully paid up | 1,00,00,000 |
| Securities Premium | 5,00,000 |
| Capital Redemption Reserve | 20,00,000 |
| General Reserve | 50,00,000 |

Under the terms of their issue, the preference shares are redeemable on 31st March, 20X2 at 5% premium. In order to finance the redemption, the company makes a rights issue of 50,000 equity shares of Rs.100 each at Rs.110 per share, Rs.20 being payable on application, Rs.35 (including premium) on allotment and the balance on 1st January, 20X3. The issue was fully subscribed and allotment made on 1st March, 20X2. The money due on allotment were received by 31st March, 20X2. The preference shares were redeemed after fulfilling the necessary conditions of Section 55 of the Companies Act, 2013.

You are asked to pass the necessary Journal Entries. (Balance sheet extract need not be shown.)

5. (A) Mudra Ltd. gives the following information the year ended 31st March, 20X1:

| Particulars | Rs. |
|---|---|
| Gross profit | 40,25,365 |
| Subsidies received from Govt. | 2,73,925 |
| Administrative, Selling and distribution expenses | 8,22,542 |
| Directors' fees | 1,34,780 |
| Interest on debentures | 31,240 |
| Managerial remuneration | 2,85,350 |
| Depreciation on Property, plant and equipment (PPE) | 5,22,543 |
| Provision for Taxation | 12,42,500 |
| Transfer to General Reserve | 4,00,000 |
| Transfer to Investment Revaluation Reserve | 12,500 |

Depreciation on PPE as per Schedule II of the Companies Act, 2013 was Rs. 5,75,345. You are required to calculate the maximum limits of the managerial remuneration as per Companies Act, 2013. **(4 marks)**

(B) The following extract of Balance Sheet of X Ltd. was obtained:

Balance Sheet (Extract) as at 31st March, 20X1

| Liabilities | Rs. |
|---|---|
| Authorised capital: | |
| 20,000, 14% preference shares of Rs. 100 | 20,00,000 |
| 2,00,000 Equity shares of Rs. 100 each | 2,00,00,000 |
| | 2,20,00,000 |
| Issued and subscribed capital: | |
| 15,000, 14% preference shares of Rs. 100 each fully paid | 15,00,000 |
| 1,20,000 Equity shares of Rs. 100 each, Rs. 80 paid-up | 96,00,000 |
| Share suspense account | 20,00,000 |
| Reserves and surplus: | |
| Capital reserves (Rs. 1,50,000 is revaluation reserve) | 1,95,000 |
| Securities premium | 50,000 |
| Secured loans:<br>15% Debentures | 65,00,000 |
| Unsecured loans: | |
| Public deposits | 3,70,000 |
| Cash credit loan from SBI (short term) | 4,65,000 |

| | |
|---|---|
| Current Liabilities: | |
| Trade Payables | 3,45,000 |
| Assets: | |
| Investment in shares, debentures, etc. | 75,00,000 |
| Profit and Loss account (Dr. balance) | 15,25,000 |

Share suspense account represents application money received on shares, the allotment of which is not yet made.

You are required to compute effective capital as per the provisions of Schedule V. Would your answer differ if X Ltd. is an investment company? **(6 marks)**

6. M/s Rani & Co. has head office at Singapore and branch at Delhi (India). Delhi branch is an integral foreign operation of M/s Rani & Co. Delhi branch furnishes you with its Trial Balance as on 31st March, 2019 and the additional information thereafter:

| Rupees in thousands | Dr. | Cr. |
|---|---|---|
| Stock on 1st April, 2018 | 600 | - |
| Purchases and Sales | 1,600 | 2,400 |
| Sundry Debtors and Creditors | 800 | 600 |
| Bills of Exchange | 240 | 480 |
| Wages | 1,120 | - |
| Rent, rates and taxes | 720 | - |
| Sundry Expenses | 320 | - |
| Computers | 600 | - |
| Bank Balance | 520 | - |
| Singapore Office A/c | - | 3,040 |
| Total | 6,520 | 6,520 |

Additional information:

1. Computers were acquired from a remittance of Singapore dollar 12,000 received from Singapore Head Office and paid to the suppliers. Depreciate Computers at the rate of 40% for the year.
2. Closing Stock of Delhi branch was Rs. 15,60,000 on 31st March, 2019.
3. The Rates of Exchange may be taken as follows:

- on 1.4.2018 @ Rs. 50 per Singapore Dollar
- on 31.3.2019 @ Rs. 52 per Singapore Dollar
- Average Exchange Rate for the year @ Rs. 51 per Singapore Dollar

- Conversion in Singapore Dollar shall be made up-to two decimal accuracy.

4. Delhi Branch Account showed a debit balance of Singapore Dollar 59,897.43 on 31.3.2019 in the Head office books and there were no items pending for reconciliation.

In the books of Head office, you are required to prepare:

i. Revenue statement for the year ended 31st March, 2019 (in Singapore Dollar)

ii. Balance Sheet as on that date. (in Singapore Dollar)

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186

23COMC422 Reg. No.................................

**CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME**
**B.Com FOURTH SEMESTER DEGREE EXAMINATION MAY 2025**
**INCOME TAX II**

**Duration: 2 hours** **Max Marks: 60**

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## SECTION A

**I. Answer the following: (Compulsory)** **1x20=20**

1. Mr. Brajesh has set up a unit in SEZ in May, 2017. The total turnover, export turnover and net profit for the year ended 31.3.2025 were ₹120 lakhs, ₹45 lakhs and ₹7.50 lakhs respectively. Out of the export turnover of ₹45 lakhs, only ₹40 lakhs has been received in convertible foreign exchange by 30.9.2025.

   During the P.Y. 2024-25, Mr. Brajesh has commenced a business of warehousing facility for storage of food grain. The net profit of this business as per profit & loss account is ₹8,50,000. The following items are debited to Profit & Loss Account:

   (i) Personal drawings ₹70,000

   (ii) Advance income-tax paid ₹1,00,000

   (iii) Purchase of warehouse building of ₹10 lakhs on 10.6.2024 for the purpose of storage of food grain.

   The following items are credited to Profit & Loss account:

   (i) Interest on saving bank account with post office ₹15,000

   (ii) Interest on fixed deposit with SBI ₹20,000

   (iii) Dividend from Indian companies (Gross) ₹32,000

   Mr. Brajesh is also a working partner in M/s Neelkamal Associates, a partnership firm. Mr. Brajesh has contributed ₹15 lakhs as capital in the firm. Further, Partnership deed authorises payment of interest to partners @ 13% and also payment of remuneration to partners @₹20,000 per month. Whole of the remuneration is allowable as deduction to M/s Neelkamal Associates.

   Mr. Brajesh has also paid the premium of ₹60,000 on life insurance policy in the name of her married daughter. The policy was taken on 1.10.2018 and the sum assured being ₹5,00,000.

   Compute the total income and tax payable by Mr. Brajesh for the A.Y. 2025-26 under default tax regime and normal provisions of the Act. (20Marks)

## SECTION B

**II. Answer any FOUR questions:** **4x10=40**

2. Discuss the liability of tax deduction at source under the Income-tax Act, 1961 in respect of the following cases with reference to A.Y.2025-26.

   (i) X Y a partnership firm is selling its product 'R' through the E-commerce Platform provided by AB Ltd. (E-commerce Operator). AB Ltd., credited in its books of account, the account of XY on 28th February, 2022 by sum of ₹4,90,000 for the sale of product R, made during the month February, 2025.

Mr. Rai, who purchased product 'R' through the platform provided by AB Ltd. made payment of ₹60,000 directly to XY on 21st February, 2025.

(ii) ABC Ltd is a producer of natural gas. During the year its old natural gas worth ₹26,50,000 to M/s Deep Co., a partnership firm. It also incurred ₹1,70,000 as freight for the transportation of gas. It raised the invoice and clearly segregated the value of gas as well as the transportation charges.

(iii) ABC LLP paid job charges to XYZ, a partnership firm for doing embroidery work on the fabric supplied by the ABC LLP during the previous year 2024-25 as under:

| BILL NO. | DATE | AMOUNT |
|---|---|---|
| 1 | 30-04-2024 | 27,000 |
| 57 | 30-06-2024 | 25,000 |
| 105 | 30-09-2024 | 28,000 |
| 151 | 30-12-2024 | 32,000 |

(10 Marks)

3. a) Mr. Harsh furnishes the following details for the year ended on 31-03-2025:

| PARTICULARS | AMOUNT (₹) |
|---|---|
| Salary received from partnership firm (the same was allowed to the firm) | 8,50,000 |
| Loss on sale of shares listed in stock exchange held for 18 months and the STT paid on the sale and acquisition | 6,00,000 |
| Long term capital gain on sale of land | 5,00,000 |
| Brought forward business loss of assessment year 2016-17 | 6,00,000 |
| Loss of the specified business covered in Section 35 AD | 3,50,000 |
| Loss from house property | 2,50,000 |
| Income from betting (gross) | 50,000 |
| Loss from card games | 35,000 |

Compute the total income and show the item eligible for carry forward of Mr. Harsh for the assessment year 2025-26. (5Marks)

b) Mr. Sarthak is a member of HUF. It consists of himself, his wife Juhi and his major son Arjun and his minor daughter Aditi. Mr. Sarthak transferred his house property acquired through his personal income to the HUF without any consideration. On 01-10-2024, HUF is partitioned and such property being divided equally. Net annual value of the property for the Previous Year 2024-25 is ₹1,00,000. Determine the tax implications (5Marks)

4. a) Explain with brief reasons, whether the return of income can be revised under Section 139(5) of the Income-tax Act, 1961 in the following cases.

(i) Belated return filed under Section 139(4)

(ii) Return already revised twice under Section 139(5)

(iii) Return of loss filed under Section 139(3) (5 Marks)

b) What is the time limit within which an updated return can be filed? Also enumerate the circumstances in which updated return cannot be furnished. (5 Marks)

5. a) A person other than accompany or a firm who is otherwise not required to furnish the return of income, needs to furnish return of income provided they fulfil certain conditions prescribed. Enumerate (5 marks)

   (b) Examine & explain the TDS implications in the following cases along with reasons thereof, assuming that the deductees are residents and having a PAN which they have duly furnished to the respective deductors.

   (i) Akash (P) Limited pays the following amounts to Mr. Santosh during previous year 2024-25:

      a. ₹22,000 towards fee for professional services

      b. ₹18,000 towards royalty.

   (ii) Payment of ₹1,75,000 made to Mr. Ankit for purchase of bag according to specifications of M/s Packaging Limited. However, no material was supplied for such bag by M/s. Packaging Limited or its associates to Mr. Ankit. (5Marks)

6. a) Vijay, an Indian citizen residing in Chennai, files his return of income every year on time. He has Aadhaar number as well. He has not intimated his Aadhaar number to the prescribed authority till August 2024. He approached you on 1.9.2024 and asked you about the consequences of not doing so.

   What would be your answer if Mr. Vijay wants to intimate his Aadhaar number to the prescribed authority now? (5 Marks)

   (b) In each of the following independent situations, you are required to examine whether these persons are required to file their return of income or loss for A.Y.2025-26 if their total income for the P.Y. 2024-25 do not exceed the basic exemption limit:

   (i) The turnover of Mr. Ankit's business is ₹65 lakhs during the P.Y.2024-25.

   (ii) Mr. Suyash has incurred a total expenditure of ₹90,000 towards consumption of electricity during the P.Y.2024-25. (5 Marks)

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21COMC422 (R)　　　　　　　　　　　　　Reg No : ......................

**CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME**

**B.Com FOURTH SEMESTER DEGREE EXAMINATION APRIL/MAY 2025**

**COMMERCE**

**Income Tax II**

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

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**Section- A (compulsory)**

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

1. (a) From the following details, compute the total income and tax liability of Siddhant, aged 31 years, of Delhi both as per section 115BAC and as per the regular provisions of the Income-tax Act, 1961 for the A.Y.2024-25. Advise Mr. Siddhant whether he should opt for section 115BAC:

| Particulars | Rs. |
|---|---|
| Salary including dearness allowance | 4,35,000 |
| Bonus | 15,000 |
| Salary of servant provided by the employer | 12,000 |
| Rent paid by Siddhant for his accommodation | 49,600 |
| Bills paid by the employer for gas, electricity and water provided free of cost at the above flat | 11,000 |

Siddhant purchased a flat in a co-operative housing society in Delhi for Rs.4,75,000 in April, 2016, which was financed by a loan from Life Insurance Corporation of India of Rs. 1,60,000 @ 15% interest, his own savings of Rs. 65,000 and a deposit from a nationalized bank for Rs.2,50,000 to whom this flat was given on lease for ten years. The rent payable by the bank was Rs.3,500 per month.

The following particulars are relevant:

(a) Municipal taxes paid by Mr. Siddhant Rs. 4,300 (per annum)

(b) House Insurance Rs. 860

(c) He earned Rs.2,700 in share speculation business and lost Rs.4,200 in cotton speculation business.

(d) In the year 2020-21, he had gifted Rs.30,000 to his wife and Rs.20,000 to his son who was aged 11. The gifted amounts were advanced to Mr. Rajesh, who was paying interest@19% per annum.

(e) Siddhant received a gift of Rs.30,000 each from four friends.

(f) He contributed Rs.50,000 to Public Provident Fund. **(10 marks)**

(b) Mr. Y carries on his own business. An analysis of his trading and profit & loss for the year ended 31-3-2024 revealed the following information:

1. The net profit was Rs.11,20,000.
2. The following incomes were credited in the profit and loss account:
    1. Income from UTI Rs. 22,000 (Gross)
    2. Interest on debentures Rs.17,500 (Gross)
    3. Winnings from horse races Rs.15,000 (Gross)
3. It was found that some stocks were omitted to be included in both the opening and closing stocks, the value of which were:

Opening stock Rs.8,000.
Closing stock Rs.12,000.

4. Rs.1,00,000 was debited in the profit and loss account, being contribution to a University approved and notified under section 35(1)(ii).
5. Salary includes Rs.20,000 paid to his brother which is unreasonable to the extent of Rs.2,500.
6. Advertisement expenses include 15 gift packets of dry fruits costing Rs.1,000 per packet presented to important customers.
7. Total expenses on car was Rs.78,000. The car was used both for business and personal purposes. ¾th is for business purposes.
8. Miscellaneous expenses included Rs.30,000 paid to A & Co., a goods transport operator in cash on 31-1-2024 for distribution of the company's product to the warehouses.
9. Depreciation debited in the books was Rs.55,000. Depreciation allowed as per Income-tax Rules, 1962 was Rs.50,000.
10. Drawings of Rs.10,000 debited in the books.
11. Investment in NSC Rs.15,000 debited in the books.

Compute the total income of Mr. Y for the assessment year 2024-25 under optional tax regime as per normal provisions of the Act. **(10 marks)**

## Section- B

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

2. (a) Mr. Shiva purchased a house property on February 15, 1979 for Rs.3,24,000. In addition, he has also paid stamp duty value @10% on the stamp duty value of Rs.3,50,000.

In April, 2008, Mr. Shiva entered into an agreement with Mr. Mohan for sale of such property for Rs.14,35,000 and received an amount of Rs.1,11,000 as advance. However, the sale consideration did not materialize and Mr. Shiva forfeited the advance. In May 2015, he again entered into an agreement for sale of said house for Rs.20,25,000 to Ms. Deepshikha and received Rs.1,51,000 as advance. However, as Ms. Deepshikha did not pay the balance amount, Mr. Shiva forfeited the advance. In August, 2015, Mr. Shiva constructed the first floor by incurring a cost of Rs.3,90,000.

On November 15, 2023, Mr. Shiva entered into an agreement with Mr. Manish for sale of such house for Rs.30,50,000 and received an amount of Rs.1,50,000 as advance through an account payee cheque. Mr. Manish paid the balance entire sum and Mr. Shiva transferred the house to Mr. Manish on February 20, 2024. Mr. Shiva has paid the brokerage @1% of sale consideration to the broker.

On April 1, 2001, fair market value of the house property was Rs.11,85,000 and Stamp duty value was Rs.10,70,000. Further, the Valuation as per Stamp duty Authority of such house on 15th November, 2023 was Rs.39,00,000 and on 20th February, 2024 was Rs.41,00,000.

Compute the capital gains in the hands of Mr. Shiva for A.Y.2024-25.

CII for F.Y. 2001-02: 100; F.Y. 2008-09: 137; F.Y. 2015-16: 254; F.Y. 2023-24: 348

**(7 marks)**

(b) Aarav converts his plot of land purchased in July, 2004 for Rs.80,000 into stock-in-trade on 31st March, 2023. The fair market value as on 31.3.2023 was Rs.3,00,000. The stock-in-trade was sold for Rs.3,25,000 in the month of January, 2024.

Find out the taxable income, if any, and if so under which head of income and for which Assessment Year?

Cost Inflation Index: F.Y. 2004-05:113; F.Y. 2022-23: 331; F.Y. 2023-24: 348.

**(3 marks)**

3. (a) Mr. Aakash has undertaken certain transactions during the F.Y.2023-24, which are listed below. You are required to identify the transactions in respect of which quoting of PAN is mandatory in the related documents **(6 marks)**

| S. No. | Transaction |
|---|---|
| 1. | Payment of life insurance premium of Rs.45,000 in the F.Y.2023-24 by account payee cheque to LIC for insuring life of self and spouse |
| 2. | Payment of Rs.1,00,000 to a five-star hotel for stay for 5 days with family, out of which Rs60,000 was paid in cash |
| 3. | Payment of Rs.80,000 by ECS through bank account for acquiring the debentures of A Ltd., an Indian company |
| 4. | Payment of Rs.95,000 by account payee cheque to Thomas Cook for travel to Dubai for 3 days to visit relatives |
| 5. | Applied to SBI for issue of credit card. |

(b) State with reasons whether you agree or disagree with the following statements:

a. Return of income of Limited Liability Partnership (LLP) could be verified by any partner.

Time limit for filing return under section 139(1) in the case of Mr. A having total turnover of Rs.160 lakhs (Rs.100 lakhs received in cash) for the year ended 31.03.2024 whether or not declaring presumptive income under section 44AD, is $31^{st}$ October, 2024, the due date for filing return would be $31^{st}$ October, 2024.

**(4 marks)**

4. Mr. Batra furnishes the following details for year ended 31.03.2024:

| Particulars | Rs. |
|---|---|
| Short term capital gain | 1,40,000 |
| Loss from speculative business | 60,000 |
| Long term capital gain on sale of land | 30,000 |
| Long term capital loss on sale of unlisted shares | 1,00,000 |
| Income from business of textile (after allowing current year depreciation) | 50,000 |

| | |
|---|---|
| Income from activity of owning and maintaining race horses | 15,000 |
| Income from salary (computed) | 1,00,000 |
| Loss from house property | 40,000 |

Following are the brought forward losses:

1. Losses from activity of owning and maintaining race horses-pertaining to A.Y.2021-22 - Rs. 25,000.
2. Brought forward loss from business of textile Rs.60,000 - Loss pertains to A.Y. 2016-17.

Compute gross total income of Mr. Batra for the Assessment Year 2024-25, assuming that he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). Also determine the losses eligible for carry forward to the A.Y. 2025-26. **(6 marks)**

(b) Mr. E has furnished his details for the A.Y.2024-25 as under:

| Particulars | Rs. |
|---|---|
| Income from salaries (computed) | 1,50,000 |
| Income from speculation business | 60,000 |
| Loss from non-speculation business | (40,000) |
| Short term capital gain | 80,000 |
| Long term capital loss of A.Y.2022-23 | (30,000) |
| Winning from lotteries (Gross) | 20,000 |

Compute the total income of Mr. E for the A.Y.2024-25. **(4 marks)**

5. (a) For the A.Y. 2024-25, the Gross total income of Mr. Chaturvedi, a resident in India, was Rs.8,18,240 which includes long-term capital gain of Rs.2,45,000 taxable under section 112 and Short-term capital gain of Rs.58,000. The Gross total income also includes interest income of Rs.12,000 from savings bank deposits with banks and Rs.40,000 interest on fixed deposits with banks. Mr. Chaturvedi has invested in PPF Rs.1,20,000 and also paid a medical insurance premium Rs.51,000. Mr. Chaturvedi also contributed Rs.50,000 to Public Charitable Trust eligible for deduction under section 80G by way of an account payee cheque. Compute the total income and tax thereon of Mr. Chaturvedi, who is 70 years old as on 31.3.2024, in a tax efficient manner **(7 marks)**

(b) Mr. A has gifted a house property valued at Rs.50 lakhs to his wife, Mrs. B, who in turn has gifted the same to Mrs. C, their daughter-in-law. The house was let out at Rs.25,000 per month throughout the year. Compute the total income of Mr. A and Mrs. C.

Will your answer be different if the said property was gifted to his son, husband of Mrs. C? **(3 marks)**

6. (a) Examine the applicability of TDS provisions and TDS amount in the following cases:

1. Rent paid for hire of machinery by B Ltd. to Mr. Raman Rs.2,60,000 on 27.9.2023.
2. Fee paid on 1.12.2023 to Dr. Srivatsan by Sundar (HUF) Rs.35,000 for surgery performed on a member of the family.
3. ABC and Co. Ltd. paid Rs.19,000 to one of its Directors as sitting fees on 01-01-2023.

(b) Examine the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the F.Y. 2023-24:

- Payment made by a company to Mr. Ram, sub-contractor, Rs.3,00,000 with outstanding balance of Rs.1,20,000 shown in the books as on 31.3.2024.
- Winning from horse race Rs.1,50,000 paid to Mr. Shyam, an Indian resident.
- Rs.2,00,000 paid to Mr. A, a resident individual, on 22-02-2024 by the State of Uttar Pradesh o on compulsory acquisition of his urban land

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188

23COMC423 Reg. No.................................

# CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
## B.Com FOURTH SEMESTER DEGREE EXAMINATION APRIL/MAY 2025
Goods and Service tax II

**Duration: 2 hours** **Max Marks: 60**

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### SECTION A

**I. Answer the following: (compulsory)** **1x20=20**

1. a) M/s. ABC & Co., a chartered accountancy firm, has its office in Bengaluru. It is registered under GST in the State of Karnataka. In the month of April, it supplied statutory audit services to Dhruv Manufacturers of Karnataka for 1,20,000. Further, it charged 1,60,000 for the ITR filing services provided to the recipients located within Karnataka in said month. It also received ₹1,80,000 for internal audit services provided to a client registered in Mumbai, Maharashtra. All the amounts are exclusive of GST.

M/s. ABC & Co. has also provided following information regarding the expenses incurred in the month of April for the purpose of providing the taxable services:

| Sr. No. | Particulars | CGST (₹) | SGST (₹) |
|---|---|---|---|
| 1. | Membership fee of a club (located in Bengaluru) paid for a senior partner of the firm | 2,000 | 2,000 |
| 2. | Rent paid to landlord, who is registered in State of Karnataka, for office located in Karnataka (Refer Note below) | 3,850 | 3,850 |
| 3. | Professional fee paid to Mr. Jamnaprasad, a practicing Chartered Accountant, for professional services availed [TDS of ₹20,000 is deducted under section194J of the Income-tax Act,1961] | 18,000 | 18,000 |
| 4. | Air conditioner purchased for office purpose | 3,000 | 3,000 |

Note - Landlord did not upload his GSTR-1 within the prescribed time resulting in the GST amount not being reflected in GSTR-2B of M/s. ABC & Co.

Other suppliers have duly uploaded their GSTR-1 within the prescribed time and GST amount is reflected in GSTR-2B of M/s. ABC & Co.

Compute the net GST payable in cash by M/s. ABC & Co. for the month of April.

Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively assuming that all the remaining conditions of utilization of ITC are fulfilled. (15 Marks)

b) Mr. Atul of Chennai is a registered dealer under GST. He has an opening balance of input tax credit of ₹1,20,000 (IGST) lying in the electronic credit ledger relating to the month of November,2024. During the month, a legal proceeding has been initiated under the GST law which resulted in a tax liability of ₹80,000 (IGST, other than RCM liability). Mr. Atul agrees with the tax liability and wants to use the balance lying in the electronic credit ledger towards payment of same.

He seeks your opinion with regard to the provisions of GST laws as to whether he is allowed to use the amount lying in the electronic credit ledger for making the payment of tax liability, payable as a consequence of the proceeding? (5 Marks)

## SECTION B

**II. Answer any FOUR questions:** **4x10=40**

2. a) Mr. Venaram proprietor of M/s. Lalit Kirana Stores is registered as a composition dealer in the Jodhpur district of Rajasthan. He has not furnished the statement for payment of self - assessment tax in the form GST CMP-08 for two consecutive quarters. He placed an order for purchase of taxable goods worth ₹5,50,000 with M/s. Bob & Sons (a partnership firm), a registered dealer in the Bikaner district of Rajasthan. M/s. Bob & Sons has been regularly filing its GST returns. M/s. Bob & Sons wants to generate E-way bill with respect to intra- state supply to be made to M/s. Lalit Kirana Stores. Whether M/s. Bob & Sons is allowed to generate E-way bill as per the provisions of CGST Act, 2017? Answer with proper reasoning. (5 Marks)

   b) Dream World Pvt. Ltd is registered under GST in the State of Haryana. During the Financial Year 2022-23, its annual aggregate turnover was ₹12 crore. In the month of April 2023, it supplied goods worth ₹12 lakh to Nightmare Ltd (a registered taxable person).

   (i) You are required to ascertain whether issue of e-invoice is mandatory in respect of this transaction? (3 Marks)

   (ii) What would be your answer if Nightmare Ltd is a SEZ (Special Economic Zone) unit? (2 Marks)

3. a) Explain the procedure for revocation of cancellation of registration where the registration of a person is cancelled suo-motu by the proper officer as per the provisions of CGST Act, 2017. (5 Marks)

   b) Mr. Sameer, a registered person under GST, is unable to tile GSTR-1 on the reason being shown that tax payable under GSTR-1 which has been filed in respect of last tax period exceeds the tax payable under GSTR-3B which has been filed for the corresponding tax period. Explain the procedure to be followed by the department and Mr. Sameer for the same as per the provisions of Rule 88C of the CGST Rules 201. (5 Marks)

4. a) Briefly explain the provisions relating to reversal of input tax credit in case of non-payment of tax by the supplier and re-availment thereof? (5 Marks)

   b) Examine whether the supplier is liable to get registered in the following independent cases:-

   (i) Ankit of Assam is exclusively engaged in intra-State supply of taxable services. His aggregate turnover in the current financial year is 25 lakh.

   (ii) Sanchit of Assam is engaged in intra-State supply of both taxable goods and services. His aggregate turnover in the current financial year is 30 lakh. (5 Marks)

5. a) Determine the effective date of registration in following cases:

   i) The aggregate turnover of Dhampur Footwear Industries of Delhi has exceeded the applicable threshold limit of ₹40 lakh on 1$^{st}$ September. It submits the application for registration on 20$^{th}$ September. Registration certificate is granted to it on 25$^{th}$ September.

   ii) Mehta Teleservices is an architect in Lucknow. Its aggregate turnover exceeds ₹20 lakh on 25$^{th}$ October. It submits the application for registration on 27$^{th}$

November. Registration certificate is granted to it on 5th December. (5 Marks)

b) Right Oils, an unregistered entity located in U.P. is engaged in supply of machine oil and high-speed diesel. During the month of April, it supplied machine oil in U.P. amounting to ₹15,00,000. Also, it supplied high speed diesel in U.P. amounting to ₹10,00,000. Further, it supplied machine oil in Punjab from its branch located in Punjab amounting to10,00,000.

Note: All the amounts mentioned above are excluding GST.

(i) Determine whether Right Oils is liable for registration.

(ii) What will be your answer if, Right Oils supplies the high speed diesel in U.P. in the capacity of an agent of Center Oils Ltd., (non- registered), where invoices to customers are issued in name of Right oils? Would your answer be different in case if Center Oils Ltd. is registered entity? (5 Marks)

6. (a) World Fashions, a registered supplier of designer outfits in Delhi, decides to exhibit its products in a Fashion Show being organised at Hotel Green India, Delhi on 4th January. For the occasion, it gets the service by way of makeover of its models from Glamour Beauty Services Ltd., Mayur Vihar, on 4th January, for which a consideration of ₹5,00,000 (excluding GST) has been charged. Glamour Beauty Services Ltd. issued a duly signed tax invoice on 10th February showing the lumpsum amount of ₹5,90,000 inclusive of CGST and SGST @ 9% each for the services provided. Answer the following questions:

(i) Examine whether the tax invoice has been issued within the time limit prescribed under law.

(ii) Tax consultant of World Fashions objected to the invoice raised suggesting that the amount of tax charged in respect of the taxable supply should be shown separately in the invoice raised by Glamour Beauty Services Ltd. However, Glamour Beauty Services Ltd. contended that there is no mandatory requirement of showing tax component separately in the invoice. You are required to examine the validity of the objection raised by tax consultant of World Fashions. (5 Marks)

b) Renuka Sales, a registered supplier, receives 100 invoices (for inward supply of goods/ services) involving GST of ₹10 lakh, from various suppliers during the month of January, 2024.Out of 100 invoices, details of 80 invoices involving GST of ₹6 lakh have been furnished by the suppliers in their respective GSTR-1s filed on the prescribed due date therefor and such details have also been duly communicated to the recipients of such invoices in Form GSTR-2B.

Compute the ITC that can be claimed by Renuka Sales in its GSTR-3Bfor the month of January, 2024 to be filed by 20thFebruary assuming that GST of ₹10 lakh is otherwise eligible for ITC. Make suitable assumptions, wherever necessary. (5 Marks)

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21COMC423 Reg No : ......................

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com. FOURTH SEMESTER DEGREE EXAMINATION APRIL/MAY 2025

COMMERCE

Cost and Management Accounting II

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

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### Section- A(compulsory)

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

1. a) A Ltd., manufactures two products A and B. The manufacturing division consists of two production departments P1 and P2 and two service departments S1 and S2. Budgeted overhead rates are used in the production departments to absorb factory overheads to the products. The rate of Department P1 is based on direct machine hours, while the rate of Department P2 is based on direct labour hours.

For allocating the service department costs to production departments, the basis adopted is as follows:

i) Cost of Department S1 to Department P1 and P2 equally, and

ii) Cost of Department S2 to Department P1 and P2 in the ratio of 2 : 1 respectively.

**The following data relating to factory overheads budgeted for the year is available:**

| Production Departments | | Service Departments | |
|---|---|---|---|
| P1 | P2 | S1 | S2 |
| Rs. 25,50,000 | Rs. 21,75,000 | Rs. 6,00,000 | Rs. 4,50,000 |

Budgeted output in units:

Product A 50,000; B 30,000.

Budgeted time required for production per unit:

Department P1 : Product A : 1.5 machine hours
Product B : 1.0 machine hour

Department P2 : Product A : 2 Direct labour hours
Product B : 2.5 Direct labour hours

You are required to COMPUTE the pre-determined overhead rate for both the production departments.

b) ABC Ltd. manufactures a single product and absorbs the production overheads at a pre-determined rate of Rs. 10 per machine hour.

At the end of current financial year, it has been found that actual production overheads incurred were Rs. 6,00,000. It included Rs. 45,000 on account of 'written off' obsolete stores and Rs. 30,000 being the wages paid for the strike period under an award.

The production and sales data for the current year is as under: Production :

Finished goods 20,000 units

Work-in-progress 8,000 units

(50% complete in all respects) Sales :

Finished goods 18,000 units

The actual machine hours worked during the period were 48,000. It has been found that one-third of the under- absorption of production overheads was due to lack of production planning and the rest was attributable to normal increase in costs.

i) CALCULATE the amount of under-absorption of production overheads during the current year; and
ii) SHOW the accounting treatment of under-absorption of production overheads.

## Section- B

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

2. a) A machine costing Rs. 1,00,00,000 is expected to run for 10 years. At the end of this period its scrap value is likely to be Rs. 9,00,000. Repairs during the whole life of the machine are expected to be Rs. 18,00,000 and the machine is expected to run 4,380 hours per year on the average. Its electricity consumption is 15 units per hour, the rate per unit being Rs. 5. The machine occupies one-fourth of the area of the department and has two points out of a total of ten for lighting. The foreman has to devote about one sixth of his time to the machine. The monthly rent of the department is Rs. 30,000 and the lighting charges amount to Rs. 8,000 per month. The foreman is paid a monthly salary of Rs. 19,200. FIND OUT the machine hour rate, assuming insurance is @ 1% p.a. on Rs. 1,00,00,000 and the expenses on oil, etc., areRs. 900 per month.

b) A machine shop cost centre contains three machines of equal capacities. To operate these three machines nine operators are required i.e. three operators on each machine. Operators are paid Rs. 20 per hour. The factory works for fourty eight hours in a week which includes 4 hours set up time. The work is jointly done by operators. The operators are paid fully for the fourty eight hours. In additions they are paid a bonus of 10 per cent of productive time. Costs are reported for this company on the basis of thirteen four-weekly period.

The company for the purpose of computing machine hour rate includes the direct wages of the operator and also recoups the factory overheads allocated to the machines. The following details of factory overheads applicable to the cost centre are available:

- Depreciation 10% per annum on original cost of the machine. Original cost of the each machine is Rs.52,000.
- Maintenance and repairs per week per machine is Rs.60.
- Consumable stores per week per machine are Rs.75.
- Power: 20 units per hour per machine at the rate of 80 paise per unit. No power is used during the set-up hours.
- Apportionment to the cost centre: Rent per annum Rs.5,400, Heat and Light per annum Rs.9,720, foreman's salary per annum Rs.12,960 and other miscellaneous expenditure per annum Rs.18,000.

CALCULATE the cost of running one machine for a four-week period.

3. ABC Ltd. is a multiproduct company, manufacturing three products A, B and C. The budgeted costs and production for the year ending 31st March are as follows:

| | A | B | C |
|---|---|---|---|
| Production quantity (Units) | 4,000 | 3,000 | 1,600 |
| Resources per unit | | | |
| Direct Material (kg) | 4 | 6 | 3 |
| Direct Lanour (Minutes) | 30 | 45 | 60 |

The budgeted direct labour rate was Rs. 10 per hour, and the budgeted material cost was Rs. 2 per kg. Production overheads were budgeted at Rs. 99,450 and were absorbed to products using the direct labour hour rate. ABC Ltd. followed the Absorption Costing System.

ABC Ltd. is now considering to adopt an Activity Based Costing system. The following additional information is made available for this purpose.

1) Budgeted overheads were analysed into the following:

| | (Rs.) |
|---|---|
| Material handling | 29,100 |
| Storage costs | 31,200 |
| Electricity | 39,150 |

2) The cost drivers identified were as follows:

| | |
|---|---|
| Material handling | Weight of material handled |
| Storage costs | Number of batches of material |
| Electricity | Number of Machine operation |

3) Data on Cost Drivers was as follows:

| | A | B | C |
|---|---|---|---|
| For complete production: | | | |
| Batches of material | 10 | 5 | 15 |
| Per unit of production: | | | |
| Number of Machine operations | 6 | 3 | 2 |

You are requested to:

1. PREPARE a statement for management showing the unit costs and total costs of each product using the absorption costing method.
2. PREPARE a statement for management showing the product costs of each product using the ABC approach.
3. STATE what are the reasons for the different product costs under the two approaches?

4. A Ltd. Co. has capacity to produce 1,00,000 units of a product every month. Its works cost at varying levels of production is as under:

| Level | Works cost per unit (Rs.) |
|---|---|
| 10% | 400 |
| 20% | 390 |
| 30% | 380 |
| 40% | 370 |
| 50% | 360 |
| 60% | 350 |

| | |
|---|---|
| 70% | 340 |
| 80% | 330 |
| 90% | 320 |
| 100% | 31 |

Its fixed administration expenses amount to Rs.1,50,000 and fixed marketing expenses amount to Rs.2,50,000 per month respectively. The variable distribution cost amounts to Rs. 30 per unit.
It can sell 100% of its output at Rs.500 per unit provided it incurs the following further expenditure:
a) it gives gift items costing Rs. 30 per unit of sale;
b) it has lucky draws every month giving the first prize of Rs. 50,000; 2nd prize of Rs. 25,000, 3rd prize of Rs. 10,000 and three consolation prizes of Rs. 5,000 each to customers buying the product.
c) it spends Rs.1,00,000 on refreshments served every month to its customers;
d) it sponsors a television programme every week at a cost of Rs. 20,00,000 per month.
It can market 30% of its output at Rs.550 per unit without incurring any of the expenses referred to in (a) to (d) above.
PREPARE a cost sheet for the month showing total cost and profit at 30% and 100% capacity level.

5 a)CALCULATE the Employee hour rate of a worker X from the following data:

| | |
|---|---|
| Basic pay | Rs. 10,000 p.m. |
| D.A. | Rs. 3,000 p.m. |
| Fringe benefits | Rs. 1,000 p.m. |

Number of working days in a year 300. 20 days are availed off as holidays on full pay in a year. Assume a day of 8 hours.

b) A worker is paid Rs. 10,000 per month and a dearness allowance of Rs. 2,000 p.m. Worker contribution to provident fund is @ 10% and employer also contributes the same amount as the employee. The Employees State Insurance Corporation premium is 6.5% of wages of which 1.75% is paid by the employees. It is the firm's practice to pay 2 months' wages as bonus each year.
The number of working days in a year are 300 of 8 hours each. Out of these the worker is entitled to 15 days leave on full pay.
CALCULATE the wage rate per hour for costing purposes.

6 Sanz Ltd. is a manufacturing company having three production departments, 'A', 'B' and 'C' and two service departments 'X' and 'Y'. The following is the budget for December 2021:

| | Total (Rs.) | A (Rs.) | B (Rs.) | C (Rs.) | X (Rs.) | Y (Rs.) |
|---|---|---|---|---|---|---|
| Direct material | | 1,00,000 | 2,00,000 | 4,00,000 | 2,00,000 | 1,00,000 |
| Direct wages | | 5,00,000 | 2,00,000 | 8,00,000 | 1,00,000 | 2,00,000 |
| Factory rent | 4,00,000 | | | | | |
| Power | 2,50,000 | | | | | |
| Depreciation | 1,00,000 | | | | | |
| Other overheads | 9,00,000 | | | | | |
| Additional information: | | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| **Area (Sq. ft.)** | 500 | 250 | 500 | 250 | 500 |
| **Capital** value **of** assets (Rs. lakhs) | 20 | 40 | 20 | 10 | 10 |
| **Machine hours** | 1,000 | 2,000 | 4,000 | 1,000 | 1,000 |
| Horse power of machines | 50 | 40 | 20 | 15 | 25 |

A technical assessment of the apportionment of expenses of service departments is as under:

| | A | B | C | X | Y |
|---|---|---|---|---|---|
| Service Dept. 'X' (%) | 45 | 15 | 30 | – | 10 |
| Service Dept. 'Y' (%) | 60 | 35 | - | 5 | - |

**Required:**

**PREPARE** a statement showing distribution of overheads to various departments.

**PREPARE** a statement showing re-distribution of service departments expenses to production departments using Trial and error method.

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21COMC433 Reg No : ........................

# CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

## B.Com FOURTH SEMESTER DEGREE EXAMINATION APRIL/MAY 2025

## COMMERCE

## Managing Business Process

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

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### SECTION – A

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

1) Explain the different methods used to improve process methodology.
2) Elaborate the seven Quality Check tools used for Simple Problem Solving.
3) What is Knowledge Management? Explain the Solutions under the Knowledge Management array.
4) Elaborate the objectives and the types of Risk Management.

### SECTION – B

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

5) Briefly explain Swim Lane Process Map.
6) Briefly explain the Standard Operating Process.
7) What is units of measurement and what are the key properties of unit of Measure.
8) Define Problem. Mention the benefits of Problem Solving Process and Explain the Problem Solving Steps.
9) Define Customer Management.What are the Salient features of a BPO Contract?
10) Briefly explain the BPO Pricing Models.

### SECTION – C

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

11) Write a note on process re-engineering.
12) Write a note on International Organisation for Standardisation (ISO).

13) What is the meaning of Customer Management? Explain the expectations of a Customer.

14) Mention the benefits of Why- Why Analysis and describe the ways to complete the 5 Why's.

15) What is Financial Management? Explain the aspects of Financial Management.

16) What is meant by Capacity Planning? Why is Capacity Planning considered to be important in an organization?

17) Elaborate the four basic steps of Risk Analysis.

21COMC443 Reg. No.....................................

**CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME**
**B.Com FOURTH SEMESTER DEGREE EXAMINATION MAY 2025**
**STRATEGIC INVESTMENT AND RISK MANAGEMENT**

**Duration: 2 hours** **Max Marks: 60**

## SECTION – A

**Answer any TWO questions:** **(2*15=30) (3+3+3+3+3)**

1. a) Mat Co. estimated its material handling cost at two activity levels as follows:

| Kilos handled | Cost |
|---|---|
| 80,000 | $160,000 |
| 60,000 | $132,000 |

What is Mat's estimated cost for handling 75,000 kilos?

b) Allred Company sells its single product for $30 per unit. The contribution margin ratio is 45%, and fixed costs are $10,000 per month. Allred has an effective income tax rate of 40%. If Allread sells 1,000 units in the current month, Allred's variable expenses would be ________.

c) A detergent company sells large containers of industrial cleaner at a selling price of $12 per container. Each container of cleaner requires $4.50 of direct materials, $2.50 direct labor, and $1.00 of variable overhead. The company has total fixed costs of $2,000,000 and an income tax rate of 40%. Management has set a goal to achieve a targeted after-tax net income of $2,400,000. What amount of dollar sales must the company achieve in order to meet its goal?

d) A company is planning to purchase a furnace that would cost $20,000 and save the company $4,000 pre-tax annually.
It has an estimated useful life of seven years with no salvage value. The company would depreciate the furnace using the straight-line method. The company has an effective income tax rate of 30%. Assuming no change in working capital, the payback period for the furnace is ________.

e) Colter Corp. is conducting an analysis of a potential capital investment. The project is expected to increase sales by $100,000 and reduce costs by $50,000 annually. Depreciation expense is $30,000 per year. Colter's marginal tax rate is 40%. What is the annual operating cash flow for the project?

2. a) Madengrad Company manufactures a single electronic product called Precisionmix. This unit is a batch-density monitoring device attached to large industrial mixing machines used in flour, rubber, petroleum, and chemical manufacturing. Precisionmix sells for $900 per unit. The following variable costs are incurred to produce each Precisionmix device:

| | |
|---|---|
| Direct labor | $180 |
| Direct materials | 240 |
| Factory overhead | 105 |

| | |
|---|---|
| Total variable production costs | \$525 |
| Marketing costs | 75 |
| Total variable costs | \$600 |

Madengrad's income tax rate is 40%, and annual fixed costs are \$6,600,000. Except for an operating loss incurred in the year of incorporation, the firm has been profitable over the last 5 years.

Assume a 10% increase in annual fixed costs, a 20% unit cost increase for direct labor, and a reduction in unit material costs of 25%, with no change in selling price. After incorporating these changes, Madengrad Company's contribution margin ratio would be ____.

b) Cervine Corporation makes motors for various products. Operating data and unit cost information for its products are presented below

| | Product A | Product B |
|---|---|---|
| Annual unit capacity | 10,000 | 20,000 |
| Annual unit demand | 10,000 | 20,000 |
| Selling price | \$100 | \$80 |
| Variable manufacturing cost | 53 | 45 |
| Fixed manufacturing cost | 10 | 10 |
| Variable selling & administrative | 10 | 11 |
| Fixed selling & administrative | 5 | 4 |
| Fixed other administrative | 2 | - |
| Unit operating profit | \$20 | \$10 |
| Machine hours per unit | 2.0 | 1.5 |

Cervine has 40,000 productive machine hours available. What is the maximum total contribution margin that Cervine can generate in the coming year?

c) A company is considering outsourcing one of the component parts for its product. The company currently makes 10,000 parts per month. Current costs are as follows:-

| | Per unit | Total |
|---|---|---|
| Direct materials | \$4 | \$40,000 |
| Direct labor | 3 | 30,000 |
| Fixed plant facility cost | 2 | 20,000 |

The company decides to purchase the part for \$8 per unit from another supplier and rents its idle capacity for \$5,000/month. How will the company's monthly costs change?

d) Yarrow Co. is considering the purchase of a new machine that costs \$450,000. The new machine will generate net cash flow of \$150,000 per year and net income of \$100,000 per year for five years. Yarrow's desired rate of return is 6%. The present value factor for a five-year annuity of \$1, discounted at 6%, is 4.212. The present value factor of \$1, at compound interest of 6% due in five years, is 0.7473. What is the new machine's net present value?

e) National Inc. is considering three mutually exclusive projects. Each project would involve an initial investment of $7,000 and generate the following cash inflows.

| Year | 1 | 2 | 3 | 4 | Total |
|---|---|---|---|---|---|
| Project X | $0 | 4,000 | 2,000 | 5,000 | $11,000 |
| Project Y | 2,000 | 3,000 | 4,000 | 2,000 | $11,000 |
| Project Z | 5,000 | 0 | 2,000 | 4,000 | $11,000 |

Given a cost of capital of 10%, rank the projects in descending order of Net Present Value (NPV).

3. a) Bruce Inc. has the following information about Rut, the only product it sells:
   - The selling price for each unit is $20.
   - The total variable cost per unit is $8.
   - Total fixed cost for the firm is $60,000.
   - The firm\'s current tax rate is 25%.

   If Bruce wants to earn $60,000 in profits after taxes, how many units must it sell?

b) A company produces and sells 2,000 units of finished goods and incurs $60,000 of fixed costs annually. The contribution margin is $60 per unit, and variable cost is $40 per unit. If the company expects sales quantities to increase by 10% next year, the operating profit will be ________.

c) Multi Frame Company has the following revenue and cost budgets for the two products it sells:

| | Plastic Frames | Glass Frames |
|---|---|---|
| Budgeted unit sales | 100,000 | 300,000 |
| Sales price | $10.00 | $15.00 |
| Direct materials | (2.00) | (3.00) |
| Direct labor | (3.00) | (5.00) |
| Fixed overhead | (1.95) | (2.60) |
| Net income per unit | $ 3:05 | $ 4.40 |

The budgeted unit sales equal the current unit demand and total fixed overhead for the year is budgeted at $975,000. Assume the company plans to maintain the same mix ratio. In numerical calculations, MultiFrame rounds to the nearest cent and unit.
The total number of units needed to break even if the budgeted direct labor costs were $2 for plastic frames instead of $3 is ________.

d) Johnson Company manufactures a variety of shoes, and has received a special one-time-only order directly from a wholesaler. Johnson has sufficient idle capacity to accept the special order to manufacture 15,000 pairs of sneakers at a price of $7.50 per pair. Johnson's normal selling price is $11.50 per pair of sneakers. Variable manufacturing costs are $5.00 per pair and fixed manufacturing costs are $3.00 a pair. Johnson's variable selling expense for its normal line of sneakers is $1.00 per pair. What would the effect on Johnson's operating income be if the company accepted the special order?

e) A company is considering the purchase of an equipment to save its costs. The relevant data for cost savings and costs involved are as follows:
Cost of the equipment: $300,000.
Annual cash savings on account of purchase of equipment (before tax and depreciation): $80,000.
Useful life of the equipment: five years with no salvage value.
Depreciation is calculated using straight line method.
Income tax rate: 40%.
Cost of capital for a company: 10%.
PV factors of 1$ @10% from year 1 to year 5 are: 0.909, 0.826, 0.751, 0.683 and 0.621.
PV factors of annuity of 1$ @10% from year 1 to year 5 are = 0.909, 1.736, 2.487, 3.170 and 3.791.
What is the net present value of the investment?

## SECTION – B

**Answer any TWO questions: (2*10=20)**

4. a) Riverfront Properties' new apartment building was almost complete. There were a few inspections left to pass, and they did not have a certificate of occupancy. However, the owner felt that they were close enough that he allowed new tenants to begin moving in. The risk that the owner has created in this situation is best described as
A. strategic risk, because the owner was not in compliance with laws and regulations.
B. operational risk, because the remaining inspections could determine that the building is uninhabitable.
C. strategic risk, because the remaining inspections could determine that the building is uninhabitable.
D. operational risk, because the owner was not in compliance with laws and regulations.

b) Which of the following actions best illustrates an organization's commitment to corporate social responsibility (CSR)?
A. CSR-related activities are reported only within the organization itself.
B. Line managers are instructed to review and amend processes to align them with the organization's CSR policy.
C. CSR activities are audited only by third parties.
D. The board of directors announces its adoption of the ISO framework on CSR.

c) Sarbanes Oxley Section 406 defines a code of ethics as a statement of standards that is necessary to promote which of the following corporate objectives?
A. Achievement of earnings per share targets that are communicated to shareholders.
B. Creation of a work environment with a good work-life balance for all employees.
C. Increasing dividends for shareholders.
D. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

d) With respect to the internal control provisions of the U.S. Foreign Corrupt Practices Act (FCPA), all of the following statements are true except that
A. internal controls are used by companies to help provide reasonable assurance regarding reliability of financial reporting.
B. good internal controls can help prevent not only FCPA violations, but also other illegal or unethical conduct.
C. the FCPA prescribes a particular set of internal controls that companies are required to develop and implement.
D. access to company assets are permitted in accordance with management's general and specific authorization.

e) Which one of the following items is least likely to directly impact an equipment replacement capital expenditure decision?
A. The net present value of the equipment that is being replaced
B. The depreciation rate that will be used for tax purposes on the new asset
C. The amount of additional accounts receivable that will be generated from increased production and sales
D. The sales value of the asset that is being replaced.

f) Which one of the following best describes a cash flow pattern that may result in multiple internal rates of return for a single project?
A. The direction of cash flow changes multiple times during the life of a project.
B. The cash inflows from a project start higher and decline over the life of a project.
C. Negative cash flows for more than one consecutive period, then positive cash flows for the remainder of the project.
D. The equipment has a scrap value that cannot be fully determined at the beginning of the project.

g) When evaluating projects, breakeven time is best described as
A. The point where cumulative cash inflows on a project equal total cash outflows.
B. Annual fixed costs ÷ monthly contribution margin.
C. The point at which discounted cumulative cash inflows on a project equal discounted total cash outflows.
D. Project investment ÷ annual net cash inflows.

h) Despite its shortcomings, the traditional payback period continues to be a popular method to evaluate investments because, in part, it
A. furnishes information about an investment's lifetime performance.
B. ignores the time value of money.
C. focuses on income rather than cash flow.
D. provides some insight into the risk associated with a project.

i) The net present value (NPV) of a proposed investment is negative; therefore, the discount rate used must be
A. Less than the project's internal rate of return.
B. Greater than the project's internal rate of return.
C. Greater than the firm's cost of equity.
D. Less than the risk-free rate

j) A company is interested in a capital project that has a net present value of $0. The company should
A. accept the project because the company's required rate of return has been met.
B. reject the project because its internal rate of return is 0%.
C. reject the project because its cash inflows equal the project's cash outflows.
D. accept the project because the company's value will increase.

5. a) What is the major difference between traditional risk management and Enterprise Risk Management (ERM)?
A. Traditional risk management prepares an organization to respond to specific, recognized events that could prevent the organization from achieving its objectives. ERM prepares the organization to respond to any event that could prevent it from achieving its objectives, whether or not the event has been previously recognized as a risk.

B. Traditional risk management focuses on risks that can be mitigated by insurance, whereas ERM includes risks that cannot be mitigated by insurance but can be mitigated in other ways.
C. Traditional risk management considers only risks that could have a negative effect on the organization, whereas ERM includes risks that could have either a negative or a positive effect on the organization.
D. In traditional risk management, each individual business unit does its own risk management, whereas with ERM, the major risk areas for the organization as a whole are identified, and the individual units use that as a basis to define the specific risks they face.

b) Employee A observes that Employee B is improperly altering department records to meet month end goals. These records are for internal use only and do not impact the company's financial records. Employee A notifies her supervisor of the impropriety, and the supervisor advises Employee A that she instructed Employee B to alter the records and an adjustment would be made the subsequent month to correct the records. Employee A should
A. follow the organization's established procedures for the resolution of such unethical issues.
B. advise the supervisor that her behavior was unethical and do not communicate the impropriety any further.
C. communicate the unethical behavior to external authorities.
D. do nothing since the supervisor authorized the behavior.

c) Communicating information related to risks is very important in enterprise risk management. Which individual is most likely in the best position to recognize problems as they arise related to customer product design needs?
A. Production manager
B. Risk manager
C. Internal auditor
D. Sales representative

d) An IMA member discovers a problem that could mislead users of the firm's financial data and has informed his immediate superior. He should report the circumstances to the audit committee and/or the board of directors only if the immediate superior
A. reports the situation to her superior.
B. reports to the chief executive officer, and knows about the situation but refuses to correct it.
C. is the firm's chief executive officer, and knows about the situation but refuses to correct it.
D. assures the member that the problem will be resolved.

e) All decisions by financial managers should be driven by the primary goal to
A. Maximize revenues.
B. Minimize fixed costs and variable costs.
C. Stabilize growth.
D. Maximize stockholder wealth.

f) In equipment-replacement decisions, which one of the following does not affect the decision-making process?
A. Original fair value of the old equipment.
B. Operating costs of the old equipment.
C. Cost of the new equipment.
D. Current disposal price of the old equipment

g) When determining net present value in an inflationary environment, adjustments should be made to
A. Increase the estimated cash inflows and increase the discount rate.
B. Increase the discount rate, only.
C. Increase the estimated cash inflows but not the discount rate.
D. Decrease the estimated cash inflows and increase the discount rate.

h) Accounting rate of return method of evaluating an investment proposal could not be sometimes preferred over other methods because:
A. It takes into account only cash inflows and outflows.
B. It ignores time value of money.
C. It does not give consideration to the life of the project.
D. It does not take into account salvage value of the project.

i) Which of the following statements about investment decision models is true?
A. The discounted payback rate takes into account cash flows for all periods.
B. The payback rule ignores all cash flows after the end of the payback period.
C. The net present value model says to accept investment opportunities when their rates of return exceed the company's incremental borrowing rate.
D. The internal rate of return rule is to accept the investment if the opportunity cost of capital is greater than the internal rate of return.

j) The rankings of mutually exclusive investments determined using the internal rate of return method (IRR) and the net present value method (NPV) may be different when
A. Multiple projects have unequal lives and the size of the investment for each project is different.
B. The required rate of return equals the IRR of each project.
C. The required rate of return is higher than the IRR of each project.
D. The lives of the multiple projects are equal and the size of the required investments are equal.

6. a) The net present value method of capital budgeting assumes that cash flows are reinvested at
A. The cost of debt.
B. The discount rate used in the analysis
C. The risk-free rate.
D. The rate of return of the project.

b) A company wants to invest in a project on which the actual return the company expects to earn should be more than the minimum return to be earned on the project to breakeven, considering only cash inflows and outflows. Which of the following calculations would be helpful for a company to pick up such an investment?
I. Net present value.
II. Payback period.
III. Internal rate of return.
IV. Accounting rate of return.
A. I and III only.
B. III and IV only.
C. I and IV only.
D. All of above.

c) Which one of the following statements concerning cash flow determination for capital budgeting purposes is not correct?
A. Tax depreciation must be considered because it affects cash payments for taxes.
B. Sunk costs are not incremental flows and should not be included.
C. Book depreciation is relevant because it affects net income.
D. Net working capital changes should be included in cash flow forecasts.

d) Which of the following is a limitation of the profitability index?
A. It uses free cash flows.
B. It ignores the time value of money.
C. It is inconsistent with the goal of shareholder wealth maximization.
D. It requires detailed long-term forecasts of the project's cash flows.

e) Depreciation is incorporated explicitly in the discounted cash flow analysis of an investment proposal because it
A. is a cash inflow.
B. is a cost of operations that cannot be avoided.
C. represents the initial cash outflow spread over the life of the investment.
D. reduces the cash outlay for income taxes.

f) After calculating both the simple payback period and the discounted payback period for a project, the discounted payback period is
A. shorter because the time value of money raises the value of the cash flows.
B. longer because the time value of money raises the value of the cash flows.
C. shorter because the time value of money lowers the value of the cash flows.
D. longer because the time value of money lowers the value of the cash flows.

g) A major difference between risk in investing and other types of risk is
A. risk in investing has the potential for either a positive or negative event, whereas other types of risk have the potential only for a negative event.
B. risk in investing has the potential for great losses, whereas other types of risk have the potential for either great losses or great gains.
C. other types of risk can be managed with insurance, whereas it is not possible to manage risk in investing.
D. risk in investing is operational risk, whereas other types of risk are strategic risks.

h) The maximum possible loss to the seller of a naked call option, if no other transaction is made to hedge it, is
A. the amount the seller receives for the sale.
B. the amount of the seller's investment.
C. the strike price of the option.
D. unlimited.

i) Which one of the following ethics-related actions by management is least effective in encouraging acceptance by employees of an organization's code of conduct?
A. Management supports employees in adhering to ethics standards.
B. Management follows ethical principles in decisions made on behalf of the organization.
C. Management keeps promises and commitments made to employees, customers and vendors.
D. Management appoints an ethics officer to monitor and report to management on employee compliance.

j) How can a management accountant use the Fraud Triangle to identify and manage the risk of fraud?

A. The Fraud Triangle provides a SOX-compliant model for examining the company's internal control environment in terms of its risk of fraud.

B. The Fraud Triangle provides a model for explaining how persuasion, coercion, and conviction influence people to commit fraud.

C. The Fraud Triangle provides a model for explaining the pressures, rationalizations, and opportunities that influence people to commit fraud.

D. The Fraud Triangle provides a model for explaining the motives, means, and opportunities that influence people to commit fraud.

## SECTION – C

**Answer any TWO questions:** **(2*5=10) (2+2+1)**

7. a) What is consumer fraud?
   b) Explain IMA's 4 overarching ethical principles.
   c) Break even sales in units = ?

8. a) Elaborate on morality v/s virtue.
   b) Explain Sec 406 of SOX.
   c) Price elasticity of demand = ?

9. a) What are the various risk responses?
   b) Explain positive and negative shift in demand curves.
   c) Profitability Index = ?

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21COMC443 Reg. No.................................

**CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME**
**B.Com FOURTH SEMESTER DEGREE EXAMINATION MAY 2025**
**STRATEGIC INVESTMENT AND RISK MANAGEMENT**

**Duration: 2 hours** **Max Marks: 60**

## SECTION – A

**Answer any TWO questions:** **(2*15=30) (3+3+3+3+3)**

1. a) Regis Company manufactures plugs used in its manufacturing cycle at a cost of $36 per unit that includes $8 of fixed overhead. Regis needs 30,000 of these plugs annually, and Orlan Company has offered to sell these units to Regis at $33 per unit. If Regis decides to purchase the plugs, $60,000 of the annual fixed overhead applied will be eliminated, and the company may be able to rent the facility previously used for manufacturing the plugs.
If the plugs are purchased and the facility rented, Regis Company wishes to realize $100,000 in savings annually. To achieve this goal, the minimum annual rent on the facility must be _______.

b) A circuit board company conducts a joint manufacturing process to produce 10,000 units of Board A and 10,000 units of Board B. The total joint variable manufacturing cost to produce these two products is $2,000,000. The company can sell all 10,000 units of Board B at the split-off point for $300 per unit, or process Board B further and sell all 10,000 units at $375 per unit. The total additional cost to process Board B further would be $500,000, and all additional costs would be variable. If the company decides to process Board B further, what effect would the decision have on operating income?

c) Kator Co. is a manufacturer of industrial components. One of their products that are used as a subcomponent in auto manufacturing is KB-96. This product has the following financial structure per unit:

| | |
|---|---|
| **Selling price** | $150 |
| Direct materials | $20 |
| Direct labor | 15 |
| Variable manufacturing overhead | 12 |
| Fixed manufacturing overhead | 30 |
| Shipping and handling | 3 |
| Fixed selling and administrative | 10 |
| **Total costs** | $90 |

During the next year, KB-96 sales are expected to be 10,000 units. All of the costs will remain the same except that fixed manufacturing overhead will increase by 20% and direct materials will increase by 10%. The selling price per unit for next year will be $160. Based on this data, the contribution margin from KB-96 for next year will be _______.

d) Garfield, Inc. is considering a 10-year capital investment project with forecasted revenues of $40,000 per year and forecasted cash operating expenses of $29,000 per year. The initial cost of the equipment for the project is $23,000, and Garfield expects to sell the equipment for $9,000 at the end of the tenth year. The equipment will be depreciated over 7 years. The project requires a working capital investment of $7,000 at its inception and another $5,000 at the end of year 5. Assuming a 40% marginal tax rate, the expected net cash flow from the project in the tenth year is _______.

e) Jenson Copying Company is planning to buy a coping machine costing $25,310. The net present values (NPV) of this investment, at various discount rates, are as follows.

| Discount Rate | NPV |
|---|---|
| 4% | $2,440 |
| 6% | $1,420 |
| 8% | $ 460 |
| 10% | ($ 440) |

Jenson's approximate internal rate of return on this investment is ________.

2. a) Harper Products' cost information for the normal range of output in a month is shown below.

| Output in units | Total Cost |
|---|---|
| 20,000 | $3,000,000 |
| 22,500 | 3,325,000 |
| 25,000 | 3,650,000 |

What is Harper's short-run marginal cost?

b) A company currently has a four-stage manufacturing process in the following order: Processing, Smoothing, Shaping, and Painting. There is a market for the output of each stage. A newly appointed management accountant has been examining the company's operations, and has prepared the following information below

| Manufacturing Stage | Total Selling Price of Output | Incremental Variable Cost Per Stage |
|---|---|---|
| Processing | $10 | $8 |
| Smoothing | 12 | 1 |
| Shaping | 18 | 5 |
| Painting | 20 | 3 |

Given the above information, selling the output after which one of the following stages will yield the greatest contribution margin?

c) For the year just ended, Silverstone Company's sales revenue was $450,000. Silverstone's fixed costs were $120,000 and its variable costs amounted to $270,000. For the current year sales are forecasted at $500,000. If the fixed costs do not change, Silverstone's profits this year will be _______.

d) Product Cott has sales of $200,000, a contribution margin of 20%, and a margin of safety of $80,000. What is Cott's fixed cost?

e) Cereal Foods produces two organic cereals: Granola Stars and Magic Grain. Cost data for the two products are shown below:

| | Granola Stars | Magic Grain |
|---|---|---|
| Sales price (per 1 kg bag) | $11.00 | $15.00 |
| Variable costs: | | |
| Direct materials | $ 2.50 | $ 2.85 |
| Direct labor | 2.00 | 2.50 |
| Variable Overhead | 2.50 | 2.95 |
| Variable selling and administrativ | 1.50 | 2.00 |

Cereal Foods can sell any quantity of either of the types of cereals that it produces. However, its baking ovens can run only 12 hours per day, constraining the quantity of product that Cereal Foods can produce. The baking ovens can produce 72 kgs of Granola Stars in one hour; or, the baking ovens can produce 30 kgs of Magic Grain in one hour.
The contribution per oven hour of Granola Stars and Magic Grain is ______ and ______.

3. a) A fuel company can sell 8 units of product at a selling price of $450. However, at a selling price of $445 the company can sell 9 units. What is the marginal revenue that is derived from selling the 9th unit?

b) Brewster Co. has the following financial information:-

| | |
|---|---|
| Fixed costs | $20000 |
| Variable costs | 60% |
| Sales price | $50 |

What amount of sales is required for Brewster to achieve a 15% return on sales?

c) Specialty Inc. has a limited supply of 1,200 lbs of raw materials which can be used to produce either product X or Y, details of which are given below.

| | Product X | Product Y |
|---|---|---|
| Selling price per unit | $200 | $250 |
| Variable costs per unit | 176 | 200 |
| Raw materials used per unit | 8 lbs. | 10 lbs. |

Which one of the following should Specialty produce in order to maximize contribution margin?

d) A company produces and sells 2,000 units of finished goods and incurs $60,000 of fixed costs annually. The contribution margin is $60 per unit, and variable cost is $40 per unit. If the company expects sales quantities to increase by 10% next year, the operating profit will be ________.

c) A company is considering outsourcing one of the component parts for its product. The company currently makes 10,000 parts per month. Current costs are as follows:-

| | Per unit | Total |
|---|---|---|
| Direct materials | $4 | $40,000 |
| Direct labor | 3 | 30,000 |
| Fixed plant facility cost | 2 | 20,000 |

The company decides to purchase the part for $8 per unit from another supplier and rents its idle capacity for $5,000/month. How will the company's monthly costs change?

## SECTION – B

**Answer any TWO questions:** **(2*10=20)**

4. a) Which of the following actions best illustrates an organization's commitment to corporate social responsibility (CSR)?
A. CSR-related activities are reported only within the organization itself.
B. Line managers are instructed to review and amend processes to align them with the organization's CSR policy.
C. CSR activities are audited only by third parties.
D. The board of directors announces its adoption of the ISO framework on CSR.

b) Based on experience, an electronics retailer has developed the following probabilities of various types of theft occurring during a year's time and the amount of loss if each one does occur:

| **Risk** | **Probability** | **Amount of Loss** |
|---|---|---|
| Breaking and entering | 10% | $100,000 |
| Employee theft | 35% | 50,000 |
| Shoplifting | 85% | 80,000 |
| Aggravated burglary | 10% | 30,000 |
| Other | 5% | 10,000 |

What is the expected loss from shoplifting?
A. $80,000
B. $55,000
C. $68,000
D. $99,000

c) Games Unlimited has convened a group of employees to review the company's code of ethics and propose revisions and improvements. One of the suggested improvements is the development of a Whistleblowing Framework as recommended by IMA's "Statement on Management Accounting, Values and Ethics: From Inception to Practice." This framework will provide all of the following benefits except:
A. A means for the collection, analysis, and summarization of ethical issues.
B. Opportunities to enhance and improve internal controls.
C. A confidential means for employees to report possible violations.
D. A method for defining the organization's behavioral values.

d) After a competitive bidding process, a company's purchasing director awarded a contract to the lowest bidder, an organization in which she had a personal interest. Since the winning bidder had the lowest price, she did not disclose her relationship with the entity. In fact, she frequently highlighted the fact that the winning bidder had the most experience servicing contracts of this nature. Which one of the values of ethical decision making did the purchasing director violate?

A. Honesty, because she was not being truthful about the experience of the bidder.

B. Integrity, because her relationship with the bidder could have impaired her judgment.

C. Fairness, because she did not tell the truth about her relationship with the vendor.

D. None, because a competitive bidding process was utilized.

e) All decisions by financial managers should be driven by the primary goal to

A.Maximize revenues.

B.Minimize fixed costs and variable costs.

C.Stabilize growth.

D.Maximize stockholder wealth.

f) In equipment-replacement decisions, which one of the following does not affect the decision-making process?

A.Original fair value of the old equipment.

B.Operating costs of the old equipment.

C.Cost of the new equipment.

D.Current disposal price of the old equipment

g) When determining net present value in an inflationary environment, adjustments should be made to

A.Increase the estimated cash inflows and increase the discount rate.

B.Increase the discount rate, only.

C.Increase the estimated cash inflows but not the discount rate.

D.Decrease the estimated cash inflows and increase the discount rate.

h) Accounting rate of return method of evaluating an investment proposal could not be sometimes preferred over other methods because:

A.It takes into account only cash inflows and outflows.

B.It ignores time value of money.

C.It does not give consideration to the life of the project.

D.It does not take into account salvage value of the project.

i) Which of the following statements about investment decision models is true?

A.The discounted payback rate takes into account cash flows for all periods.

B.The payback rule ignores all cash flows after the end of the payback period.

C.The net present value model says to accept investment opportunities when their rates of return exceed the company's incremental borrowing rate.

D.The internal rate of return rule is to accept the investment if the opportunity cost of capital is greater than the internal rate of return.

j) The rankings of mutually exclusive investments determined using the internal rate of return method (IRR) and the net present value method (NPV) may be different when

A.Multiple projects have unequal lives and the size of the investment for each project is different.

B.The required rate of return equals the IRR of each project.

C.The required rate of return is higher than the IRR of each project.

D.The lives of the multiple projects are equal and the size of the required investments are equal.

5. a) One disadvantage of using internal rate of return is that it
A.provides a result that cannot be compared to other projects.
B.may not be used when cash flows vary from positive to negative in different years.
C.is difficult for managers to understand the results of the calculation.
D.can only use a limited number of years in calculating the result.

b) Which of the following decision-making models equates the initial investment with the present value of the future cash inflows?
A.Accounting rate of return.
B.Payback period.
C.Internal rate of return.
D.Cost-benefit ratio.

c) If an investment project has a negative net present value (NPV), which one of the following statements about the internal rate of return (IRR) of this project must be true?
A.The IRR is negative.
B.The IRR is less than the company's weighted average cost of capital.
C.The IRR is equal to zero.
D.The IRR is more than the company's weighted average cost of capital

d) Fast Freight, Inc. is planning to purchase equipment to make its operations more efficient. This equipment has an estimated life of 6 years. As part of this acquisition, a $75,000 investment in working capital is anticipated. In a discounted cash flow analysis, the investment in working capital
A.Should be amortized over the useful life of the equipment.
B.Should be treated as an immediate cash outflow that is later recovered at the end of 6 years.
C.Can be disregarded because no cash is involved.
D.Should be treated as an immediate cash outflow.

e) Which one of the following items is least likely to directly impact an equipment replacement capital expenditure decision?
A. The net present value of the equipment that is being replaced
B. The depreciation rate that will be used for tax purposes on the new asset
C. The amount of additional accounts receivable that will be generated from increased production and sales
D. The sales value of the asset that is being replaced.

f) Which one of the following best describes a cash flow pattern that may result in multiple internal rates of return for a single project?
A. The direction of cash flow changes multiple times during the life of a project.
B. The cash inflows from a project start higher and decline over the life of a project.
C. Negative cash flows for more than one consecutive period, then positive cash flows for the remainder of the project.
D. The equipment has a scrap value that cannot be fully determined at the beginning of the project.

g) When evaluating projects, breakeven time is best described as
A. The point where cumulative cash inflows on a project equal total cash outflows.
B. Annual fixed costs ÷ monthly contribution margin.
C. The point at which discounted cumulative cash inflows on a project equal discounted total cash outflows.
D. Project investment ÷ annual net cash inflows.

h) Despite its shortcomings, the traditional payback period continues to be a popular method to evaluate investments because, in part, it
   A. furnishes information about an investment's lifetime performance.
   B. ignores the time value of money.
   C. focuses on income rather than cash flow.
   D. provides some insight into the risk associated with a project.

i) The net present value (NPV) of a proposed investment is negative; therefore, the discount rate used must be
   A. Less than the project's internal rate of return.
   B. Greater than the project's internal rate of return.
   C. Greater than the firm's cost of equity.
   D. Less than the risk-free rate

j) A company is interested in a capital project that has a net present value of $0. The company should
   A. accept the project because the company's required rate of return has been met.
   B. reject the project because its internal rate of return is 0%.
   C. reject the project because its cash inflows equal the project's cash outflows.
   D. accept the project because the company's value will increase.

6. a) The net present value method of capital budgeting assumes that cash flows are reinvested at
   A.The cost of debt.
   B.The discount rate used in the analysis
   C.The risk-free rate.
   D.The rate of return of the project.

b) A company wants to invest in a project on which the actual return the company expects to earn should be more than the minimum return to be earned on the project to breakeven, considering only cash inflows and outflows. Which of the following calculations would be helpful for a company to pick up such an investment?
   I. Net present value.
   II. Payback period.
   III. Internal rate of return.
   IV. Accounting rate of return.
   A. I and III only.
   B. III and IV only.
   C. I and IV only.
   D. All of above.

c) Which one of the following statements concerning cash flow determination for capital budgeting purposes is not correct?
   A. Tax depreciation must be considered because it affects cash payments for taxes.
   B. Sunk costs are not incremental flows and should not be included.
   C. Book depreciation is relevant because it affects net income.
   D. Net working capital changes should be included in cash flow forecasts.

d) Which of the following is a limitation of the profitability index?
   A. It uses free cash flows.
   B. It ignores the time value of money.
   C. It is inconsistent with the goal of shareholder wealth maximization.
   D. It requires detailed long-term forecasts of the project's cash flows.

e) Depreciation is incorporated explicitly in the discounted cash flow analysis of an investment proposal because it
   A. is a cash inflow.
   B. is a cost of operations that cannot be avoided.
   C. represents the initial cash outflow spread over the life of the investment.
   D. reduces the cash outlay for income taxes.

f) After calculating both the simple payback period and the discounted payback period for a project, the discounted payback period is
   A. shorter because the time value of money raises the value of the cash flows.
   B. longer because the time value of money raises the value of the cash flows.
   C. shorter because the time value of money lowers the value of the cash flows.
   D. longer because the time value of money lowers the value of the cash flows.

g) A major difference between risk in investing and other types of risk is
   A. risk in investing has the potential for either a positive or negative event, whereas other types of risk have the potential only for a negative event.
   B. risk in investing has the potential for great losses, whereas other types of risk have the potential for either great losses or great gains.
   C. other types of risk can be managed with insurance, whereas it is not possible to manage risk in investing.
   D. risk in investing is operational risk, whereas other types of risk are strategic risks.

h) The maximum possible loss to the seller of a naked call option, if no other transaction is made to hedge it, is
   A. the amount the seller receives for the sale.
   B. the amount of the seller's investment.
   C. the strike price of the option.
   D. unlimited.

i) Which one of the following ethics-related actions by management is least effective in encouraging acceptance by employees of an organization's code of conduct?
   A. Management supports employees in adhering to ethics standards.
   B. Management follows ethical principles in decisions made on behalf of the organization.
   C. Management keeps promises and commitments made to employees, customers and vendors.
   D. Management appoints an ethics officer to monitor and report to management on employee compliance.

j) How can a management accountant use the Fraud Triangle to identify and manage the risk of fraud?
   A. The Fraud Triangle provides a SOX-compliant model for examining the company's internal control environment in terms of its risk of fraud.
   B. The Fraud Triangle provides a model for explaining how persuasion, coercion, and conviction influence people to commit fraud.
   C. The Fraud Triangle provides a model for explaining the pressures, rationalizations, and opportunities that influence people to commit fraud.
   D. The Fraud Triangle provides a model for explaining the motives, means, and opportunities that influence people to commit fraud.

## SECTION – C

**Answer any TWO questions:** **(2*5=10) (2+2+1)**

7. a) What is marketing fraud?
   b) Explain the 4 standards of ethical conduct.
   c) Net Present Value = ?

8. a) Explain Carroll's CSR Pyramid with a diagram.
   b) Explain price elasticity of demand.
   c) Margin of safety in dollars = ?

9. a) Explain Business sustainability with a diagram.
   b) Explain positive and negative shift in supply curves.
   c) Contribution margin per unit = _________ + Net operating income per unit

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