19COM601 Reg No : ....

CHOICE BASED CREDIT SYSTEM

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

COMMERCE

Financial Accounting VI

Duration:3 Hours Max Marks:120

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

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

Balances on 31.12.2020

Current Accounts	45,50,000
Savings Bank accounts	14,52,000
Fixed & Time Deposits	37,18,000
Sundry Creditors	45,500
Sundry Creditors	12,20,000
Bills for Collection	22,10,000
Acceptances & Endorsements for Customers	11,16,800
Rebate on Bills Discounted	1,500
Branch Adjustments (Cr.)	4,55,500
Reserve Fund	10,00,000
Dividend Equalisation Fund	2,50,000
Capital 20,000 shares of Rs.100 each Rs.50 per share paid	10,00,000
Interest & Discount Received	5,80,000
Exchange & Commission (Cr.)	1,70,000
General Charges Recovered	5,500
P & L A/c Balance (Cr.) 1-1-2020	85,200
Cash in Hand	48,750
Cash with other Banks	6,86,950
Money at Call	1,50,000
Investments in Govt. Securities	45,20,000
Investment in Shares	4,70,000
Interest Accrued on Investments	87,500
Cash Credit & Loans	44,10,000

Bills Purchased & Discounted	33,10,000
Furniture & Fixtures, etc.	50,000
Depreciation Reserve	50,000
Interest Paid	1,20,000
Exchange & Commission Paid	10,000
Salaries	2,40,000
Director's Fees	10,000
Stationery & Advertisements	40,000
Miscellaneous Expenses	30,000
Premises	4,00,000
You are required to provide the following: Reserve for Taxation	50,000
Transfer to Reserve Fund	1,50,000
Transfer to Dividend Equalisation Fund	50,000

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

	Fire Rs.	Marine Rs	
Claims Paid	1,00,000	87,000	
Premiums Less Reinsurance received during the year	3,74,000	2,97,000	
Commission on Reinsurance Ceded	13,000	—	
Commission	62,000	51,000	
Expenses of Management	86,000	51,000	
Depreciation on Assets			36,000
Loss on Realisation of Investment			8,000
Audit Fee			13,000
Director's Remuneration			36,000
Interest & Dividend on Investment			63,000
Reserve for Unexpired Risks as on 1.4.2019	2,10,000	2,40,000	
Additional Reserves as on 1.4.2019	60,000	10,000	
Claims outstanding as on 1.4.2019	24,000	11,000	

Premium outstanding as on 1.4.2019	26,000	17,000	
Additional information:Premium outstanding as on 31.3.2020	30,000	15,000	
Claim outstanding as on 31.3.2020	46,000	17,000	

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

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

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

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

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

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

3. Malar Ltd. Furnish you the following balance sheets for the year ended 31-12-2019 & 2020.

Balance Sheets

Liabilities	2019(Rs)	2020(Rs)	Assets	2019(Rs)	2020(Rs)
Equity share capital	20,000	20,000	Goodwill	2,400	2,400
General reserve	2,800	3,600	Land	8,000	7,200
Profit and loss a/c	3,200	2,600	Buildings	7,400	7,200
Sundry creditors	1,600	1,080	Investments	2,000	2,200
Outstanding expenses	240	160	Inventories	6,000	4,680
Provision for tax	3,200	3,600	A/c's Receivables	4,000	4,440
Provision for bad debts	80	120	Bank Balance	1,320	3,040
	31,120	31,160		31,120	31,160

Following additional information has been supplied

1. A Piece of land has been sold for Rs.800

2. Depreciation amounting to Rs.1,400 has been charged on building.

3. Provision for taxation has been made for Rs. 3,800 during the year.

4. Assets and liabilities of a Ltd. Co for the year ended 31st March, 2019 are as follows:

Liabilities	Rs	Assets	Rs
Equity share Capital	2,00,000	Land and Building	1,50,000

Reserves	90,000	Plant and Machinery	80,000
Surplus Account	60,000	Stock in Trade	1,49,000
Bills Payable	40,000	Sundry Debtors	41,000
Other current liabilities	90,000	Cash balance	30,000
		Bills receivable	30,000
	4,80,000		4,80,000

Additional Information:

1. Credit sale Rs 8,50,000.
2. Cost of goods sold Rs 5,10,000.
3. Average inventory Rs. 1,24,250.
4. Average Accounts Receivable Rs. 85,000
5. Average Account payable Rs. 80,000.
6. Credit Purchases Rs 5,45,250

Calculate: 1. Stock Turnover Ratio 2. Receivable Turnover Ratio 3. Creditors Turnover Ratio 4.Current Ratio and 5.Liquid Ratio.

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

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

	Rs
Interest on loan	64750
Interest on fixed deposits	68750
Commission	1800
Rebate on bills discounted required	12250
Exchange and brokerage	250
Employees' salaries	13500
Discount on bills discounted (gross)	48750
Interest on cash credits	55750
Interest on current accounts	10500
Rent and taxes	4500
Interest on overdraft	13500
Directors fees	750
Auditors fees	300

Interest on savings bank deposits	17000
Postage and telegram	350
Printing and stationery	725
Sundry charges	425
Depreciation on bank property.	1050

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

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

6. Explain the steps involved to register as NBFC.

7. The life Insurance Company gets its valuation made once in every three years.The Life assurance fund on 31 March 2019 amounted to Rs 50,41,000 before providing dividend Rs 60,000 for the shareholders for the year ending 31 Mach, 2019.Its actuarial valuation on 31 Mach, 2019 disclosed net liability of Rs.48,00,000 under the assurance and annuity contracts. An interim bonus of Rs.59,000 was paid to the policyholders during the triennial year ending 31 March, 2019.

   1. The valuation Balance sheet
   2. The net profit for the two year period.
   3. The distribution of the net profit
   4. Final bonus payable to policy holders.

8. Mohan runs a chemist shop. His net assets on 31 Dec 2020 amounts to Rs. 20,00,000. After paying a rent of Rs. 20,000 a year and salaries of Rs. 15000 to the chemist, he earns a profit of Rs. 1,50,000.

   His landlord, a Pvt limited Co. which deals in drugs & Medicines is interested in purchasing the shop. 8% is considered to be a reasonable return on the capital employed.

   The value of buildings of Rs. 1,00,000. What can Mohan expect as payment for goodwill from the company.

9. Balance Sheets as at 31 March

Liabilities	**2017**	**2018**	**Assets**	**2017**	**2018**
Paid up Capital	1,00,000	1,00,000	Fixed Assets	2,17,200	2,19,810
Reserves and Surplus	67,250	84,500	Stcok	56,160	49,460

Debentures	1,00,000	1,00,000	Debtors	11,260	11,710
Bills Payable	12,750	6,500	Cash	15,380	26,020
Creditors	20,000	16,000			
	3,00,000	**3,07,000**		**3,00,000**	**3,07,000**

Calculate a) Current Ratio b) Liquid Ratio c) Proprietory Ratio d) Working Capital Ratio.

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

10. Write a note on Non Banking Assets.

11. A life Assurance Co. prepared its Revenue account at the end of 2019. The fund as shown therein was Rs.12,50,000. The company had not taken into account the following:-

 1. Bonus used in reduction of Premium Rs.25,000.
 2. Annuities outstanding Rs.12,500
 3. Surrender values adjusted against Loans on policies Rs.5,000.
 4. Re-assurance premium Rs.2,500.

 Pass journal entries for the above and show the fund after making the adjustments

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

 1.Claims Outsatnding

 2.Premium Earned

 3.Operating expenses

 4.Profit on sale or revaluation of investment of.asset

 5.Borrowings

13. A firm of partners X, Y and Z has the following profits:

Year	Profit
I	20,000
II	30,000
III	40,000
IV	60,000
Total	**1,50,000**

 Goodwill is to be calculated at three-year purchase of average profit or last four-year profit. Calculate Goodwill.

14. What are the limitations of Ratio Analysis?

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CHOICE BASED CREDIT SYSTEM

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

COMMERCE

Financial Accounting VI

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9. Balance Sheets as at 31 March

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Paid up Capital	1,00,000	1,00,000	Fixed Assets	2,17,200	2,19,810
Reserves and Surplus	67,250	84,500	Stcok	56,160	49,460

Debentures	1,00,000	1,00,000	Debtors	11,260	11,710
Bills Payable	12,750	6,500	Cash	15,380	26,020
Creditors	20,000	16,000			
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21COMC601 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com SIXTH SEMESTER DEGREE EXAMINATION APRIL / MAY 2025

COMMERCE

Management Accounting

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

SECTION – A

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

1) The Management Accountant is the channel through which this information efficiently and effectively flows to the management. Describe his role and functions in light of the statement.

2) Following is the balance sheet of XYZ Co Ltd as at 1st January, 2022 and 31st December, 2022:

	01.01.2022	31.12.2022
	Rs	Rs
Liabilities		
Equity share capital	3,00,000	3,50,000
Share premium	0	30,000
General reserve	45,000	65,000
Profit and loss	30,000	80,800
6% Debentures	0	70,000
Sundry creditors	85,000	90,700
Provision for taxation	22,500	40,500
Proposed dividend	30,000	35,000
	5,12,500	7,62,000
Assets		
Land and Building	2,30,000	3,90,000
Plant and machinery	85,400	1,40,000
Furniture	5,500	6,500
Stock	82,400	95,700
Sundry debtors	75,000	85,500
Bank balance	34,200	44,300
	5,12,500	7,62,000

Additional information:

Depreciation written off during the year:

Land and Building Rs 60,000

Plant and Machinery Rs 50,000

Furniture Rs 1,200

You are required to prepare a Cash Flow Statement.

3) Using the following accounting variables, calculate the relevant ratios.

Gross profit (20% of sales)	Rs 60,000
Shareholder's Equity	50,000
Credit sales to Total sales	80%
Total Assets Turnover	3 times
Stock Turnover	8 times
Average collection period	18 days
Current ratio	1.6:1
Long term Debt to Equity	40%

A year = 360 days

4) a) From the following details, construct a) Comparative Statement of Changes in Profit and b) Statement of causes of changes in profit. **(5 marks)**

Particulars	2020-21	2021-22
	Rs	Rs
Sales	5,00,000	6,00,000
Cost of sales	3,75,000	4,40,000
Selling Expenses	20,000	40,000
Administrative expenses	30,000	40,000
Financial expenses	10,000	5,000

b) Prepare Comparative Statements from the following data: **(10 marks)**

(Rs in Lakhs)

Income Statement	2020	2021
Net sales	600	750
Cost of goods sold	400	600
Administrative expenses	20	20
Selling expenses	10	10
Net profit	170	120

Balance Sheet	2020	2021
Equity capital	400	400

6% Preference share capital	300	300
Reserves	200	245
6% Debentures	100	150
Bills payable	50	75
Creditors	150	200
Tax payable	100	150
	1,300	1,520
Land	100	100
Buildings	300	270
Plant	300	270
Furniture	100	140
Stock	200	300
Cash	300	440
	1,300	1,520

SECTION – B

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

5) ABC Company has the following balance sheet information:
Current assets: Rs.300,000, Current liabilities: Rs.150,000, Inventory: Rs.50,000
Calculate the liquidity ratios for ABC Company and interpret them.

6) You are given the following common size percentages of AB Co Ltd for 2021 and 2022.

	2021	2022
Inventory	5.20	5.83
Debtors	10.39	11.88
Cash	7 79	7.35
Machinery	49.35	45.35
Building	27.27	29.59

Calculate the value of all items of assets.

7) The following data relate to some important items of a company disclosing its development during the last five years:

	2014-2015	2019-20
	Rs	Rs
Working capital	46,70,602	76,50,191

Plant and Equipment	19,95,684	48,35,367
Long term debt	14,56,000	28,00,000
Net Tangible Assets	56,16,046	99,75,218

Using the trend ratios, evaluate the changes in the financial position (soundness/weakness) of the company.

8) Explain the importance of cash flow statement.

9) From the following balance sheet of M/s S B Company Ltd as on Dec 31,2021 and 2022, calculate cash from operations:

Liabilities	2021 (Rs)	2022 (Rs)	Assets	2021 (Rs)	2022 (Rs)
Share capital	1,20,000	1,50,000	Building	65,000	65,000
P&L A/c	45,000	65,000	Machinery	90,000	1,20,000
Sundry creditors	30,000	22,000	Stock	20,000	15,000
Outstanding exp	1,200	400	Sundry debtors	18,000	20,000
Bills payable	18,000	22,000	Cash at bank	17,000	32,300
			Cash in hand	4,200	7,100
	2,14,200	**2,59,400**		**2,14,200**	**2,59,400**

10) Describe the nature of the financial statements.

SECTION – C

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

11) In an organisation, provision for taxation as on 31st December, 2022 was Rs.16,000 and on 31st December, 2023, was Rs 18,000. Provision for taxation of Rs.19,000 was made during the year 2023. What is the tax paid during the year?

12) Define management accounting.

13) Mention any two techniques of financial analysis.

14) What is price earnings ratio?

15) Given the following sales data for Company XYZ over the past three years, calculate the percentage increase or decrease in sales from Year 1 to Year 2. year 1: Rs 1,00,000 and Year 2: Rs 1,20,000

16) A company has a gross profit of Rs.80,000 and net sales of Rs.200,000. What is its gross profit ratio?

17) What is a management audit?

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21COMDS601 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

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

COMMERCE

Cultural Diversity at Work Place

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

SECTION – A

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

1) Define culture and diversity in the context of the workplace. Highlight the key features of both culture and diversity and explain their importance in today's organizational landscape.

2) Explain the different types of Prejudice that a person can face at the workplace and the steps to deal with Prejudice at the workplace.

3) Discuss the importance of a diversity vision statement in organizational diversity and inclusion efforts. How does such a statement facilitate stakeholder engagement and contribute to achieving diversity goals across workforce, workplace, and marketplace? Support your answer with examples from leading organizations.

4) Stan was hired to work in a branch office but reported directly to Margaret, who was located at the main office of your bank. Margaret would talk with Stan several times during the week to insure that he was comfortable at this job and that he was doing his job effectively.

   After six months, a decrease in business required Stan to be relocated to the main office. Stans duties and responsibilities remained the same. After one week, Margaret noticed that Stan was not performing his job responsibilities to company policy nor was he keeping up with his duties and responsibilities on a daily basis. When approached by Margaret, Stan objected to her concerns. His attitude changed. He would arrive to work moody. He would glare at Margaret, talk to her in a harsh manner, and stomp around the office. One morning when Margaret was talking to Stan about his lack of improvement, he pounded his fist on the desk and with an elevated tone told Margaret that she was talking down to him and he would not stand for it. Margaret has come to you, the HR specialist, for help with this problem. Outline your solution based on your companys policies.

SECTION – B

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

5) Explain the benefits of Cultural Diversity.

6) Strategies to manage diversity in the organization are fast becoming routine practices with various approaches. Explain.

7) Explain the methods that are be used to enhance intercultural skills within a workplace.

8) Discuss the significance of Kluckhohn and Strodtbeck's six value dimensions in understanding cultural diversity and its implications for intercultural communication and collaboration. Provide examples to demonstrate how each dimension influences societal norms and behaviors in different cultural contexts.

9) Evaluate the relevance of Trompenaars' dimension of Neutral/Affective in cross-cultural communication and collaboration. Discuss how cultural differences in the display of emotions impact interpersonal relationships and organizational dynamics, drawing on examples from different cultural contexts.

10) Evaluate the role of leadership in managing multicultural teams and promoting diversity management in the context of global demographic trends. How can leaders leverage diversity to drive innovation and create inclusive work environments?

SECTION – C

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

11) Explain one benefit of having a multicultural team in the workplace.

12) What is meant by Animalistic Dehumanisation?

13) Mention any two benefits of having multicultural teams.

14) Describe one of the six dimensions explored in the Kluckhohn and Strodtbeck framework and its significance in understanding cultural differences.

15) Provide one excerpt from a diversity vision or mission statement of a leading organization and briefly discuss its significance.

16) Evaluate the role of organizational policies and practices in promoting mental health and well-being in the workplace, considering the impact of stigma and the importance of providing support services.

17) Discuss the impact of dual-career couples on modern workforce dynamics, considering both the opportunities and challenges they present for employers.

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21COMDS602 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

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

COMMERCE

Investment Management

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

SECTION – A

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

1) Elucidate the process involved in the purchase of securities and other investment alternatives.

2) The return of ABC Company at present is 21%. This is assumed to continue for the next 5 years and after that it is assumed to have growth rate of 10% indefinitely. The dividend paid for the year 2011 -12 is Rs 3.2. The required rate of return is 20% and the present price is Rs.57. What is the estimated price according to the two stage model?

3) You are evaluating an investment in two companies whose past ten years of returns are shown below:

Year	1	2	3	4	5	6	7	8	9	10
Return % RNM	37	24	-7	6	18	32	-5	21	18	6
Return % SLT	32	29	-12	1	15	30	0	18	27	10

Calculate the risk and return of portfolio consisting of two assets with the proportion of 50% and 50% .

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

Company	Ri	β	σei2
Maple	22	1.0	35
Blue	20	2.5	30
Orion	14	1.5	25
Agatha	18	1.0	80
Rose	19	1.6	25

The market index variance is 12% and the risk free rate of return is 7%. Construct the optimal portfolio.

SECTION – B

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

5) Explain how an Investor differs from a Speculator.

6) Venkat purchased a bond with a face value of Rs.1,000 at Rs.1074. The bond had five years to maturity and a 10% coupon rate. Whether he paid fair price for the bond if he expects a return of 10%?

7) Calculate the expected return of a portfolio with four securities having the following characteristics:

Security	Return %	Proportion of Investment(%)
W	18.5	20
X	23.75	35
Z	16.85	45

What would be the expected return if the proportion of each security in the portfolio were 25%, 25% & 50% respectively.

8) Write a short note on Efficient Market Hypothesis.

9) Explain the six tenets of Dow theory.

10) Nithya firm is trying to decide between two out of the four investment funds. From the past performance, they were able to calculate the following average returns and standard deviations of these funds. The current risk free rate of Interest is 9%.

Stock	Average Return	σ
Alpha	17	19
Vinu	18	20
Meenu	16	13
Arvind	14	12

Rank the funds with the help of Sharpe Index.

SECTION – C

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

11) What is money market?

12) A share is currently selling for Rs.75. The company is expected to pay a dividend of Rs.2.50 on the share at the end of the year. It is reliably estimated that the share will sell for Rs.78 at the end of the year. Assuming that the dividend and price forecasts are accurate, would you buy the share to hold it for one year, if your required rate of return were 12%?

13) An investor owns the share of Rise Company, whose current cash dividend is Rs.3. The constant growth rate in dividend is 16% per year and the required rate of return is 20%. What is the value of the Rise Company's share?

14) You have invested Rs.50,000, 30% of which is invested in Company A, which has an expected rate of return of 15% and 70% of which is invested in Company B, with an expected return of 12%. What is the return on your portfolio?

15) Differentiate between systematic and unsystematic risk.

16) What is meant by impulse wave?

17) Calculate Jenson's Index for a Portfolio using the information given below

Observed Return	12%
Beta	1.5
Return on market portfolio	9%
Risk free return	7%

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21COMC602 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com SIXTH SEMESTER DEGREE EXAMINATION APRIL/MAY 2025

COMMERCE

Income Tax Law and Practice-II

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

SECTION – A

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

1) Mr. Das is a registered medical practitioner. He keeps his books on a cash basis and his summarized cash account for the year ended 31-3-2024 is as follows:

Receipts	Rs.	Payments	Rs.
To Balance b/d	1,22,000	By cost of medicines	36,000
To loan from bank for private purpose	3,000	By surgical equipment	8,000
To sale of medicines	25,250	By Motor Car	1,20,000
To consultation fees	55,000	By car expenses	6,000
To visiting fees	24,000	By Salaries 2022-23: 2,000	
To interest on govt. securities	4,500	2023-24: 4,600	6,600
To rent from property	15,600	By Rent dispensary	
(not subject to local taxes)		2021-22: 1,000	
To dividend from co-operative society	3,000	2022-23: 3,600	
To interest on deposits in nationalized banks	5,000	2023-24. 1,000	5,600
		By general expenses	1,300
		By purchase of medical books	5,000
		By personal expenses	11,800
		By subscription to the Indian Medical Council	3,000
		By Life Insurance premium	3,000

		By Subscription to medical journals	2,000
		By Interest on loan from bank	300
		By deposit in the Tatkal telephone deposit scheme	4,000
		By Insurance of property	200
		By Balance c/d	44,550
	2,57,350		**2,57,350**

Compute Business Income for the PY 2023-24 taking into account the following information:

1. 1/3 of the motor car expenses are in respect of his personal use.
2. Depreciation allowable on car is 15% and the surgical equipment is at 15%.
3. Rs.10,000 fees paid to a CA who successfully defended a case against the assessee before the income tax tribunal is included in personal expenses.
4. The cost of Medicine is paid in cash.

2) Mr. Ajay sold the following assets during the previous year as under.Jewellery costing Rs.80,000 which was acquired in June 2022 was sold for Rs.1,00,000 in May 2023.

House at Kolkatta: Let out for residential purposes. It was inherited by him in 1994. Sale price on 31-10-2023 Rs.9,50,000. Fair market value on 1-4-2001 Rs.1,00,000. Cost of improvement made during 2014-15 25,000, expenses on transfer are Rs.25,000.

House hold furniture costing Rs.14,000 in October 2023 was sold for Rs.20,000 in March 2024.

Car was sold on 1-12-2023 for Rs.45,000. Its written down value on 1-4-2023 was Rs.38,000. Agricultural land in Kaakinada was sold for Rs. 5,25,000 in July 2023. It had cost him Rs.85,000 in December 2015. He purchased agricultural land for Rs.1,20,000 in January 2024. Compute his taxable capital gains.

CII for 2001-02: 100, 2014-15:240, 2015-16:254 , 2020-21: 301, 2022-23:331 and 2023-24:348

3) Following are the particulars of the income of Ravi. Compute Income under the head income from other sources for the AY.

Rs. 98,000 12% securities of the Utranchal Government

Rs. 80,000 9% less tax non listed debentures of HL Ltd

Dividend received from an Indian company Rs.11,000

Winnings from lottery (Net) Rs.70,000

Winning from card games(gross) Rs.25,000

Interest received on Govt. securities held as investments Rs.14,000

Family pension received Rs.24,600

Rs. 40,000 10% UP Government Loan

Rs. 35,000 8% Debentures of a Sugar Mill Company

Dividend on equity shares Rs.10,000

Interest on bank deposits Rs.2,500

Royalty received from publishing a book Rs.15,000. She has spent Rs.3,000 as typing charges.

Gift from brother Rs.25,000

Rs.5,400 received as interest on debentures of a company (listed)

Rs.1,000 as interest on Post Office Savings Bank Account

Rs.2,000 dividend received from co-operative society

Ravi incurred the following expenses:

Interest paid on amount borrowed for purchasing shares Rs.7,000

Collection charges in respect of interest on securities at 2½ % on amount received.

Purchased lottery tickets Rs.500

4) Prithvi a resident of New Delhi furnished the following information for the financial year 2023-24:

Basic salary Rs. 4,80,000

Bonus Rs. 1,30,000

Commission (fixed) Rs. 1,48,000

HRA Rs. 1,20,000

Employer's contribution to recognized provident fund Rs. 62,400

During previous year, the employer has provided a laptop computer for using it for official and private purpose. Ownership is not transferred. Further the employer provides club facility for official use.

He owns a house property which is used by him for his own residence. Municipal valuation of the house property is Rs. 1,30,000; where as the standard rent under the Rent Control Act is Rs. 1,20,000. He makes the following expenditures in respect of house property: Municipal taxes Rs. 13,000, repairs Rs. 11,000, interest on capital borrowed to pay Municipal tax Rs. 3,150 and insurance Rs. 1,600.

Besides, he has received Rs. 1,69,000 as interest from deposit in savings bank account.

He has received different gifts from A- Rs. 25,000 on 1st November 2022 and from B Rs. 26,000 on 1st January 2024.

During the previous year he makes the following expenditure and investments:

Contribution towards RPF is Rs. 1,40,000.

Payment of insurance premium on own life policy (sum assured in 2006: Rs.60,000) is Rs. 14,000

Donation to the National Defence Fund is Rs. 3,200.

Determine the net income and tax liability under both tax regimes for the AY 2024-25.

SECTION – B

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

5) The following Income and Expenditure account of Mr Z a Lawyer is given. Ascertain his professional Income for the year ended 31.3.2024.

Expenditure	Rs	Income	Rs
To Rent of Chamber	4,000	By Legal fees	8,000
To Salaries	10,000	By Gifts from clients	10,000
To Travelling expenses	5,000	By Rent from HP (Let out)	10,000
To Stamp Paper	1,000		
To Hoousehold expenses	2,000		
To Donation	1,000		
To Subscription for law journals	2,000		
To Household property tax	500		
To Surplus	2,500		25500
	28,000		**28,000**

6) Write short note on exemption u/s 54.

7) Explain the rules governing grossing up of interest on securities.

8) Total income of Mr. Mohan Das (age 58 years) is Rs. 12,80,200.It includes short term capital gains amounting to Rs. 30,000; long term capital gains Rs. 50,000 and winning from U.P. state lottery Rs. 1,00,000 (Gross). Find out his tax liability.

9) What is the Procedure for Assessment? Mention the due dates for filing of returns for different assesses.

10) Explain in brief the process involved in E-Filing of Returns.

SECTION – C

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

11) State whether the following are allowed under income from business or not.
    1. Gift from Cliennts
    2. Dividend received from Indian Company.

12) What is meant by Cost of Improvement?

13) Write a note on Casual Income.

14) State two provisions pertaining to set off of losses.

15) How to determine health and education cess?

16) State two powers of Income Tax Authorities.

17) List out transactions where quoting PAN is mandatory.

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21COMDS603 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

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

COMMERCE

Indian Accounting Standards II

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

SECTION – A

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

1) Describe the key disclosure requirements related to leases under Indian Accounting Standards.

2) XYZ Ltd. introduced an employee stock option plan (ESOP) on January 1, 20X1. The plan allows employees to acquire shares at an exercise price of INR 60 per share. The fair value of the options is determined to be INR 40 per option at the grant date. The vesting period is three years. The company estimates that 80% of the options will vest. The total number of options granted is 15,000. Calculate the total share-based payment expense for each of the three years (20X1, 20X2, and 20X3) and prepare journal entries for each year.
   Additional Information:
   Exercise price per share: INR 60
   Fair value per option at grant date: INR 40
   Vesting period: 3 years
   Vesting percentage: 80%
   Total number of options granted: 15,000

3) Compliance with Ind AS for Share based payment ensures that entities appropriately recognize and measure share-based payment transactions in their financial statements, reflecting the economic substance of these transactions. Elaborate

4) Sharma Ltd. owns 75% of Jay Ltd. Statement of comprehensive income for the two companies for the year ending 30th September 2017 are as under:
   (Amount in Rs)

	Sharma Ltd	Jay Ltd
Revenue	100,000	50,000

Cost of sales	(60,000)	(30,000)
Gross Profit	40,000	20,000
Expenses	(20,000)	(10,000)
Profit for the period	20,000	10,000

During the year, Sharma Ltd sold goods to Jay Ltd for Rs 20,000 at a gross profit margin of 40%. Half of the goods remained in inventory at the year end.

Prepare the consolidated statement of comprehensive income of Sharma Ltd for the year ended 30th September, 2017.

SECTION – B

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

5) a) What is the amount of the unrealized profit to be eliminated if the parent's year-end inventory includes at Rs 5,40,000 goods invoiced to it by its 60% owned subsidiary at cost plus 25%? **(2.5 marks)**

b) Subsidiary's inventory at the year end included Rs 1,80,000 purchased from its parent. Further goods invoiced by the parent at Rs 45,000 were in transit. The parent invoices the subsidiary at cost plus 20%. What is the amount of unrealized profit that needs to be eliminated from the parent's retained earnings? **(2.5 marks)**

6) On January, 2015, an entity grants 10 share options to each of its 400 employees. Each grant is conditional upon the employees working for the entity until 31st December, 2017. The fair value of each share option is Rs 20. During 2015, 20 employees leave and the entity estimates that 20% of the employees will leave during the three years' period. During 2016 a further 25 employees leave and the entity now estimates that 25% of its employees will leave during the three-year period and during 2017, a further 10 employees leave. Calculate the remuneration expense that will be recognized in respect of the share based payment transaction under Ind AS 102 for each of the three years ended 31st December 2017.

7) Identify the following with a reason: whether it is a financial asset or a financial liability.

a. Investment in Equity shares

b. Investment in Loans and Receivables

c. Trade and other receivables

d. Promissory note to receive Government Bonds

e. Debentures issued.

8) Taj Ltd received a grant released to a factory building that it bought in 2018. The total amount of the grant was Rs 9 lakhs. Taj Ltd acquire the building from an industrialist identified by the government. If Taj Ltd did not purchase the factory building, which was located in the slums of the city, it would have been repossessed by a government agency. Taj Ltd purchased the factory building for Rs 27 lakhs. The useful life of the building is not considered to be more than three years, mainly due to the fact that it was not properly maintained by the previous owner. How do you set up the grant of this factory building as per Ind AS 20?

9) Induga Corp., had 1800 ordinary shares outstanding as on 1.1.2018 fully paid of Rs 10. On 31.10.2018 it issued 600 ordinary shares of Rs 10 each 5 paid. Calculate weighted number of ordinary shares on 31.12.2018 under Ind AS 33.

10) Retailer sells marble furniture and on request of customer arranges a transporter to deliver the goods at customer's doorstep. The delivery terms state that legal title and risk of loss pass to the customer on delivery to the transporter. Retailer though not legally obliged has a history of providing free replacement of goods damaged during the transit. The customer has control over the furniture at the time they are shipped. What are the performance obligations in this contract?

SECTION – C

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

11) What is a financial asset?

12) Define Goodwill as per Ind AS.

13) Define Right to Use asset as per Ind AS.

14) What does Ind AS 107 and Ind AS 39 deal with?

15) What is the Subsequent recognition of Financial Instruments as per Ind AS?

16) Mention the concept of exceptions and exemptions in the retrospective application of Ind AS during the first-time adoption with an example.

17) Define Revenue from contracts with customers as per Ind AS.

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21COMC603 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com SIXTH SEMESTER DEGREE EXAMINATION APRIL / MAY 2025

COMMERCE

Advanced Financial Management

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

SECTION – A

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

1) A company has the following capital structure as on 31-12-2023.

Equity capital (20,000 shares)	Rs. 10,00,000
10% Preference share capital	Rs. 2,50,000
14% Debentures	Rs. 7,50,000
	Rs. 20,00,000

The market price of the share is Rs. 20. Next year expected dividend is Rs. 3 per share that will grow at 6% forever. The company is in the tax bracket of 50%. You are required to calculate:

(a) Weighted average cost of capital based on the existing structure.

(b) New weighted average cost of capital if the company raises an additional Rs. 5,00,000 debt by issuing 15% debenture. This will increase the existing dividend of Re. 2 and leave growth rate unchanged, but the price of share will fall to Rs. 15.

2) The following data relate to three sugar companies. Using Walters's model, calculate the market price of their shares.

	Bajaj Hindustan	Balrampur Chini	KCP Sugar
EPS (Rs.)	10	5	30
Returns on investment (%)	35	32	45
Dividend payout ratio (%)	04	20	05
Cost of capital (%)	09	09	09

3) Abacus ltd is considering two mutually exclusive projects X and Y. Project X costs 300000 and Project Y 360000. You have given below the NPV probability distribution for each project.

Project	X	Project	Y
NPV	Probability	NPV	Probability
30000	0.10	30000	0.20
60000	0.40	60000	0.30

120000	0.40	120000	0.30
150000	0.10	150000	0.20

Compute:

1. The Expected NPV
2. The Risk associated to each project i.e standard deviation
3. Comment on your answers and state which project would you recommend based on coefficient of variation?

4) How does Agency Theory relate to corporate governance and ethical decision-making?

SECTION – B

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

5) Poseidon Ltd issued 10,000 preference shares of Rs. 100 each. They are redeemable after 5 years at a premium of 5% and carry a dividend of 12%. Share issue expenses amounted to Rs. 20,000. Calculate the cost of preference shares:
(i) If issued at par
(ii) If issued at 5% discount
(iii) If issued at 5% premium.

6) Company X and company Y are in the same risk class, and are identical in every respect except that company X uses debt, while company Y does not. The levered firm has Rs.9,00,000 debentures, carrying 10% rate of interest. Both the firms earn 20% operating profit on their total assets of Rs.15lakhs. Assume a tax rate of 35% and capitalization rate of 15% for an all equity company.
Compute the value of each firm using the Net Operating Income (NOI) Approach.
Which of these two firms has an optimal capital structure? Why?

7) Tripura Engineering Ltd. Had 1000 equity share of Rs. 100 each. During a financial year, its cost of equity was 20%. Using MM Model, decide what will be the price of the shares, if no dividend is declared? If a dividend of Rs. 10 per share is declared, what will be the share price?

8) A Project requires an initial cash outlay of Rs.500000 and offers an expected cash inflow of Rs.400000 for three years and has no salvage value. The risk coefficient for three years are estimated to be 0.80, 0.70 and 0.65 respectively. The risk free rate is estimated to be 15%. Given the PV factor @ 15% as 0.870 for the first year, 0.756 for the second year and 0.658 for the third year. Calculate the NPV of the project.

9) Alpha Ltd. is acquiring Beta Ltd. in a stock-for-stock deal. The transaction is based on the market price per share.

Particulars	Alpha Ltd.	Beta Ltd.
Market Price per Share (Rs.)	250	200
Number of Outstanding Shares	1,50,000	60,000

Find the number of shares Alpha Ltd. should issue to Beta Ltd.'s shareholders.

10) What is corporate governance, and why is it important for an organization?

SECTION – C

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

11) X Ltd issued 12% Irredeemable Preference shares of Rs. 100 each on 15-06-024. Calculate cost of preference shares if it is issued at par

12) A firm has an EBIT of Rs.80,000, and it has raised Rs.1,00,000 at 5% debt. The equity capitalization rate is 13%, and the corporate tax rate is 40%. Find the value of the firm using MM approach.

13) The earnings per share of a company are Rs. 10. It has an internal rate of return of 15% & the capitalization rate of its risk class is 12.5%. if Walters model is used:
1. What would be the optimum payout ratio of the firm?
2. What would be the price of the share at this payout?

14) What is the significance of dividends for investors?

15) ABC Ltd is evaluating a potential project with the following cash flow possibilities:

Cash Flow (Rs)	Probability
50,000	0.2
80,000	0.5
30,000	0.2
10,000	0.1

Calculate the expected cash flow

16) How do mergers help in achieving economies of scope?

17) What is absorption in business combinations?

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21COMDS604 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

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

COMMERCE

Customer Relationship Management

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

SECTION – A

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

1) Explain the Process of CRM with related examples.

2) Elaborate in detail the benefits and types of Web-based Customer Support.

3) What is meant by CRM marketing initiatives? Explain the advantages and disadvantages of CRM marketing.

4) What is meant by CRM implementaion Roadmap? Explain its key phases.

SECTION – B

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

5) What is CRM? Explain its features.

6) Explain the challenges faced by Enterprise marketing.

7) Elucidate the relevant issues while planning the desired output.

8) Explain the merits of CRM marketing.

9) State any five reasons of CRM implemenation failures.

10) Explain different ways to improve Customer Profitability.

SECTION – C

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

11) What is Relationship Marketing?

12) Write the meaning of Web-based customer support.

13) What is the meaning of Strategy Development Process?

14) Write a note on CRM Metrics with an example.

15) List any two differences between CRM and Relationship Marketing.

16) What is meant by Customer Acquisition?

17) What are 'Burnacles' in the context a CRM Plan.

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COM602.1/19COM506 Reg No : 1731528

CHOICE BASED CREDIT SYSTEM

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

COMMERCE

Soft Skills for Professional Competency

Duration:3 Hours Max Marks:120

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

1. What is impression management? Explain the techniques, strategies and steps to improve impression management.
2. What is Group Discussion? Explain the major areas of group discussion. What are the advantages of group discussion?
3. a. Explain the measures of group effectiveness.
   b. Explain the stages of group formation.
4. Frustration is experienced whenever the results you are expecting do not seem to fit the effort and action you are applying. In this context explain the causes, reaction to frustration, and the measures to face frustration.

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

5. What is behaviour? Explain the components of behaviour.
6. Explain the tips for proper etiquette at work.
7. Explain the leadership skills.
8. Elucidate the factors affecting group cohesiveness.
9. Explain the reasons why the job applicants are not getting hired.

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

10. What are values? Explain the types of values.
11. Differentiate between groups and teams.
12. What are the causes of stress?
13. List out the steps involved in solving Logical Reasoning Based Questions.
14. Who is an Entrepreneur? List out the qualifications of an entrepreneur.

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21COMC611 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

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

COMMERCE

Advanced Performance Management II

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

Section A

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

1. Exhibit 1 – Company information

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

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

   Exhibit 2 – Benchmarking exercise

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

   The Veeland economy is growing strongly. Electric car use there has increased rapidly in the last two years, encouraged by tax incentives for businesses, like Fennel, to install and operate charging points. The Veeland government has also underwritten loans taken out by businesses to finance this technology, which has enabled Fennel to borrow funds for the significant capital investment required. The cost of components used in the charging points is falling rapidly. Capitalisation of development costs related to this technology is permitted in Veeland, but not in

Deeland. In 20X3, Fennel invested heavily in IT systems which significantly improved performance by increasing the availability of parts in its depots, and reducing inventories.

Exhibit 3 – ROCE and EBITDA

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

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

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

Exhibit 4 – Benchmarking problems

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

It is now 1 September 20X5.

Respond to the CEO's request for work on the relative financial performance using ROCE and EBITDA and the use of these performance measures.

Exhibit 5 – Appendix 1		
Benchmark data ($m)		
Extract from statement of financial position		
End of year	30 June 20X5 Chicory	31 December 20X3 Fennel1
Total assets	140.0	296.0
Current liabilities	(60.0)	(120.0)
Income statement		
	30 June 20X5	31 December 20X3
	Chicory	Fennel
Revenue	175.1	350.0

Cost of sales	(130.1)	(299.0)
Gross profit	45.0	51.0
Administrative expenses	(11.0)	(25.0)
Write off of goodwill	(24.7)	(8.0)
Operating profit2	9.3	26.0
Interest payable	(1.8)	
Profit before tax	7.5	18.0
Tax	(3.0)	(1.0)
Net profit	4.5	17.0

Notes:

1. $6m of new capital was introduced into Fennel on 31 March 20X3. Normally, new net investment is spread evenly over the year.

2. Operating profit is after charging depreciation of non-current assets of $18m in Chicory, and $25m in Fennel.

2. What is Economic Value Added? Evaluate Economic Value Added as a measuer for divisional performance appraisal.

3. Exhibit 1 – Company information

Spiggie is a listed company based in Seeland and sells insurance products, such as home and vehicle insurance, directly to consumers. Unlike its competitors, who do most of their business online, most of Spiggie's business is done over the telephone although it does some limited business online. Most of Spiggie's 3,500 staff are telephone call centre operators who sell insurance products to customers, handle insurance claims and deal with customer queries. Spiggie's annual payroll cost for the call centre operators is $84m.

Spiggie's objective is to maximise long-term shareholder wealth. The majority of shares are held by a small number of institutional investors who tend to retain their shareholdings for many years. The institutional investors are unhappy with the company's recent performance, in particular its share price relative to that of other companies listed in the insurance sector of the Seeland Stock Exchange.

There are 12 directors on the board. Currently, each is paid an annual salary of $850,000, which contains only a small performance-related element.

In order to manage Spiggie's overall risk, the directors can choose to transfer some of this risk to other insurance companies by taking out its own insurance with them, known as re- insurance. The cost of doing this reduces Spiggie's profit. Currently, around half of Spiggie's risk is re-insured in this way.

Exhibit 2 – Building block model

The shareholders have been told that the use of Fitzgerald and Moon's building block model for service businesses may help improve Spiggie's performance. The shareholders are not familiar with the model and have asked you, as a performance management expert, for your advice.

The shareholders want a specific explanation of each of the four determinants (quality of service, flexibility, resource utilisation and innovation) in the dimensions block and why measuring them would help to improve Spiggie's performance. Then, for each determinant, they would like you to recommend a justified performance measure.

Exhibit 3 – Proposed ESOS

The shareholders also believe that Spiggie's recent poor performance may be due to its reward systems. They have asked for your advice on the benefits and problems of a proposed executive share option scheme (ESOS) for the board of directors. To help you, you have been given an extract from a recent press article, which includes historical data on the share prices of Spiggie and the insurance sector average (Appendix 1).

The shareholders have been negotiating the terms of the ESOS with the board for some time. Subject to your advice, they are about to approve a deal where each director will be given an option to buy 200,000 shares in two years' time at today's market price of $1.70 per share. In two years' time, each director can decide whether or not to exercise their share options depending upon the prevailing share price. The directors' basic salary will not change following the introduction of the ESOS.

It is now 1 September 20X5.

Respond to Spiggie's shareholders' request for work on the Building block model.

4. Explain how management accounting/management techniques such as total quality management, activity based costing and the balanced scorecard could contribute towards the analysis of the relationship between costs and quality.

Section B

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

5. 'Hoopwood identified distict management styles of performance appraisal'. In context of the statement explain the merits & demerits of management styles of performance appraisal.

6. A) What will be the primary objective of a commercial bank? What might be some of its subsidiary or secondary objectives?

   B) Evaluate Return on Capital Employed as a financial measure of performance management.

7. What is transfer Price? Explain the characteristics of a good transfer price.

8. Explain how does Six Sigma improve the quality of performance.

Section C

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

9. Explain the merits & demerits of Benefits as a method of employee rewards.

10. Explain the problems associated with divisional structures.

11. What methods can be adopted to overcome the problem of non-quantifiable cost and benefits?

12. What role do NFPIs play in measuring brand awareness and shaping a company's profile in the market?

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21COMC612 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com SIXTH SEMESTER DEGREE EXAMINATION APRIL/MAY 2025

COMMERCE

Advanced Financial Management II

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

Section A

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

1. Alcon Co is considering diversifying its operations from its main business (food manufacturing) into plastic packaging. An investment project involves purchasing a moulding machine for \$450,000. The project is expected to produce net annual operating cash flows of \$220,000 for each of the three years of its life. At the end of this time, its scrap value will be zero.

   The project's assets will secure debt finance of 40% of its initial cost (including issue costs). The loan capital plus interest will be repaid in three equal annual instalments. A placing of new equity will provide the balance of finance. Issue costs will be 5% of funds raised for the equity placing and 2% for the loan. Issue costs are tax allowable.

   The plastics industry has an average equity beta of 1.356 and an average debt: equity ratio of 1:5 at market values. Alcon Co's current equity beta is 1.8, and 20% of its long-term capital is debt, which is regarded as risk-free. .

   The risk-free rate is 10% and the expected return on the market portfolio is 15%. Profits are taxed at 35%, payable one year in arrears. Tax-allowable depreciation is immediately available on the machine at 70% on cost, with the balance written off over three years.Alcon Co makes sufficient profits to take advantage of these allowances.

   Required: Appraise the investment project using:

   a. the current WACC;

   b. a WACC adjusted for business and financial risk;

   c. Adjusted Present Value (APV).

2. a) Compare the advantages and disadvantages of hedging foreign currency risk using:

   i) Over-the-counter (OTC) currency options as compared to forward contracts; and (4 marks)

   ii) Exchange-traded derivatives rather than OTC derivatives. (3 marks)

b) Company X wishes to raise $50 million. It would prefer to issue fixed rate debt and can borrow for one year at 6% fixed or base rate + 80 points.

Company Y also wishes to raise $50 million and to pay interest at a floating rate. It can borrow for one year at a fixed rate of 5% or at base rate + 50 points.

Required: Calculate the effective swap rate for each company – assume savings are split equally. (5 marks)

c) Global Co wishes to borrow €9 million for one month starting in 5 weeks' time. Base rate is currently 3% and the treasurer of Global decides to fix the rate by selling interest rate futures at 96.90. The market rate subsequently rises by 25 basis points to 3.25%. As soon as the loan is agreed, the treasurer closes out Global's position by buying a matching number of contracts at 96.65.

Required: (3 marks)

i) Calculate the number of contracts required (Note: One 3-month contract is for €1,000,000).

ii) Demonstrate that, in this case, the gain on the futures contracts exactly matches the extra interest on the loan.

3. a) Explain and illustrate what is meant by disintermediation and securitisation. Discuss how disintermediation and securitisation can help the financial manager. (8 marks)

b) It is 15 October and a treasurer has identified the need to convert euros into dollars to pay a US supplier $12 million on 20 November. The treasurer has decided to use December Euro futures contracts to hedge with the following details:

Contract size €200,000.

Prices given in US$ per Euro (i.e. €1 = ...).

Tick size $0.0001 or $20 per contract.

He opens a position on 15 October and closes it on 20 November. Spot and relevant futures prices are as follows:

Date	Spot	Future price
15 October	1.3300	1.3350
20 November	1.3190	1.3240

Required: Calculate the financial position using the hedge described. (7 marks)

4. a) Canabit Co is an all equity company with a market value of $32.5m and a cost of capital of 18% per year. The company proposes to raise $5m, by issuing 13% irredeemable loan notes, and to use the proceeds to buy back equity at market value. Canabit expects the tax savings from debt to increase the value of its remaining shares by $1.75m. Ignore debt issue costs and equity buy back costs.

The company tax rate is 35% per year.

Required: Use Modigliani and Miller's model with corporate tax to demonstrate how this change in the capital structure of Canalot Co will affect its:

(i) cost of equity; and

(ii) weighted average cost of capital. (6 marks)

b) Explain how financial gearing affects a company's weighted average cost of capital according to the Static Trade-off Theory and Modigliani and Miller's model with corporate tax. Suggest why, in practice, companies do not adopt the optimal capital structure as suggested by Modigliani and Miller with corporate tax. (9 marks)

Section B

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

5. a) A Co requires $1 million in debt finance for 5 years. It has borrowed $700,000 in the form of 10% bonds redeemable in 5 years and the remainder under a government subsidised loan scheme at 6%. The tax rate is 30%. Assume that tax is delayed one year. Calculate the PV of the tax shields and the PV of the cheap loan. (5 marks)

   b) Maltec Co is a company that has diversified into five different industries in five different countries. The investments are each approximately equal in value. The company's objective is to reduce risk through diversification. The directors believe that the returns on each of these five investments are uncorrelated with each other. The company has a policy of hedging currency and interest rate risks.

   Required: Discuss the validity of Maltec Co's objective of risk reduction through international diversification and currency and interest rate hedging. (5 marks)

6. a) Discuss the international regulations on money laundering and their implications for an organisation's finance director. (6 marks)

   b) The equity beta of a company is estimated to be 1.2 and the risk-free return is 3%. Estimate the cost of equity of the company if: (2 marks)

   i) the market risk premium is 5% and

   ii) the expected return on the market portfolio is 9%.

   c) Acorn produces electronic components but is considering venturing into computer manufacturing. Acorn is ungeared with an equity beta of 0.8. The average equity beta of computer manufacturers is 1.4 and the average gearing ratio is 1.4. The risk free return is 5%, the market return is 12% and the company tax rate is 33%. Calculate the discount rate Acorn should use to appraise a computer manufacturing project, assuming it remains an equity-financed company. (2 marks)

7. ABC project will require an investment in a new asset of \$10,000. It will be used on a project for four years after which it will be disposed of on the final day of year 4 for \$2,500. Tax is payable at 30% one year in arrears. Tax allowable depreciation is available at 25% (reducing balance), and a balancing allowance or charge should be calculated when the asset is sold. Net operating flows from the project are expected to be \$4,000 per year. The company's cost of capital is 10%. Ignore inflation. Required: Forecast the free cash flows of the project and determine whether it is worthwhile using the NPV method.

8. What are the possible solutions for managing risks, and how do organisations decide whether to accept or mitigate them?

Section C

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

9. A manufacturing company based in the United Kingdom is evaluating an investment project overseas – in REBMATT a politically stable country. It will cost an initial 5.0 million REBMATT dollars (RM\$) and it is expected to earn post-tax cash flows as follows:

Year	1	2	3	4
Cash flow RM\$'000	1,500	1,900	2,500	2,700

The following information is available:

Real interest rates in the two countries are the same. They are expected to remain the same for the period of the project.

□ The current spot rate is RM\$ 2 per £1.

□ The risk-free rate of interest in REBMATT is 7% and in the UK 9%.

□ The company requires a UK return from this project of 16%.

Required: Calculate the £ net present value of the project using the standard method i.e. by discounting annual cash flows in £.

10. The government of Neoland is keen to extend the reach of mobile phone coverage throughout the country's challenging terrain. One of the key objectives of the Neoland government is to develop its economy from one which is predominantly based on agriculture to one which includes a manufacturing base. Required: Discuss whether World Bank funding of the further expansion of the Neoland mobile phone network might be available and the implications of such funding.

11. a) A UK company has a Greek subsidiary which is to purchase materials costing \$100,000. The NPV of the overseas cash flows is being calculated in euros, but you have not been provided with the euro/dollar exchange rate. Instead you have the following information:

\$/£1 1.90

€/£1 1.45

Calculate the value of the purchase in euros. (2 marks)

b) Inflation is currently 80% in Brazil, although the government hopes to reduce it each year by 25% of the previous year's rate. What will the inflation rate be in Brazil over the next four years? (1 mark)

c) The current rate of inflation in Costovia is 65%. Government action is helping to reduce this rate each year by 10% of the previous rate. The Costovian peso/ US dollar exchange rate is currently 144 pesos to 1 US dollar, and the inflation rate in the US over the next three years is expected to be 4%, 3.5% and 3% respectively. Required: Calculate the exchange rate for the Costovian peso against the US dollar for the next three years. (2 marks)

12. a) Landline Co has an A credit rating. It has \$30m of 2 year bonds in issue, which are trading at \$90%, and \$50m of 10 year bonds which are trading at \$108%. The risk free rate is 2.5% and the corporation tax rate is 30%. Calculate the company's post-tax cost of debt capital. (2.5 marks)

Rating	1 yr	2 yr	3 yr	5 yr	7 yr	10 yr	30 yr
AAA	5	10	15	22	27	30	55
AA	15	25	30	37	44	50	65
A	40	50	57	65	71	75	90
BBB	65	80	88	95	126	149	175
BB	210	235	240	250	265	275	290
B+	375	402	415	425	425	440	450

b) Mackay Co has some irredeemable, 5% coupon bonds in issue, which are trading at \$94.50 per \$100 nominal. The tax rate is 30%.

Required: Calculate Mackay Co's post-tax cost of debt. (2.5 marks)

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COM606.3/19COM651 Reg No : ....

CHOICE BASED CREDIT SYSTEM

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

COMMERCE

Total Quality Management

Duration:3 Hours Max Marks:80

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

1. Evaluate the benefits and barriers of implementing Total Quality Management (TQM) in a modern organization.
2. Compare and contrast Quality Circles and Quality Function Deployment as tools for improving quality in an organization.
3. Explain Kotter's Model of Change and discuss its significance in managing organizational change.
4. In Bombay, a Dabba is a 15x30 cm steel tiffin box carried from home to office. Dabbawalas move these boxes between homes and workplaces. The Dabbawalas in Mumbai are globally recognized for their exceptional management skills and are considered as lifesavers of the city. People in Mumbai commute to work daily while facing transportation challenges. Homemakers prepare lunch for their husbands. Dabbawalas aim to deliver tiffin boxes punctually. 5,000 are currently active. They work for a corporation that offers many jobs, and many of the dabbawalas are Varkari people from Maharashtra. A united community inspires future generations.

   Few management lessons from Dabbawalas:

   learn from their high daily delivery output to develop valuable management skills. Employees are valuable to dabbawalas and work harder when treated well. Dabbawalas value their colleagues greatly, believing that winning hearts is more important than a degree. Having a higher degree doesn't necessarily mean having a big heart. Dabbawalas excel at their work, despite lacking formal education. They communicate effectively, manage time well, and are highly dedicated. Dabbawalas see work as love, motivating employees to feel valued.

   The dabbawalas are celebrated in Mumbai for delivering food as a service to God, according to Manish. Their work is greatly appreciated by all. A smile enhances food's flavor. Lovingly served dishes have irresistible appeal – even if you're not hungry. Dabbawalas work hard in the sun with a smile to make your meal delicious. It's not easy - trust is important. Dabbawalas endure rigorous training and a 6-month trial period to be chosen only after demonstrating a complete understanding of the dabbawalas' motto. Don't be too lean; add buffers. Dabbawalas can collect up to 20 dabbas daily, but usually work in groups to cover for busier or unavailable members.

New dabbawalas join either to replace a part or due to increased demand in an area, and they serve as support to their colleagues rather than competing with them. No titles, all leaders. Unbound, achieving optimal outcomes for all. Organize well. Harvard study: Dabbawalas use hierarchy for speed. Banish bad clients; don't harm others. Mumbai homemakers must be prompt with dabba delivery or risk losing clients. Some believe dabbawalas are caterers. They deliver lunch boxes from homes to workplaces, but are not caterers. Dabbawalas deliver healthy home-cooked meals to specific recipients. Lunch boxes are returned daily.

1. How would you describe the Dabbawala brand? **(5 marks)**

2. Comment on the statement "Dabbawalas are brand ambassadors of India"? **(5 marks)**

3. What are the factors which have enabled he Dabbawalas o achieve six-sigma distinction? **(10 marks)**

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

5. Explain the characteristics of effective quality leaders and how they contribute to a culture of continuous improvement.
6. Describe the different types of organizational change and the strategies required for their implementation.
7. What is Benchmarking? Explain the steps involved in the benchmarking process.
8. Explain the objectives and steps involved in business process reengineering.

III. Answer the following : (5×2= 10 Marks)

9. Differentiate between Traditional Approach and TQM approach.
10. Write a note on Supplier Rating.
11. What are the different types of benchmarking?
12. What is the need for business process re-engineering (BPR) and how can it help organizations achieve their goals?
13. State the duties of Quality Council.

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18COM651 Reg No : ....

CHOICE BASED CREDIT SYSTEM

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

COMMERCE

Total Quality Management

Duration:3 Hours Max Marks:120

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3. What are the factors which have enabled he Dabbawalas o achieve six-sigma distinction? **(10 marks)**

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

5. Explain the characteristics of effective quality leaders and how they contribute to a culture of continuous improvement.

6. Describe the different types of organizational change and the strategies required for their implementation.

7. What is Benchmarking? Explain the steps involved in the benchmarking process.

8. Reengineering is about achieving a significant improvement in the process. Explain the objectives and steps involved in business process reengineering.

9. What are the different types of benchmarking and how are they used in organizations?

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

10. Differentiate between Traditional Approach and TQM approach.

11. Write a note on Supplier Rating.

12. Change management is a cyclic process, as an organization will always encounter the need for change. In this context explain the three phases in the Organizational Change Management Life Cycle.

13. What is the need for business process re-engineering (BPR) and how can it help organizations achieve their goals?

14. State the duties of Quality Council.

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19COM651 / 18COM165

Reg No : ....

CHOICE BASED CREDIT SYSTEM

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

COMMERCE

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Max Marks:120

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14. State the duties of Quality Council.

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COM606.3/19COM651 Reg No : ....

CHOICE BASED CREDIT SYSTEM

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

COMMERCE

Total Quality Management

Duration:3 Hours **Max Marks:80**

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2. Comment on the statement "Dabbawalas are brand ambassadors of India"? **(5 marks)**

3. What are the factors which have enabled he Dabbawalas o achieve six-sigma distinction? **(10 marks)**

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

5. Explain the characteristics of effective quality leaders and how they contribute to a culture of continuous improvement.

6. Describe the different types of organizational change and the strategies required for their implementation.

7. What is Benchmarking? Explain the steps involved in the benchmarking process.

8. Explain the objectives and steps involved in business process reengineering.

III. Answer the following : (5×2= 10 Marks)

9. Differentiate between Traditional Approach and TQM approach.

10. Write a note on Supplier Rating.

11. What are the different types of benchmarking?

12. What is the need for business process re-engineering (BPR) and how can it help organizations achieve their goals?

13. State the duties of Quality Council.

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213

21COMC633 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

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

COMMERCE

Campus to Corporate

Duration:2 Hours Max Marks:60

SECTION – A

Answer any TWO questions: (15×2= 30)

1) Explain the scope of BPS across the globe.

2) Draft an email to your Boss to schedule a business meeting.

3) Define writting skill. Explain the purpose of writing.

4) Compare and contrast formal research methods with informal research methods, providing examples of each.

SECTION – B

Answer any FOUR questions : (5×4= 20)

5) Explain the scope of BPS in Retail Industry.

6) Write a note on how people dress to work.

7) Explain how can a employee Imbibe workplace Etiquettes.

8) Explain Personal Pronouns and Adjectives with Five examples each.

9) How to develop Writting skills?Explain.

10) Explain the Do's and Dont's of a group discussion.

SECTION – C

Answer any FIVE questions : (2×5= 10)

11) Explain how to take ownership?

12) Considering dressing style of people how can you differentiate corporate from campus.

13) Write a note on Power Point presentation Fonts.

14) Fill in the pronouns

Lilly is one of the heads of reputed NGO ___________ wants to work with miss Menon and ___________ friend John. ___________ and ___________ friend are social activists _________ have done commendable job in the field of adult education.

15) State and explain the three skills candidates must have before the interview.

16) State the Advantages of Intercultural Communication.

17) State the Difference between Formal Research and Informal Research.

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21COMC623 Reg. No.....................................

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com SIX SEMESTER DEGREE EXAMINATION APRIL/MAY 2025

STRATEGIES FOR BUSINESS

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

SECTION - A

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

1. Answer all questions:

   i. Each organization must build its competitive advantage keeping in mind the business warfare. This can be done by following the process of strategic management." Considering this statement, explain major benefits of strategic management. (8 marks)

   ii. Bhavish is planning to launch his new tech start-up. He is exploring different locations across the country to establish his company in the right business environment. One option is the city of Hyderabad, the upcoming IT sector, with an engaging network of entrepreneurs, investors, advisors and mentors. Coupled with various subsidies for new ventures and tax benefits, Hyderabad might be an ideal choice for Yash to establish his company and increase the chances of success. In this context, define the term Business Environment with respect to the above scenario. Explain the different ways in which the interaction of a business with its environment can be helpful in developing a successful strategy. (8 marks)

   iii. Why companies should go global? State any four reasons. (4marks)

SECTION - B

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

2. Mr. Lemon has established a successful venture in the textiles sector in Maharashtra. His enterprise specializes in crafting unique and high-quality home furnishings, which have garnered significant market presence. However, there was a sales dip in the previous year. Seeking professional advice, Mr Lemon consulted a strategic management expert who suggested his first course of action should be to grasp the dynamics of the competitive landscape. In order to comprehend the competitive landscape, what steps should Mr. Lemon follow?

3. How can Mendelow's Matrix be used to analyze and manage the stakeholders effectively?

4. Lala runs a charitable organisation for promotion of sports in the country. His organization conducts regular free training camps for youths interested in playing cricket, football, hockey, badminton and so on. Many of his trainees have reached national level contests. Lala noticed that with success of IPL (Cricket) tournament there is an increasing trend to extend similar format in other sports as well. He wishes to know how the development is going help sports and to which industries it will offer opportunities and threats.

5. StarTrek, an aerospace technology firm, operates in a highly competitive industry. Despite the fierce competition in the aerospace sector, StarTrek has carved out a niche for itself by focusing on serving unique, high- end clients. Unlike its competitors, StarTrek has chosen not to diversify its target market and instead specializes in providing cutting-edge solutions to this niche market. Identify and explain the strategy adopted by StarTrek. Explain the advantages and disadvantages of this strategy

6. A large Textile Mill, which is in the verge of collapse, has approached you to suggest turnaround strategies. What can be the action plan while recommending turnaround strategies for such a firm?

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21COMC622 Reg. No...................................

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com SIX SEMESTER DEGREE EXAMINATION APRIL/MAY 2025

Principles and Practice of Auditing - II

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

Section A

I. Answer the following: **1X20=20**

1. State with reasons whether following statements is true or false:
   - (i) Mr. A is a statutory auditor of ABC Ltd. The branch of ABC Ltd. is audited by Mr. B, another Chartered Accountant. Mr. A requests for the photocopies of the audit documentation of Mr. B pertaining to the branch audit.
   - (ii) When the auditor has to express an adverse opinion, he need not communicate with those charged with governance as this may have an impact on payment of his audit fees.
   - (iii) Instead of modifying an opinion in accordance with SA 705, the statutory auditor can use Key Audit Matter paragraph in the audit report with an unmodified opinion.
   - (iv) The concept of "joint audit" has legal foothold under the Companies Act, 2013
   - (v) The accounts of every LLP shall be audited in accordance with rule 24 of LLP Rules 2009.
   - (vi) The auditor of an LLP may be appointed by the Designated Partners or other Partners whosoever is available at the time of appointment.
   - (vii) The Comptroller and Auditor General does not have any authority to audit the accounts of stores and inventory kept in any office or department of the Union or of a State.
   - (viii) An Operating Lease is a kind of financing arrangement.
   - (ix) Any amount due to the bank under any credit facility is 'overdue' if it is not paid within 90 days of becoming due.
   - (x) An account should be treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power.

Section B

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

2. (a) There are different types of banks prevailing in India. Explain giving examples of such banks. **(5 Marks)**

   (b) What are the fundamental principles governing Professional Ethics? **(5 Marks)**

3. (a) When is an agricultural advance considered as non-performing as per RBI guidelines? **(5 Marks)**

   (b) There are two interlinked perspectives of independence of auditors, one, independence of mind and two, independence in appearance. Explain. **(5 Marks)**

4. (a) ABC Ltd., is a company incorporated in India. It has branches within an outside India. Explain who can be appointed as an auditor of these branches within an outside India. Also explain to whom branch auditor is required to report. **(5 Marks)**

   (b) The practice of appointing chartered accountants as joint auditors is quite widespread in big companies and corporations. Explain the advantages of joint audit. **(5 Marks)**

5. (a) You have been appointed auditor of divine children hospital. Explain any four important points that would attract your attention while audit. **(5 Marks)**

   (b) In what circumstances central registrar can hold an inquiry Into working and financial condition of a multi state cooperative society? **(5 marks)**

6. (a) Define audit documentation with examples. **(5 Marks)**

   (b) The auditor should consider the effect of subsequent events on the financial statements and auditor's report according to SA 560. Comment. **(5 Marks)**

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21COMC621 Reg. No………………………………

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com SIX SEMESTER DEGREE EXAMINATION MAY 2025
Management Accounting II

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

SECTION – A

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

Acme Manufacturing Co. Ltd. opens the costing records, with the balances as on 1st July as follows:

Particulars	(Rs.)	(Rs.)
Material Control A/c	1,24,000	
Work-in-Process Control A/c	62,500	
Finished Goods Control A/c	1,24,000	
Production Overhead Control A/c	8,400	
Administrative Overhead Control A/c		12,000
Selling & Distribution Overhead Control A/c	6,250	
Cost Ledger Control A/c		3,13,150
	3,25,150	**3,25,150**

The following are the transactions for the quarter ended 30th September:

	(Rs.)
Materials purchased	4,80,100
Materials issued to jobs	4,77,400
Materials to works maintenance	41,200
Materials to administrative office	3,400
Materials to sales department	7,200
Wages Direct	1,49,300
Wages Indirect	65,000
Transportation for Indirect Materials	8,400
Production Overheads incurred	2,42,250
Absorbed Production Overheads	3,59,100
Administrative Overheads incurred	74,000
Administrative Overheads allocated to production	52,900
Administrative Overheads allocated to sales department	14,800

Selling & Distribution overheads incurred	64,200
Selling & Distribution overheads absorbed	82,000
Finished goods produced	9,58,400
Finished goods sold	9,77,300
Sales	14,43,000

Makeup the various ledger accounts as you envisage in the Cost Ledger and PREPARE a Trial Balance as at 30th September.

SECTION– B

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

2. X Ltd. supplies spare parts to an air craft company Y Ltd. The production capacity of X Ltd. facilitates production of any one spare part for a particular period of time. The following are the cost and other information for the production of the two different spare parts A and B:

	Part A	Part B
Per unit		
Alloy usage	1.6 kgs.	1.6 kgs.
Machine Time: Machine P	0.6 hrs	0.25 hrs.
Machine Time: Machine Q	0.5 hrs.	0.55 hrs.
Target Price (Rs.)	145	115
Total hours available	Machine P 4,000 hours	
	Machine Q 4,500 hours	

Alloy available is 13,000 KGs. @ Rs. 12.50 per kg.

Variable overheads per machine hours	Machine P: Rs. 80
	Machine Q: Rs. 100

Required

(i) IDENTIFY the spare part which will optimize contribution at the offered price.

(ii) If Y Ltd. reduces target price by 10% and offers Rs. 60 per hour of unutilized machine hour, CALCULATE the total contribution from the spare part identified above?

3. A department of Company X attains sale of Rs. 6,00,000 at 80 percent of its normal capacity and its expenses are given below:

Administration costs:	₹
Office salaries	90,000
General expenses	2 percent of sales
Depreciation	7,500
Rates and taxes	8,750

The standard loss in processing is 15%.During April, the companyproduced1,700 kgs. Of finished output.

The position of stock and purchases for the month of April are as under:

Material	Stockon01.04.2021	Stockon30.04.2021	PurchasedduringApril2021	
	(Kg.)	(Kg.)	(Kg.)	(Rs.)
A	35	5	800	3,400
B	40	50	1,200	3,000

Opening stock of material is valued at standard price.

CALCULATE the following variances:
(i) Material price variance
(ii) Material usage variance
(iii)Material yield variance
(iv) Material mix variance
(v) Total Material cost variance

6. The following figures have been extracted from the Financial Accounts of a manufacturing firm for the first year of its operation:

Particulars	(Rs.)
Direct Material Consumption	50,00,000
Direct Wages	30,00,000
Factory Overheads	16,00,000
General Administrative Overheads	7,00,000
Selling and Distribution Overheads	9,60,000
Bad Debts	80,000
Preliminary expenses written off	40,000
Legal Charges	10,000
Dividends Received	1,00,000
Interest received on Deposits	20,000
Sales (1,20,000 units)	1,20,00,000
Closing Stock:	
Finished Goods (4,000 units)	3,20,000
Work-in-Process	2,40,000

The cost accounts for the same period reveal that the direct material consumption was Rs.56,00,000. Factory overhead is recovered at 20% on prime cost. Administration overhead is recovered at Rs.6 per unit of goods sold. Selling and Distribution overheads are recovered at Rs.8 per unit sold.

PREPARE the Profit and Loss Accounts both as per financial records and as per cost records. RECONCILE the profits as per the two records.

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Selling costs:

Salaries	8 percent of sales
Travelling expenses	2 percent of sales
Sales office expenses	1 percent of sales
General expenses	1 percent of sales

Distribution Costs:

Wages	15,000
Rent	1 per cent of sales
Other Expenses	4 per cent of sales

PREPARE flexible administration, selling and distribution costs budget, operating at 90 percent, 100 percent and 110 percent of normal capacity.

4. A lodging home is being run in a small hill station with 100 single rooms. The home offers concessional rates during six off-season months in a year when numbers of visitor are limited. During this period, half of the full room rent is charged. The management's profit margin is targeted at 20% of the room rent. The following are the cost estimates and other details for the year ending on 31st March. [Assume a month to be of 30 days].

   (i) Occupancy during the season is 80% while in the off-season it is 40% only.

   (ii) Total investment in the home is Rs. 200 lakhs of which 80% relate to buildings and balance for furniture and equipment.

   (iii) Expenses:

Staff salary [Excluding room attendants]	Rs. 5,50,000
Repairs to building	: Rs. 2,61,000
Laundry charges	: Rs. 80, 000
Interiors	. Rs. 1,75,000
Miscellaneous expenses	: Rs. 1,90,800

   (iv) Annual depreciation is to be provided for buildings @ 5% and on furniture and equipment @ 15% on straight-line basis.

   (v) Room attendants are paid Rs. 10 per room day on the basis of occupancy of the rooms in a month.

   (vi) Monthly lighting charges are Rs. 120 per room, except in four months in winter when it is Rs. 30 per room.

   You are required to WORK OUT the room rent chargeable per day both during the season and the off-season months on the basis of the foregoing information.

5. ABC Ltd. produces an article by lending two basic raw materials. It operates a standard costing system and the following standards have been set for raw materials:

Material	Standard mix	Standard price (Rs. per kg)
A	40%	4
B	60%	3

21COMC613 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com. SIXTH SEMESTER DEGREE EXAMINATION MAY 2025

COMMERCE

Strategic Business Reporting II

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

Section A

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

1. a) (i) Emcee, a public limited company, is a sports organisation that owns several football and basketball teams. It has a financial year end of 31 May 20X6. Emcee purchases and sells players' registrations on a regular basis. Emcee must purchase registrations for that player to play for the club. Player registrations are contractual obligations between the player and Emcee. The costs of acquiring player registrations include transfer fees, league levy fees, and player agents' fees incurred by the club. Also, players' contracts can be extended and this incurs additional costs for Emcee. At the end of every season, which also is the financial year end of Emcee, the club reviews its playing staff and makes decisions as to whether they wish to sell any players' registrations. These registrations are actively marketed by circulating other clubs with a list of players' registrations and their estimated selling price. Players' registrations are also sold during the season, often with performance conditions attached. Occasionally, it becomes clear that a player will not play for the club again because of, for example, a player sustaining a career threatening injury or being permanently removed from the playing squad for another reason. The playing registrations of certain players were sold after the year end, for total proceeds, net of associated costs, of $25 million. These registrations had a carrying amount of $7 million. Emcee would like to know the financial reporting treatment of the acquisition, extension, review and sale of players' registrations in the circumstances outlined above. **(9 marks)**

(ii) In the consolidated financial statements for 20X6, Emcee recognised a net deferred tax asset of $16 million. This asset was made up of $3 million relating to taxable temporary differences and $19 million relating to the carry-forward of unused tax losses. The local tax regulation allows unused tax losses to be carried forward indefinitely. Emcee expects that within five years, future taxable profits before tax would be available against which the unused tax losses could be offset. This view was based on the budgets for the years 20X6-20Y1. The budgets were primarily based on general assumptions about economic improvement indicators. Additionally, the entity expected a substantial reduction in the future impairments that the entity had recently suffered and this would result in a substantial increase in future taxable profit. Emcee had recognised material losses during the previous five years, with an average annual loss of $19 million. A comparison of Emcee's budgeted results for the previous two years to its actual results indicated material differences relating principally to impairment losses. In the interim financial statements for the first half of the year to 31 May 20X6, Emcee recognised impairment losses equal to budgeted impairment losses for the whole year. In its financial statements for the year ended 31 May 20X6, Emcee disclosed a material uncertainty about its ability to continue as a going concern. The current tax rate in the jurisdiction is 30%. **(6 marks)**

2. a) Finn operates five different divisions of its business. The results of each of its divisions are reported to the board of directors which fulfils the chief operating decision maker function. The results of the divisions in the year ended 30 June 20X1 are:

	External revenue	Internal revenue	Division profit	Division assets	Division liabilities
	$000	$000	$000	$000	$000
Groceries	140	20	28	218	96
Clothing	118	16	18	208	70
Shoes	44	0	(4)	60	24
DIY	24	6	4	36	20
Electricals	36	48	(2)	108	38
	362	90	44	630	248

Required:Discuss which of Finn's operating segments are reportable segments in accordance with IFRS 8 Operating Segments. (8 marks)

b) Fireball group has:

□ three significant business lines which make up about 70% of combined revenue, split equally between them; and

□ five small business lines, each of them contributing about 6% to the combined revenue.

Required: Explain how many segments Fireball group should report. (4 marks)

c) Silver is applying IFRS 8 for the first time in financial statements for the year ending 31 December. This will cause changes in the identification of Silver's reportable segments and require additional disclosures. Required: Comment on whether Silver should restate the comparative information. (3 marks)

3. Juan Co is a group of companies which operates in the energy industry. The financial year end of the company is 31 December 20X7. The following exhibit, available below, provides information relevant to the question:

1. Climate change issues – outlines the issues which Juan Co currently faces due to the impact of climate change.

This information should be used to answer the question requirements within your chosen response option(s).

1 – Climate change issues

Juan Co has several coal-fired power plants and is currently facing challenges dealing with the impact of climate change. Juan Co has not considered the effect of climate change when preparing the current financial statements. There has been a decline in the demand for the energy from Juan Co's coal-fired plants because of the volume of greenhouse gases emitted by the plants. The company is committed to meeting the expanding climate change regulations of its jurisdiction relating to emissions. If a company does not meet the jurisdiction's climate-related targets, then fines are imposed by the government for this failure. Juan Co is also considering a restructure to achieve eco-design of its products and services and to improve the energy efficiency of its existing buildings.

As a result, Juan Co has had to change and adapt its business activities and operations, including increased expenditure on research and development. The company has revised its assumptions about future profitability and cash flows based upon it cutting its emissions. If it does not cut emissions, it will risk losing many customers.

Juan Co's supply chains are becoming more complex and globally spread with many points of possible failure. Juan Co has subsidiaries in regions of the world which are subject to weather extremes and anticipates some physical harm to its property, plant and equipment because of this. There is the likelihood that some of the power plants will require decommissioning sooner than expected which will mean restoring the land damage. Some restoration work may not be possible at the level required by regulatory changes.

Corporate risk is increasing due to environmental damage caused by climate change. Investors are worried about their share value in Juan Co because of an anticipated increase in carbon taxes and the significant costs which the company will have to incur if it is to meet its commitments.

In the financial statements for the year ended 31 December 20X7, Juan Co has carried out impairment tests and has not recognised an impairment loss.

Required:

Many preparers of financial statements feel that there is sufficient disclosure of climate related matters in the management commentary and therefore there is no need to disclose any further information in the actual financial statements, especially if there is no impact on those financial statements. Even though there is an acceptance that investors feel such information is important, some preparers think that the materiality decision does not extend to climate change as there is no IFRS standard dealing with the subject.

a) Discuss the potential effects of climate-related matters on the financial statements of Juan Co for the year ended 31 December 20X7 in applying the following IFRS standards.

i) IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets **(3 marks)**

ii) IAS 36 Impairment of Assets **(6 marks)**

iii) IAS 37 Provisions, Contingent Liabilities and Contingent Assets **(6 marks)**

4. a) E-Games is a UK based company that sells computer games and hardware. Sales are made through the E-Games website as well as through high street stores. The products sold online and in the stores are the same. E-Games sells new releases for \$40 in its stores, but for \$30 online.

   Internal reports used by the chief operating decision maker show the results of the online business separately from the stores. However, they will be aggregated together for disclosure in the financial statements.

   Required:

   Should the online business and the high street stores be aggregated into a single segment in the operating segments disclosure? **(5 marks)**

   b) On 1 January 20X5, Lucky group purchased 80% of Happy for \$500,000. The fair value of the identifiable net assets of Happy at the date of acquisition amounted to \$590,000. The carrying amount of Happy's net assets at 31 December is \$520,000 (excluding goodwill). Happy is a cash-generating unit. At 31 December 20X5 the recoverable amount of Happy's net assets is \$530,000.

   Required:

   Calculate the impact of the impairment review if: **(10 marks)**

   a) the NCI at acquisition was measured at its fair value of \$130,000.

   b) the NCI at acquisition was measured at its share of the fair value of Happy's identifiable net assets.

Section B

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

5. a) Liam has a reporting date of 31 December 20X1. On the reporting date, it enters into a lease agreement to hire a machine. The present value of the lease payments to be made is \$10 million. In Liam's tax jurisdiction, tax relief on leases is given in respect of the lease liability as payments are made. The tax rate is 30%.

   Required: Discuss the deferred tax implications of the above in the year ended 31 December 20X1. **(5 marks)**

   b) A company's financial statements include the following:

   - A machine costing \$10,000 that is used in the business to generate revenues. Tax allowances of \$4,000 were given in the current, first year of ownership. Thereafter, allowances are available at 20% per annum.
   - Trade receivables with a carrying amount of \$2,000; the related revenue has already been included in taxable profit.
   - A loan payable of \$1 million; there are no tax consequences of repaying the loan.
   - Revenue received in advance with a carrying amount of \$3,000. The revenue was taxed on an accrual basis.

   Required: Explain the tax base of each item. **(3 marks)**

c) The following information relates to Lato:

	Carrying amount	Tax base
	$	$
At 1 January 20X8	1,000	800
Depreciation	(100)	(150)
At 31 December 20X8	900	650

At the year end, the company decided to revalue the asset to $1,250. The tax base is not affected by this revaluation. The tax rate applicable is 30%. Required: Calculate the deferred tax provision required in respect of this asset as at 31 December 20X8. **(2 marks)**

6. Nathan is a public limited company that prepares its financial statements in accordance with International Financial Reporting Standards and has a year end of 31 December 20X1. It manufactures furniture that is sold to a range of retail outlets. As at the year end Nathan has loans outstanding, with repayments of $7 million due annually in each of the next four years.

You are a potential investor in Nathan. You are analysing its statement of cash flows for the year ended 31 December 20X1, which is presented below:

Statement of cash flows for year ended 31 December 20X1

	$m	**$m**
Cash flows from operating activities		
Profit before tax	35	
Finance cost	5	
Depreciation	12	
Profit on disposal of PPE	(8)	
Reduction in provisions	(6)	
Increase in inventories	(19)	
Increase in receivables	(14)	
Increase in payables	13	
Cash generated from operations	18	
Interest paid	(5)	
Tax paid	(10)	
		3
Cash flows from investing activities		
Proceeds from sale of PPE	20	
Purchases of PPE	(30)	
		(10)
Cash flows from financing activities		
Proceeds from shares	15	

Repayment of loans	(7)	
Dividends paid	-	
		8
Increase in cash and cash equivalents		1
Opening cash and cash equivalents		(5)
Closing cash and cash equivalents		(4)

Required: From analysis of the statement of cash flows, what conclusions would you draw about Nathan?

7. a) M, a public limited entity, has numerous subsidiaries and has prepared consolidated financial statements for many years. M acquired 40% of Tom's 100,000 $1 ordinary shares on 31 December 20X4 for $90,000 in cash. This holding gave M significant influence over Tom. The retained earnings of Tom at this date were $76,000. M acquired a further 20% of Tom's ordinary shares on 31 December 20X6 for $70,000 in cash. On this date, the fair value of the previous 40% holding in Tom was $105,000 and Tom's retained earnings balance was $100,000. The non-controlling interest at acquisition should be valued using the proportion of net assets method.

   Required: Discuss how to account for the purchase of the additional 20% holding in Tom in the consolidated financial statements for the year ended 31 December 20X6. **(7 marks)**

   b) G has owned 80% of Mandy for many years. G is considering acquiring more shares in Mandy. The NCI of Mandy currently has a carrying amount of $20,000, with the net assets and goodwill having a carrying amount of $125,000 and $25,000 respectively.

   G is considering the following two scenarios:

   i) G could buy 20% of the Mandy shares leaving no NCI for $25,000, or

   ii) G could buy 5% of the Mandy shares for $4,000 leaving a 15% NCI.

   Required: Calculate the adjustments required to NCI and other components of equity. **(3 marks)**

8. Jackson owns a machine that is central to its production process. At the reporting date, the machine's carrying amount exceeds its tax base. This difference is due to the revaluation of the asset to fair value in the financial statements. Due to its importance, it is extremely unlikely that the machine will be sold.

   At the year end, Jackson received $10 million from investors. In return, Jackson must issue ordinary shares in 12 months' time. The number of shares to be issued will be determined based on the quoted price of Jackson's shares at the issue date.

   Required:

   For each of the transactions above:

   i) briefly explain how it should be accounted for in accordance with International Financial Reporting Standards

ii) discuss why the accounting treatment could be argued to contradict the definition of the elements given by the Conceptual Framework.

Section C

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

9. How are small and medium-sized entities (SMEs) defined, and what key characteristics distinguish them from larger entities in terms of ownership, financial size, workforce, and transaction complexity?

10. How do disclosures and exemptions help entities in a smooth transition to IFRS, and what challenges might arise in their application?

11. a) Wallaby made profits of $540,000 in the year ended 31 December 20X1, before recognizing dividend income of $40,000. The dividend has been recognised as a receivable at the year end and is taxable when received. Wallaby made profits of $550,000 in the year ended 31 December 20X2 and received the dividend in this year. With the exception of the dividend, accounting profit is equal to taxable profit in both years. The tax rate throughout is 20%. Required: Explain the deferred tax effect reported in the financial statements for 20X1 and 20X2. **(3 marks)**

    b) Look at the group structure below:

    H controls S 75%. S controls T 60%.

    Required: Does Company H control Company T? **(2 marks)**

12. a) An entity, Dive, provides the following information regarding its assets and liabilities as at 31 December 20X1.

    i) Current liabilities include accrued expenses of $1,000. This is deductible for tax on a cash paid basis.

    ii) Accrued expenses have a carrying amount of $5,000. The related expense has been deducted for tax purposes.

    Explain the above with the carrying amount, tax base, and temporary difference for the liabilities. **(2.5 marks)**

    b) Consider the following situation:

    Mr P - 100% Entity A

    Mr P - Entity B (Key Management Personnel), Entity C 100%

    Mr P owns all of the issued share capital of entity A. He also is a member of the key management personnel of entity B which, in turn, owns all of the issued share capital of entity C.

    Required: Discuss the related party relationships arising from the above structure. **(2.5 marks)**

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21COMVC62 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

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

COMMERCE

E-Commerce

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

SECTION – A

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

1) Explain the benefits and limitations of e-commerce, covering aspects such as global reach and security concerns, while evaluating their impact on businesses and consumers.

2) Analyze the benefits of e-retailing for both businesses and consumers, and identify key success factors crucial for achieving sustainable competitive advantage in the e-retail industry.

3) Examine the necessity, applications, and advantages of electronic payment systems.

4) Explain legal,ethical and privacy issues with respect to consumer protection in e-commerce.

SECTION – B

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

5) Elaborate on the various types of e-commerce models.

6) Explain the impact of e-services on consumer behavior.

7) Compare and contrast B2B E-commerce with B2C E-commerce, highlighting their differences in transactional processes and target audiences.

8) Explain how Electronic Payment Systems contribute to reducing transaction costs and administrative expenses.

9) What are the limitations of public key cryptography?

10) What is data encryption and how does it enhance data security?

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SECTION – C

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

11) Define electronic data interchange (EDI) in e-commerce.

12) Define Business-to-Business (B2B) Electronic Commerce

13) Explain what e-entertainment services entail.

14) Describe the purpose of EDI in business communication.

15) State four security threats that commonly target e-commerce platforms.

16) What is Digital Certificate ?

17) Explain the benefits of E-insurance.

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21COMVC61 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

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

COMMERCE

Assessment of persons other than- Individuals & Filing of ITRs

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

SECTION – A

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

1) A) X furnishes the following particulars for the financial year:

WDV as on 1 April 2023:

Building A - Rs. 20,00,000 (10%)

Plant - Rs. 10,00,000 (15%)

One Truck - Rs.50,000 (30%)

During the year the following assets were purchased:

a) Building C on 1 November 2023 - Rs. 13,00,000

b) Plant Y on 1st July 2023 - Rs. 2,00,000

Following assets were transferred:

a) Building A on 1 August 2023 - Rs.28,00,000

b) Plant X costing Rs. 3,00,000 in 2008 destroyed by fire, compensation received from insurance company Rs. 80,000. Amount received on sale of scrap Rs.10,000.

c) Truck sold on 1 January Rs. 25,000.

Compute allowable depreciation and taxable Capital Gains. **(8 Marks)**

B) From the following information determine the depreciation allowance for the AY 2024-25:(Rate of depreciation - 15%)

WDV of plant and machinery on 1-4-2023 – Rs. 12,00,000

Plant and machinery purchased on 15-5-2023 for production department – Rs. 10,00,000

In June, 2023 the assessee purchased the following assets:

Office appliances – Rs. 1,00,000

Air Conditioners for Guest House – Rs. 60,000

Car – Rs. 4,00,000

Plant and machinery purchased on 10-11-2023 for production department – Rs. 3,00,000 **(7 Marks)**

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2) Disha, Roopa and Dreema are partners in a firm (with Roopa and Dreema working partners) and share profit and losses in the ratio of 1:2:2. Their profit and loss for the year is given below.

	Rs		Rs
To Salaries	2,00,000	By Gross Profit b/d	5,20,000
To Rent	72,000	By Bank Interest	5,000
To Advertisement	5,000	By Dividend	8,000
To Bad debts	7,000	By Bad debts recovered	6,000
To GST	8,000	By Interest on drawings by Disha	4,000
To Reserve for doubtful debtors	8,000	By Rent from letout property	20,000
To Income tax	10,000	By Long term capital gains	29,500
To Sundry expenses	30,000		
To Depreciation	25,000		
To Municipal tax of let out property	4,000		
To Interest on capital at 16%			
Disha	6,000		
Roopa	9,000		
Dreema	18,000		
To O/S GST	7,000		
To Trading expenses	30,000		
To Commission to Roopa	10,000		
To Net Profit	1,15,500		
	5,92,500		5,92,500

Additional Information:

1. Salary includes Disha's salary ₹ 20,000, Roopa ₹ 22,000 and Dreema ₹ 22,000.

2. Bad debts found to be excess by ₹ 3,000.

3. Furniture purchased by Disha for personal use ₹ 8,000, has been debited to Sundry expenses account.

4. Trading expenses include Bonus to Roopa ₹ 5,000, to Dreema ₹ 5,500

5. Out of bad debts recovered ₹ 4,000 was allowed earlier.

6. Out of O/s GST ₹ 7,000, ₹ 4,000 was paid in August 2023 (i.e. before filing the returns) Compute the total income of the firm, its tax liability and share of income from firm taxable in the hands of partners.

3) Expo is engaged in the manufacturing of garments. The following P & L Account of the company is given for the year ended 31-3-2024:

	Rs.		Rs.
To salaries and wages	2,00,000	By gross profits	28,00,000
To entertainments expenses	20,000	By agricultural income	6,00,000
To Travelling expenses	25,000	By rent from let out property	1,00,000
To income tax	2,50,000	By transfer from general Reserve	50,000
To wealth tax	10,000		
To outstanding customs duty	15,000		
To provision for unascertained liability	60,000		
To Proposed Dividend	50,000		
To Loss of subsidiary company	20,000		
To repairs of letout property	30,000		
To municipal tax on let out property	20,000		
To agricultural expenses	2,50,000		
To fines and penalties	5,000		
To reserve for bad debts	15,000		
To depreciation	4,00,000		
To other expenses	2,00,000		
To net profit	19,80,000		
	35,50,000		35,50,000

GST of 2022 paid during the year 2023 Rs. 65,000. However, this is not debited to P&L A/c.

Depreciation allowable as per I.T. rules Rs. 4,60,000

The Following losses are to be set off:

Particulars	Tax purpose (Rs.)	Accounting Purposes (Rs.)
Brought forward business loss of 2022-23	11,00,000	9,00,000
Unabsorbed Depreciation	Nil	3,00,000

You are required to compute the book profits as per sec. 115 JB, total income of the company and tax liability of the company for AY.

4) a) Elucidate the benefits of filing ITR. **(8 Marks)**
b) Explain the benefits of e-filing over physical filing. **(7 Marks)**

SECTION – B

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

5) From the following information compute depreciation allowable for the AY.

Particulars	Rs.
WDV of plant S and P on 1-4-2023	6,00,000
Plant purchased in July 2023	50,000
Plant purchased in January 2024	30,000
Sale proceeds of plant P	1,00,000
Rate of depreciation 15% and additional depreciation 20%.	

6) Compute the income of the firm from business in the following case: (Conditions u/s 184 and 40(b) fulfilled)
Book Loss ₹ 1,60,000, Remuneration to working partners ₹ 2,50,000

7) Quality Electronics Ltd. is a domestic company. The following are the particulars of income for the PY: (Assume turnover of the company is less than 400 crores)
Total income Rs.1,50,68,000 including LTCG of Rs. 33,000
Book profit U/S 115 JB Rs. 1,60,00,000
Compute tax liability of the company.

8) Explain the duties of persons deducting TDS.

9) Mr Prashanth estimated the following incomes relevant for the assessment year 2024-25.
a. Computed income from house property Rs 1,40,000.
b. Computed income from business Rs 8,60,000.
Calculate advance tax payable.

10) 'Is it mandatory to quote AADHAAR for filing income tax returns and PAN application'. Explain with the help of the verdict given by the court.

SECTION – C

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

11) State the methods of depreciation as per Income Tax Act, 1961.

12) Total income of the firm Rs. 13,00,000. Partners A, B and C share profits and losses equally. Find out the partners share in the distributable Income exempt U/S 10.

13) What is the statutory limit U/S 40(b) regarding partners remuneration?

14) What are the provisions of U/S 115 JAA pertaining to Tax Credit?

15) What is meant by advance tax?

16) What is TDS?

17) Describe the verdict given by the court in Sushmitha Sen V/S ACIT case.

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19COM613 Reg No : ....

CHOICE BASED CREDIT SYSTEM

B.Com. SIXTH SEMESTER DEGREE EXAMINATION MAY 2025

COMMERCE

Advanced Financial Management II

Duration:3 Hours Max Marks:120

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

1. Nubo Co has divisions operating in two diverse sectors: production of aircraft parts and supermarkets. Whereas the aircraft parts production division has been growing rapidly, the supermarkets division's growth has been slower. The company is considering selling the supermarkets division and focusing solely on the aircraft parts production division.

   Extracts from Nubo Co's most recent financial statements are as follows:

Year ended 30 November	20X3
Profit after tax	166
Non-current assets	550
Current assets	122
Non-current liabilities	387
Current liabilities	95

   About 70% of Nubo Co's non-current assets and current assets are attributable to the supermarkets division and the remainder to the aircraft parts production division. Each of the two divisions generates roughly half of the total profit after tax. The market value of the two divisions is thought to be equivalent to the price-to-earnings (PE) ratios of the two divisions' industries. The supermarket industry's PE ratio is 7 and the aircraft parts production industry's PE ratio is 12.

   Nubo Co can either sell the supermarkets division as a going concern or sell the assets of the supermarkets division separately. If the assets are sold separately, Nubo Co believes that it can sell the non-current assets for 115% of the book value and the current assets for 80% of the book value. The funds raised from the sale of the supermarkets division will be used to pay for all the company's current and non-current liabilities.

   Following the sale of the supermarkets division and paying off the liabilities, Nubo Co will raise additional finance for new projects in the form of debt. It will be able to borrow up to a maximum of 100% of the total asset value of the new downsized company.

One of the new projects which Nubo Co is considering is a joint venture with Pilvi Co to produce an innovative type of machinery which will be used in the production of light aircraft and private jets. Both companies will provide the expertise and funding required for the project equally. Representatives from both companies will make up the senior management team and decisions will be made jointly. Legal contracts will be drawn up once profit-sharing and other areas have been discussed by the companies and agreed on.

Pilvi Co has approached Ulap Bank for the finance it requires for the venture, based on Islamic finance principles. Ulap Bank has agreed to consider the request from Pilvi Co, but because the financing requirement will be for a long period of time and because of uncertainties surrounding the project, Ulap Bank wants to provide the finance based on the principles of a Musharaka contract, with Ulap Bank requiring representation on the venture's senior management team. Normally Ulap Bank provides funds based on the principles of a Mudaraba contract, which the bank provides for short-term, low-risk projects, where the responsibility for running a project rests solely with the borrower.

a) Advise Nubo Co whether it should sell the supermarkets division as a going concern or sell the assets separately and estimate the additional cash and debt funds which could be available to the new, downsized company. Show all relevant calculations. **(8 marks)**

b) Discuss why Ulap Bank may want to consider providing the finance based on a Musharaka contract instead of a Mudaraba contract, and the key concerns Nubo Co may have from the arrangement between Pilvi Co and Ulap Bank. **(12 marks)**

2. **Roche Co**

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

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

Strand Co

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

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

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

Financial information

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

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

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

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

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

i) A cash offer of $5.72 for each Strand Co share; or

ii) A cash offer of $1.25 for each Strand Co share plus one $100 3% convertible bond for every $5 nominal value of Strand Co shares. In six years, the bond can be converted into 12 Roche Co shares or redeemed at nominal value.

a) Based on the two different opinions expressed by Roche Co and Strand Co, calculate the maximum acquisition premium payable in each case. **(10 marks)**

b) Calculate the percentage premium per share that Strand Co's shareholders will receive under each acquisition payment method and justify, with explanations, which payment method would be most acceptable to them.

(10 marks)

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

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

Current futures/options information:

Futures ($500,000 3 month contracts)

June 96.40

September 96.10

December 95.86

Options on futures (premia quoted as an annual percentage)

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

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

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

a) futures contracts

b) options over futures contracts.

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

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

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

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

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

(7 marks)

Assume that

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

Land $80,000

Building $80,000

Equipment $30,000

Inventory and work-in-progress $50,000

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

1. Each ordinary share is to be re-designated as a share of 25c.
2. The existing 70,000 preference shares are to be exchanged for a new issue of 35,000 8% cumulative preference shares of $1 each and 140,000 ordinary shares of 25c each.
3. The ordinary shareholders are to accept a reduction in the nominal value of their shares from $1 to 25c, and subscribe for a new issue on the basis of 1 for 1 at a price of 30c per share.
4. The debenture holders are to accept 20,000 ordinary shares of 25c each in lieu of the interest payable. It is agreed that the value of the interest liability is equivalent to the nominal value of the shares issued. The interest rate is to be increased to 9.5% and the repayment date deferred for three years. A further $9,000 of this 9.5% debenture is to be issued and taken up by the existing holders.
5. The profit and loss account balance is to be written off.
6. The bank overdraft is to be repaid.
7. It is expected that, due to the refinancing, operating profits will be earned at the rate of $50,000 per year after depreciation but before interest and tax.
8. Corporation tax is 21%.

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

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

5. Nintendo Inc is a Japanese firm looking to expand in the USA and is looking to raise $20 million at a variable interest rate. It has been quoted the following rates:

   $ SOFR + 60 points

   ¥ 1.2%

   Berkshire Inc is an American company looking to refinance a ¥2,400m loan at a fixed rate. It can borrow at the following rates:

   $ SOFR + 50 points

   ¥ 1.5%

   The current spot rate is $1 = ¥120.

   Show how the 'fixed for variable' currency swap would work in the circumstances described, assuming the swap is only for one year and that interest is paid at the end of the year concerned.

6. Co B has a 12-month loan at a variable rate of SOFR + 15 basis points but, due to fears over interest rate rises, would like to swap to a fixed rate. It can currently borrow at 5.12% fixed. The bank is currently quoting 12-month swap rates of 4.90 (bid) and 4.95 (ask).
   Co A currently has a 12-month loan at a fixed rate of 5% but would like to swap to variable. It can currently borrow at a variable rate of SOFR + 12 basis points.
   The bank is currently quoting 12-month swap rates of 4.90 (bid) and 4.95 (ask).
   Show Co B's financial position if it enters the swap. Comment on the bank's position, bearing in mind the positions of Co A and Co B.

7. Unbundling companies can take a number of forms. Explain.

8. A company is preparing a free cash flow forecast in order to calculate the value of equity.
   The following information is available:
   Sales: Current sales are \$500 million. Growth is expected to be 8% in year 1, falling by 2% per year (e.g. to 6% in year 2) until sales level out in year 5 where they are expected to remain constant in perpetuity. The operating profit margin will be 10% for the first two years and 12% thereafter.
   Depreciation in year 1 will be \$7 million increasing by \$1 million per year over the planning horizon before leveling off and replacement asset investment is assumed to equal depreciation. Incremental investment in assets is expected to be 8% of the increase in sales in year 1, 6% of the increase in sales in each of the following two years, and 4% of the increase in year 4. Tax will be charged at 30%. The WACC is 15%. The market value of short-term investments is \$4 million and the market value of debt is \$48 million. Calculate the value of equity.

9. Company A has 200m shares with a current market value of \$4 per share. Company B has 90m shares with a current market value of \$2 per share.
   A makes an offer of 3 new shares for every 5 currently held in B. A has worked out that the present value of synergies will be \$40m.
   Calculate the expected value of a share in the combined company (assuming that the given share prices have not yet moved to anticipate the takeover), and advise the shareholders in company B whether the offer should be accepted.

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

10. Explain why shareholders might support the unbundling of a diversified organization.

11. Consider the impact of a change in growth predictions of 0.5% in two cases – the first where growth is low compared to the firm's required return, the other where it is high. A firm's ke is 7% and D0 is 10 cents. The change in share price as a result of changing growth predictions is shown.
Assuming: a growth rate of 2% dropping to 1.5%

12. A company wishes to borrow $10 million on the 1st of March for three months. The company can borrow at SOFR + a fixed margin of 2%. SOFR is currently 8%. It is keen to hedge using options, to prevent an increase in SOFR rate causing the borrowing rate to rise above the existing level. However, having made initial enquiries, it has been discouraged by the cost of the option premium. A member of its treasury team has suggested the use of a collar to reduce the premium cost of the purchased option.

Market data: Interest rate options

Exercise price	Calls	Calls	Put	Put
	March	June	March	June
92.00	0.80	0.77	0.20	0.22
93.00	0.15	0.12	0.60	0.70

Calculate the effective interest rate the company will pay using a collar if: (a) SOFR falls to 4.5% and futures prices move to 96.10.

13. Explain why a regulatory framework related to mergers and acquisitions is necessary to protect the interests of shareholders and other stakeholders.

14. A five year project has an NPV of $1.5 million. The project's cash flows are normally distributed and the annual standard deviation associated with the cash flows is $0.4 million. Company policy is to accept only those projects where there is at least a 90% certainty that the net present value will be positive. Calculate the value at risk of the project, and advise whether it should be undertaken.

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19COM604 Reg No : ....

CHOICE BASED CREDIT SYSTEM

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

COMMERCE

Corporate Governance and Ethics

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

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

1. Describe The Anglo American and German Model of Corporate Governance.
2. Explain the role of Corporate Governance in Investor Protection.
3. Explain the rights, power and duties of directors in promoting Corporate Governance.
4. Explain major ethical issues relating to finance involved in Satyam Scandal.

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

5. Describe Stewardship Theory of Corporate Governance.
6. Describe the recommendation of Kumar Mangalam Birla Committee.
7. Who is an Independent Director? Describe the role of an independent director.
8. Define Ethical Dilemma. Explain the types of ethical dilemma.
9. Briefly explain the arguments for and against Corporate Social Responsibility.

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

10. State the needs for Corporate Governance.
11. Who is Shadow and an Additional Director?
12. What are the objectives of Business Ethics?
13. Explain the causes of environment pollution.
14. What is Corporate Social Respnsibility? What are the forms of Corporate social responsibility?

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19COM605/COM607.6 Reg No : ....

CHOICE BASED CREDIT SYSTEM

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

COMMERCE

Indirect Taxes

Duration:3 Hours **Max Marks:80**

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

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

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3. Mr. Jin a dealer of Mysore submits the following information in relation to the manufacture and selling of a machine. Compute the net tax payable by Jin.

Particulars	Amount (Rs.)
Import of raw materials (excluding BCD @ 10% and IGST @ 12%)	3,40,000
Raw materials purchased from Mangalore (excluding GST @ 28%)	2,91,600
Raw materials purchased from Goa (including GST @ 5%)	73,000
Subsidy received from an NGO which was directly related to the price of the machine	23,000
Penalty levied by Mr. Jack for delayed payment	585
Subsidy received from Central Government which is directly linked with the price of the output	44,000
Additional incentives paid to the employees of sales department	6,000
Warranty charges	9,500
Manufacturing expenses	5,000

Services received from a registered dealer to manufacture machinery for Rs. 23,000 @ 18% GST.

Along with the machine he supplied 3 different components at a fixed price of Rs. 25,000 each of those components are not naturally bundled with the supply of the machine. The rate of GST applicable on three components is 5%, 12%, and 28% respectively.

Mr. Jin sold the machine to Mr. Chris a registered dealer in New Delhi at a profit of 15% on the cost of production and the rate of GST on such sale is 18%.

4. Holla and Co imported a machine from USA for furtherance of sale in India. Firm furnishes the following information. Compute assessable value and duty payable.

Cost of machine $ 10,000

Cost of materials sent by importer for manufacturing the machine $ 1,000

Design and development charges incurred outside India $ 500

Technical fees paid to exporter after import of machine $ 100

Installation charges of machine in India $ 100

Paid to broker who arranged the deal in USA at 2% FOB price

Cost of material and labour for packing $ 50

Cost of transport from the factory of exporter to port $ 30

Cost of design work which has been done in India supplied by importer to exporter in connection with the machine Rs. 7,000

Amount paid to an employee of the importer for assembling Rs. 1,000

Cost of further development work done in India Rs. 2,500

Freight charges $ 200

Cost of transit insurance $ 50

Rate of exchange as per CBIC Rs. 82

Rate of BCD at 15%, IGST at 12%, compensation cess at 20%

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

5. State the functions of GST Network.

6. What is Supply? Explain the classification of Supply under GST.

7. A. Mr. Shlok of Delhi supplies goods to Mr. Vyom of Mumbai. Shlok must send the goods for delivery from Delhi to Mumbai. Shlok sends the goods to Vyom on 29 August 2020. Determine the time of supply in the following different scenarios:

Sl. No.	Date of Removal of goods	Date of issue of Invoice	Date on which payment is entered in the books of account	Date on which payment is credited to the bank account
1	29 August	29 August	31 August	1 September
2	29 August	2 September	31 August	1 September
3	29 August	29 August	28 August	30 August
4	29 August	4 September	27 August	30 September
5	29 August	8 September	30 August	30 September

8. List out the persons liable for registration.

III. Answer the following : **(5×2= 10 Marks)**

9. State the advantages of registration under GST.

10. Determine the place of supply from the following cases:

1. Mr. Vinod is travelling to Mumbai via train. The train starts at Delhi and stops at certain stations before Mumbai. Vinod boards the train at Vadodara (Gujarat) and promptly purchases lunch on board. The lunch had been boarded in Delhi.
2. Ms. Saanvi imports commodities from China for her shop registered in Mumbai.

11. Define ITC.

12. What is GST?

13. Determine the duty payable by Mr. Chinmay from the following details:

1. Assessable value of imported goods Rs. 5,00,000
2. Basic customs duty payable at 10%

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