

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

Advanced Financial Accounting

Duration:3 Hours

Max Marks:80

Section A

I. Answer any THREE questions:**(3×15= 45)**

1. Gagan purchased 3 trucks costing Rs.5,00,000 each on hire purchase system from Sunil. Payment was to be made Rs.3,00,000 down and the remainder in 3 equal annual installments together with interest at the end of each year. Rate of interest is charged at 15% per annum. The Hire purchaser is depreciating the asset at 20% per annum on written down value method.

Because of financial difficulties, Gagan after having paid down payment and first installment at the end of the first year, could not pay the second installment. Sunil, the seller agreed to leave one truck with Gagan and repossessed two trucks adjusting its value against the amount due. The repossession was done on the basis of 30% depreciation per annum on the written down value method. Sunil sold the repossessed trucks for Rs.6,20,000 after spending Rs.70,000 on repairs.

Prepare: Trucks A/c, & Sunil's A/c in the books of Gagan and Repossessed Stock A/c in the books of Sunil to record the above transactions.

2. Mehta Ram of Ram Nagar purchased goods for his three departments as follows:

Dept. A 200 pieces	}	Total Cost Rs. 5,100
Dept. B 1400 Pieces		
Dept. C 400 pieces		

Sales of three departments were as follows:

Dept. A 180 Pieces at Rs. 15 per piece

Dept. B 1500 Pieces at Rs. 18 per piece

Dept. C 450 Pieces at Rs. 6 per piece

Other information about stock in the beginning:

Dept. A 100 pieces, Dept. B 400 pieces and Dept. C 60 pieces.

Mehta Ram informs that the rate of gross profit is the same in all departments.

You are required to prepare columnar trading account for the three departments.

3. Sona Agencies opened a branch at Shimoga on 1st January 2024. Goods were invoiced at cost plus 25%.

From the following information, prepare Branch Stock A/c, Branch Debtors A/c, Branch Cash A/c, Branch Expenses A/c, Branch Adjustment A/c and Branch Profit & Loss A/c under 'Stock and Debtors' system.

	Rs.
Goods sent to branch (invoice price)	3,00,000
Sales: Cash	1,00,000
Credit	1,40,000
Goods returned by the Branch (invoice price)	12,000
Goods returned by debtors	3,000
Cash received from debtors	80,000
Discount allowed	1,000
Cash sent to branch for the payment of:	
Rent and rates	1,500
Salaries	6,000
Sundry expenses	1,000
Defective goods written off	1,000
Stock on 31st December 2024 (invoice price)	50,000

4. From the following information, prepare Minimum rent A/c, Royalty A/c and Short workings A/c.

I year Royalty - Rs. 80,000

II year Royalty - Rs. 90,000

III Year Royalty - Rs. 1,20,000

IV Year Royalty - Rs. 1,30,000

Minimum Rent is Rs. 1,00,000 with a right to recoup short workings in the subsequent year following the short workings.

Section B

II. Answer any TWO questions:

(2×10= 20)

5. Madan bought a Show Piece from Agarwal on hire purchase system. The cash price of the Show Piece was Rs. 1,00,000, payable as Rs. 20,000 down and the remainder in four equal annual instalments together with interest at 20% per annum. Madan writes off depreciation at 10% per annum on straight line method. Madan paid the first and second instalments but could not pay the next. Due to this default, the hire vendor took possession of the Show Piece. Show the interest calculation and prepare Agarwal's A/c in the books of Madan.

6. Karthik Stores, Udupi has a branch at Tadar. Goods are sent by Head Office at Invoice price, which is 25% above cost. From the following particulars prepare Tadar Branch A/c in the books of Head Office:

	Rs.
Balance as on 1.1.2024	
Stock (at invoice price)	11,000
Debtors	1,700
Petty Cash	100
Goods sent to branch (at Invoice price)	20,000
Expenses paid by Head Office:	
Rent	600
Wages	200
Salary	900
Remittance received from branch:	
Cash Sales	2,650
Collection from Debtors	21,000
Goods returned by branch (at Invoice price)	400
Balances as on 31.12.2024:	
Stock (at invoice price)	13,000
Debtors	2,000
Petty Cash	25

7. A colliery extracted coal under a lease, which provided for the payment of royalties at 50 paise per ton with a minimum rent of Rs.17,000 per annum. Each year's excess of minimum rent over the actual royalties was recoverable during the subsequent three years.

The lease however stipulated that if in any year the normal rent was not attained due to strike or accident, the minimum rent was to be regarded as having been reduced proportionately to the length of the stoppage of work.

The output of last six years was as follows:

Year	Tons
2019	4,000
2020	28,000
2021	30,000
2022	46,000
2023	30,000 (3 months strike)
2024	50,000

Prepare the statement showing an analysis of short workings.

Section C

III. Answer any **THREE** questions:

(3×5= 15)

8. Amith acquired a machine under a hire purchase agreement which provides for four yearly installments of Rs.6,600/- each. Assuming that the applicable rate of interest is 10% p.a. Calculate the cash value of the machine.
9. From the following information, prepare Noida Branch A/c in the books of Bhopal Head Office when goods are supplied at cost.

	Rs
Opening Stock	25,000
Closing Stock	35,000
Goods sent to Branch	65,000
Goods returned by Branch	4,500
Opening Petty Cash	2,500
Closing Petty Cash	3,600
Cash sent to Branch for	
Salary	8,700
General Expenses	12,000
Petty Cash	3,500
	24,200
Cash remitted by Branch to Head Office	86,000

10. From the following information, prepare departmental trading and profit and loss account.

Particulars	Dept A Rs.	Dept B Rs.	Total Rs
Opening stock	6,000	5,000	11,000
Purchases	62,000	31,000	93,000
Sales	1,01,500	95,500	1,97,000
Return outwards	4,000	1,000	5,000
Return inwards	1,500	500	2,000
Wages	5,000	3,000	8,000
Salary to office staff			6,000
Rent and taxes			9,000
General expenses			4,200

Additional Information:

- Office staff appointed: Dept A: 8 persons Dept B: 12 persons
 - Area occupied: Dept A: 400 sq.ft Dept B : 800 sq.ft
 - Closing Stock of goods: Dept A : Rs.8,000 Dept B : Rs.4,000
 - Allocate General expenses equally.
11. a. Explain the significance of Environmental Accounting.
b. Mention any two applications of Accounting with Drones

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

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

COMMERCE

Advanced Financial Accounting

Duration: 2 Hours

Max Marks: 60

Section-A

Answer any **TWO** of the following :

2×15= 30

1. Snow white Dry cleaners purchased from Karkera Brothers on 1.1.2020 two machines of Rs. 42,000 each on hire purchase system. The payment was to be made Rs. 24,000 down and the remainder in three equal installments together with interest at 12 percent per annum. Snow White Dry Cleaners write off depreciation at 10% per annum on written down value method. They could not pay their second instalment due on 31.12.2021. Due to this, Karkera Brothers agreed to leave one machine with the purchaser adjusting the value of the other against amount due treating the machine at 20% depreciation on diminishing balance method. The vendor, after spending Rs.2,700 on the repossessed machine, sold it for Rs.33,600.
Prepare: Karkera Brothers A/c and Machine A/c in the books of Hire Purchaser and Repossessed Stock A/c in the books of Hire Vendor.

2. Bangalore Coal Company took a lease of a mine from Mr. Mohanlal on a royalty of Rs. 5 per ton with a minimum rent of Rs.1,00,000 in the first year and thereafter an increase of Rs.10,000 every year till it reaches Rs.1,30,000 when it becomes fixed for all future years. The short workings of every year is recoverable during the subsequent three years. The output of the mine was as follows:

Year	In tons
2018	3,000
2019	8,000
2020	24,000
2021	30,000
2022	32,000

From the above particulars prepare:

- i) Minimum Rent A/c ii) Short workings A/c iii) Mohanlal's A/c

3. Mr. Suresh has a retail branch at Bangalore. Goods are sent by the Head Office to the Branch marked at selling price which is cost plus 25%. All the expenses of the Branch are paid by the Head Office. All cash collected by the Branch (from customers and from cash sales) is deposited to the credit of Head Office. From the following particulars prepare Branch Stock A/c, Branch Debtors A/c, Branch Cash A/c, Branch

Expenses A/c, Branch Adjustment A/c and Branch Profit and Loss A/c.

Rs.

Debtors 1-1-2022	12,000
Debtors 31-12-2022	14,000
Stock at invoice price:	
On 1-1-2022	16,000
On 31-12-2022	17,000
Cash sales during the year	60,000
Total amount deposited in the Head Office A/c during the year	1,27,000
Return of goods to Head Office at Invoice price	5,000
Salaries paid	6,000
Rent paid	4,000
Discount allowed to customers	2,000
Bad debts written off	1,000
Spoilage	2,000

Section-B

Answer any **TWO** of the following :

2×10= 20

- Mr. Krishnaprasad purchased a Motor car on 1st Jan 2020 agreeing to pay the price in four annual installments of Rs. 2820 each at the end of each year. The interest was charged at 5% and the interest is included in the instalment of Rs. 2,820. Calculate the amount of interest due at the end of each installment and find out the cash price of the Motor Car. Calculations are to be made to the nearest rupee.
- Vijaya Merchant of Bangalore has a branch at Mangalore. Goods are invoiced to the branch at cost plus 25%. Branch is instructed to deposit cash every day in the Head Office account with the Bank. All expenses are paid through cheques by the HO except the petty expenses which are paid by the Branch Manager. Prepare Branch Account in the books of HO after taking into the account the following information:

Stock at invoice price on 1st January 2022	82,000
Stock at invoice price on 31st December 2022	96,000
Debtors on 1st January 2022	31,700
Debtors 31st December 2022	42,150
Furniture on 1st January 2022	23,400
Cash Sales	4,01,300
Credit sales	3,72,100
Cash collected from Debtors	?
Goods invoiced to Branch by the HO	6,28,000
Furniture purchased on 30th June 2022 by the Branch Manager out of the cash sales and collection from debtors	2,500

Branch expenses paid by the HO	1,32,000
Petty expenses paid by the branch manager	10,450
Charge depreciation on branch furniture @ 10% p.a.	

6. From the following Trial Balance prepare Departmental Trading and Profit and Loss Account for the year ending 31st Dec. 2023.

Trial Balance as at 31.12.2023

Dr	Rs.	Cr.	Rs.
Stock on 1.1.2023		Sales A Dept.	60,000
A Dept.	17,400	B Dept.	40,000
B Dept.	14,700	Discount received	650
Purchases:		Creditors	30,650
A Dept.	35,000	Capital	47,660
B Dept.	30,000		
Wages: A Dept.	8,200		
B Dept.	2,700		
Rent	9,390		
Sundry Expenses	3,600		
Salaries	3,000		
Lighting	2,100		
Discount allowed	2,220		
Advertising	3,880		
Carriage Inward	2,340		
Furniture	3,000		
Plant	21,000		
Debtors	8,060		
Drawings	4,500		
Cash at Bank	9,900		
Cash in hand	170		
	178,960		178,960

The following information is also provided

1. Rent, Sundry expenses, Lighting, Salaries and Carriage inwards to be apportioned 2/3 A Dept and 1/3 B Dept.
2. Advertising to be apportioned equally.
3. Discount allowed and received are to be apportioned on the basis of departmental sales and purchases.
4. Depreciation at 10% on furniture and plant to be charged 3/4th to A Dept. And 1/4th to B. Dept.

Section-C

Answer any TWO of the following :

2×5= 10

7. Prepare Analytical statement of irrecoverable short workings from the following details

A company leased a colliery on 1st Jan 2019 at a minimum rent of Rs.2,00,000 p.a. merging into a royalty of Rs.10 per ton with a power to recoup short workings over the first three years of the lease. The output of the coal mine for the first four years are 12,000 tons, 15,100 tons, 21,900 tons and 25,000 tons.

8. Prepare Departmental Trading Account from the following details:

	Rs.		Rs.
Closing stock		Opening stock	
Dept. A	29,000	Dept. A	14,000
Dept B	19,600	Dept B	17,800
Dept C	11,500	Dept C	8,200
Purchases		Sales	
Dept. A	1,50,000	Dept. A	1,85,000
Dept B	1,00,000	Dept B	1,40,000
Dept C	50,000	Dept C	1,10,000
Wages	66,000	Carriage Inwards	36,000
Import Duty	12,000		

Additional Information:

Allocate wages equally among all departments and others expenses according to suitable basis of allocation.

9. a. How Accounting with Drones is useful for Accountants? Explain with examples.
b. Write the meaning of Social Responsibility Accounting.

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com SECOND SEMESTER DEGREE EXAMINATION APRIL/MAY 2025
COMMERCE
Banking in the Digital Age

Duration: 3 Hours

Max Marks: 80

Section A

I. Answer any THREE questions:**(3×15= 45)**

1. Explain the secondary functions and modern functions of banks in India.
2. Define 'Promissory Note'. Explain the essentials of a valid promissory note.
3. Explain the features and benefits of (a) Mobile banking (b) Internet banking.
4. What are E-Services? Explain various types of E-Services provided by banks.

Section B

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

5. Explain the concept of Central Bank Digital Currency, outlining its types and features.
6. Explain promotional functions of RBI.
7. Distinguish between promissory note and bills of exchange.

Section C

III. Answer any THREE questions:**(3×5= 15)**

8. What are the various types of POS terminals? Explain.
 9. Explain the benefits of Electronic Fund Transfer.
 10. Write a note on applications of AI in banking and finance.
 11. Explain the characteristics of RBI in brief.
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CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com SECOND SEMESTER DEGREE EXAMINATION APRIL/MAY 2025

COMMERCE

Marketing Management

Duration: 3 Hours

Max Marks: 80

Section A

I. Answer any THREE questions:

(3×15= 45)

1. Differentiate between selling and marketing. How do their objectives, strategies, and customer orientation vary?
2. What is market segmentation? Explain its importance and the different bases used for segmenting a market.
3. Explain the stages of the new product development (NPD) process. How does each stage contribute to a product's success?
4. Explain the nature and importance of promotion. How does an effective promotional strategy contribute to business success?

Section B

II. Answer any TWO questions:

(2×10= 20)

5. How do search engine marketing (SEM) and mobile marketing contribute to digital advertising? Explain their role in helping businesses reach their target audience.
6. Explain how evolving consumer needs have driven changes in modern marketing approaches.
7. How does positioning help brands differentiate themselves in a competitive market?

Section C

III. Answer any THREE questions:

(3×5= 15)

8. How does digital marketing impact modern businesses?
 9. Mention two key factors used for market segmentation. How does segmentation help businesses reach the right audience?
 10. What are the essential elements of good labeling?
 11. Write a note on live video streaming marketing. How does it benefit brands?
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CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com SECOND SEMESTER DEGREE EXAMINATION APRIL/MAY 2025

FINANCIAL ANALYTICS AND CONTROL

Duration: 3 hours

Max Marks: 80

SECTION – A

Answer ALL the questions (2*30 = 60) (Working Notes have to be shown compulsorily for every calculation. However for MCQs, there is no requirement of any working note)

1. a) External failure costs include all of the following costs except those related to
 - A. product liability suits.
 - B. warranty obligations.
 - C. lost sales and lost customers.
 - D. product field testing.
b) Of these statements, which is not relevant to the overall benchmarking process?
 - A. Target costing utilizes kaizen to reduce costs in order to attain a desired profit margin.
 - B. Management determines what processes the company uses to convert materials, capital and labor into value-adding products.
 - C. Management puts into place a program to measure the organization against the products, practices and services of the most efficient competitors in its marketplace.
 - D. Management uses target costing to set standard costs in order to put the focus on the market as well as on what target price to charge because the company must attain the target cost to realize its desired profit margin for the product.
2. a) Which of the following is a false statement about a database management system application environment?
 - A. Data is shared by passing files between programs or systems.
 - B. Data definition is independent of any one program.
 - C. Data is used concurrently by multiple users.
 - D. The physical structure of the data is independent of user needs.
b) Which primary function of a database management system involves developing custom applications, including the queries, forms, reports, and labels for the custom applications and allowing many different custom applications to easily access a single database?
 - A. Application development.
 - B. Database maintenance.
 - C. Database development.
 - D. Database interrogation.
3. a) Which of the following is **not** a disadvantage of implementing an ERP system?
 - A. A poorly-implemented ERP system can result in significant disruptions and financial losses.
 - B. Business re-engineering is usually required to implement an ERP system.
 - C. Data has to be entered multiple times into each module of the ERP system.
 - D. Employees will need to be trained on the new ERP system.
b) Strategy Maps, Balanced Scorecards, and Key Performance Indicators are used with which of the following?

- A. Enterprise Performance Management (EPM) software.
- B. Enterprise Resource Planning (ERP) software.
- C. Material Requirements Planning (MRP) software.
- D. All of the above.

4. a) Which of the following is true about a data warehouse?

- A. A data warehouse is usually updated by end users.
- B. A data warehouse contains only current data.
- C. A data warehouse is not used for everyday transaction processing.
- D. All of the above.

b) Which of the following best describes the difference between a data warehouse and a data mart?

- A. A data mart contains confidential data that would not be stored in a data warehouse.
- B. A data mart contains only a subsection of the data in a data warehouse.
- C. A data mart is accessible enterprise-wide, while a data warehouse would only be accessed by one department.
- D. Data marts always get their data from a data warehouse.

5. a) Which one of the following would be considered an accounting control rather than an administrative control?

- A. Marketing analysis of sales generated by advertising projects.
- B. Timely reporting and review of quality control results.
- C. Maintenance of statistical production analyses.
- D. Maintenance of control over unused checks.

b) On January 1, a company establishes a petty cash account and designates one employee as petty cash custodian. The original amount included in the petty cash fund is \$500, and it will be used to make small cash disbursements. The fund will be replenished on the first of each month, after the petty cash custodian presents receipts for disbursements to the general cashier. The following disbursements are made in January. The balance in the petty cash box at the end of January is \$163.

- Office supplies: \$173
- Postage: \$112
- Entertainment: \$42

Who is responsible, at all times, for the amount of the petty cash fund?

- A. The general cashier.
- B. The general office manager.
- C. The president of the company.
- D. The petty cash custodian.

6. a) A multinational corporation has an office in a foreign branch with a monetary transfer facility. Effective internal control requires that

- A. The branch manager not deliver payroll checks to employees.
- B. The hiring of individual branch employees be approved by the headquarters office.
- C. The person making wire transfers not reconcile the bank statement.
- D. Foreign currency translation rates be computed separately by two branch employees in the same department.

b) In securing the client/server environment of an information system, a principal disadvantage of using a single level sign-on password is the danger of creating a(n)

- A. single point of failure.
- B. administrative bottleneck.

- C. lock-out of valid users.
- D. trap door entry point.

7. a) Many companies recognize three major categories of costs of manufacturing a product. These are direct materials, direct labor, and overhead. Which of the following is an overhead cost in the production of an automobile?

- A. The delivery costs for the tires on each automobile.
- B. The cost of the tires on each automobile.
- C. The cost of the laborers who place tires on each automobile.
- D. The cost of small tools used in mounting tires on each automobile.

b) Job-order costs are most useful for

- A. Controlling indirect costs of future production.
- B. Determining the cost of a specific project.
- C. Determining inventory valuation using LIFO.
- D. Estimating the overhead costs included in transfer prices.

8. a) Life-cycle costing

- A. Emphasizes cost savings opportunities during the manufacturing cycle.
- B. Includes only manufacturing costs incurred over the life of the product.
- C. Is sometimes used as a basis for cost planning and product pricing.
- D. Includes only manufacturing cost, selling expense, and distribution expense.

b) Departmental overhead rates are considered to be preferable to plant-wide overhead rates when the

- A. cost drivers, such as direct labor, are the same over all processes.
- B. individual cost drivers cannot accurately be determined with respect to cause-and-effect relationships.
- C. plant-wide rate is related to several identified cost drivers.
- D. products manufactured do not pass through the same departments and do not use the same manufacturing techniques.

9. a) The two most appropriate factors for budgeting manufacturing overhead expenses would be

- A. Management judgment and sales dollars.
- B. Machine hours and production volume.
- C. Management judgment and contribution margin.
- D. Management judgment and production volume.

b) Overtime conditions and pay were recently set by the personnel department. The production department has just received a request for a rush order from the sales department. The production department protests that additional overtime costs will be incurred as a result of the order. The sales department argues that the order is from an important customer. The production department processes the order. To control costs, which department should never be charged with the overtime costs generated as a result of the rush order?

- A. Production department.
- B. Sales department.
- C. Personnel department.
- D. Shared by production department and sales department.

10. a) The appropriate method for the disposition of underapplied or overapplied factory overhead

- A. Is to cost of goods sold only.

- B. Is apportioned to cost of goods sold and finished goods inventory.
- C. Depends on the significance of the amount.
- D. Is to finished goods inventory only.

b) A company is considering the implementation of an activity-based costing and management program. The company

A. should focus on manufacturing activities and avoid implementation with service-type functions.

B. would probably find a lack of software in the marketplace to assist with the related recordkeeping.

C. would normally gain added insights into causes of cost.

D. would likely use fewer cost pools than it did under more traditional accounting methods.

11. A company is implementing an activity-based budgeting system. Set-up overhead is allocated based on set-up hours and manufacturing overhead is allocated based on direct manufacturing labor hours. Budget information is listed in the table below.

Cost driver information	Product A	Product B
Number of units per batch	50	25
Set-up time per batch	1.75 hours	1.25 hours
Direct manufacturing labor time per batch	1.00 hours	0.75 hours

The company plans to produce 1,000 units of Product A and 750 units of Product B. The activity rates are \$100 per set-up hour and \$150 per direct manufacturing labor hour. What is the total budgeted overhead?

12. A manufacturing company is contemplating switching from their current costing approach, variable costing, to absorption costing. Relevant data for the company in January 20X2 is as follows.

Selling price	\$30/unit
Units produced	40,000
Units sold	30,000
Inventory as of 1/1/X2	None
Direct materials	\$6/unit
Direct labor	\$3/unit
Variable overhead	\$2/unit
Variable selling and administrative expense	\$1/unit
Fixed selling and administrative expense	\$75,000
Fixed manufacturing overhead	\$160,000

Based on the information above, the company's operating income using absorption costing is _____.

13. Product sales: 1,000 units at \$10 each
- Variable manufacturing costs: \$5.50 per unit
- Fixed manufacturing overhead (planned and actual): \$1,200
- Variable selling and administrative costs: \$0.50 per unit sold
- Fixed selling and administrative costs: \$1,000
- No beginning inventory
- Units produced (planned and actual): 1,200
- Operating income under variable (direct) costing is _____.

14. Osawa, Inc. planned and actually manufactured 200,000 units of its single product in its first year of operations. Variable manufacturing costs were \$30 per unit of product. Planned and actual fixed manufacturing costs were \$600,000, and selling and administrative costs totaled \$400,000. Osawa sold 120,000 units of product at a selling

price of \$40 per unit. Osawa's operating income using absorption (full) costing is _____.

15. Mill Corporation had the following unit costs for the recently concluded calendar year, which are the same as its unit costs for the year previous to the recently concluded year. Variable Fixed Manufacturing \$8.00 \$3.00 Nonmanufacturing \$2.00 \$5.50 Inventory for Mill's sole product totaled 6,000 units on January 1 and 5,200 units on December 31. Mill Corporation uses the first in-first out cost flow assumption. When compared to variable costing income, Mill's absorption costing income is _____ higher/ lower than it would be under variable costing.

16. During its first year of operations, a company produced 275,000 units and sold 250,000 units. The following costs were incurred during the year:

Particulars	Variable costs per unit
Direct materials	\$15.00
Direct labor	10.00
Manufacturing overhead	12.50
Selling and administrative	2.50

Particulars	Total fixed costs
Manufacturing overhead	\$2,200,000
Selling and administrative	1,375,000

What is the difference between operating income calculated on the absorption costing basis and on the variable costing basis?

17. Nance Corp began operations in January. The company produced 50,000 units and sold 45,000 units in its first year of operations. Costs for the year were as follows:

Fixed Manufacturing Costs	\$250,000
Variable Manufacturing Costs	180,000
Fixed General and Selling Costs	75,000
Variable General and Selling Costs	80,000

How would the operating income of Nance compare between the variable method and full absorption costing methods?

18. Presented are Valenz Company's records for the current fiscal year ended November 30: Direct materials used \$300,000 Direct labor 100,000 Variable factory overhead 50,000 Fixed factory overhead 80,000 Selling and admin. costs-variable 40,000 Selling and admin. costs-fixed 20,000 Using absorption (full) costing, inventoriable costs are _____.

19. Leese Inc. has the following quality financial data for its most recent fiscal year.

Rework costs	\$110,000
Warranty repair costs	280,000
Product line inspection	95,000
Design engineering	300,000
Supplier evaluation	240,000
Labor training	150,000
Product testing	65,000
Breakdown maintenance	70,000
Product scrap	195,000
Cost of returned goods	180,000
Customer support	35,000
Product liability claims	80,000

The total amount of prevention costs that should be reported in a Cost of Quality report for the year is _____.

20. A company is currently performing a cost of quality analysis of one of its facilities. The following are costs compiled by the facility accountant.

Inspection	\$1,500
Warranty repair	2,800
Testing of new materials	400
Product testing	950
Spoilage	645
Scrap	150
Preventive equipment maintenance	590
Liability claims	1,870
Rework	1,285

Total internal failure cost is _____.

21. Listed below are selected line items from the cost-of-quality report for Watson Products for last month.

Category	Amount
Rework	\$ 725
Equipment maintenance	1,154
Product testing	786
Product repair	695

What is Watson's total prevention and appraisal cost for last month?

22. A company's accounts receivable department processed 33,000 invoices during a 6 month period with a billing error rate of 3%. Each billing error cost \$110 to correct. In addition, 15% of contract cancellations during this period were attributed to billing errors, resulting in estimated lost total contribution margins of \$75,000 from dissatisfied customers who canceled their contracts. If the number of invoices issued and the costs per billing error remain unchanged, the annual savings available for funding of a quality improvement program to lower the company's billing error rate by 1% (i.e., from 3% to 2%) would be _____.

23. Curtis Company is currently performing a cost of quality analysis of its facilities. The following costs were compiled by the factory accountant:

Warranty repair	\$2,520
Inspection	1,350
Field repairs	3,600
Product testing	855
Spoilage	581
Scrap	135
Liability claims	1,683
Rework	1,157
Preventive equipment maintenance	531

What is the total internal failure cost and what is the total external failure cost?

24. A manufacturing company estimates semi-variable costs by using the high-low method with machine hours as the cost driver. Recent data are shown below.

Period	Semi-variable Costs	Machine Hours
1	\$100,000	22,000
2	120,000	30,000
3	96,000	23,600

If 29,000 machine hours were budgeted for the next period, estimated semi-variable costs would total _____.

25. A manufacturing company is in the process of preparing its flexible budget for next month's manufacturing costs. The company estimates costs within a relevant range of 10,000 to 30,000 units per month. During the last two months, electricity costs (a semi-variable cost) were \$39,600 for 18,000 units and \$42,000 for 20,000 units. How much should be budgeted for electricity costs to produce 24,000 units?

26. A company has two supporting departments, Maintenance and Information Systems, and two operating departments, the Machining Department and the Assembly Department. Each department's overhead costs and hours of usage are shown below.

Particulars	Maintenance	Information Systems	Machining	Assembly
Overhead costs	\$6,300,000	\$1,452,150	\$4,000,000	\$2,000,000
Maintenance hours	-	4,000	6,000	10,000
Info Systems hours	500	-	4,000	500

Using the step-down method of overhead cost allocation and beginning with the Maintenance department's costs, the total overhead costs charged to each operating department are Machining _____ and Assembly _____.

27. Fabricating and Finishing are the two production departments of a manufacturing company. Building Operations and Information Services are service departments that provide support to the two production departments as well as to each other. The company employs departmental overhead rates in the two production departments to allocate the service department costs to the production departments. Square footage is used to allocate building operations, and computer time is used to allocate information services. The costs of the service departments and relevant operating data for the departments are as follows:

Particulars	Bldg Operations	Info Services	Fabricating	Finishing
Costs:				
Labor costs	\$200,000	\$300,000		
Other traceable costs	350,000	900,000		
Total	\$550,000	\$1,200,000		
Operating Data:				
Square feet occupied	5,000	10,000	16,000	24,000
Computer time (in hrs)200		-	1,200	600

28. A company has two service departments (S1 and S2) and two production departments (P1 and P2). Departmental data for January were as follows:

Particulars	S1	S2
Costs incurred:	\$27,000	\$18,000
Service provided to:		
S1	-	20%
S2	10%	-
P1	50%	30%
P2	40%	50%

What are the total allocated service department costs to P2 if the company uses the reciprocal method of allocating its service department costs? (Round calculations to the nearest whole number.)

29. Logo Inc. has two data services departments (the Systems Department and the Facilities Department) that provide support to the company's 3 production departments (Machining Department, Assembly Department, and Finishing Department). The overhead costs of the Systems Department are allocated to other departments on the basis of computer usage hours. The overhead costs of the Facilities Department are allocated based on square feet occupied (in thousands). Other information pertaining to Logo is as follows.

Department	Overhead	Computer Usage Hours	Square Feet Occupied
Systems	\$200,000	300	1,000
Facilities	100,000	900	600
Machining	400,000	3,600	2,000
Assembly	550,000	1,800	3,000
Finishing	620,000	2,700	5,000
		9,300	11,600

Logo employs the step-down method of allocating service department costs and begins with the Systems Department. Which one of the following correctly denotes the amount of the Systems Department's overhead that would be allocated to the Facilities Department and the Facilities Department's overhead charges that would be allocated to the Machining Department?

30. Mill Corporation had the following unit costs for the recently concluded calendar year, which are the same as its unit costs for the year previous to the recently concluded year. Variable Manufacturing Nonmanufacturing \$8.00 \$2.00 Fixed \$3.00 \$5.50 Inventory for Mill's sole product totaled 6,000 units on January 1 and 5,200 units on December 31. Mill Corporation uses the first in-first out cost flow assumption. When compared to variable costing income, Mill's absorption costing income is _____ higher/lower.

SECTION -- B

Answer any **FOUR** questions:

(5*4 = 20) (2+2+1)

31. a) What are the methods of allocating joint costs?
b) What are the steps in value chain analysis?
c) What is benchmarking?
32. a) What is the difference between absorption and variable costing?
b) What are the steps in a business process reengineering cycle?
c) Give 2 examples for prevention costs.
33. a) Differentiate between job order and process costing.
b) Explain Deming wheel.
c) Give 2 examples for appraisal costs.
34. a) What are the methods of allocating service department costs to production departments?
b) Explain Pareto chart.
c) Give 2 examples for internal failure costs.
35. a) What is lean resource management?
b) What is Kaizen?
c) Give 2 examples for external failure costs.

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

COMMERCE

Financial Management

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

Section A

I. Answer the following**(1×10= 10)**

1. 1. A large, listed company is to issue 90-day commercial paper with a nominal value of \$10m. Each paper will have a nominal value of \$100,000. The annual required rate of return is 4% assuming a 360-day year. What will be the issue price of each paper?
2. Which FOUR of the following descriptions relate to the main macroeconomic policy objectives?
 - a. Ensuring minimum amounts of price increases
 - b. Increasing national income and living standards
 - c. Ensuring a balanced ratio of imports to exports
 - d. Maintaining interest rates at minimum levels
 - e. Balancing government spending with tax receipts
 - f. Ensuring a stable and fully employed labour force
3. Which of the following is NOT usually associated with overtrading?
 - a. An increase in the current ratio
 - b. A rapid increase in revenue
 - c. A rapid increase in the volume of current assets
 - d. Most of the increase in current assets being financed by credit
4. Dev Co is a large multinational company which expects to have a \$10m cash deficit in one month's time. The deficit is expected to last no more than two months. Dev Co wishes to resolve its short-term liquidity problem by issuing an appropriate instrument on the money market.
Which of the following instruments should Dev Co issue?
 - a. Commercial paper
 - b. Interest rate futures
 - c. Corporate loan notes
 - d. Treasury bills

5. Swap Co is due to receive goods costing \$2,500. The terms of trade state that payment must be received within three months. However, a discount of 1.5% will be given for payment within one month. Which of the following is the annual percentage cost of ignoring the discount and paying within three months?

6. Will Co incurs costs of \$65 every time it places an order with its raw materials supplier. It orders 300,000 units of product each year. The cost of holding one unit of inventory for a month is \$2.50. Will Co keeps a buffer inventory at all times of 25,000 units of material. Calculate the economic order quantity (EOQ) that will optimise the business's inventory costs to the nearest 10 units.

7. Spotty Ltd plans to purchase a machine costing \$18,000 to save labour costs through efficiency savings. Labour savings would be \$9,000 in the first year and would increase in the second year by 10%. The estimated general annual rate of inflation is 8% and the company's real cost of capital is estimated at 12%. The machine has a two-year life with an estimated actual salvage value of £5,000 receivable at the end of year 2. All cash flows occur at the yearend. What is the negative NPV (to the nearest \$10) of the proposed investment?

8. Frost Co is planning a 1 for 4 rights issue with an issue price at a 10% discount to the current share price. The EPS is currently \$0.50 and the shares of Frost Co are trading on a price/earnings ratio of 20 times. The market capitalisation of the company is \$50m. What is the theoretical ex rights price per share (to two decimal places)?

9. Mrs Mays has been left \$30,000 which she plans to invest on the Stock Exchange in order to have a source of capital should she decide to start her own business in a few years' time. A friend of hers who works in the City of London has told her that the London Stock Exchange shows strong form market efficiency. If this is the case, which of the following investment strategies should Mrs Mays follow?

- a. Study the company reports in the press and try to spot under-valued shares in which to invest
- b. Invest in two or three blue chip companies and hold the shares for as long as possible
- c. Build up a good spread of shares in different industry sectors
- d. Study the company reports in the press and try to spot strongly growing companies in which to invest

10. Which of the following is shown by a yield curve?

- a. The relationship between liquidity and bond interest rates
- b. The relationship between time to maturity and the return to bond investors
- c. The relationship between risk and bond interest rates
- d. The relationship between bond interest rates and bond prices

Section B

II. Answer any FOUR questions

(4×10= 40)

2. Herd Co is based in a country whose currency is the dollar (\$). The company expects to receive €1,500,000 in six months' time from Find Co, a foreign customer. The finance director of Herd Co is concerned that the euro (€) may depreciate against the dollar before the foreign customer makes payment and he/she is looking at hedging the receipt. Herd Co has in issue loan notes with a total nominal value of \$4 million which can be redeemed in 10 years' time. The interest paid on the loan notes is at a variable rate linked to the central bank base rate. The finance director of Herd Co believes that interest rates may increase in the near future. The spot exchange rate is €1.543 per \$1. The domestic short-term interest rate is 2% per year, while the foreign short-term interest rate is 5% per year.

a) What is the six-month forward exchange rate predicted by interest rate parity, to three decimal places?

b) As regards the euro receipt, what is the primary nature of the risk faced by Herd Co?

- A. Transaction risk
- B. Economic risk
- C. Translation risk
- D. Business risk

c) Which TWO of the following hedging methods will NOT be suitable for hedging the euro receipt?

- A. Forward exchange contract
- B. Money market hedge
- C. Currency futures
- D. Forward rate agreement
- E. Currency swap

d) Which of the following statements support the finance director's belief that the euro will depreciate against the dollar?

- 1. The dollar inflation rate is greater than the euro inflation rate.
 - 2. The dollar nominal interest rate is less than the euro nominal interest rate.
- A. 1 only
 - B. 2 only

- C. Both 1 and 2
- D. Neither 1 nor 2

e) As regards the interest rate risk faced by Herd Co, which TWO of the following statements are correct?

- A. In exchange for a premium, Herd Co could hedge its interest rate risk by buying interest rate options.
- B. Buying a floor will give Herd Co a hedge against interest rate increases.
- C. Herd Co can hedge its interest rate risk by selling interest rate futures now in order to buy them back at a future date.
- D. Taking out a variable rate overdraft will allow Herd Co to hedge the interest rate risk through matching.

3. Pike Co, a listed conglomerate, is looking to buy Minnow Co, an advertising company owned and run by Freda Minnow. Freda has agreed to the sale and has insisted on cash consideration as she wishes to retire. Pike Co is considering issuing bonds to generate the cash required. The following information is available:

Statement of financial position for Minnow Co

- Net book value of equity \$10.3m
- Net realisable value \$11.2m
- Replacement cost \$15.3m
- Bank loan \$2.5m

Statement of profit or loss

- Minnow Co made a profit after tax of \$7m last year. This expected to grow by 3% next year.
- Despite owning and running the company, Freda Minnow does not take a salary, preferring to take money out of the business via high dividends. Pike Co estimates that it will need to offer a salary of \$100,000 to replace Freda when she leaves.

Cash flow

- Pike Co anticipates that, after making a number of changes, Minnow Co will generate free cash flow of \$6m next year. This is expected to grow by 4% per year thereafter.

Other information

- Trout and Co, a quoted advertising agency with similar gearing and growth prospects to Minnow Co, has a P/E ratio of 7, a WACC of 12% and a cost of equity of 15%.
- Minnow Co pays corporation tax at 30%.

a) Based on asset values, what is the minimum amount Freda should accept for the equity of Minnow Co?

b) Calculate the market value of Minnow Co using earnings. Give your answer to the nearest \$million.

- c) Calculate the market value of the equity of Minnow Co using discounted cash flows.
- d) Which TWO of the following statements about the proposed acquisition are true?
- Freda probably prefers to take dividends due to tax considerations.
 - A major risk faced by Pike Co is that customers will be loyal to Freda rather than the company, so may leave when she retires.
 - If the stock market that Pike Co is listed on is strong form efficient, then the share price of Pike Co will only react to the acquisition when the confirmation is published.
 - The directors of Pike Co should only be concerned about the unsystematic risks of Minnow Co.
- e) Which of the following statements concerning the use of different valuation methods for Minnow Co is true?
- Asset valuations are unlikely to give a good indicator of market value.
 - Theoretically, discounted cash flow approaches are the best method.
 - Dividend valuation model using historic dividend information would give a fair market valuation for the company.
- A. (i), (ii) and (iii)
 B. (i) and (ii) only
 C. (i) only
 D. (iii) only
4. The board of a major bank is discussing their investment appraisal methodology as they have a new project under consideration. They have agreed that using the CAPM approach is sensible as they feel it likely that most of their shareholders will have a well-diversified shareholding in the stock market as a whole. There has been some dispute about which risks constitute specific risks in the bank and which risks are more systematic in nature partly driven by the nature of the banks operations. Equally, no one seems quite sure what the required return derived from the CAPM formula actually represents. The finance director has produced the following data relating to the bank itself, the financial market and the new project it is considering.
- Data:
- Required return on existing debt 6.0%
 - Cost of existing debt to the bank 4.8%
 - Return on short dated government securities 5.2%
 - Return in the stock market 12.8%
 - Equity beta of the bank 1.35
 - Beta of the new project 1.52
 - Asset beta of the bank 1.15
- a) Which TWO of the following risks could be correctly described as systematic

risks in this case?

- A. The interest rates set by the bank
- B. The risk of default by the banks customers on loans made
- C. The recessionary pressures in the country in which the bank operates
- D. The demand for loans made to the bank
- E. A change in government after a general election

b) In the CAPM what would be the value to use for the risk free rate of return (R_f), from the data above?

c) In the CAPM formula $R = R_f + \beta_j(R_m - R_f)$ where β_j represents the project beta, R represents the cost of equity capital/the required return on the new project and the market risk premium is represented by $(R_m - R_f)/R_m$. Pick the correct answers to complete the sentences.

d) What is the percentage required return on the new project as derived from the CAPM formula above, to two decimal places?

e) What is the meaning of a beta value of 1?

- A. The investment is risk free
- B. The investment has the same level of risk as the bank
- C. The investments total risk is as risky as the market
- D. The investment has the same level of systematic risk as the market

5. Green Co is a furniture manufacturer whose auditors have pointed out that its working capital position is far from satisfactory. The main problem is the high level of inventory, which has led to the company building up a larger and larger bank overdraft. Managers at Green Co have been to numerous public lectures discussing various types of inventory control systems and technologies, but have felt that most of them are impractical.

a) Indicate, whether the following are or are not assumptions behind the traditional economic order quantity formula,

$$EOQ = \sqrt{(2 \times Co \times D \div Ch)}.$$

Statement is an assumption OR is not an assumption

i) Constant demand

ii) Zero lead time

b) The production manager has established the following information about a major inventory item.

Purchase price per unit \$480

Annual demand 4,000

Supplier's delivery costs per order \$10

Chief buyer's salary per year \$30,000

Total number of orders placed per year* 1,000

Annual storage costs per unit \$2

Cost of capital 10% per year

*Relates to all product lines, not just this one.

What is the economic order quantity for this inventory item?

c) Assume that Green Co adopts the EOQ as its order quantity for that item of inventory and that it takes one week for an order to be delivered. How much inventory will Green Co have on hand when the order is placed? Assume there are 52 weeks in a year.

d) The following statements refer to different types of inventory control systems and procedures.

1. In moving from an economic order quantity (EOQ) model of inventory control to a just in time (JIT) model, total annual inventory holding costs would be expected to fall and total annual inventory ordering costs would be expected to rise.

2. Periodic review means ordering inventory when it falls below the designated safety inventory level.

3. Use of the economic order quantity model means that holding and ordering costs should be the same.

Which of the above statements is/are correct?

A. 1 only

B. 1 and 3 only

C. 2 and 3 only

D. 1, 2 and 3

e) The following possible benefits have been attributed to just-in-time systems.

1. Reduced inventory levels

2. Less waste

3. Reduced production times

4. Improved quality of output

Which of these claims can be justified?

A. 1 only

B. 1 and 2

C. 1, 2 and 3

D. 1, 2, 3 and 4

6. Ace Co is considering a new project. Ace currently installs burglar alarms, putting contact points on access portals and movement sensors in general areas of a property. The new project is in the fire alarm business, a business considered to be similar in many ways to what Ace currently does. A junior member of the finance team has estimated the cash flows for the project as follows:

Time	Description	Cash flow \$
0	Loose tools	(6,000)
1-4	Contribution	25,000
1-4	Allocated overheads	(8,000)

2-5	Tax @ 25% of profit	(4,250)
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No tax-allowable depreciation is available for loose tools. Ace is entirely equity financed with a cost of equity correctly calculated as 12%.

- a) What is the NPV of the above project to the nearest \$100?
 b) The IRR of the above project has been correctly calculated as 26%. Which of the following statements are true?

1. The IRR is not a measure of absolute profitability and linear interpolation provides only an estimate of the IRR.
2. If the IRR of the project is higher than its cost of capital then the project is always acceptable regardless of the pattern of the cash flows.

A. Both statements are true

B. Both statements are false

C. Statement 1 only

D. Statement 2 only

- c) If the loose tools became allowable for tax-allowable depreciation which of the following statements would be true?

1. Reported profit before tax would rise.
2. The NPV of the project would rise.
3. Assuming that one of the answers to the NPV calculation above is correct then the decision to proceed would alter.

A. 1 and 2

B. 2 and 3

C. 2 only

D. 1 only

- d) One of the directors thinks that calculating the payback period would be a useful addition. What is the project's payback period in months to one decimal place?

- e) Indicate, whether the following statements on the payback period are true or false.

i) It normally ignores time value

ii) It is a risk-focussed approach in decision-making

Section C

III. Answer any TWO questions

(2×15= 30)

7. Cabrerias Co is a construction company. It uses a large earth moving vehicle called the Beast to prepare foundations for buildings. It needs to decide whether the cheapest replacement interval for the Beast is three or four years.

The following details are available:

Cabrerias Co purchases the Beast from a manufacturer for \$800,000, payable one year after delivery. Its resale value will fall by 40% of the purchase price at the end

of its first year of operation. The resale value will then reduce by 25% of its previous year's resale value for each further year of operation.

Yearly maintenance costs are \$20,000 at the end of its first year of operations, rising by 5% per year. Maintenance must be provided in the year of sale. Yearly fuel costs are \$28,000 in the first year rising by \$5,000 for each extra year it is operated.

If the Beast is operated beyond three years it is subject to a government safety and carbon emissions test. The test would be paid for and would take place at the beginning of the fourth year of operation. Correction of any faults discovered by this test is mandatory. There is an 80% chance that the test and remedial work will cost Cabrerias Co \$50,000, and a 20% chance it will cost \$120,000.

Cabrerias Co's cost of capital is 8%.

Ignore taxation.

- a) Calculate the equivalent annual cost of the three-year and four-year replacement intervals for the Beast and advise Cabrerias Co which replacement interval to adopt. (11 marks)
 - b) Discuss why replacement interval decisions should be based upon equivalent annual cost (EAC). (4 marks)
8. Julian Co's directors are planning to invest in a new project, which requires \$18.9m of new finance to be raised. Julian Co's directors have used a mix of debt and equity finance to finance recent investments, but have become concerned about the level of Julian Co's gearing compared with the industry average. Therefore, they have decided not to use debt finance to fund the new project. Julian Co's finance director has proposed a 2 for 5 rights issue to existing shareholders at a 25% discount to the current share price of \$8.40. The nominal value of the ordinary shares is \$2.00 per share. However, Julian Co's chairman has received objections from some small shareholders (shareholders owning less than 5% of issued share capital each) on the grounds that they do not have sufficient cash available to pay for the new shares. Julian Co's large shareholders (shareholders owning more than 10% of issued share capital each and 50% in total of issued share capital) will be happy to subscribe for a rights issue. However, they want the new project to earn at least the same operating profit margin in % terms as Julian Co's current business does. Operating profit margin is measured as $\left(\frac{\text{Profit before interest and tax}}{\text{Revenue}} \right) \times 100\%$. Financial statement information prior to raising new finance:
- in \$000
- Revenue - 45,200
- Profit before interest and tax - 9,500
- Ordinary shares - 15,000
- Retained earnings - 27,875

Non-current liabilities: 8% loan notes - 25,000

Total equity and liabilities - 67,875

Corporation tax is payable at a rate of 16% per year. The nominal value of Julian Co's loan notes is \$100 per loan note and the market value is \$110 per loan note. Julian Co's price/earnings ratio can be assumed to be unchanged by undertaking the project. The current industry average gearing figure at market values, measured as $((\text{Non-current liabilities} / (\text{Non-current liabilities} + \text{Equity})) \times 100\%)$ is 25%. The new project is expected to earn \$20m revenue each year and have an operating profit margin of 18%. If the project is successful, there are expected to be opportunities to invest in further projects, offering higher operating profit margins.

a) (i) Calculate the theoretical ex rights price per share. **(2 marks)**

(ii) Calculate the current earnings per share before investment in the project. **(2 marks)**

(iii) Calculate the revised earnings per share and the share price after investment in the project, assuming the rights issue is successful. **(3 marks)**

(iv) Calculate the current gearing and the revised gearing after investment in the project, using market values and assuming the rights issue is successful. **(3 marks)**

(v) Discuss the views of the directors, and both the small and large shareholders, in relation to the new project and its financing. **(5 marks)**

9. BAE Co plans to expand its business operations by opening several new outlets at a cost of \$8m, financed by an issue of loan notes. The company currently generates credit sales of \$80.768m before cost of sales of \$27.700m. All sales are on credit. The current statement of financial position of BAE Co is as follows:

	\$000
Assets	
Non-current assets	54,070
Current assets	
Inventories	4,000
Trade receivables	12,320
Cash and Cash equivalents	800
	17,120
Total assets	71,190
Equity and Liabilities	
Equity	6,000
Reserves	34,000
Total equity	40,000

Non-current liabilities	18,000
Current liabilities	
Trade payables	9,690
Overdraft	3,500
	13,190
Total equity and liabilities	71,190

BAE Co expects that the expansion will increase credit sales by 18.7%, with cost of sales being 33% of credit sales and profit after tax being \$6.818m. Non-current assets will increase by 11%. The bank has demanded that BAE Co's overdraft be reduced to \$3m and the company expects its cash balance to be \$700,000 after the expansion. BAE Co has been receiving complaints from its suppliers about late payment and the company plans to improve its working capital management as part of the expansion. It expects that the following working capital ratios will result:

Inventory holding period 50 days

Trade receivables collection period 60 days

Trade payables payment period 60 days

The finance director of BAE Co wishes to investigate how the expansion will change the following ratios:

(i) trade payables payment period

(ii) current ratio; and

(iii) revenue/net working capital ratio (defining net working capital as inventory plus trade receivables less trade payables).

Assume that there are 360 days in a year.

Required:

Using the information provided:

- (i) Prepare a forecast statement of financial position for BAE Co; and **(6 marks)**
- Calculate the effect of the proposed expansion on the working capital ratios listed by the finance director. **(4 marks)**
- Discuss the ways in which implementing the proposed changes in working capital represent:
- Changes in working capital investment policy for BAE Co; and **(5 marks)**

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

International Financial Management I

Duration: 2 Hours

Max Marks: 60

Section A

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

1. Lucas Co is considering the acquisition of a new machine with an operating life of three years. The new machine could be leased for three payments of \$55,000, payable annually in advance.

Alternatively, the machine could be purchased for \$160,000 using a bank loan at a cost of 8% per year. If the machine is purchased, Lucas Co will incur maintenance costs of \$8,000 per year, payable at the end of each year of operation. The machine would have a residual value of \$40,000 at the end of its three-year life.

Lucas Co's production manager estimates that if maintenance routines were upgraded, the new machine could be operated for a period of four years with maintenance costs increasing to \$12,000 per year, payable at the end of each year of operation. If operated for four years, the machine's residual value would fall to \$11,000.

Taxation should be ignored.

(i) Assuming that the new machine is operated for a three-year period, evaluate whether Lucas Co should use leasing or borrowing as a source of finance. **(7 marks)**

(ii) Using a discount rate of 10%, calculate the equivalent annual cost of purchasing and operating the machine for both three years and four years, and recommend which replacement interval should be adopted. **(8 marks)**

2. Ferguson Co is considering making the following changes in the area of working capital management:

Inventory management

It has been suggested that the order size for Product PQ5 should be determined using the economic order quantity model (EOQ).

Ferguson Co forecasts that demand for Product PQ5 will be 160,000 units in the coming year and it has traditionally ordered 10% of annual demand per order. The ordering cost is expected to be \$400 per order while the holding cost is expected to be \$5.12 per unit per year. A buffer inventory of 5,000 units of Product PQ5 will be maintained, whether orders are made by the traditional method or using the economic ordering quantity model.

Receivables management

Ferguson Co could introduce an early settlement discount of 1% for customers who pay within 30 days and at the same time, through improved operational procedures, maintain a maximum average payment period of 60 days for credit customers who do not take the discount. It is expected that 25% of credit customers will take the discount if it were offered. It is expected that administration and operating cost savings of \$753,000 per year will be made after improving operational procedures and introducing the early settlement discount. Credit sales of Ferguson Co are currently \$87.6 million per year and trade receivables are currently \$18 million. Credit sales are not expected to change as a result of

the changes in receivables management. The company has a cost of short-term finance of 5.5% per year

a) Calculate and comment on whether the proposed changes in receivables management will be acceptable. Assuming that only 25% of customers take the early settlement discount, what is the maximum early settlement discount that could be offered? (8 marks)

b) Discuss the factors that should be considered in formulating a working capital policy on the management of trade receivables. (7 marks)

3. Phoenix Co is preparing a cash flow forecast for the three-month period from January to the end of March for one of its divisions. The following sales volumes have been forecast:

	December	January	February	March	April
Sales (units)	1,200	1,250	1,300	1,400	1,500

Notes:

1) The selling price per unit is \$800 and a selling price increase of 5% will occur in February. Sales are all on one month's credit.

2) Production of goods for sale takes place one month before sales.

3) Each unit produced requires two units of raw materials, costing \$200 per unit. No raw materials inventory is held. Raw material purchases are on one month's credit.

4) Variable overheads and wages equal to \$100 per unit are incurred during production, and paid in the month of production.

5) The opening cash balance at 1 January is expected to be \$40,000.

6) A long-term loan of \$300,000 will be received at the beginning of March.

7) A machine costing \$400,000 will be purchased for cash in March.

a) Calculate the cash balance at the end of each month in the three-month period. (5 marks)

b) Calculate the forecast current ratio at the end of the three-month period. (4 marks)

c) Assuming that Phoenix Co expects to have a short-term cash surplus during the three-month period, discuss whether this should be invested in shares listed on a large stock market. (6 marks)

4. The directors of Pelta Co are considering a planned investment project costing \$25m, payable at the start of the first year of operation. The following information relates to the investment project:

	Year 1	Year 2	Year 3	Year 4
Sales volumes (units/year)	520,000	624,000	717,000	788,000
Selling price (\$/unit)	30.00	30.00	30.00	30.00
Variable costs (\$/unit)	10.00	10.20	10.61	10.93
Fixed costs (\$/year)	700,000	735,000	779,000	841,000

This information needs adjusting to take account of selling price inflation of 4% per year and variable cost inflation of 3% per year. The fixed costs, which are incremental and related to the investment project, are in nominal terms. The year 4 sales volume is expected to continue for the foreseeable future.

Pelta Co pays a corporation tax of 30% one year in arrears. The company can claim tax-allowable depreciation on a 25% reducing balance basis.

The views of the directors of Pelta Co are that all investment projects must be evaluated over four years of operations, with an assumed terminal value at the end of the fourth year of 5% of the initial investment cost. Both net present value and discounted payback must be used, with a maximum discounted payback period of two years. The real after-tax cost of capital of Pelta Co is 7% and its nominal after-tax cost of capital is 12%.

a) (i) Calculate the net present value of the planned investment project. (10 marks)

- (ii) Calculate the discounted payback period of the planned investment project. (2 marks)
b) Discuss the financial acceptability of the investment project. (3 marks)

Section B

Answer any TWO of the following:

(2×10= 20)

5. A company requires 1,000 units of material X per month. The cost per order is \$30 regardless of the size of the order. The holding costs are \$2.88 per unit per year. Investigate the total cost of buying the material in quantities of 400, 500, or 600 units at one time. What is the cheapest option? Use the EOQ formula to prove your answer is correct.
6. Discuss FOUR ways to encourage managers to achieve stakeholder objectives.
7. Westcon Co has decentralised and divisional managers are allowed to make their own investment decisions subject to confirmation by the main company board. Because each of the three divisions (Wren, Sparrow and Lark) are subject to different levels of risk, it has been thought appropriate to use different discount rates in each division. Wren has been told that its real discount rate is 5%. The general rate of inflation, based on an index that uses a very wide range of prices, is 2%. In the industry in which Wren operates, a number of prices are seen to be inflating at 3%. Sparrow is assessing a project in which the first of four annual lease payments has been agreed at \$120,000. This is payable in one year's time and subsequent payments will rise by 4% per year. Sparrow's proper money cost of capital is 8%. Lark is considering investing \$1,000,000 in a project, which will produce the following annual outflows and inflows.

Year	1	2	3
Outflows (\$000)	1,800	2,500	1,500
Inflows (\$000)	2,000	3,000	2,000

The cash flows, which arise at the end of each year, are stated in current year terms. It is expected that outflows will rise by 3% per year and inflows by 2% per year. The money cost of capital of the Lark Division is 9%

- a) What is Wren's money discount rate? (3 marks)
b) What is the present value of Sparrow's last payment that will be made in four years' time (to the nearest \$000)? (3 marks)
c) What is the net present value of Lark's project (to the nearest \$000)? (4 marks)
8. Hall Co is a retail organisation that buys goods from abroad for cash and sells them locally to both individuals and businesses. It has grown rapidly since its formation on 1 January 20X1, with results summarised below. Hall Co is a retail organisation that buys goods from abroad for cash and sells them locally to both individuals and businesses. It has grown rapidly since its formation on 1 January 20X1 with results summarised below.

Year	20X1	20X2	20X3	20X4	20X5 (forecast)
	\$000	\$000	\$000	\$000	\$000
Sales	200	400	800	1,200	1,600
Cost of sales	(100)	(200)	(400)	(600)	(800)
Gross profit	100	200	400	600	800
Administration costs	(50)	(60)	(200)	(500)	(640)
Net profit (\$000)	50	140	200	100	160

In the first year, sales were made on a purely cash basis, then credit sales were introduced for businesses. However, Hall Co has now found that its working capital position has deteriorated as business customers take longer and longer to pay. When

making decisions that affect the company's finances, a discount rate of 10% is used, which is the best estimate of the cost of capital. Assume credit sales equal business sales.

a) During the period up to and including 20X5, the expected receivables period has been maintained. However, by 20X5, the actual business proportion of sales has grown from 50% to 60%. Credit periods are as follows: 40% of customers take 1 month's credit, 40% of customers take 2 months' credit and 20% of customers take 3 months' credit. What is the annual cost \$ of financing 20X5 receivables? (5 marks)

b) If Hall were to offer customers 1.5% discount for payments within one month, what would be the annual cost of that in respect of receivables who currently take two months or three months to pay? (5 marks)

Section C

Answer any TWO of the following:

(2×5= 10)

9. Sudan Co wishes to undertake a project requiring an investment of \$732,000 which will generate equal annual inflows of \$146,400 in perpetuity. If the first inflow from the investment is a year after the initial investment, what is the IRR of the project?

10. a) Mention THREE key roles played by the money market. (2.5 marks)

b) What are the THREE principal objectives of macroeconomic policy? (2.5 marks)

11. Calculate the present value of the following, assuming a discount rate of 10%.

i) \$3,000 received in one year's time and for ever (2.5 marks)

ii) \$3,000 received in one year's time, then growing by 2% per year in perpetuity (2.5 marks)

12. a) Swap Co is due to receive goods costing \$2,500. The terms of trade state that payment must be received within three months. However, a discount of 1.5% will be given for payment within one month. Which of the following is the annual percentage cost of ignoring the discount and paying within three months? (2.5 marks)

b) Will Co incurs costs of \$65 every time it places an order with its raw materials supplier. It orders 300,000 units of product each year. The cost of holding one unit of inventory for a month is \$2.50. Will Co keeps a buffer inventory at all times of 25,000 units of material. Calculate the economic order quantity (EOQ) that will optimise the business's inventory costs to the nearest 10 units. (2.5 marks)

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

COMMERCE

Law and Practice of Banking

Duration: 2 Hours

Max Marks: 60

SECTION – A

Answer any TWO questions:

(15×2= 30)

- 1) Who is a Customer? Explain the special relationship between a Banker and a Customer.
- 2) Briefly explain the duties and responsibilities to be performed by the 'Collecting Banker'.
- 3) Explain the different kinds of Endorsement.
- 4) What is a Digital Wallet? Explain the significance and the types of Digital Wallets.

SECTION – B

Answer any FOUR questions :

(5×4= 20)

- 5) What are the utility functions of Commercial Banks?
- 6) Elaborate the duties of 'Paying Banker'.
- 7) Write a note on 'Joint Account' and 'Minor Account'.
- 8) What are the precautions taken by the banker at the time of opening 'Partnership Firm'?
- 9) Explain the rules of 'Endorsement'.
- 10) State differences between NEFT and IMPS.

SECTION – C

Answer any FIVE questions :

(2×5= 10)

- 11) What is Saving Bank Account?
- 12) Mention any four recent trends in Banking.
- 13) Define the term 'Paying Banker'.
- 14) What is Partnership Firm?
- 15) What is Promissory Note?
- 16) What is meant by Payments Bank?
- 17) What is meant by E-banking?

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. SECOND SEMESTER DEGREE EXAMINATION APRIL/MAY 2025
COMMERCE
Financial Reporting

Duration:3 Hours

Max Marks:80

Section A

I. Answer the following**(1×10= 10)**

1. Philip acquired 85% of the share capital of Stanley on 1 October 20X1. The profit for the year ended 31 December 20X1 for Stanley was \$36,000. Profits are deemed to accrue evenly over the year. At 31 December 20X1 Stanley's statement of financial position showed:
Equity share capital \$200,000
Retained earnings \$180,000
What were the net assets of Stanley on acquisition?
2. A manufacturing entity receives a grant of \$1m towards the purchase of a machine on 1 January 20X3. The grant will be repayable if the entity sells the asset within 4 years, which it does not intend to do. The asset has a useful life of 5 years. What is the deferred income liability balance at 30 June 20X3?
3. Which of the following properties owned by Scoop would be classified as an investment property?
 - A. A property that had been leased to a tenant but which is no longer required and is now being held for resale
 - B. Land purchased for its investment potential. Planning permission has not been obtained for building construction of any kind
 - C. A new office building used as Scoop's head office, purchased specifically in order to exploit its capital gains potential
 - D. A stately home used for executive training
4. During the current year an entity had in place \$1 million of 6% loan finance and \$2 million of 9% loan finance. It constructed a new factory which cost \$600,000 and this was funded out of the existing loan finance. The factory took 8 months to complete. To the nearest thousand, what borrowing costs should be capitalised?

5. At 1 October 20X4, BK had accrued interest payable of \$12,000. During the year ended 30 September 20X5, BK charged finance costs of \$41,000 to its statement of profit or loss, including unwinding a discount relating to a provision stated at its present value of \$150,000 at 1 October 20X4. The closing balance on accrued interest payable account at 30 September 20X5 was \$15,000, and BK has a discount rate of 6%. How much interest paid should BK show on its statement of cash flows for the year ended 30 September 20X5?
6. Which item would be NOT be shown in a statement of cash flows using the indirect method?
- A. Cash paid to employees
 - B. Cash paid to purchase machinery
 - C. Cash paid to shareholders as dividend
 - D. Cash paid to redeem loan notes
7. STU has an 80% subsidiary VWX, which has been a subsidiary of STU for the whole of the current year. VWX reported a profit after tax of \$600,000 in its own financial statements. You ascertain that at the year-end there was unrealised profit of \$60,000 on sales by VWX to STU. What is the non-controlling interest in VWX that would be reported in the consolidated statement of profit or loss and other comprehensive income of STU for the year?
8. During the year to 31 July 20X7 Smartyants made a profit of \$37,500 after accounting for depreciation of \$2,500. During the year non-current assets were purchased for \$16,000, receivables increased by \$2,000, inventories decreased by \$3,600 and trade payables increased by \$700. What was the increase in cash and bank balances during the year?
9. Which of the following definitions is not included within the definition of control per IFRS 10 Consolidated Financial Statements?
- A. Having power over the investee
 - B. Having exposure, or rights, to variable returns from its investment with the investee
 - C. Having the majority of shares in the investee
 - D. Having the ability to use its power over the investee to affect the amount of the investor's returns
10. Which TWO of the following situations are unlikely to represent control over an investee?

- A. Owning 55% and being able to elect 4 of the 7 directors
- B. Owning 51%, but the constitution requires that decisions need the unanimous consent of shareholders
- C. Having currently exercisable options which would take the shareholding in the investee to 55%
- D. Owning 40% of the shares but having majority of voting rights within the investee
- E. Owning 35% of the ordinary shares and 80% of the preference shares of the investee

Section B

II. Answer any FOUR questions

(4×10= 40)

2. The following trial balance relates to Weiser Co at 31 December 20X8:

	\$000	\$000
Revenue		1,90,000
Cost of sales	1,30,000	
Distribution costs	7,100	
Administrative expenses	23,200	
Loan interest	400	
Building – cost (note (i))	25,000	
Accumulated depreciation at 1 January 20X8		5,000
Plant and equipment at cost (note (i))	22,250	
Accumulated depreciation at 1 January 20X8		7,250
Inventory	27,400	
Trade receivables	16,500	
Trade payables		13,500
Bank		1,100
Equity shares of 50 ¢ each		30,000
Retained earnings 1 January 20X8		4,150
Deferred tax		1,350
Current tax	500	

	252350	2,52,350
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The following information is relevant:

(i) The directors had the building valued at \$24 million on 1 January 20X8 by an independent surveyor. The directors wish to incorporate this value into the financial statements. The building was originally purchased 4 years ago and is being depreciated over its original useful life of 20 years which has not changed as a result of the revaluation. Weiser does not make a transfer to retained earnings in respect of excess depreciation. The revaluation gain will create a deferred tax liability (see note (ii)).

Plant and equipment is being depreciated at 20% per annum on a reducing balance basis. All depreciation should be charged to cost of sales.

(ii) A liability for income tax for the year ended 31 December 20X8 of \$12 million is required. At 31 December 20X8, the tax base of Weiser's net assets was \$7 million less than their carrying amounts. This excludes the gain on the revaluation of the building. The income tax rate of Weiser is 30%.

Required:

Prepare Weiser's statement of profit or loss and other comprehensive income for the year ended 31 December 20X8, and a statement of financial position as at that date.

3. Merryview specialises in long-term contracts. In each contract Merryview is entitled to receive payments reflecting the progress of the work, so revenue should be recognised over time. One of its contracts, with Better Homes, is to build a complex of luxury flats. The price agreed for the contract is \$40 million and its scheduled date of completion is 31 December 20X2. Details of the contract to 31 March 20X1 are:

Commencement date	1 July 20X0
	\$'000
Contract costs:	
Architects' and surveyors' fees	500
Materials	2,800
Direct labour costs	3,500
Overheads are apportioned at 40% of direct labour costs Estimated cost to complete (excluding depreciation – see below)	14,800

Plant and machinery used exclusively on the contract cost \$3,600,000 on 1 July 20X0. At the end of the contract it is expected to be transferred to a different contract at a value of \$600,000. Depreciation is to be based on a time-apportioned basis. Better Homes made a progress payment of \$12,800,000 to Merryview on 31 March 20X1.

At 31 March 20X2 the details for the construction contract have been summarised as:

	\$000
Contract costs to date (i.e. since the start of the contract) excluding all depreciation	20,400
Estimated cost to complete (excluding depreciation)	6,600

A further progress payment of \$16,200,000 was received from Better Homes on 31 March 20X2. Merryview accounts for profit on its construction contracts using the input method, measured using the percentage of the cost to date compared to the total estimated contract cost.

Required:

Prepare extracts from the financial statements of Merryview reflecting the impact of the contract with Better Homes for:

- (i) the year to 31 March 20X1
- (ii) the year to 31 March 20X2

4. An entity has incurred the following expenditure during the current year:

- (a) \$100,000 spent on the initial design work of a new product – it is anticipated that this design will be taken forward over the next two-year period to be developed and tested with a view to production in three years' time.
- (b) \$500,000 spent on the testing of a new production system which has been designed internally and which will be in operation during the following accounting year. This new system should reduce the costs of production by 20%.
- (c) A brand name relating to a specific range of chocolate bars, purchased for \$200,000. By the year-end, a brand specialist had valued this at \$250,000.
- (d) \$500,000 spent on developing a new line of confectionery, including \$150,000 spent on researching the product before management gave approval to fully fund the project.
- (e) Training costs for staff to use a new manufacturing process. The total training costs amounted to \$100,000 and staff are expected to remain for an average of 5 years.

Explain the accounting treatment for the above issues in the context of IAS 38

5. i. On 1 January 20X1 an entity invests \$5,000 in 10% loan notes. The loan notes are repayable at a premium on 31 December 20X3. The effective rate of interest is 12%. The company intends to collect the contractual cash flows which consist solely of repayments of interest and capital and have therefore chosen to record the financial asset at amortised cost. What amounts will be shown in the statement of profit or loss and statement of financial position for the financial asset over the period of investment? (5 Marks)

ii. An entity invested in 10,000 shares of a listed company in November 20X7 at a cost of \$4.20 per share. At 31 December 20X7 the shares have a market value of \$4.80.

Prepare extracts from the statement of profit or loss for the year ended 31 December 20X7 and a statement of financial position as at that date. (2 Marks)

iii. An entity invested in 20,000 shares of a listed company in October 20X7 at a cost of \$3.80 per share. At 31 December 20X7 the shares have a market value of \$3.40. The company is not planning on selling these shares in the short term and elects to hold them as fair value through other comprehensive income.

Prepare extracts from the statement of profit or loss and other comprehensive income for the year ended 31 December 20X7 and a statement of financial position as at that date. (3 Marks)

6. St. Valentine produced cards and sold roses. However, half way through the year ended 31 March 20X6, the rose business was closed and the assets sold off, incurring losses on the disposal of non-current assets of \$76,000 and redundancy costs of \$37,000. The directors reorganised the 'continuing business' at a cost of \$98,000.

Trading results may be summarised as follows

	Cards	Roses
	\$000	\$000
Revenue	650	320
Cost of sales	320	150
Distribution	60	90
Administration	120	110

Other trading information (to be allocated to continuing operations) is as follows:

	\$000
Finance costs	17

Tax	31
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Required:

- Draft the statement of profit or loss for the year ended 31 March 20X6.
- Explain how an IFRS 5 Discontinued Operations presentation can make information more useful to the users of financial statements.

Section C

III. Answer any TWO questions

(2×15= 30)

- The following trial balance has been extracted from the books of Akash as at 31 March 20X7:

	\$000	\$000
Administration expenses	250	
Distribution costs	295	
Share capital \$1		270
Share premium		80
Revaluation surplus		20
Dividend paid	27	
Cash at bank and in hand	3	
Receivables	233	
Interest paid	25	
Interest paid		15
Interest received		1
Land and buildings at cost (land 380, buildings 100)	460	
Land and buildings: accumulated depreciation		30
Plant and machinery at cost	400	
Plant and machinery: accumulated depreciation		170
Retained earnings account (at 1 April 20X6)		235
Purchases	1260	
Sales		2165

Inventory at 1 April 20X6	140	
Trade payables		27
Bank loan		100
	3113	3113

Additional information

1 Inventory at 31 March 20X7 was valued at a cost of \$95,000. Included in this balance were goods that had cost \$15,000. These goods had become damaged during the year and it is considered that the goods could be sold for \$5,500, less commission of \$500.

2 Depreciation for the year to 31 March 20X7 is to be charged against cost of sales as follows: Buildings 5% on cost (straight line) Plant and machinery 30% on carrying amount (reducing balance)

3 Land is to be revalued upwards by \$100,000

4 Income tax of \$165,000 is to be provided for the year to 31 March 20X7.

5 The bank loan is repayable in five years' time.

Prepare the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position for year ended 31 March 20X7.

8. Draft statements of financial position for Plant and Shrub on 31 March 20X7 are as follows

	Plant	Shrub
	\$000	\$000
Non-current assets		
Property, plant & equipment	100	140
Investment in S at cost	180	
Current assets		
Inventory	30	35
Trade receivables	20	10
Cash	10	5
	340	190
Equity and liabilities		
Share capital: Ordinary \$1 shares	200	100

Share premium	10	30
Retained earnings	40	20
	250	150
Non-current liabilities: 10% loan notes	65	—
Current liabilities	25	40
	340	190

Notes:

Plant acquired 80,000 shares in Shrub in 20X1 when Shrub's reserves included a share premium of \$30,000 and retained earnings of \$5,000.

Plant's records show \$6,000 owing to Shrub, but Shrub's records show \$8,000 owed by Plant. The difference is explained as cash in transit.

No impairment of goodwill has occurred to date.

Plant uses the proportion of net assets method to value the non controlling interest.

Prepare Plant's consolidated statement of financial position as at 31 March 20X7.

9. The draft statements of financial position as at 31 March 20X7 and 20X6 of Jack plc are shown below:

	20X7		20X6	
	\$m	\$m	\$m	\$m
Non-current assets:				
Intangible assets		450		410
Property, plant and equipment		2,480		1,830
		2930		2240
Current assets:				
Inventory	920		763	
Receivables	642		472	
Cash	—		34	
		1,562		1,269
		4492		3509
Share capital and reserves:				
Ordinary shares of \$1 each		500		400

Retained earnings		1,871		1,732
Other components of equity:				
Share premium account	90		70	
Revaluation surplus	170			
		260		70
Non-current liabilities:				
8% loan note 20Y2	200			
10% redeemable preference shares	350		350	
Government grants	210		160	
Deferred tax	52		30	
Environmental provision	76		24	
		888		564
Current liabilities:				
Trade payables	680		518	
Accrued interest	4		—	
Bank overdraft	63		—	
Taxation	176		185	
Government grants	50		40	
		973		743
		4,492		3,509

The draft statement of profit or loss for Jack plc for the year to 31 March 20X7 is as follows.

	\$m	\$m
Revenue		3,665
Cost of sales:		
Depreciation	366	
Impairment of intangibles	36	
Other costs	2,522	

		-2,924
Gross profit for period		731
Other operating income – government grant		50
		781
Distribution costs	75	
Administration	56	
Environmental provision	67	
		-198
		583
Finance cost – loan note interest	-12	
Preference dividend	-35	
		-47
Profit before tax		536
Taxation		-177
Profit for the period after tax		359

Jack plc – Other comprehensive income for the year ended 31 March 20X7

	\$m
Profit for the year	359
Other comprehensive income Gain on property revaluation	170
Total comprehensive income for the year	529

The following information is relevant.

Tangible non-current assets

These include land which was revalued giving a surplus of \$170 million during the period. The company's motor vehicle haulage fleet was replaced during the year.

The fleet originally cost \$42 million and had been written down to \$11 million at the time of its replacement. The gross cost of the fleet replacement was \$180 million and a trade-in allowance of \$14 million was given for the old vehicles.

The company acquired some new plant on 1 July 20X6 at a cost of \$120 million from Bromway. An arrangement was made on the same day for the liability for the

plant to be settled by Jack plc issuing at par an 8% loan note dated 20Y2 to Bromway. The value by which the loan notes exceeded the liability for the plant was received from Bromway in cash.

Environmental provision

The provision represents an estimate of the cost of environmental restoration relating to the company's mining activities.

Ordinary share issue

During the year Jack plc made a bonus issue from the share premium account of one new share for every ten shares held. Later Jack plc made a further share issue for cash. A dividend of \$220 million was paid during the year.

Preference dividend The full preference dividend was paid during the year.

Prepare a statement of cash flows for Jack plc for the year to 31 March 20X7 in accordance with IAS 7 Statements of Cash Flows.

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

Duration: 3 hours

Max Marks: 80

SECTION – A

I. Answer the following:

1 x 20 = 20

1. A. The Balance Sheet of Amitabh, Abhishek and Amrish as at 31.12.2024 stood as follows:

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital:			Land & Buildings		74,000
Amitabh	60,000		Investments		10,000
Abhishek	40,000		Advertisement suspense		37,800
Amrish	40,000	1,40,000	Life Policy (at surrender value):		
Creditors		25,800	Amitabh		2,500
General Reserve		8,000	Abhishek		2,500
Investment		2,400	Amrish		1,000
Fluctuation Reserve			Stock		20,000
			Debtors	20,000	
			Less: Provision for doubtful debts	-1,600	18,400
			Cash & bank balance		10,000
		1,76,200			1,76,200

Amrish died on 31 March, 2025, due to this reason the following adjustments were agreed upon:

- (i) Land and Buildings be appreciated by 50%.
- (ii) Investment be valued at 6% less than the cost.
- (iii) All debtors (except 20% which are considered as doubtful) were good.
- (iv) Stock to be reduced to 94%.
- (v) Goodwill to be valued at 1 year's purchase of the average profits of the past five years.
- (vi) Amrish's share of profit to the date of death be calculated on the basis of average profits of the three completed years immediately preceding the year of death.

The profits of the last five years are as follows:

Year	Rs.
2020	23,000

2021	28,000
2022	18,000
2023	16,000
2024	20,000
	1,05,000

The life policies have been shown at their surrender values representing 10% of the sum assured in each case. The annual premium of Rs.1,000 is payable every year on 1st August. You are required to pass necessary Journal Entries in the books of account of the reconstituted firm. (15 Marks)

II. The following information given below:

- (i) Total Assets Rs.10,00,000, (ii) External Liabilities Rs.1,80,000, (iii) Normal Rate of Return 10%, (iv) Average Net Profit of last five years Rs.1,00,000

You are required to calculate goodwill by applying:

- (i) Capitalization Method and (ii) 3 year's purchase of super profits. (5 Marks)

SECTION-B

II. Answer any SIX questions

6 x 10 = 60

2. Doctor Dinesh after retiring from Govt. service, started private practice on 1st April, 2024 with Rs. 1,00,000 of his own and Rs. 1,50,000 borrowed at an interest of 12% per annum on the security of his life policies. His accounts for the year were kept on a cash basis and the following is his summarized cash account:

Receipts	Rs.	Payments	Rs.
Own capital	1,00,000	Medicines purchased	1,22,500
Loan	1,50,000	Surgical equipment	1,25,000
Prescription fees	3,30,000	Motor car	1,60,000
Visiting fees	1,25,000	Motor car expenses	60,000
Fees from lectures	12,000	Wages and salaries	52,500
Pension received	1,50,000	Rent of clinic	30,000
		General charges	24,500
		Household expenses	90,000
		Household Furniture	12,500
		Expenses on daughter's marriage	1,07,500
		Interest on loan	18,000
		Balance at bank	55,000
		Cash in hand	9,500

One-third of the motor car expense may be treated as applicable to the private use of car and Rs. 15,000 of salaries are in respect of domestic servants. The stock of medicines in hand on 31st March, 2025 was valued at Rs. 47,500.

You are required to prepare his capital account and income and expenditure account for the year ended 31st March, 2025 and balance sheet as on that date. Ignore depreciation of fixed assets. (10 Marks)

3. Mr. Takewood keeps his books on single entry system. The following information of Mr. Takewood is given:

(i) Balances as on 1st April, 2024:

Cash in Hand	Rs. 4,000	Stock	Rs. 35,000
Cash in Bank	Rs. 28,000	Fixed Assets	Rs. 20,000
Sundry Creditors	Rs. 15,000	Sundry Debtors	Rs. 23,000
Capital Account	Rs. 95,000		

(ii) During the year 2024-2025 Sundry Creditors were paid Rs. 26,000 in cash and Rs. 1,55,000 by cheque, and received Rs. 55,000 in cash and Rs. 1,90,000 by cheque from Sundry Debtors.

(iii) All Sales and Purchases were on credit.

(iv) Balances as on 31st March, 2025 were, Sundry Debtors Rs. 27,000 and Sundry Creditors Rs. 35,000.

(v) All expenses which are debited to profit and loss accounts were disbursed by cheques except petty expenses amounting to Rs. 7,500 paid in cash.

(vi) Outstanding expenses as on 31st March 2025 were Rs. 2,000,

(vii) Net Profit for the year was Rs. 41,000 after allowing 10% depreciation on fixed assets.

(viii) Closing Stock was valued at Rs. 75,000.

(ix) His Drawings during the year were Rs. 10,000 in cash and Rs. 14,000 by cheques.

You are required to prepare Profit and Loss Account for the year ended 31st March 2025 and Balance Sheet as at that date. (10 Marks)

4. Give necessary journal entries for the forfeiture and re-issue of shares:

(i) Avtar Ltd. forfeited 900 shares of Rs. 10 each fully called up, held by Varun for nonpayment of allotment money of Rs. 3 per share and final call of Rs. 4 per share. He paid the application money of Rs. 3 per share. These shares were re-issued to Nitesh for Rs. 8 per share.

(ii) X Ltd. forfeited 200 shares of Rs. 10 each (Rs. 7 called up) on which Naresh had paid application and allotment money of Rs. 5 per share. Out of these, 150 shares were reissued to Mahesh as fully paid up for Rs. 6 per share. (10 Marks)

5. A, B, C, and D sharing profits in the ratio of 4:3:2:1 decided to dissolve their partnership on 31st March 2024 when their balance sheet was as under:

Liabilities	Rs.	Assets	Rs.
Creditors	15,700	Bank	535
Employees Provident Fund	6,300	Debtors	15,850
Capital Accounts:		Stock	25,200
A 40,000		Prepaid Expenses	800
B 20,000	60,000	Plant & Machinery	20,000
		Patents	8,000
		C's Capital A/c	3,200
		D's Capital A/c	8,415
	82,000		82,000

Following information is given to you: -

- One of the creditors took some of the patents whose book value was Rs. 5,000 at a valuation of Rs. 3,200. Balance of the creditors were paid at a discount of Rs. 400.
- There was a joint life policy of Rs. 20,000 (not mentioned in the balance sheet) and this was surrendered for Rs. 4,500.

- 3 The remaining assets were realized at the following values: - Debtors Rs. 10,800; Stock Rs. 15,600; Plant and Machinery Rs. 12,000; and Patents at 60% of their book-values. Expenses of realization amounted to Rs. 1,500. D became insolvent and a dividend of 25 paise in a rupee was received in respect of the firm's claim against his estate. Prepare Realization Account & Capital Accounts of the partners. (10 Marks)
6. A. Akbar and Bali are partners in a firm sharing profits and losses equally. On 1st April, 2024 the balance of their Capital Accounts were: Akbar Rs. 50,000 and Bali Rs. 40,000. On that date the balances of their Current Accounts were: Akbar Rs. 10,000 (credit) and Bali Rs. 3,000 (debit). Interest @ 5% p.a. is to be allowed on the balance of Capital Accounts as on 1.4.2024. Bali is to get annual salary of Rs. 3,000 which had not been withdrawn. Drawings of Akbar and Bali during the year were Rs. 1,000 and Rs. 2,000 respectively. The profit for the year ended 31st March, 2025 before charging interest on capital but after charging Bali salary was Rs. 70,000. It is decided to transfer 10% of divisible profit to a Reserve Account. Prepare Profit & Loss Appropriation Account for the year ended 31st March, 2025. (5 Marks)
- B. During the year ended 31st March, 2025, the subscriptions received by the Jaipur Literary Society were Rs. 4,50,000. These subscriptions include Rs. 20,000 received for the year ended 31st March, 2024. On 31st March, 2025, subscriptions due but not received were Rs. 15,000. Advance subscription received for the year ending 31st March 2025 but pertaining to year 2026 amounted to Rs. 26,000. The Subscriptions received for the year 31st March 2025, include the advance received for the year ending 31st March 2024 amounted to Rs. 18,000. What amount should be credited to Income and Expenditure Account for the year ended 31st March, 2025 as income from subscriptions. Show the subscription account in book of the society. (5 Marks)
7. A. State with reasons, whether the following statements are True or False:
1. Company is an artificial, legal person created by law.
 2. Death, insolvency or change of members affects the existence of a company.
 3. Liability of a holder of shares is limited to the face value of shares acquired by them.
 4. Authorised capital appears in the balance sheet at face value.
 5. Debenture holders enjoy the voting rights in the company. (5 Marks)
- B. Differentiate between Statement of Affairs and Balance Sheet. (5 Marks)
8. Following is the extract of the Balance Sheet of K Ltd (listed company) as at 31st March, 2024

Authorized capital:	Rs.
3,00,000 Equity shares of Rs. 10 each	30,00,000
30,00,000	
Issued and Subscribed capital:	
2,00,000 Equity shares of Rs. 10 each, Rs. 8 paid up	16,00,000

Reserves and surplus: Rs.
General Reserve 3,60,000

Capital Redemption Reserve	1,20,000
Securities premium (not realised in cash)	75,000
Profit and Loss Account	6,00,000

On 1st April, 2024, the Company has made final call @ Rs. 2 each on 2,00,000 equity shares. The call money was received by 25th April, 2024. Thereafter, the company decided to capitalize its reserves by way of bonus at the rate of one share for every four shares held. Show necessary entries in the books of the company and prepare the extract of the Balance Sheet immediately after bonus issue. (10 Marks)

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com SECOND SEMESTER DEGREE EXAMINATION APRIL/MAY 2025
QUANTITATIVE TECHNIQUES II

Duration: 3 hours**Max Marks: 80****SECTION-A****I. Answer the following:****1×20m=20m****1) Answer all the questions:**

- a) A company borrows ₹10,000 on condition to repay it with compound interest at 5% p.a by annual instalments of ₹1000 each. Calculate the number of years by which the debt will be cleared? (6 marks)
- b) Calculate the PV of annuity of ₹5,000 p.a. for 12 years at 4% p.a C.I. (4 marks)
- c) Calculate the amount of an annuity certain of ₹150 for 12 years at 3.5% p.a C.I? (2 marks)
- d) The number of ways in which 6 men can be arranged in a row so that the particular 3 men sit together is? (3 marks)
- e) In a town of 20000 families, it was found that 40% families buy newspaper A, 20% families buy newspaper B and 10% families buy newspaper C. 5% families buy A and B, 3% buy B and C and 4% buy A and C. If 2% families buy all the three newspapers, then the number of families which buy A only is? (5 marks)

SECTION-B**II. Answer ANY SIX from the following:****6×10m=60m****2) Answer all the questions:**

- a) The number of 4- digit numbers formed with the digits 1, 1, 2, 2, 3, 4 is? (6 marks)
- b) A person wants to lease out a machinery costing ₹5,00,000 for a period of 10 years. It has a fixed rental of ₹51,272 p.a payable annually starting from the end of the year. Suppose rate of interest is 10% p.a C.I., to whom is this lease agreement favourable? (4 marks)

3) Answer all the questions:

- a) Vipul purchased a car for ₹5,50,000. He gets a loan of ₹5,00,000 at 15% p.a. from a bank and balance ₹50,000 he pays at the time of purchase. He has to pay the whole amount of loan in 12 equal monthly instalments with interest starting from the end of the first month. The money he has to pay at the end of every month is? (5 marks)
- b) A company is considering proposal of purchasing a machine either by making full payment of ₹4000 or by leasing it for four years at an annual rate of ₹1250. Is it preferable to purchase the machine or lease it, if the company can borrow money at 14% compounded annually? (4 marks)
- c) AU A is equal to? (1 mark)

- 4) Answer all the questions:
- The difference between C.I and S.I on a certain sum of money invested for 3 years at 6% p.a is ₹110.16. The sum is? (4 marks)
 - A loan of ₹10,000 is to be paid back in 30 equal instalments. Find the amount of each instalment to cover the principal and at 4% p. a CI. (4 marks)
 - If ${}^nP_3: {}^nP_2 = 3:1$, then n is equal to? (2 marks)
- 5) Answer all the questions:
- The difference between the simple and compound interest on a certain sum for 3 years at 5% p.a is ₹228.75. Find the compound interest on the sum for 2 years at 5% p.a. (4 marks)
 - If $f(x) = 1/(1-x)$ and $g(x) = (x-1)/x$, the n log (x) is? (3 marks)
 - The effective rate of interest corresponding a nominal rate of 7% p.a convertible quarterly is? (3 marks)
- 6) Answer all the questions:
- A machine is depreciated at the rate of 20% on reducing balance. The original cost of the machine was ₹1,00,000 & its ultimate scrap value was ₹30,000. Calculate the effective life of the machine. (4 marks)
 - If $f(x) = x+3$, $g(x) = x^2$, then $f(x) \cdot g(x)$ is? (2 marks)
 - The number of numbers lying between 100 and 1000 can be formed with the digits 1, 2, 3, 4, 5, 6, 7 is? (2 marks)
 - A = ₹5,200, R = 5% p.a. C.I, T = 6 years, P will be? (2 marks)
- 7) Answer all the questions:
- A town has a total population of 50,000. Out of it 28,000 read the newspaper X and 23,000 read Y while 4,000 read both the papers. Find the number of persons not reading X and Y both.
 - The C.I on ₹4,000 for 6 months at 12% p.a payable quarterly is? (3 Marks)
 - The value of ${}^{12}C_4 + {}^{12}C_3$ is? (2 marks)
 - The null set is represented by? (1 mark)
- 8) Answer all the questions:
- An examination paper consists of 10 questions out of which 6 questions are of mathematics and 4 are of statistics. At least one question from each part should be attempted. In how many ways can this be done? (4 marks)
 - The time by which a sum of money would triple itself at 8% p.a CI is? (4 marks)
 - 4-digit numbers that can be formed out of the numbers 0, 1, 2, 3, 4 is? (2 marks)

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. SECOND SEMESTER DEGREE EXAMINATION APRIL / MAY 2025
COMMERCE
Quantitative Techniques II

Duration: 2 Hours

Max Marks: 60

Section- A (compulsory)**I. Answer The Following Question :****{x20= 20}**

1. (a) Draw the appropriate graph and shade the common region.

$$x+y \leq 70$$

$$3x+y \leq 90$$

$$x \geq 0, y \geq 0$$

(5 marks)

- (b) Find The C.I on ₹4,000 for 6 months at 12% p.a payable quarterly.

(3 marks)

- (c) If the compound interest on a certain sum of money for 3 years at 5% p.a. be Rs.50.44, then the Simple Interest (S.I) is

(2 marks)

- (d) The two lines of regression are given by $8x + 10y = 25$ and $16x + 5y = 12$ respectively.

If the variance of x is 25, what is the standard deviation of y? **(10 marks)**

Section- B**II. Answer any Four of the following :****4x10= 40**

2. (a) How many 3 digit odd numbers can be formed using the digits 5,6,7,8,9, if the digits can be repeated? **(3 marks)**

- (b) There are 20 points in a plane area. How many triangles can be formed by these points if 5 points are collinear? **(2 marks)**

- (c) The standard deviation of a Poisson variate is 1.732. What is the probability that the variate lies between -2.3 to 3.68? **(5 marks)**

3. (a) Calculate The C.I on ₹16,000 for 1 ½ years at 10% p.a payable half -yearly .

(2 marks)

- (b) Find The future value of an annuity of ₹ 5,000 is made annually for 8 years at interest rate of 9% compounded annually. [Given that $(1.09)^8 = 1.99256$]

(3 marks)

- (c) Find the probability of a success for the binomial distribution satisfying the following relation $4P(x=4) = P(x=2)$ and having the parameter n as six.

(5 marks)

4. (a) Let L be the set of all lines in a plane and R be the relation in L defined as $R = \{(L_1, L_2) : L_1 \text{ is perpendicular to } L_2\}$. Show that R is symmetric but neither reflexive nor transitive (3marks)
- (b) If $H = \{2, 3, 5\}$, $G = \{4, 6\}$. Find $H \times G$ and $G \times H$. are they equal? (2 marks)
- (c) For a normal distribution with mean as 500 and SD as 120, what is the value of k so that the interval $[500, k]$ covers 40.32 per cent area of the normal curve? Given $f(1.30) = 0.9032$. (5 marks)

5. (a) Let $A = \{1, 2, 3, 4, 5, 6\}$, $B = \{2, 4, 6, 8\}$. Find $A - B$ and $B - A$. (3 marks)
- (b) Write down all subsets of $\{1, 2, 3\}$ (2 marks)
- (c) Determine the coefficient of correlation between x and y series:

	X Series	Y Series
No. of items	15	15
Sum of Sq. of deviation of mean	136	138
Arithmetic mean	25	18
Sum of product of deviation of x and y series from mean = 122		

(5 marks)

6. (a) If $y = (\log x)^x$ find dy/dx using logarithmic differentiation (5 marks)
- (b) Given the following data:

Variable:	x	y
Mean:	80	98
Variance:	4	9

Coefficient of correlation = 0.6

What is the most likely value of y when $x = 90$? (5 marks)

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME**B.Com SECOND SEMESTER DEGREE EXAMINATION APRIL / MAY 2025****INDIAN ECONOMICS****Duration: 3 hours****Max Marks: 80****SECTION - A****Answer the following:****1 × 20 = 20**

1. (a) On basis of following information, calculate NNP at market price, NNP at factor cost, Personal Income and Disposable personal income: (5 marks)

Items	Rs. in Crores
NDP at factor cost	14900
Income from domestic product accruing to government	150
Interest on National debt	170
Transfer payment by government	60
Net private donation from abroad	30
Net factor income from abroad	80
Indirect taxes	335
Direct taxes	100
Subsidies	262
Taxes on corporate profits	222

- (b) Calculate national income by value added method. (5 marks)

Particulars	Rs. (in crores)
Value of output in primary sector	2000
Intermediate consumption of primary sector	200
Value of output of secondary sector	2800
Intermediate consumption of secondary sector	800
Value of output of tertiary sector	1600
Intermediate consumption of tertiary sector	600
Net factor income from abroad	-30
Net indirect taxes	300
Depreciation	470

- (c) Suppose the consumption function $C = 7 + 0.5Y$, Investment is Rs. 100, Find out equilibrium level of Income, consumption and saving? (5 marks)
- (d) Given the empirical consumption function $C = 100 + 0.75Y$ and $I = 1000$, calculate equilibrium level of national income. What would be the consumption expenditure at equilibrium level national income? (5 marks)

SECTION - B

Answer any SIX questions:

6 × 10 = 60

2. Explain the limitations of fiscal policy.
3. (a) Despite phenomenal increase in output of both food crops and commercial crops, Indian Agriculture faces many issues. State any five such issues. (5 marks)
- (b) Considering the diverse needs of the agricultural sector and the larger farming community, a large number of interventions are undertaken by different governments. State any five recent measures adopted by the Government. (5 marks)
4. What are Fixed Exchange Rates & Floating Exchange Rates? Explain its advantages & disadvantages.
5. (a) What are Demerit Goods? How do Governments correct market failure resulting from demerit goods? (6 marks)
- (b) Explain Government intervention for correcting information failure. (4 marks)
6. (a) If the required reserve ratio is 10 percent, currency in circulation is Rs. 400 billion, demand deposits are Rs. 1000 billion, and excess reserves total Rs. 1 billion, find the value of money multiplier. (5 marks)
- (b) Compute credit multiplier if the required reserved ratio is 10% and 12.5% for every Rs. 1,00,000 deposited in the banking system. What will be the total credit money created by the banking system in each case? (5 marks)
7. Explain the following agreements:
 - (a) Free-Trade Area (5 marks)
 - (b) Bilateral Agreements (3 marks)
 - (c) Trading Bloc (2 marks)
8. Explain the Theory of Absolute Advantage.

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

COMMERCE

Modern Banking

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

SECTION – A

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

- 1) Explain the different types of risks faced by Banks.
- 2) Write a note on Bank initiated closure of Account.
- 3) Explain the Credit Card settlement Cycle.
- 4) Elaborate on the risk involved in international trade and the role of Banks in Trade, particularly in mitigating payment and exchange rate risk.

SECTION – B

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

- 5) Explain the functions of a Bank.
- 6) Explain any five frequently used terms in mutual funds.
- 7) Write a short note on Credit Cards.
- 8) Briefly explain Domestic and International Fund Transfer.
- 9) Write a short note on the numerous accepted methods of payment used in International Trade.
- 10) Write a note on Demat Account.

SECTION – C

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

- 11) Define Illiterate Person.
- 12) What is the need for Customer Correspondence?
- 13) What is Phishing?
- 14) What is a Airway Bill?
- 15) Differentiate between On Us and Off Us Refinance.
- 16) What is SWIFT System?
- 17) What is meant by KYC?

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

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

COMMERCE

Financial Analytics and Control

Duration: 2 Hours

Max Marks: 60

Section-A

Answer any TWO of the following :

2×15= 30

1. Discuss about the provisions of SOX regulation related to enhanced financial disclosures.

2. What is meant by RPA? Mention its benefits and drawbacks.

3. Rosewood Designs produces customized textiles, such as dresses, formal attire, and uniforms. Rosewood is a small sole proprietorship owned and managed by Samuel Wood. Rosewood uses a job order costing system. During July, Rosewood completed Job 431, an order for 2,000 school uniforms. Based on the success of this large order, Wood is contemplating a drastic change in business strategy. Wood is considering mass producing school uniforms and gradually phasing out custom orders. Relevant financial information is shown below.

Job 431 had a beginning work-in-process inventory balance of \$33,000 on July 1.

During July, \$3,000 of direct material was added to the job. Job 431 required a total of 3,500 direct labor hours, with 1,000 of those hours taking place in July.

The average labor rate for production workers is \$7 per hour.

Rosewood completed Job 431 on July 25.

Rosewood's predetermined manufacturing overhead rate is \$3 per direct labor hour.

After completing Job 431, management analyzed the direct labor hours. Rosewood normally experiences an 80% learning curve, and management expects that the learning curve will level off after producing 8,000 uniforms.

i. Identify what costing system would be most suitable if Rosewood begins mass-producing school uniforms. Explain your answer. (5 marks)

ii. For Job 431, calculate the cost per unit by using full absorption costing. Show your calculations. (5 marks)

iii. After completing 8,000 uniforms, what is the estimated direct labor cost per uniform? Show your calculations. (5 marks)

Section-B

Answer any TWO of the following :

2×10= 20

4. Discuss control environment component of Internal control. Mention any 4 control environment factors.
5. What are the typical processes included in Property, Plant & Equipment (PPE) cycle?
6. Define and explain the process and job costing system.

Section-C

Answer any TWO of the following :

2×5= 10

7. Discuss simulation models.
8. Explain the meaning of Fixed Cost, Variable Cost and Mixed Cost.
9. What is Audit Risk? Mention the components of Audit Risk.

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

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

COMMERCE

Materials Management

Duration: 3 Hours

Max Marks: 80

Section A

I. Answer Compulsory

(1×15= 15)

1. Case Study: Streamlining Purchasing Management at Alpha Electronics
Background Alpha Electronics, a manufacturer of consumer electronics, was facing inefficiencies in its purchasing procedures, leading to delayed production schedules and increased costs. The company relied on multiple suppliers without a structured purchasing system.

Problem • Lack of a standard purchasing procedure, leading to inconsistent procurement practices. • Delayed supplier deliveries, causing production bottlenecks. • Higher costs due to uncoordinated bulk purchasing. Solution • Implemented a centralized purchasing system to standardize procurement. • Established long-term supplier contracts for consistent pricing and delivery. • Introduced Dynamic Purchasing, allowing flexibility in supplier selection based on price and availability. • Adopted an e-procurement system to streamline order processing and tracking. Outcome • Improved purchasing efficiency by 35%, reducing delays. • Lowered procurement costs by negotiating better bulk pricing. • Enhanced supplier relationships, ensuring on-time deliveries.

1. What were the main challenges Alpha Electronics faced in purchasing management?
2. How did Dynamic Purchasing help Alpha Electronics improve its procurement process?
3. Why is a centralized purchasing system beneficial for a manufacturing company?
4. Explain how long-term supplier contracts can contribute to cost reduction.
5. What additional measures could Alpha Electronics take to further optimize its purchasing management?

Section B

II. Answer any FOUR questions

(4×10= 40)

2. Define Materials Management. Explain Materials Management Linkages with other areas of Management.
3. What do you mean by Purchase Management? Explain the purchasing cycles.
4. How does stores management function, and what are the key documentation processes involved?
5. How does the classification of inventory help in efficient inventory management and cost control?
6. How do different inventory models help businesses optimize stock levels while minimizing costs and risks?

Section C

III. Answer any FIVE questions

(5×5= 25)

7. How does third-party logistics assist in managing external interfaces of materials management?
8. Explain the challenges of International Purchase.
9. What do you understand by Stores Accounting ? Why is it necessary?
10. What are the different types of costs associated with inventory?
11. A grocery store stocks a popular brand of cereal, selling 5,000 boxes annually. The holding cost per box is Rs. 10 per year, while the ordering cost per purchase is Rs. 80. Determine the economic order quantity and analyze how a change in demand would impact inventory costs.
12. What strategies can businesses adopt to reduce inventory costs while maintaining optimal stock levels and ensuring operational efficiency?

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. SECOND SEMESTER DEGREE EXAMINATION APRIL/MAY 2025
COMMERCE
Business Mathematics

Duration: 2 Hours

Max Marks: 60

SECTION - A

Answer any TWO questions:

(15×2= 30)

- 1) a) Explain the different types of Annuity on the basis of payment period.
 b) Find the Future Value of an Annuity of Rs.6000 each, the first being made at the end of 6 years and the last at the end of 10 years, if money is worth 5% p.a
- 2) a) Solve the equation $x^2 + 3x - 10 = 0$ by using factorisation and Shridhara Acharaya method and interpret the result.
 b) The cost of 2 tables and 3 chairs is 705. If the table cost is Rs.40 more than the chair, find the cost of the table and chair.
- 3) a) There are 5 books on mathematics, 4 on accounts and 3 on economics. In how many ways can book be arranged so that book on the same subject are together.
 b) From 7 Indian's and 4 German's a committee of 5 members is to be formed. In how many ways can this be done when the committee
 (i) Consists all Indian's
 (ii) At least 2 German's
- 4) a) Explain the properties of a cone.
 b) The height of a cone is 24 cm and its base diameter is 14 cm. Find the curved surface area, total surface area and volume of the cone.

SECTION - B

Answer any FOUR questions :

(5×4=20)

- 5) a) On a morning walk, three persons step off together and their steps measure 40 cm, 42 cm, and 45 cm, respectively. What is the minimum distance each should walk so that each can cover the same distance in complete steps?
 b) Find the HCF of 125, 700
- 6) Simplify $(\frac{x^m}{x^n})^l \cdot (\frac{x^p}{x^q})^m \cdot (\frac{x^r}{x^s})^n$.
- 7) A person deposited Rs.10000 in a bank at 10% compounding annually After 4 years the rate of interest changed to 8% and after 5 more years the rate was further increased to 12%. Find the amount after 11 years.
- 8) Aron can do a work in 15 days and Bharath can do the same work in 20 days. If both of them work together in how many days they complete the work.
- 9) $8(x+5)-7=16/7$; find the value of x.
- 10) If $A = \begin{bmatrix} 13 & -2 & 4 \\ 15 & 16 & 8 \\ 15 & 2 & 8 \end{bmatrix}$, $B = \begin{bmatrix} 56 & 2 & 18 \\ 25 & 30 & -1 \\ 3 & 5 & 28 \end{bmatrix}$, then compute $A \times B$

SECTION - C

Answer any FIVE questions ;

(2×5= 10)

- 11) What are Irrational Numbers?
- 12) Find the sum of odd number from 1 to 25.
- 13) State any two properties of Proportion.
- 14) Determine the compound ratio of 3:2,2:3,3:7 and 2:9
- 15) Calculate the simple interest on Rs.5000 for two years at 10% p.a.
- 16) Solve the equation $3x-2=15$
- 17) Find the circumference of the circle of radius 5 cm.

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
BBA/B.Com SECOND SEMESTER DEGREE EXAMINATION MAY 2025
INTERNATIONAL FINANCIAL REPORTING

Duration: 3 hours**Max Marks: 80**

SECTION – A

Answer ALL the questions (2*30 = 60) (Working Notes have to be shown compulsorily for every calculation. However for MCQs, there is no requirement of any working note)

1. a) On an accounting statement of cash flows an "increase(decrease) in cash and cash equivalents" appears as:
A. A cash flow from operating activities.
B. A cash flow from investing activities.
C. A cash flow from financing activities.
D. None of the above.
- b) Bee Co. uses the direct write-off method to account for uncollectible accounts receivable. During an accounting period, Bee's cash collections from customers equal sales adjusted for the addition or deduction of the following accounts:
A. Accounts written-off: Deduction.
Increase in accounts receivable balance: Deduction.
B. Accounts written-off: Addition.
Increase in accounts receivable balance: Deduction.
C. Accounts written-off: Deduction.
Increase in accounts receivable balance: Addition.
D. Accounts written-off: Addition.
Increase in accounts receivable balance: Addition.
2. a) Best Billiard Company owns 40% of Supreme Table Company's stock at a historical cost of \$300,000. Supreme Table recently reported their earnings for the prior year. Best Billiard's proportional share of Supreme Table's prior year net income was \$10,000. Best Billiard also received \$15,000 in dividends from Supreme Table in the prior year. Best Billiard uses the equity method as the accounting treatment for this investment. Based on the information presented, the proper presentation of this investment would result in Best Billiard reporting
A. a decrease in the book value of their investment in Supreme Table.
B. an increase in the book value of their investment in Supreme Table
C. their investment in Supreme Table at the original cost.
D. consolidated financial statements with Supreme Table.
- b) Under U.S. GAAP, which one of the following statements best describes the effects on the financial statements resulting from a change in the accounting classification for a security from available-for-sale to held-to-maturity?
A. Comprehensive income will be impacted in the future by unrealized gains/losses.
B. Net income will not be impacted in the future by unrealized gains/losses
C. The balance sheet will be impacted by unrealized gains/losses.
D. No change will occur regarding the accounting treatment for unrealized gains/losses.

3. a) The presentation of the major classes of operating cash receipts (such as receipts from customers) less the major classes of operating cash disbursements (such as cash paid for merchandise) is best described as the:
- Direct method of calculating net cash provided or used by operating activities.
 - Cash method of determining income in conformity with generally accepted accounting principles.
 - Format of the statement of cash flows.
 - Indirect method of calculating net cash provided or used by operating activities
- b) The sale of available-for-sale debt securities should be accounted for on the statement of cash flows as a(n)
- financing activity.
 - noncash investing and financing activity.
 - operating activity.
 - investing activity.
4. a) Which of the below calculations would give the book value per share of common stock?
- Total assets / (Total number of shares outstanding – Number of preference shares outstanding).
 - Net income / Number of common shares outstanding.
 - Stockholders' equity / (Total number of shares outstanding – Number of preference shares outstanding).
 - (Stockholders' equity – Preferred stock) / (Total number of shares outstanding – Number of preference shares outstanding).
- b) Which of the following phrases best describes a Level I input for measuring the fair value of an asset or liability?
- Inputs for the asset or liability based on the reporting entity's internal data.
 - Quoted prices for similar assets or liabilities in active markets.
 - Inputs that are principally derived from or corroborated by observable market data.
 - Unadjusted quoted prices for identical assets or liabilities in active markets.
5. a) Which of the following is true regarding the assignment (pledging as collateral) of accounts receivable and factoring of accounts receivable for a manufacturing firm?
- The lender has recourse to the manufacturing firm under factoring but not under the assignment of accounts receivable.
 - The factoring of accounts receivable provides collateral for the manufacturing firm, whereas the assignment of receivables provides direct financing.
 - The assignment of accounts receivable involves the invoice from the manufacturing firm to its customer being stamped with a notification that payment is to be made directly to the other party, whereas the factoring of accounts receivable does not.
 - The factoring of accounts receivable involves the invoice from the manufacturing firm to its customer being stamped with a notification that payment is to be made directly to the other party, whereas the assignment of accounts receivable does not.

b) Devereaux Inc. uses a perpetual inventory system and had the following inventory inflows and outflows during the month of November.

November		Activity
1	Balance	200 units at \$20 per unit

10	Purchases	160 units at \$20 per unit
18	Sales	180 units
20	Purchases	140 units at \$24 per unit
27	Sales	100 units

If Devereaux Inc. uses the first-in, first-out method, the value of its inventory at November 30 would be

- A. \$4,400
 - B. \$4,480
 - C. \$4,560
 - D. \$4,960
6. a) Which of the following would be reported as an investing activity in a company's statement of cash flows?
- A. Collection of proceeds from a note payable.
 - B. Collection of a note receivable from a related party.
 - C. Collection of an overdue account receivable from a customer.
 - D. Collection of a tax refund from the government.
- b) When a company acquires a majority of another company, which of the following would be elements in calculating the goodwill?
- A. Non- controlling interest.
 - B. The acquirer's previously held equity interest in the acquiree.
 - C. Fair value of the acquiree's net assets.
 - D. All of the above.
7. a) Gold- &-Silver a non-public company is in its second year of operations decided to adopt IFRS on September 30, 20X2. Until then, it uses US GAAP for financial reporting purposes. The company follows the calendar year starting from January to December. While presenting its comparative financial statements as at December 31, year 1 and year 2 for two years, the date of transition to IFRS will be:
- A. January 1, 20X1.
 - B. September 30, 20X2.
 - C. January 1, 20X2.
 - D. December 31, 20X2.
- b) Which one of the following would result in a decrease to cash flow in the indirect method of preparing a statement of cash flows?
- A. Amortization expense.
 - B. Decrease in income taxes payable
 - C. Proceeds from the issuance of common stock
 - D. Decrease in inventories
8. a) How are discontinued operations that occur at mid year initially reported?
- A. Disclosed only in the notes to the year-end financial statements.
 - B. Included in net income and disclosed in the notes to the year-end financial statements.
 - C. Included in net income and disclosed in the notes to interim financial statements.
 - D. Disclosed only in the notes to interim financial statements.

b) Carlson Company has the following payments recorded for the current period.

Dividends paid to Carlson shareholders	\$150,000
Interest paid on bank loan	250,000
Purchase of equipment	350,000

The total amount of the above items to be shown in the Operating Activities Section of Carlson's Cash Flow Statement should be

- A. \$250,000.
 B. \$350,000.
 C. \$750,000.
 D. \$150,000.
9. a) Which of the following is a level three input to valuation techniques used to measure the fair value of an asset?
 A. Quoted prices in active markets for identical assets.
 B. Quoted prices for similar assets in active markets.
 C. Unobservable inputs for the asset.
 D. Inputs other than quoted prices that are observable for the asset.
- b) An analysis of a company's \$150,000 accounts receivable at year-end resulted in a credit ending balance of \$5,000 for its allowance for credit losses account and a credit loss expense of \$2,000. During the past year, recoveries on credit losses previously written off were correctly recorded at \$500. If the beginning balance in the allowance for credit losses account was a credit balance of \$4,700, what was the amount of accounts receivable written off as credit losses during the year?
 A. \$1,200
 B. \$1,800
 C. \$2,200
 D. \$2,800
10. a) At the end of year 1, a company reduced its inventory cost from \$100 to its net realizable value of \$80. As of the end of year 2, the inventory was still on hand and its net realizable value increased to \$150. Under IFRS, what journal entry should the company record for year 2 to properly report the inventory value?
 A. Debit inventory for \$20 and credit Reversal of loss for \$20.
 B. Debit inventory for \$70 and credit reversal of loss for \$70.
 C. Debit inventory for \$70, credit retained earnings for \$50 and credit reversal of loss for \$20.
 D. Debit inventory for \$20, debit reversal of loss for \$30 and credit retained earnings for \$50.

b) Thomas Engine Company is a wholesaler of marine engine parts. The activity of carburetor 2642J during the month of March is presented below.

<u>March</u>		<u>No. of Units</u>	<u>Unit Cost</u>	<u>Sales Price</u>
1	Inventory	3,200	\$64.30	\$86.50
4	Purchase	3,400	64.75	87.00
14	Sales	3,600		87.25

25	Purchase	3,500	66.00	87.25
28	Sales	3,450		88.00

If Thomas uses a weighted-average periodic inventory system, the total cost of the inventory for carburetor 2642J at March 31 is

- A. \$194,200
- B. \$198,301
- C. \$198,372
- D. \$199,233

11. Maple Industries purchased a lathe on June 1, Year 1, the beginning of the fiscal year. The lathe cost \$43,200 and has an estimated salvage value of \$3,600 and an estimated useful life of 8 years. The lathe has been used throughout the year.

Assuming that Maple Industries calculates depreciation to the nearest whole month on all assets purchased or sold during the year, the amount of double-declining-balance (DDB) depreciation that would be taken for financial reporting purposes in the fiscal year ending May 31, Year 3 in the second year of the asset's life would be _____.

12. Nella Corporation computes depreciation to the nearest whole month. A new piece of equipment was placed in operation on July 1, 20X1. It was expected to produce 400,000 units of product in its estimated useful life of eight years. Total cost was \$300,000; salvage value was estimated to be \$30,000. Nella employs a calendar year for financial reporting purposes. Actual production for the past 3 years was as follows.

Year 1 - 34,000 units

Year 2 - 62,500 units

Year 3 - 58,400 units

If Nella uses the sum-of-the-years'-digits method of depreciation, the amount of depreciation computed for this equipment for book purposes in 20X3 would be _____.

13. During 20X5, Burr Co. had the following transactions pertaining to its new office building:

Purchase price of the land	\$ 60,000
Legal fees for contracts to purchase land	2,000
Architect's fees	8,000
Demolition of old building on site	5,000
Sale of scrap from old building	3,000
Construction of new building (fully completed)	350,000

In Burr's December 31, 20X5 balance sheet, what amounts should be reported as the cost of the land and the cost of the building?

14. Weir uses straight-line depreciation for its property, plant and equipment which, stated at net book value, consisted of the following:

	Dec. 31, 20X5	Dec. 31, 20X4
Land	\$ 25,000	\$ 25,000
Buildings	195,000	195,000
Machinery and equipment	<u>605,000</u>	<u>650,000</u>
	\$ 915,000	\$ 870,000
Less accumulated depreciation	<u>400,000</u>	<u>370,000</u>
Net property, plant and equipment	\$515,000	\$500,000

Weir's depreciation expense for 20X5 and 20X4 was \$55,000 and \$50,000, respectively. What amount was debited to accumulated depreciation during 20X5 because of property, plant and equipment disposals?

15. Blake Ltd. has determined that an impairment exists on one of its machines, but the company expects to continue using the asset for another three full years as no active market exists for the machine. Selected information on the impaired asset (on the date that impairment was determined to exist) is provided below.

Original cost of machine	£22,000
Book (carrying) value of the machine	20,000
Value in use (present value of future cash flows)	15,000
Net selling price (fair value if sold less costs to sell)	12,000

According to IFRS, what is the amount of the impairment loss to be recorded by Blake?

16. Addison Hardware began the month of November with 150 large brass switch plates on hand at a cost of \$4.00 each. These switch plates sell for \$7.00 each. The following schedule presents the sales and purchases of this item during the month of November.

November	Quantity Received	Unit Cost	Units Sold
5			100
7	200	\$4.20	
9			150
11	200	\$4.40	
17			220
22	250	\$4.80	
29			100

If Addison uses FIFO inventory pricing, the value of the inventory on November 30 would be _____.

17. Devereaux Inc. uses a perpetual inventory system and had the following inventory inflows and outflows during the month of November.

November	Activity	
1	Balance	200 units at \$20 per unit
10	Purchases	160 units at \$20 per unit
18	Sales	180 units
20	Purchases	140 units at \$24 per unit
27	Sales	100 units

If Devereaux Inc. uses the moving average cost method, the value of its inventory at November 30 would be _____.

18. Jensen Company uses a perpetual inventory system. The following purchases and sales were made during the month of May:

May	Activity	Description
1	Balance	100 units at \$10 per unit
9	Purchase	200 units at \$10 per unit
16	Sale	190 units
21	Purchase	150 units at \$12 per unit
29	Sale	120 units

If Jensen Company uses the first-in, first-out (FIFO) method of inventory valuation, the May 31 inventory would be _____.

19. On December 31, Year 1, Johnson Corporation sold on account and shipped merchandise with a list price of \$75,000 to Gibsen Company. The terms of the sale were $n/30$, FOB shipping point. The merchandise arrived at Gibsen on January 5, Year 2. Because of confusion about the shipping terms, the sale was not recorded until January of Year 2 and the merchandise, sold at a markup of 25% of cost, was included in Johnson's inventory on December 31, Year 1. Johnson uses a periodic inventory system. As a result of the above, Johnson's income before income taxes for the year ended December 31, Year 1 was _____ stated by _____.

20. Moss Co. has determined its December 31, 20X5 inventory on a LIFO basis to be \$400,000. Information pertaining to that inventory follows:

Estimated selling price	\$408,000
Estimated cost of disposal	20,000
Normal profit margin	60,000
Current replacement cost	360,000

21. The following information pertains to Spee Co.'s 20X4 sales:

Cash Sales	
Gross	\$40,000
Returns and allowances	2,000
Credit Sales	
Gross	60,000
Discounts	3,000

On January 1, 20X4, customers owed Spee \$20,000. On December 31, 20X4, customers owed Spee \$15,000. Spee uses the direct write-off method for bad debts. No bad debts were recorded in 20X4. Under the cash basis of accounting, what amount of revenue should Spee report for 20X4?

22. On April 30, 20X4, Deer Corp. approved a plan to dispose of a segment of its business. For the period January 1 through April 30, 20X4, the segment had revenues of \$500,000 and expenses of \$800,000. The assets of the segment were sold on October 15, 20X4, at a loss for which no tax benefit is available in its income statement for the year ended December 31, 20X4, how should Deer report the segment's operations from January 1 to April 30, 20X4?

23. Addison Hardware began the month of November with 150 large brass switch plates on hand at a cost of \$4.00 each. These switch plates sell for \$7.00 each. The following schedule presents the sales and purchases of this item during the month of November.

November	Quantity Received	Unit Cost	Units Sold
5			100
7	200	\$4.20	
9			150
11	200	\$4.40	
17			220
22	250	\$4.80	
29			100

If Addison uses perpetual LIFO inventory pricing, the value of the inventory at November 30 will be _____.

24. Blake Ltd. has determined that an impairment exists on one of its machines, but the company expects to continue using the asset for another three full years as no active market exists for the machine. Selected information on the impaired asset (on the date that impairment was determined to exist) is provided below.

Original cost of machine	£22,000
Book (carrying) value of the machine	20,000
Value in use (present value of future cash flows)	15,000

Net selling price (fair value if sold less costs to sell) 12,000

According to IFRS, what is the amount of the impairment loss to be recorded by Blake?

25. Bertram Company had a balance of \$100,000 in Retained Earnings at the beginning of the year and \$125,000 at the end of the year. Net income for this time period was \$40,000. Bertram's Statement of Financial Position indicated that Dividends Payable had decreased by \$5,000 throughout the year, despite the fact that both cash dividends and a stock dividend were declared. The amount of the stock dividend was \$8,000. When preparing its Statement of Cash Flows for the year, Bertram should show Cash Paid for Dividends as _____.
26. In preparing its cash flow statement for the year ended December 31, 20X4, Reve Co. collected the following data:

Gain on sale of equipment	\$(6,000)
Proceeds from sale of equipment	10,000
Purchase of A.S., Inc. bonds (par value \$200,000)	(180,000)
Amortization of bond discount	2,000
Dividends declared	(45,000)
Dividends paid	(38,000)
Proceeds from sale of treasury stock (carrying amt \$65,000)	75,000

In its December 31, 20X4, statement of cash flows, what amount should Reve report as net cash used in investing activities?

27. Jensen Company uses a perpetual inventory system. The following purchases and sales were made during the month of May:

May	Activity	Description
1	Balance	100 units at \$10 per unit
9	Purchase	200 units at \$10 per unit
16	Sale	190 units
21	Purchase	150 units at \$12 per unit
29	Sale	120 units

If Jensen Company uses the perpetual last-in, first-out (LIFO) method of inventory valuation, the May 31 inventory would be _____.

28. On the December 31, year 1 balance sheet of the Stat Company, the current assets were comprised of the following items:

Cash	\$70,000
Accounts receivable	120,000
Inventories	60,000

An examination of the accounts revealed that the accounts receivable were composed of the following items:

Trade accounts	\$93,000
Allowance for uncollectible accounts	(2,000)
Claim against shipper for goods lost in transit (11/Y1)	3,000
Selling price of unsold goods sent by Stat on consignment at 130% of cost (and not included in Stat's ending inventory)	26,000
	\$120,000

What is the correct amount of current assets as of 12/31/Y1?

29. Pearl Corporation acquired manufacturing machinery on January 1 for \$9,000. During the year, the machine produced 1,000 units, of which 600 were sold. There was no work-in-process inventory at the beginning or at the end of the year. Installation charges of \$300 and delivery charges of \$200 were also incurred. The machine is expected to have a useful life of five years with an estimated salvage value of \$1,500. Pearl uses the straight-line depreciation method. The original cost of the machinery to be recorded in Pearl's books is _____.
30. A company has included \$4,970 net of tax as a reclassification adjustment in its other comprehensive income from the unrealized gain on an available for sale debt securities. Assuming the company operates in a 30% tax bracket. If there are no further fair value fluctuations to these securities, what is the amount of gain or loss that the company should report in income from continuing operations when the securities are sold?

SECTION - B

Answer any FOUR questions: ($5 \times 4 = 20$) ($2+2+1$)

31. a) Write a short note on impairment.

b) At the end of the current fiscal year, Premiere Company reported net income of \$30,000. In addition, the following information is available.

	Prior Fiscal Year	Current Fiscal Year
Accounts receivable	\$10,000	\$12,000
Inventories	22,000	19,000
Prepaid expenses	6,000	7,000
Accounts payable	14,000	19,000
Long-term debt	70,000	62,000

What amount should be reported as cash flow from operating activities on Premiere's Statement of Cash Flows for the current fiscal year?

- c) Receivables Turnover ratio = ?
32. a) Write a short note on different methods of depreciation.
- b) Mirr, Inc. was incorporated on January 1, 20X0, with proceeds from the issuance of \$750,000 in stock and borrowed funds of \$110,000. During the first year of operations, the revenues from sales and consulting amounted to \$82,000, and operating costs and

expenses totaled \$64,000. On December 15, Mirr declared a \$3,000 cash dividend, payable to stockholders on January 15, 20X1. No additional activities affected owners' equity in 20X0. Mirr's liabilities increased to \$120,000 by December 31, 20X0. On Mirr's December 31, 20X0, balance sheet, total assets should be reported at _____.

c) Payables conversion period = ?

33. a) Write a short note on fair value.

b) Kline Co. had the following sales and accounts receivable balances at the end of the current year:

Cash sales	\$1,000,000
Net credit sales	3,000,000
Net accounts receivable, 1/1	100,000
Net accounts receivable, 12/31	400,000

What is Kline's average collection period for its accounts receivable?

c) Effective cost of discount = ?

34. a) Write a short note on factoring.

b) Larry Mitchell, Bailey Company's controller, is gathering data for the Statement of Cash Flows for the most recent year end. Mitchell is planning to use the indirect method to prepare this statement, and has made the following list of cash inflows for the period.

- Net income of \$100,000.
 - Securities purchased for investment purposes with an original cost of \$100,000 sold for \$125,000.
 - Proceeds from the issuance of additional company stock totaling \$10,000.
- The correct amount to be shown as net cash provided by operating activities is _____.

c) Write a short note on FIFO Periodic and FIFO Perpetual methods of inventory valuation.

35. a) Write a short note on integrated reporting.

b) Kent Co. incurred the following infrequent losses during 20X1:

- A \$300,000 loss was incurred on disposal of one of four dissimilar factories.
- A major currency devaluation caused a \$120,000 exchange loss on an amount remitted by a foreign customer.
- Inventory valued at \$190,000 was made worthless by a competitor's unexpected product innovation.

Kent Co. is subject to a 34% tax rate.

In its 20X1 income statement, what amount should Kent report as losses from separately stated components of continuing operations and losses from discontinued operations (after tax)?

c) Write a short note on LIFO Periodic and LIFO Perpetual methods of inventory valuation.

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. SECOND SEMESTER DEGREE EXAMINATION APRIL / MAY 2025
COMMERCE
Leadership and Management

Duration: 3 Hours

Max Marks: 80

Section A

I. Answer any TWO questions

(2×15= 30)

1. **Strategic, Tactical, and Operational Planning – Expanding a Business**

Background:

Amit is the owner of a successful restaurant in Mumbai and plans to open branches in two more cities. To ensure smooth expansion, he needs to create a structured strategic, tactical, and operational plan.

Scenario:

Amit needs to decide how to allocate resources, manage operations, and execute the expansion while maintaining food quality and customer experience.

Questions for Analysis:

a. Define strategic, tactical, and operational planning in business expansion.

(3 marks)

b. What should be included in Amit's strategic plan for expansion? **(4 marks)**

c. Suggest a tactical plan for managing staff, marketing, and logistics in the new branches. **(4 marks)**

d. Propose an operational plan for daily activities in the new restaurants. **(4 marks)**

2. **Corporate Governance and Ethical Leadership – Ratan Tata's Business Ethics**

Background:

Ratan Tata, the former chairman of Tata Group, is known for his ethical leadership and corporate governance. Under his leadership, Tata refused to engage in corruption, focused on social responsibility, and made business decisions that prioritized ethics over profits.

Scenario:

A government official offers your company a major business contract but demands an under-the-table payment to approve it. Some board members argue that bribery is a common practice in the industry, while others believe it goes against the company's ethical values.

Questions for Analysis:

- a. What leadership qualities make Ratan Tata a role model for ethical leadership? **(3 marks)**
- b. How should ethical businesses handle corruption in industries where bribery is common? **(4 marks)**
- c. If you were the CEO, would you accept the contract under these conditions? Justify your decision. **(4 marks)**
- d. How can companies build an ethical culture to prevent unethical business practices? **(4 marks)**

3. **Great Person Theory – Was Steve Jobs a Born Leader?**

Background:

Steve Jobs, co-founder of Apple, is often considered a born leader due to his visionary thinking, charisma, and ability to drive innovation.

Scenario:

A debate arises in a business school class—was Steve Jobs a natural-born leader, or did he develop leadership skills over time?

Questions for Analysis:

- a. Explain the Great Person Theory of leadership. **(3 marks)**
- b. Analyze whether Steve Jobs fits this theory or developed leadership skills over time. **(4 marks)**
- c. What are the limitations of the Great Person Theory? **(4 marks)**
- d. How can individuals develop leadership qualities even if they are not "born leaders"? **(4 marks)**

Section B

II. Answer any THREE questions

(3×10= 30)

4. Discuss the key benefits of design thinking in fostering innovation and creativity within organizations. How can design thinking be applied in real-world scenarios to solve complex problems and improve user experiences?
5. Identify and explain essential leadership traits that contribute to effective leadership, highlighting their significance.
6. Leaders encounter various challenges that influence an organization's success. Analyze the key challenges faced by leaders in today's evolving business landscape and illustrate their impact on leadership effectiveness with relevant examples.

7. Discuss the significance of establishing personal and professional goals for ongoing self-improvement. Illustrate your answer with examples of effective goal-setting strategies.

Section C

III. Answer any FOUR questions

(4×5= 20)

8. 1. What is emotional intelligence primarily concerned with?
- a) Logical reasoning
 - b) Managing emotions effectively
 - c) Technical expertise
 - d) Financial management
2. Social intelligence refers to the ability to:
- a) Solve mathematical problems
 - b) Build and maintain relationships
 - c) Develop software solutions
 - d) Analyze economic trends
3. Which of the following is a key feature of effective global leadership?
- a) Cultural sensitivity
 - b) Focus solely on profit
 - c) Avoiding change
 - d) Centralized decision-making
4. Integration of human and artificial intelligence in leadership helps in:
- a) Reducing human interaction
 - b) Improving decision-making efficiency
 - c) Eliminating the need for leaders
 - d) Automating all tasks
5. Which aspect is NOT directly influenced by culture in global leadership?
- a) Communication style
 - b) Decision-making approach
 - c) Technological advancement
 - d) Conflict resolution strategies
9. What is a win-win outcome in negotiation, and why is it important?

10. How do personal and professional codes of conduct help leaders in making ethical decisions and upholding integrity in their roles?
11. 1. Contingency theories of leadership emphasize that:
- a) Leadership effectiveness depends on the situation
 - b) Leaders should always use the same leadership style
 - c) Leadership is only about personality traits
 - d) Leaders do not need to adapt to change
2. Which of the following is NOT a leadership theory?
- a) Transformational leadership
 - b) Contingency theory
 - c) Motivation theory
 - d) Behavioral theory
3. Emotional intelligence in leadership involves:
- a) Understanding and managing emotions
 - b) Ignoring team emotions
 - c) Focusing only on business results
 - d) Controlling employees strictly
4. A leader with high emotional intelligence will:
- a) Show empathy and effective communication
 - b) Make decisions without consulting others
 - c) Avoid social interactions
 - d) Focus only on personal goals
5. Which of these is a key component of emotional intelligence?
- a) Self-awareness
 - b) Ignoring feedback
 - c) Manipulating people
 - d) Always being serious
12. 1. What is one effective time management technique?
- a) Prioritizing tasks based on importance
 - b) Doing everything at the last minute
 - c) Avoiding planning
 - d) Ignoring deadlines

2. Procrastination is:

- a) The habit of delaying tasks unnecessarily
- b) A useful time management skill
- c) A sign of high productivity
- d) Essential for motivation

3. How can you avoid procrastination?

- a) Breaking tasks into smaller steps
- b) Waiting for the perfect moment to start
- c) Avoiding schedules
- d) Ignoring deadlines

4. The Pomodoro technique involves:

- a) Working in short intervals with breaks
- b) Working without breaks
- c) Multitasking on all tasks
- d) Completing all tasks at once

5. Stress management techniques include:

- a) Meditation, exercise, and proper sleep
 - b) Avoiding responsibilities
 - c) Increasing workload
 - d) Overthinking every situation
-