21COMC301 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.COM. THIRD SEMESTER DEGREE EXAMINATION : OCTOBER 2025

COMMERCE

Corporate Accounting

Duration:2 Hours Max Marks:60

Section-A

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

1. Prepare the Balance Sheet of Prisma Ltd., from the following balances as on 31 March 2022 in the prescribed form.

	Rs.		Rs.
Advance given to suppliers	3,72,000	Bills receivables	55,000
Secured Loan	10,00,000	Creditors	11,45,000
Cash at Bank	2,75,000	6% Debentures	27,00,000
Investments	2,75,000	Provision for taxation	1,70,000
Profit & Loss A/c (Loss)	3,00,000	Securities Premium	3,25,000
Debtors	12,25,000	General Reserves	20,50,000
Stock of raw materials	4,00,000	Bills Payables	2,00,000
Preliminary Expenses	58,000	Provision for doubtful debts	20,200
Premises	45,00,000	Provision for depreciation	5,00,000
Machinery	11,50,000	Equity Share Capital (Rs.10)	3,00,000
Capital Work-in Progress	2,00,000	Preference Capital (Rs.100)	10,00,000
Stock of finished goods	7,50,200	Unclaimed Dividend	1,50,000

2. On 1st January 2018 Amar Steel Ltd. issued 2,000 , 9% Debentures of Rs.100 each repayable at the end of 4 years at a premium of 5%. It has been decided to institute a Sinking Fund for the purpose. The investment being expected to earn 4% net. Sinking Fund tables show that Re.0.235490 annually amounts to Re.1/- at 4% in 4 years. Investments were made in multiples of Rs.100/- only.

On 31st December 2021 the balance at bankwas Rs.59,000 (before interest on investments received) and investments realized at Rs.1,56,800. The debentures were paid off.

Prepare: a. Sinking Fund A/c

b. Sinking Fund Investment A/c and

c. Bank A/c

3. Following is the Summarised Balance Sheet of Royal Blue Ltd as on 31 March 2022.

Liabilities	Rs	Assets	Rs
6,000, 8% Redeemable Preference Shares of Rs. 100 each	6,00,000	Sundry Assets	26,20,000
3,000, 9% Redeemable Preference Shares of Rs. 100 each, Rs. 75 paid up	2,25,000	Cash at Bank	8,25,000
1,50,000 Equity shares of Rs. 10 each fully paid	15,00,000		
Capital Reserve	1,00,000		
Securities Premium	60,000		
Revenue Reserve	6,00,000		
Other liabilities	3,60,000		
	34,45,000		**34,45,000**

It was decided to redeem both the classes of preference shares at a premium of 5%. The company issued for cash so many equity shares of Rs. 10 each at a premium of 10% as were necessary to provide for redemption of both classes of preference shares which could not otherwise be redeemed. The issue was fully subscribed and all the moneys were received. Then the company made a bonus issue of one share for every three shares for all the equity shareholders. Pass journal entries and redraft the Balance sheet after redemption.

Section-B

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

4. On 1st April 2021 the following balances appeared in the books of Sophia Ltd.

6% Debentures Rs.2,00,000

Sinking Fund Rs.1,60,000

Sinking Fund Investment Rs.1,60,000

The investments consisted of 14% Mangalore City Corporation Bonds of the face value of Rs.1,80,000.

The Annual instalment was Rs.32,800.

On 31st March 2022 the balance at bank was Rs.45,000 (before receiving interest on investment).

The investments realized at 92% net and the debentures were redeemed.

Prepare: Sinking Fund A/c, Sinking Fund Investment A/c and Bank A/c.

5. Rakesh underwrites the new issues of SONATA Ltd., to the extent of 20,000 shares of Rs.10 each.

   The agreed commission was 5% payable as to 60% in cash and the rest in fully paid shares.

   The public subscribed 8,000 shares and the balance had to be taken up by Rakesh.

   Show journal entries to record these transactions in the books of the company.

6. Following is the Balance Sheet of Stardust Ltd., as on 31-3-2022.

Liabilities	Rs.	Assets	Rs.
Share Capital	30,00,000	Non-Current Assets	20,00,000
Reserves & Surplus	7,50,000	Current Assets	25,00,000
Creditors	12,50,000	Investments	5,00,000
	50,00,000		**50,00,000**

The investments are in 8% Government Bonds.

The net profit after taxation for the past 4 years were: Rs. 7,85,000, Rs. 8,45,000, Rs.8,50,000 and Rs. 8,60,000 respectively.

Normal rate of return on average capital employed is 20%.

Calculate the value of Goodwill:

1. As per 2 years purchase of Weighted Average Profit.
2. As per 3 years purchase of Super Profit.

Section-C

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

7. Under which heading will the following items of the trial balance of a company appear in its final accounts as per the statutory form of Companies Act, 2013?

   a. Goodwill

   b. Preliminary Expenses

   c. Bank Overdraft

   d. Manufacturing Wages

   e. Debenture interest paid

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8. Maruthi Ltd. issued prospectus inviting applications for 60,000 equity shares of Rs.10 each.

The whole issue was underwritten by three underwriters A, B and C in 3:2:1 proportion.

Applications were received for 50,000 shares of which marked applications were: A – 20,000 shares; B – 16,000 shares; and C-12,200 shares.

Show the statement of underwriters' liability.

9. From the following particulars relating to the business of Lotus Company, Compute the value of goodwill on the basis of three years purchase of super profits taking average of past four years.

Non-Current Assets	Rs. 8,00,000
Current Assets	Rs. 80,000
Current Liabilities	Rs. 1,60,000
Normal Rate of Return	15%

Manager's remuneration likely to be incurred in the future Rs. 10,000 p.a.

Profits for the past four years were:

Rs. 1,20,000, Rs. 1,40,000, Rs. 1,30,000 and Rs. 1,50,000 respectively.

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21COMC302 **Reg No : ....**

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com. THIRD SEMESTER DEGREE EXAMINATION OCTOBER 2025

COMMERCE

Business Statistics

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

SECTION – A

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

1) From the following data calculate the Mean, Median and Mode:

Class Interval	5-35	35-65	65-95	95-125	125-155	155-185	185-215
Frequency	8	12	43	49	16	10	7

2) Calculate the coefficient of skewness based on quartiles from the following data :

Variable	0-10	10-20	20-30	30-40	40-50	50-60	60-70	70-80
	12	16	26	38	22	15	7	4

3) From the following data, compute the rank correlation.

X	82	68	75	61	68	73	85	68
Y	81	71	71	68	62	69	80	70

4) a. Compute Fisher's Price Index number from the following data. Show that Fisher's index numbers satisfy Factor Reversal Test. (8 marks)

Commodity	Base Year		Current Year	
	Price	Quantity	Price	Quantity
I	10	12	20	9
II	20	4	25	8
III	30	13	40	27
IV	60	29	75	36

451

b. Find the cost-living index number by the Family budget method (7 marks)

Group	Food	Clothing	Fuel & Lighting	House Rent	Miscellaneous
I	78	80	110	60	90
W	5	3	4	2	6

SECTION – B

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

5) 25 boys and 15 girls in a class appeared in an examination. The average grade for boys and girls were 5 and 6 respectively. Find the average grade of all the 40 students in the class.

6) Given the following figures: 3,5,3,5,10,5,15,10,12,12. Calculate Karl Pearson's Co-efficient of skewness.

7) The following table gives the age distribution of a group of 50 individuals.

Age (in years)	16 – 20	21 – 25	26 – 30	31 – 36
No. of persons	10	15	17	8

Calculate range and the coefficient of range.

8) In a class test, the marks obtained by students are tabulated and presented below

Marks	5	10	15	20
Number of students	3	12	10	5

One student is picked up at random. What is the probability that he got 15 marks?

9) Explain the Properties of Regression Coefficients,

10) From the data given below compute Paasche's index number.

Commodities	Price		Quantity	
	1995	2001	1995	2001
A	4	10	50	40
B	3	9	10	2
C	2	4	5	2

SECTION – C

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

11) The marks of 7 students are as follows. Calculate the median marks.
131,150,114, 125, 96, 142 and 103

12) Mention any two uses of Statistics.

13) Determine which machines are more stable and uniform

Machines	Mean	Standard Deviations	No.of machines
OLd	61	8	55
New	51	6	45

14) What is meant by Binomial Distribution?

15) State any two differences between Correlation and Regression.

16) Mention the different types of Correlation.

17) Give the formula to calculate Fisher's price index number.

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452

21COMC303 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.COM. THIRD SEMESTER DEGREE EXAMINATION OCTOBER 2025
COMMERCE
Cost Accounting

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

SECTION – A

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

1) Following are the particulars for the production of 2000 sewing machines for the year 2019.

	Rs.
Cost of materials	1,60,000
Wages	2,40,000
Manufacturing Expenses	1,00,000
Depreciation	1,20,000
Rent, Rates and Insurance	20,000
Selling Expenses	60,000
General Expenses	40,000
Sales	8,00,000

The Company plans to manufacture 3000 sewing machines during 2020. You are required to submit a statement showing the price at which machines would be sold so as to earn a profit of 10% on selling price. The following additional information is supplied.

1.Price of materials is expected to rise by 20%.

2.Wage rates are expected to show an increase of 5%.

3.Manufacturing expenses will rise in proportion to the combined cost of materials and wages.

4.Selling Expenses per unit will remain the same.

5.Other expenses will remain unaffected by the rise in output.

2) Prepare a Stores Ledger Account under FIFO method.

2020 July

1. Balance 250 units @ Re.1 per unit.
3. Received 100 units GR No.12 @ Rs.1.10 per unit.
4. Issued 50 units on MR No.61
6. Received 800 units GR No.13 @ Re.1.20 per unit.
7. Issued 300 units on MR No.63.
8. Returned to stores 20 units issued on MR.No.61.12
12. Received 300 units GR No.15 @ Rs.1.25 per unit .
15. Issued 320 units on MR No.83.
18. Received 100 units GR No.73.@ Rs.1.30 per unit
20. Issued 120 units MR No.102.
25. Returned to vendors 30 units from GR No.73 received on 18 July.
26. Received 200 units GR.No.95 @ Re.1 per unit.
28. Freight paid on purchase (vide GR No.95) made on 26 July Rs.70.
30. Issued 150 units MR No.115.
31. Excess of 10 units were found on stock verification.

Q56

3) The following information pertains to three machines used in a shop.

	Machine A	Machine B	Machine C
	Rs.	Rs.	Rs.
Rent and Taxes	75	59	120
Insurance	2	1	4
Power (@ 0.08 paise per unit)	128	146	270
Administrative Overhead	50	37	76
Factory overheads	307	252	389
Repairs	30	63	15
Oil and Sundries	8	15	10
Depreciation.	40	37	68

Each machine uses 5 units of power per hour. Job No.28 was completed with the help of these machines.The cost of materials and labour were Rs.5,000 and Rs.3,000 respectively. Machine A was used for 35 hours, machine B for 40 hours, Machine C for 8 hours. Compute machine hour rate and also cost of Job No.28.

4) The Indian Co. Ltd. has three production departments and two service departments.The following information is available regarding various expenses.

	Rs.
Power	2,400
Rent	4,200
Canteen	3,000
Personnel department	3,000
Time office	1,000
Maintenance of buildings	2,400
Fire prevention service	1,200
Insurance on assets	1,000

Depreciation 10% of capital value.

You also have the following data

	Production Dept.			Service Dept.	
	P1	P2	P3	S1	S2
Area (Sq. metres)	400	400	300	200	100
K.W. hours	2,000	2,200	800	750	250
No. of workers	90	120	30	40	20
Capital value of assets (Rs. In lakhs)	0.50	0.60	0.40	0.30	0.20

The services of S1 and S2 departments are used by other departments in the following proportion.

	P1	P2	P3	S1	S2
S1	25%	30%	25%	--	20%
S2	40%	20%	30%	10%	--

Calculate the total overheads of production departments after re-apportioning service department overheads under Simultaneous Equation Method.

SECTION – B

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

5) Briefly explain the elements of costs.

6) The following information are supplied to you prepare a stores ledger card as per Weighted Average Method of pricing the issues of materials.

January 1 Opening balance 3,000 kg at Rs. 15 per kg
3 Purchases 5,000 kg at Rs.16.16 per kg
4 Issue 1,200 kg
10 Returned to store 300 kg
15 Excess found 7050 kg
20 Issued 4,000 kg
25 Purchased 4,980 kg at Rs.13 per kg.
30 Issued 3,000 kg

7) A workers takes 6 hours to complete a job under a scheme of payment by results. Standard time allowed for the job is 9 hours. His wage rate is Rs.150 per hour. Material cost of the job is Rs.1600 and overhead are recovered at 200% of total direct wages. Calculate factory cost of the job under Rowan and Halsey Premium Plans.

8) In a factory there are 3 production departments A,B and C and 2 service departments D and E. From the following details, prepare primary distribution summary.

Indirect materials	Rs.1,500
Indirect wages	Rs. 1,500
Depreciation on machinery	Rs. 2,400
Rent and Taxes	Rs. 1,000
Power	Rs.1,000
Lighting	Rs. 3.,500
Sundries	Rs. 1,500

Other details are as follows:

	A	B	C	D	E
Direct Materiarls	20,000	10,000	20,000	5,000	5,000
Direct Wages	10,000	10,000	4,000	2,000	4,000
Value of machinery	50,000	1,00,000	75,000	25,000	50,000
Floor area (sq.Ft)	1,000	1,500	1,500	500	500
H.P of machines	8	7	15	5	5
Lighting Points	6	8	12	4	5

9) The net profits of Salome Co. Ltd. appeared at Rs.91,200 as per cost book records for the year ending 31.12.2021. A scrutiny of the figures from both the sets of accounts revealed the following facts:

	Rs.
Works overheads under recovered in cost books	1,560
Office overheads over-recovered in cost books	850
Depreciation charged in financial accounts	5,600
Depreciation recorded in cost books	5,250
Interest on Investments not included in cost books	4,000
Loss due to obsolescence charged in financial accounts	2,850
Income Tax provided in financial accounts	20,150

Bank interest and transfer fees entered in financial books	375
Stores adjustments (credited in Financial books)	237
Value of opening stock in cost accounts	24,800
Value of opening stock in financial accounts	26,300
Interest charged in Financial books	2,000
Goodwill written off	5,000

Prepare a statement showing the reconciliation between the Net Profits as per cost and financial accounts.

10) Two components Ax and Bx are used as follows:
Normal usage 300 units per week each
Maximum usage 450 units per week each.
Minimum usage 150 units per week each.
Reorder quantity Ax 2400 units
Bx 3600 units
Re-order Period
A – 4 to 6 weeks
B – 2 to 4 weeks
Calculate for each component:
a) Reorder level
b) Minimum level
c) Maximum level
d) Average Stock level

SECTION – C

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

11) If total cost is Rs. 5,000 and rate of profit is 33.33% on selling price, calculate the amount of profit.

12) The following particulars were collected for the year 2020:

Cost of placing an order	Rs.100
Annual carrying cost per unit	Rs.15
Usage of material per week:	
Minimum	25 units
Maximum	75 units

Find the Economic Ordering Quantity.

13) State the causes of Normal Idle Time.

14) What is absorption of overhead?

15) Write two reasons for variations in profits.

16) State any two functions of stores department.

17) Define Employee Cost.

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G58

21COMC311 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com. THIRD SEMESTER DEGREE EXAMINATION OCTOBER 2025

COMMERCE

Financial Reporting II

Duration:2 Hours Max Marks:60

Section A

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

1. On 1 May 20X7 Karl bought 60% of Susan paying $76,000 cash. The summarised statements of financial position for the two entities as at 30 November 20X7 are:

Non-current assets	Karl ($)	Susan ($)
Property, plant & equipment	138,000	115,000
Investments	98,000	–
Current assets Inventory	15,000	17,000
Receivables	19,000	20,000
Cash	2,000	–
	272,000	152,000
Share capital	50,000	40,000
Retained earnings	189,000	69,000
	239,000	109,000
Non-current liabilities: 8% Loan notes	–	20,000
Current liabilities	33,000	23,000
	272,000	152,000

The following information is relevant

1. The inventory of Karl includes $8,000 of goods purchased for cash from Susan at cost plus 25%.

4160

2. On 1 June 20X7 Karl transferred an item of plant to Susan for $15,000. Its carrying amount at that date was $10,000, and its remaining useful life was 5 years.

3. Karl values the non-controlling interest using the fair value method. At the date of acquisition the fair value of the 40% non-controlling interest was $50,000.

4. An impairment loss of $1,000 is to be charged against goodwill at the year-end.

5. Susan earned a profit of $9,000 in the year ended 30 November 20X7.

6. The loan note in Susan's books represents monies borrowed from Karl on 30 November 20X7.

7. Included in Karl's receivables is $4,000 relating to inventory sold to Susan during the year. Susan raised a cheque for $2,500 and sent it to Karl on 29 November 20X7. Karl did not receive this cheque until 4 December 20X7.

Prepare the consolidated statement of financial position as at 30 November 20X7.

2. On 1 April 20X5 Lobster purchased 80% of the equity shares in Crab. The summarised statements of profit or loss for the two entities for the year ended 31 December 20X5 are

	Lobster $	Crab $
Revenue	150,000	80,000
Cost of sales	(60,000)	(52,000)
Gross profit	90,000	28,000
Operating expenses	(30,000)	(10,000)
Finance costs	(6,000)	(1,800)
Profit before tax	54,000	16,200
Income tax expense	(12,000)	(3,200)
Profit for the year	42,000	13,000

1. During November 20X5 Crab sold goods to Lobster for $10,000 at a margin of 30%. 40% of these goods had been sold by Lobster before the year-end.2. At the date of acquisition all of Crab's assets were carried at fair value with the exception of an item of plant, whose fair value was $15,000 above its carrying amount. At this

date the plant had a remaining useful life of 5 years. All depreciation is charged to cost of sales.

3. Lobster's policy is to value the non-controlling interest of Crab at the date of acquisition at its fair value.

4. The goodwill of Crab has suffered impairment during the year of $3,000. Prepare the consolidated statement of profit or loss of the Lobster Group for the year ended 31 December 20X5.

3. The statements of profit or loss for the year ended 31 December 20X9 are as follows:

Statements of profit or loss for the year ended 31 December 20X9

	Kathmandu $	Nepal $
Revenue	553,000	450,000
Operating costs	(450,000)	(400,000)
	———	———
Operating profits	103,000	50,000
Investment income	8,000	–
	———	———
Profit before tax	111,000	50,000
Income tax expense	(40,000)	(14,000)
	———	———
Profit for the period	71,000	36,000
	———	———

Additional information:

1. On 1 January 20X5 Kathmandu acquired 70% of the shares of Nepal for $100,000 when the fair value of Nepal's net assets was $110,000. Nepal has equity capital of $50,000. At that date, the fair value of the non-controlling interest was $40,000. It is group policy to measure the NCI at fair value at the date of acquisition.

2. Nepal paid a $10,000 dividend on 31 March 20X9.

3. Nepal had retained earnings of $80,000 on 1 January 20X9. Goodwill has not been impaired.

4. Kathmandu sold its holding in Nepal on 1 July 20X9 for $200,000. This disposal is not yet recognised in any way in Kathmandu's statement of profit or loss.

Prepare the group statement of profit or loss for the year ended 31 December 20X9 for the Kathmandu group, assuming that the disposal of Nepal represents a discontinued operation under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

4. The Puma group operates in the farming industry and has operated a number of 100% owned subsidiaries for many years. Its financial statements for the last two years are shown below.

Consolidated statements of profit or loss for the year ended 30 September

	20X3	20X2
	$000	$000
Revenue	94,000	68,500
Cost of sales	(46,000)	(28,000)
Gross profit	48,000	40,500
Distribution costs	(21,200)	(19,300)
Administrative expenses	(25,600)	(15,400)
Profit from operations	1,200	5,800
Investment income	–	600
Finance costs	(120)	–
Profit before tax	1,080	6,400
Income tax expense	(300)	(1,920)
Profit for the year	780	4,480
Attributable to:		
Shareholders of Puma	1,580	4,480
Non-controlling interest	(800)	–
	780	4,480

Consolidated statements of financial position (extracts) as at 30 September

Current Assets	20X3 $000	20X2 $000
Inventories	6,500	4,570
Trade receivables	17,000	15,600
Bank	610	6,000
Equity		
Share capital	25,000	6,000
Retained earnings	73,500	72,500
Non-controlling interest	510	–
Non-current liabilities		
Loan	20,000	–

The following information is relevant:

(i) Puma has become increasingly worried about two major areas in its business environment. Firstly, there are concerns that reliance on large supermarkets is putting pressure on cash flow, as the supermarkets demand extended payment terms. Secondly, consistent increases in fuel prices mean that delivering the produce nationally is becoming extremely expensive.

(ii) To manage this, Puma acquired 80% of Howard on 1 October 20X2. This was the first time Puma had acquired a subsidiary without owning 100%. Howard operates two luxury hotels, and Puma acquired Howard with a view to diversification and providing a long-term solution to the cash flow concerns.

(iii) The Puma group raised finance for the acquisition from a number of sources. Part of this came from the disposal of $11 million held in investments, making a $4.5 million gain on disposal, which is included within administrative expenses.

(iv) Howard opened the third hotel in March 20X3, its largest yet. After poor initial reviews, Howard appointed a new marketing director in May 20X3. Following an extensive marketing campaign, online feedback had improved significantly.

(v) The following ratios have been calculated for the year ended 30 September 20X2:

- Gross profit margin 59.1%
- Operating margin 8.5%
- Return on capital employed 7.4%

- Inventory turnover period 60 days
- Receivables collection period 83 days

Required:

(a) For the ratios provided above, prepare the equivalent figures for the year ended 30 September 20X3.

(b) Analyse the performance of Puma for the year ended 30 September 20X3, making specific reference to any concerns or expectations regarding future periods.

Section B

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

5. Hardfloor Co fits out nightclubs. The projects generally take a number of months to complete. The company had two contracts in progress at the year ended 30 April 20X7, and details are as follows:

	K	L
	$000	$000
Costs incurred to date	440	20
Costs to complete	190	220
Contract price	684	300
Work certified to date	456	–
Progress payments	380	–

Hardfloor Co accounts for revenue on its construction contracts using the percentage of completion derived from the sales earned as work certified compared to the total sales value.

Calculate the effects of the above contracts upon the financial statements of Hardfloor Co for the year ended 30 April 20X7.

6. a. A company had 8.28 million shares in issue at the start of the year and made no new issue of shares during the year ended 31 December 20X4, but on that date it had in issue $2,300,000 convertible loan stock 20X6-20X9. The loan stock carries an effective rate of 10%. Assume an income tax rate of 30%. The earnings for the year were $2,208,000. This loan stock will be convertible into ordinary $1 shares as follows.

1. 20X6 90 $1 shares for $100 nominal value loan stock
2. 20X7 85 $1 shares for $100 nominal value loan stock

467

3. 20X8 80 $1 shares for $100 nominal value loan stock

4. 20X9 75 $1 shares for $100 nominal value loan stock

Calculate the diluted earnings per share for the year ended 31 December 20X4.

b. A company had 8.28 million shares in issue at the start of the year and made no issue of shares during the year ended 31 December 20X4, but on that date, there were outstanding options to purchase 920,000 ordinary $1 shares at $1.70 per share. The average fair value of ordinary shares was $1.80. Earnings for the year ended 31 December 20X4 were $2,208,000. Calculate the diluted earnings per share for the year ended 31 December 20X4.

7. a. On 1 January 20X1, Branch purchased 75% of Leaf's 80 million shares. At this date, Leaf's retained earnings were $60 million. The consideration paid for Leaf was 2 Branch shares for every 3 Leaf shares purchased, plus a cash payment of $1 per purchased share. At the date of acquisition, the value of a Branch share was $2.50. What is the consideration paid for Branch on 1 January 20X1?
(3 Marks)
b. 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? **(3 Marks)**
c. Harry acquired an 80% holding in Style on 1 April 20X6. From 1 April 20X6 to 31 December 20X6 Style sold goods to Harry for $4.3m at a mark-up of 10%. Harry's inventory at 31 December 20X6 included $2.2m of such inventory. The statements of profit or loss for each entity for the year to 31 December 20X6 showed the following in respect of cost of sales:Harry $14.7m Style $11.6m What is the cost of sales figure to be shown in the consolidated statement of profit or loss for the year to 31 December 20X6? **(4 Marks)**

8. Extracts from Depay's financial statements for the year ended 30 September 20X2 are shown below.

Statement of profit or loss extract:		$000
Finance costs		(60)

Profit before tax		142
Income tax expense Profit for the year		(57) 85

Statement of financial position extract:	20X2 $000	20X1 $000
Retained earnings	900	940
5% loan notes	515	500
Deferred tax liability	150	125
Tax payable	30	40
Lease liabilities	300	310

The following information is relevant:

1. Depay disposed of some land during the year, which had a remaining revaluation surplus at disposal of $20,000.

2. $40,000 of the finance costs relate to the loan notes which are repayable at a premium, making the effective rate of interest 8%. The remaining interest relates to the lease liabilities.

3. During the year, Depay received a dividend from a subsidiary.

4. Depay acquired $70,000 of new assets under lease agreements during the year. Depay makes annual payments under leases on 30 September each year. a. What will be recorded in Depay's statement of cash flows under dividends paid?

(5 marks)

b. What will be recorded in Depay's statement of cash flows under interest paid? **(5 marks)**

Section C

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

9. a. Tamsin Co's accounting records show the following: **(3 Marks)**

Income tax payable on current year profits	$60,000
Over-provision in relation to the previous year	$4,500
Opening provision for deferred tax	$2,600

469

Closing provision for deferred tax	$3,200

What is the income tax expense that will be shown in the statement of profit or loss for the year?

b. Define Deferred tax . **(2 Marks)**

10. ABC has a year end of 31 December 20X4. On 15 December 20X4 the directors publicly announced their decision to close an operating unit and make a number of employees redundant. Some of the employees currently working in the unit will be transferred to other operating units within ABC.The estimated costs of the closure are as follows:

	$000
Redundancy costs	800
Lease termination costs	200
Relocation of continuing employees to new locations	400
Retraining of continuing employees	300
	1,700

What is the closure provision that should be recognised?

11. Heel acquired a 60% holding in Sock on 1 January 20X6. At this date Sock owned a building with a fair value $200,000 in excess of its carrying amount, and a remaining life of 10 years. All depreciation is charged to operating expenses. Goodwill had been impaired by $55,000 in the year to 31 December 20X6. The balances on operating expenses for the year to 31 December 20X7 are shown below:

Heel $600,000

Sock $350,000

What are consolidated operating expenses for the year to 31 December 20X7?

12. On 1 January 20X1, P purchased 30% of the shares in A for$600,000. At this date, A's net assets stood at $400,000. On 31 December 20X2, A has net assets of $600,000. A made a profit in the current year of $80,000. Since the acquisition, P's investment in A has been impaired by $25,000. Of this, $10,000 relates to the current year. What is the share of profit of associates to be included in the consolidated statement of profit or loss for the year ended 31 December 20X2?

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4-70

21COMC312 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com. THIRD SEMESTER DEGREE EXAMINATION OCTOBER 2025.

COMMERCE

International Financial Management II

Duration:2 Hours Max Marks:60

Section A

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

1. AMH Co wishes to calculate its current cost of capital for use as a discount rate in investment appraisal. The following financial information relates to AMH Co:

Financial position statement extracts as at 31 December 20X8

	$000	$000
Equity		
Ordinary shares (nominal value 50 cents)	4,000	
Reserves	18,000	22,000
Long term liabilities		
4% preference shares (nominal value $1)	3,000	
7% Bonds redeemable after six years	3,000	
Long-term bank loan	1,000	7,000
		29,000

The ordinary shares of AMH Co have an ex-div market value of $4.70 per share and an ordinary dividend of 36.3 cents per share has just been paid. Historic dividend payments have been as follows:

Year	20X4	20X5	20X6	20X7
Dividends per share (cents)	30.9	32.2	33.6	35.0

The preference shares of AMH Co are not redeemable and have an ex-div market value of $0.40 per share. The 7% bonds are redeemable at a 5% premium to their nominal value of $100 per bond and have an ex-interest market value of

$104.50 per bond. The bank loan has a variable interest rate that has averaged 4% per year in recent years. AMH Co pays profit tax at an annual rate of 30% per year.

Calculate the market value-weighted average cost of capital of AMH Co.

2. The following financial position statement as at 30 November 20X6 refers to Nugfer Co, a stock exchange-listed company, which wishes to raise $200m in cash in order to acquire a competitor.

	$m	$m	$m
Assets			
Non-current assets			300
Current assets			211
Total assets			511
Equity and liabilities			
Share capital		100	
Retained earnings		121	
Total equity			221
Non-current liabilities			
Long-term borrowings		100	
Current liabilities			
Trade payables	30		
Short-term borrowings	160		
Total current liabilities		190	
Total liabilities			290
Total equity and liabilities			511

The recent performance of Nugfer Co in profitability terms is as follows:

Year ending 30 November	20X3	20X4	20X5	20X6
	$m	$m	$m	$m
Revenue	122.6	127.3	156.6	189.3
Operating profit	41.7	43.3	50.1	56.7
Finance charges (interest)	6.0	6.2	12.5	18.8
Profit before tax	35.7	37.1	37.6	37.9
Profit after tax	25.0	26.0	26.3	26.5

Notes:

a) The long-term borrowings are 6% bonds that are repayable in 20X8.

b) The short-term borrowings consist of an overdraft at an annual interest rate of 8%.

c) The current assets do not include any cash deposits.

d) Nugfer Co has not paid any dividends in the last four years.

e) The number of ordinary sharesissued by the company has not changed in recent years.

f) The target company has no debt finance and its forecast profit before interest and tax for 20X7 is $28 million.

Evaluate suitable methods of raising the $200 million required by Nugfer Co, supporting your evaluation with both analysis and critical discussion.

3. The following financial information relates to Bill Co:

Statement of profit or loss information for the last year:

	$m
Profit before interest and tax	12
Interest	3
Profit before tax	9
Income tax expense	3
Profit for the period	6
Dividends	2
Retained profit for the period	4

Statement of financial position information as at the end of the last year

	$m	$m
Ordinary shares, nominal value 50c	5	
Retained earnings	15	
Total equity		20
8% loan notes, redeemable in three year's time		30
Total equity and non-current liabilities		50

Average data on companies similar to Bill Co.,

Interest coverage ratio - 8 times

Long-term debt/equity (book value basis) - 80%

The board of Bill Co is considering several proposals that have been made by its finance director. Each proposal is independent of any other proposal.

Proposal A

The current dividend per share should be increased by 20% in order to make the company more attractive to equity investors.

Proposal B

A bond issue should be made in order to raise $15 million of new debt capital. Although there are no investment opportunities currently available, the cash raised would be invested on a short-term basis until a suitable investment opportunity arose. The loan notes would pay interest at a rate of 10% per year and be redeemable in eight years' time at a nominal value.

Proposal C

A 1 for 4 rights issue should be made at a 20% discount to the current share price of $2.30 per share in order to reduce gearing and the financial risk of the company.

a) Calculate TERP per share and the amount of finance that would be raised under Proposal C. Evaluate and discuss the proposal to use these funds to reduce gearing and financial risk.

4. Tanza Co currently has the following sources of finance at 31 December 20X6. The capital structure and its nominal values have not changed for many years:

	Nominal value
	$m
Ordinary shares	50
6% convertible loan notes	150
4% bank loan	120

The ordinary shares are currently trading at $5.55 per share and have a nominal value of $0.50 per share. An ordinary dividend of $0.85 per share has recently been paid. The directors have indicated that a dividend of $0.90 will be paid on 31 December 20X7.

Tanza Co's dividends and share price have grown steadily at 6% per year for several years and are expected to continue to do so.

Each loan note has a nominal value of $100 and is currently trading at $108.51. On 31 December 20X9, the investors holding the convertible loan notes may convert the loan notes into 20 ordinary shares. If they choose not to do so, the loan notes will be redeemed at nominal value on 31 December 20X9. Tanza Co pays corporation tax at a rate of 15%.

Tanza Co needs to raise a further $200m of long-term finance and the directors have been discussing whether this should be borrowed (debt) or raised by issuing new share capital (equity). The finance is needed quickly for a new project.

During the discussion, Director A proposed the use of debt. She had heard that at high levels of gearing the company can make cost savings which improve the weighted average cost of capital.

Director B has pointed out that Tanza Co's capital gearing is amongst the lowest in the industry. 'Our competitors generally have higher gearing than we do and also have lower weighted average costs of capital (WACCs) than us. Although I do think when gearing gets high the WACC goes up again.'

a) Calculate the after-tax weighted average cost of capital for Tanza Co, at 31 December 20X6, on a market value basis. **(10 marks)**

b) Critically discuss, with reference to the relevant theory, the views of Director A and Director B on raising new finance. **(5 marks)**

Section B

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

5. a) Discuss the factors to be considered by a company in choosing to raise funds via a rights issue. **(5 marks)**

   b) A company ultimately decides to finance the business expansion with a new issue of 8% loan notes. The company then annonces to the stock market both this financing decision and an expected increase in profit before interest and tax of 20% arising fro the business expanison. Assuming the stock market is semi-strong form efficienct, analyse and discuss the effect of the financing and profitability announcement on the financial risk and share price of a company. **(5 marks)**

6. Loki Co is a growing company specialising in making accessories for mobile phones and tablets. The company is currently all-equity financed with 2 million ordinary shares in issue. The existing shareholders are mainly family members and friends. The directors of Loki need to raise finance to fund a new factory and are considering a range of options including flotation and venture capital. Future growth is anticipated to be the following:

   Earnings next year = $0.25m, expected to grow at 7% pa

   Dividend next year = $0.14m, expected to grow at 4% pa

   Flotation

   Q Co, a listed company with similar business activities to Loki has a P/E ratio of 9, an equity beta of 1.2 and gearing, measured as Debt:Equity of 1:2. Loki is expected to grow faster than Q Co, at least in the short term. If flotation is approved, then the issue share price would be set at a 15% discount to fair value.

The directors of Loki do not believe that an asset valuation is of much use here.

Venture capital

The directors of Loki have been in discussion with 4Ts, a listed venture capital company. As well as contributing equity, 4Ts would seek to spread the risk of their investment by also investing in the form of 4-year 5% secured redeemable bonds and also convertible preference shares. The risk adjusted return on similar bonds has been estimated at 6%.

Corporation tax is currently 30%.

a) Calculate the value of Loki Co's equity beta to 2 dp **(2 marks)**

b) Calculate the issue price of Loki shares to the nearest cent using the dividend valuation model with a cost of equity of 14% **(2 marks)**

c) What is the market value of the redeemable bonds, in $ to two decimal places? **(2 marks)**

d) Which TWO of the following statements concerning 4Ts' perspective are true? **(2 marks)**

i) 4Ts' investment in the preference shares will have the lowest risk out of the three methods of finance offered due to the option to convert

ii) 4Ts will accept a lower level of dividends on the convertible preference shares compared to normal preference shares

iii) 4Ts are likely to prefer to use CAPM in valuing Loki shares

iv) The current shareholders of Loki would be willing to sell a majority equity stake to 4Ts

e) Which of the following statements, concerning the usefulness of asset based methods of business valuation, is correct? **(2 marks)**

i) Replacement cost normally represents the minimum price that should be accepted for the sale of a business as a going concern.

ii) Break-up value should provide a measure of the maximum amount that any purchaser should pay for the business.

iii) Book value will normally be a meaningless figure as it will be based on historical costs.

iv) Asset based methods give consideration to non statement of financial position intangible assets such as a highly skilled workforce and a strong management team.

7. Dominance Co is considering raising some new finance but there is disagreement at board level how best to proceed.

The managing director thinks that the company should retain control in the hands of the existing and loyal shareholders. The finance director feels that the gearing level should be allowed to increase to benefit from the tax relief allowed on interest.

The existing equity is quoted at $4.20 cum div with an imminent dividend of 16c due any day. The company earnings have grown at a fairly steady rate of 8% over recent years, but expectations are for growth to be 2% points better in the future.

The company's debt is 4% irredeemable bonds, which were issued at a 5% discount of $95. They have a nominal value of $100 but are currently quoted at $80 with the interest having just been paid. The corporation tax rate is 25%.

a) What is the percentage cost of equity to one decimal place **(2 marks)**

b) What is the after tax cost of debt, as a percentage to two decimal places? **(2 marks)**

c) Assuming the business wants to retain control in the hands of the existing shareholders, how should it seek to raise the new finance? **(2 marks)**

i) A placing of new shares via a loyal broker

ii) A further public offering of shares

iii) A rights issue where it is expected that 95% of the existing shareholders will accept the offer

iv) Issue new debt

d) Assuming the business wants to maximise the tax shield on the new finance, how should it raise the money? **(2 marks)**

i) A placing of new shares and $10,000,000 of preference shares

ii) Accepting a VC offer which includes $5,000,000 of 4% redeemable bonds and some shares

iii) Sell redeemable debt with a market value $12,700,000 (nominal value $12,000,000) with interest at 5%. The redemption value will make up 25% of the market value

iv) Sell 120,000 irredeemable loan notes at nominal value with interest at 5.25%

e) The cost of equity for Dominance Co is significantly greater than the cost of debt. The main reason for this is: **(2 marks)**

i) The total risk level in the business

ii) The specific risk in the business

iii) The tax shield

iv) The level of systematic risk in the business

8. Mallett Co is an Australian firm currently manufacturing a large item of machinery, which is due to be exported shortly to the United States. The sale has been priced in US dollars, the client is expected to pay 850,000 USD.

This is Mallett Co's first sale to an American client since most of its exports normally go to Asia. The client has agreed to pay Mallett Co three months from now. The following relevant additional information is available.

Spot rate 0.7233 US dollars to the Australian dollar

US dollar interest rate 3.3% per year

Australian dollar interest rate 2.9% per year

a) What will be the Australian dollar receipt, to the nearest thousand dollars, if the transaction is hedged using the money market? **(2 marks)**

b) Which of the following relationships suggests that current long-term interest rates can be used to predict future short-term interest rates? **(2 marks)**

i) Expectations theory

ii) Fisher effect

iii) Interest rate parity

iv) Purchasing power parity

c) What is the 3-month forward exchange rate, to four decimal places? **(2 marks)**

d) One risk that a company which exports and imports may face is that of exchange losses when accounting results of its foreign branches or subsidiaries are converted into home currency. What is the name usually given to this type of risk? **(2 marks)**

e) Why is a currency option a particularly suitable device to reduce exposure to currency movements when tendering for a contract priced in a foreign currency? **(2 marks)**

i) Cheapest means of achieving a hedge

ii) Least risky means of achieving a hedge

iii) Least unfavourable effect in the published accounts

iv) You may not get the contract and therefore the currency

Section C

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

9. The equity shares of Nice Co have a beta value of 0.80. The risk free rate of return is 6% and the market risk premium is 4%. Corporation tax is 30%. What is the required return on the shares of Nice Co (to one decimal place)?

10. TKQ Co has just paid a dividend of 21 cents per share and its share price one year ago was $3.10 per share. The total shareholder return for the year was 19.7%. What is the current share price (to two decimal places)?

11. Brass Co has produced a cash forecast that predicts a cash shortage of 5 months, starting in 4 months' time. It has noted the following forward rate agreements available from its bank:

3-8 FRA 3.8% – 4.0%

4-5 FRA 3.8% – 4.0%

5-9 FRA 3.8% – 4.0%

4-9 FRA 3.8% – 4.0%

Indicate which FRA would be used and which rate would be fixed if Brass Co took on the most appropriate FRA to cover its position.

12. a) Which of the following statements is true of a scrip issue with perfect information? **(1 mark)**

i. Decreases earnings per share

ii. Decreases the debt/equity ratio (calculated on a market value basis) of the company

iii. Increases individual shareholder wealth

iv. Increases the market price of the share

b) Fill in the gaps in the statements below. **(2 marks)**

Risk that cannot be diversified away can be described as ....

Risk that increases as a company gears up is described as ....

Choose from the following:

Business risk

Financial risk

Systematic risk

Unsystematic risk

c) Which TWO of the following are most likely to result in a company's financial gearing being high? **(2 marks)**

i. Low taxable profits

ii. High tax rates

iii. Inexpensive share issue costs

iv. Intangible assets being a low proportion of total assets

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21COMC313 **Reg No : ....**

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com. THIRD SEMESTER DEGREE EXAMINATION OCTOBER 2025

COMMERCE

Strategic Business Leader I

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

Section A

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

1. The LKJ company is a distributor of electricity in a large country. In effect, LKJ purchases electricity from companies making electricity and then distributes this through a network of cables to companies and private individuals throughout the country. Electricity is generated from a variety of sources including burning coal and natural gas, nuclear power and a small amount from renewal resources such as wind and wave power. LKJ's shares are owned by three other companies, who take an active interest in the profitability of LKJ. There are three other electricity distribution companies in the country LKJ operates in. The board of LKJ are currently considering the proposal to purchase electricity from another country. This source of supply is quoted as being cheaper from those within LKJ's home country, although the electricity is generated by burning coal. If this supply is taken, LKJ will stop purchasing electricity from an old nuclear power station and some of the expensive wind power plants. The Clean-Earth environmental group has learnt of the proposal and is currently participating in a media campaign in an attempt to block the change by giving LKJ bad publicity. The board, managers and employees in LKJ appear indifferent, although changing the source of supply will provide a price advantage over LKJ's competitors, effectively guaranteeing their jobs for the next few years.

   Identify the stakeholder groups who will be interested and/or affected by the decision of the LKJ company to change electricity suppliers, evaluating the impact of that decision on the group.

   Discuss the actions the board can take with respect to each stakeholder group.

2. Noble Pets is one of four companies which dominate the pet food market in the country of Brellia. Between them, these four companies share 90% of the market. Noble Pets was established in 1930 in the market town of Milton. Its factory (plant)

was updated in 1970 with new canning and labelling technology. However, further developments and expansion to the factory site were prevented by the rapid growth of housing in Milton. The factory, which was once on the edge of the town, is now surrounded by modern housing development. The town is also relatively remote from the motorway network which has been developed in Brellia since 1960. Trucks transporting goods in and out of the plant have to negotiate relatively minor rural roads and also have to pass through the town centre of Milton, which is often very congested. Furthermore, the large 44 tonne trucks which Noble Pets and its competitors use, wherever possible, to distribute cans of pet food to wholesalers and supermarket distribution centres are banned from the centre of the town. Thus distribution out of the Milton plant is undertaken with smaller 36 tonne trucks, which are less cost-effective. However, residents find even this size of truck too large, complaining that they keep them awake at night.

The Milton plant is solely concerned with the production of moist pet food. Raw foodstuff and empty unlabelled cans are brought into the plant, where the foodstuff is cooked and put into cans which are then labelled and distributed to wholesalers or supermarket distribution centres. Many of these distribution centres, like Noble Pets' competitors, are now located on or near the motorway network. Although the recipe for the pet food is very similar to its competitors, Noble Pets has a reputation for producing a quality product.

This quality has been promoted ever since the company's formation by clever marketing campaigns which stress the importance of giving your pet good food, and the superior nature of Noble Pets' products to its competitors. This has traditionally been supported by free fact guides and information promoting responsible pet ownership and nutrition. The company now has a website dedicated to giving advice and guidance. This advice appears to be unbiased, although recommended solutions to pet problems often involve Noble Pets' products.

Noble Pets is currently reviewing its operations and has asked external consultants to assess the Milton plant from a value chain perspective. It has provided the following table (Table One) to help in that analysis. Average figures for its competitors are also provided.

Production cost of a six can pack of moist pet food	Milton Factory	Competitor A	Competitor B	Competitor C
All figures in $ Raw foodstuff costs	0.10	0.10	0.09	0.15

Cost of cans	0.05	0.10	0.06	0.05
Direct labour costs	0.25	0.25	0.30	0.24
Production costs	0.30	0.25	0.20	0.26
Transport costs (good inward)	0.15	0.10	0.10	0.12
Transport costs (good outward)	0.10	0.05	0.05	0.08
Sales price (to customer)	1.25	1.15	1.10	1.20

Table One: Direct costs of the Milton plant compared to major competitors

Evaluate the strengths and weaknesses of the Milton plant from the perspective of the primary activities of a value chain analysis.

3. Explain Trait Theory and Behavioural Theory of leadership.

4. Explain the arguments for and against principle-based approach.

Section B

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

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

6. Explain the key elements of Sarbanes-Oxley (SOX).

7. List out the types of benchmarking. What are the advantages of benchmarking?

8. What are advantages and disadvantages of having NED's on board?

Section C

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

9. Describe the impact of new product, process and service developments in supporting organization strategy.

10. Perform an opportunities and threats analysis on:
    a) A passenger train service
    b) A nuclear power station

11. What are the disadvantages of Acquisitions being an alternative development option?

12. List out the characteristics of strategic planning.

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21COMC342 Reg. No.................................

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com THIRD SEMESTER DEGREE EXAMINATION OCTOBER 2025
Strategic Corporate Finance

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

SECTION A

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

I. 1. Which of the following business decisions can be directly influenced by horizontal or trend analysis?
a. Enhancing supply chain logistics
b. Launching a new marketing campaign
c. Developing new product features
d. Creating employee wellness programs

2. In the context of risk management, how can horizontal analysis be beneficial?
a. By predicting changes in consumer behavior.
b. By evaluating the effectiveness of marketing campaigns.
c. By enhancing employee engagement strategies.
d. By identifying trends that indicate potential financial risks.

3. What is a horizontal common size statement also called?
a. Ratio analysis
b. Variation analysis
c. Vertical analysis
d. Cash flow analysis

4. What might prompt a company to shift its resources from a traditional segment to a growing digital platform?
a. High employee turnover in the traditional segment.
b. Better customer feedback for the digital platform.
c. Segmented reporting indicating rapid growth in the digital content segment.
d. Regulatory changes affecting the traditional segment.

5. What impact does high debt have on a company's risk profile?
a. It improves cash flow management
b. It reduces the company's credit rating
c. It increases ownership control
d. It enhances profitability

II. 1. For the most recent fiscal period, Oakland Inc. paid a regular quarterly dividend of \$0.20 per share and had earnings of \$3.20 per share. The market price of Oakland stock at the end of the period was \$40.00 per share. Oakland's dividend yield was

a. 0.50%.
b. 1.00%.
c. 2.00%.
d. 6.25%.

502

2. In terms of the turnover ratios, which of the following demonstrates the management's ability to delay payment to vendor?
a. Inventory conversion period.
b. Receivables collection period.
c. Cash conversion cycle.
d. Accounts payable deferral period.

3. Shown below are selected data from Fortune Company's most recent financial statements.
Marketable securities $10,000
Accounts receivable 60,000
Inventory 25,000
Supplies 5,000
Accounts payable 40,000
Short-term debt payable 10,000
Accruals 5,000
What is Fortune's net working capital?
a. $35,000.
b. $45,000.
c. $50,000.
d. $80,000.

4. Which one of the following transactions would increase the current ratio and decrease net profit?
a. A federal income tax payment due from the previous year is paid
b. A stock dividend is declared
c. Credit losses in accounts receivable are written off against the allowance account
d. Vacant land is sold for cash for less than the net book value

5. Firms with high degrees of financial leverage would be best characterized as having
a. high debt-to-equity ratios.
b. zero coupon bonds in their capital structures
c. low current ratios
d. high fixed-charge coverage

III. 1. The basic earnings per share is calculated. No dividends were paid during the year. What would be the adjustment with respect to convertible non-cumulative preferred stock on the numerator and denominator while calculating diluted earnings per share?
a. Cannot be determined @ No change
b. No change @ Increase
c. No change @ Decrease
d. Cannot be determined @ Increase

2. A firm's capital intensity ratio is
a. its assets increase when sales increase divided by sales.
b. its shareholders' equity divided by total assets.
c. its total long-term debt plus equity divided by total assets.
d. its common equity divided by total liabilities.

3. West Co. had earnings per share of $15.00 for 20X3 before considering the effects of any convertible securities. No conversion or exercise of convertible securities occurred during 20X3. However, possible conversion of convertible bonds, not considered common stock equivalents, would have reduced earnings per share by $0.75. The effect of possible exercise

of common stock options would have increased earnings per share by $0.10. What amount should West report as diluted earnings per share for 20X3?

a. $14.25
b. $14.35
c. $15.00
d. $15.10

4. A steady drop in a firm's price/earnings ratio could indicate that
a. earnings per share has been steadily increasing.
b. earnings per share has been steadily decreasing.
c. both earnings per share and the market price of the stock are rising.
d. both earnings per share and the market price of the stock are falling

5. Company Alpha has 3,000,000 number of shares of common stock were outstanding as on January 1, 20X1. On January 15, 20X1, 100,000 shares of common stock were issued for cash. On March 1, 20X1, an additional 150,000 shares of common stock were issued for cash. On March 16, 20X1, 120,000 treasury shares were repurchased in market transactions.What would be the weighted average number of shares of common stock outstanding for calculation of EPS for the first quarter ended March 31, 20X1 (assume there are 90 days in the period)?
a. 3,133,333 shares.
b. 3,000,000 shares.
c. 3,113,333 shares.
d. 3,130,000 shares.

SECTION B

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

IV. 1. Angela Company's capital structure consists entirely of long-term debt and common equity. The cost of capital for each component is shown below
Angela pays taxes at a rate of 40%. If Angela's weighted average cost of capital is 10.41%, what proportion of the company's capital structure is in the form of long-term debt?
a. 34%.
b. 45%
c. 55%.
d. 66%.

2. Which of the following methods of determining cost of equity considers systematic risk of a firm?
a. Bond yield plus model.
b. Dividend discount model.
c. Capital asset pricing model.
d. Gordon growth model.

3. Which of the following risks do swaps have?
a. Interest rate risk.
b. Reinvestment risk.
c. Prepayment risk.
d. Counterparty credit risk.

4. The value of a foreign currency swap at inception is:
a. The notional amount of domestic currency.
b. Zero.
c. The notional amount of foreign currency.
d. Infinity.

5. Which of the following is least accurate concerning derivatives?
a. The price of the derivative is based on some underlying, which could be an interest rate, commodity price, or exchange rate.
b. The derivative trade must be closed out at some time in the future by taking delivery of the underlying.
c. It takes little or no money down to initiate a derivative trade.
d. Derivative trades require both a buyer and a seller.

V. 1. A CPA candidate asked his instructor whether there will be any impact of declaration of cash, stock dividend and stock split on the calculation of earnings per share. As an instructor, help the CPA candidate to crack the question.
a. No @ Yes @ No
b. No @ No @ Yes
c. Yes @ Yes @ No
d. Yes @ No @ No

2. Earnings per share disclosure is required by:
a. Banking companies.
b. Public and private companies other than non-for-profit organizations.
c. Companies whose shares and potential shares are publicly traded.
d. All companies.

3. Select which of the statement is false for disclosure by a publicly-held company?
a. U.S. GAAP prohibits reporting an amount of cash flow per share.
b. U.S. GAAP allows the presentation of other comprehensive income or total comprehensive income on per share basis.
c. An entity that reports a discontinued operation in a period shall present basic and diluted per-share amounts for that line item either on the face of the statement of income or in the notes to the financial statements.
d. EPS data shall be presented for all periods for which a statement of income or summary of earnings is presented. If diluted EPS data are reported for at least one period, they shall be reported for all periods presented.

4. The if-converted method of computing earnings per share data assumes conversion of convertible securities as of the
a. Beginning of the earliest period reported (or at time of issuance, if later).
b. Beginning of the earliest period reported (regardless of time of issuance).
c. Middle of the earliest period reported (regardless of time of issuance).
d. Ending of the earliest period reported (regardless of time of issuance).

5. A company is currently reviewing the most recent fiscal year's results of operations and noted an increase in the return on assets ratio when compared to the prior year. Which one of the following could have caused the increase?
a. Sales decreased by the same dollar amount that expenses increased
b. Sales increased by the same dollar amount as expenses and total assets
c. Sales remained the same and expenses and total assets decreased.
d. Sales remained the same and ending inventory decreased

VI. 1. Which type of financing is more suitable for startups with high growth expectations?

a. Debt financing
b. Equity financing
c. Leasing
d. Factoring

2. In the context of Mergers & Acquisitions (M&A), what role does financial statement analysis play?

a. It helps design new marketing strategies for the combined company.
b. It assesses the financial health and strategic fit of potential M&A targets.
c. It decides on the new organizational structure post-merger.
d. It determines the salaries of the new management team.

3. What might be benchmarking against industry standards indicate?

a. Employee satisfaction levels
b. Consistency with market conditions
c. Total revenue generated
d. Number of products sold

4. What might a company discover through horizontal analysis that would lead to a change in funding strategy?

a. A significant increase in employee turnover.
b. Improved customer satisfaction scores.
c. Consistent year-over-year growth in profit margins.
d. A rise in operational inefficiencies

5.In horizontal analysis, why is the base year set to 100%?

a. To simplify the calculation of year-over-year changes
b. To highlight the best performing year
c. To comply with accounting standards
d. To increase the complexity of financial statements

SECTION C

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

VII. 1. The risk of loss because of fluctuations in the relative value of foreign currencies is called

a. Expropriation risk.
b. Multinational beta.
c. Exchange rate risk.
d. Undiversifiable risk.

2. Using the Capital Asset Pricing Model (CAPM), the required rate of return for a firm with a beta of 1.25 when the market return is 14% and the risk-free rate is 6% is:

a. 6.0%.
b. 7.5%.
c. 17.5%
d. 16.0%.

VIII. 1. Blackmer Company had 80,000 shares of common stock outstanding as of December 1, year 1, the beginning of the company s fiscal year. The company also had $200,000 of 8% convertible bonds outstanding that had been issued at $1,000 par. The bonds were convertible into 20,000 shares of common stock. The Aa bond interest rate has been 10% for several years, and the company s tax rate is 34%. The company s net income for the year was $107,000, and no bonds were converted during the year. The fully diluted earnings per share (rounded to the nearest cent) of Blackmer common stock for the fiscal year ended November 30, year 2 was:

a. $1.18 per share.
b. $1.07 per share.
c. $1.20 per share.
d. $1.23 per share.

2.A company reported net income available to common stockholders of $2,000,000 for the year ended December 31, year 2. The company had 1,500,000 shares of common stock outstanding as of January 1, year 2, and issued 500,000 additional shares of common stock on May 1, year 2. What amount is the company's basic earnings per share for the year ended December 31, year 2?

a. $1.00
b. $1.09
c. $1.20
d. $1.33

IX. 1. On December 31, 20X1, North park Co. collected a receivable due from a major customer. Which of the following ratios would be increased by this transaction?

a. Inventory turnover ratio.
b. Receivable turnover ratio.
c. Current ratio.
d. Quick ratio.

2. A financial analyst with Mineral Inc. calculated the company's degree of financial leverage as 1.5. If net income before interest increases by 5%, earnings to shareholders will increase by

a. 1.50%.
b. 3.33%
c. 5.00%.
d. 7.50%

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23COMC321 **Reg. No...................................**

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com. THIRD SEMESTER DEGREE EXAMINATION OCTOBER 2025

COMMERCE

Professional Accounting – III

Time: 2 Hrs. **Max. Marks: 60**

SECTION – A

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

1. You are required to prepare a Statement of Profit and Loss and Balance Sheet from the following Trial Balance extracted from the books of the International Hotels Ltd., on 31st March, 20X2:

	Dr.	Cr..
Authorised Capital-divided into 5,000 6% Preference Shares		
of Rs.100 each and 10,000 equity Shares of Rs.100 each		15,00,000
Subscribed Capital-		
5,000 6% Preference Shares of Rs.100 each		5,00,000
Equity Capital		8,05,000
Purchases - Wines, Cigarettes, Cigars, etc.	45,800	
- Foodstuffs	36,200	
Wages and Salaries	28,300	
Rent, Rates and Taxes	8,900	
Laundry	750	
Sales - Wines, Cigarettes, Cigars, etc.		68,400
- Food		57,600
Coal and Firewood	3,290	
Carriage and Cooliage	810	
Sundry Expenses	5,840	
Advertising	8,360	
Repairs	4,250	
Rent of Rooms		48,000
Billiard		5,700
Miscellaneous Receipts		2,800
Discount received		3,300
Transfer fees		700
Freehold Land and Building	8,50,000	
Furniture and Fittings	86,300	
Inventory on hand, 1st April, 20X1		
Wines, Cigarettes. Cigars, etc.	12,800	
Foodstuffs	5,260	

463

Cash in hand	2,200	
Cash with Bankers	76,380	
Preliminary and formation expenses	8,000	
2,000 Debentures of Rs.100 each (6%)		2,00,000
Profit and Loss Account		41,500
Trade payables		42,000
Trade receivables	19,260	
Investments	2,72,300	
Goodwill at cost	5,00,000	
General Reserve		2,00,000
TOTAL	**19,75,000**	**19,75,000**

Wages and Salaries Outstanding	1,280
Inventory on 31st March, 20X2	
Wines, Cigarettes and Cigars, etc.	22,500
Foodstuffs	16,400

Depreciation: Furniture and Fittings @ 5% p.a.: Land and Building @ 2% p.a.

The Equity capital on 1st April, 20X1 stood at Rs.7,20,000, that is 6,000 shares fully paid and 2,000 shares Rs.60 paid. The directors made a call of Rs.40 per share on 1st October 20X1. A shareholder could not pay the call on 100 shares and his shares were then forfeited and reissued @ Rs.90 per share as fully paid. The Directors declared a dividend of 8% on equity shares on 2nd April, 20X2, transferring any amount that may be required from General Reserve. Ignore Taxation.

SECTION– B

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

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

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

   1.10.20X1 Sold 200 Debentures ex-interest at Rs. 100

   1.1.20X2 Purchased 50 Debentures at Rs. 98 ex-interest

   1.2.20X2 Sold 200 Debentures ex-interest at Rs.99

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

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

3. X Ltd. began construction of a new building on 1st January, 20X1. It obtained Rs.1 lakh special loan to finance the construction of the building on 1st January, 20X1 at an interest rate of 10%. The company's other outstanding two non-specific loans were:

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

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

Month	Year	Amount
January	20X1	Rs.2,00,000
April	20X1	Rs.2,50,000
July	20X1	Rs.4,50,000
December	20X1	Rs.1,20,000

Building was completed by 31st December 20X1. Following the principles prescribed in AS 16 'Borrowing Cost,' calculate the amount of interest to be capitalised and pass one Journal Entry for capitalising the cost and borrowing cost in respect of the building.

4. On 1st April, 20X1, Rajat has 50,000 equity shares of P Ltd. at a book value of Rs.15 per share (nominal value Rs.10 each). He provides you the further information:
   (1) On 20th June, 20X1 he purchased another 10,000 shares of P Ltd. at Rs.16 per share.
   (2) On 1st August, 20X1, P Ltd. issued one equity bonus share for every six shares held by the shareholders.
   (3) On 31st October, 20X1, the directors of P Ltd. announced a right issue which entitles the holders to subscribe three shares for every seven shares at Rs.15 per share. Shareholders can transfer their rights in full or in part.

   Rajat sold 1/3rd of entitlement to Umang for a consideration of Rs.2 per share and subscribed the rest on 5th November, 20X1. You are required to prepare Investment A/c in the books of Rajat for the year ending 31st March, 20X2..

5. Vaibhav Ltd. gives the following ledger balances as at 31st March 20X1:

Particulars	Amount (Rs.)
Property , Plant & Equipment	2,50,00,000
Investments (Market-value Rs. 19,00,000)	20,00,000
Current Assets	2,00,00,000
P & L (Dr. Balance)	12,00,000
Share Capital ; Equity Shares of Rs.100 Each	2,00,00,000
6% Preference Shares of Rs.100 Each	1,00,00,000
5 % Debentures of Rs.100 Each	80,00,000
Creditors	1,00,00,000
Provision For Taxation	2,00,000

   The following scheme of Internal Reconstruction is sanctioned:
   (i) All the existing equity shares are reduced to Rs.40 each.
   (ii) All preference shares are reduced to Rs.60 each.
   (iii) The rate of Interest on Debentures increased to 6%. The Debenture holders surrender their existing debentures of Rs.100 each and exchange the same for fresh debentures of Rs.70 each for every debenture held by them.
   (iv) Property, Plant and Equipment is to be written down by 20%.
   (v) Current assets are to be revalued at Rs.90,00,000.
   (vi) Investments are to be brought to their market value.
   (vii) One of the creditors of the company to whom the company owes Rs.40,00,000 decides to forgo 40% of his claim. The creditor is allotted with 60000 equity shares of Rs.40 each in full and final settlement of his claim. (viii) The taxation liability is to be settled at Rs.3,00,000.
   (ix) It is decided to write off the debit balance of Profit & Loss A/c. Pass journal entries of the company after giving effect to the above.

6. Dee Limited (a non-listed company) furnishes the following Balance Sheet as at 31st March, 20X1:

Particulars			Notes	Rs. in Thousands
1		**Equity and Liabilities** **Shareholders' funds**		
	A	Share capital	1	2,700
		Reserves and Surplus	2	9,700

484

2		**Current liabilities**		
				1,400
	A	Trade Payables		13,800
		Total		

		Assets		
1		***Non-current assets***		
	A B	*Property, plant and Equipment*		*9,300*
		Non-Current Investments		*3,000*
	AB	***Currentassets***		
2		*Inventories*		
		Trade receivables		*500*
		Cash and Cash equivalents		*200*
				800
		Total		*13,800*

Notestoaccounts

No.	**Particulars**		**Rs. in Thousands**
1	**Share Capital**		
	Authorized, issued and subscribed capital:		
	2,50,000 Equity shares of Rs.10 each fully paid up		2,500
	2,000, 10% Preference shares of Rs.100 each		200
	(Issued two months back for the purpose of buy-back)		
	Total		2,700
2	**Reserves and Surplus**		
	Capital reserve		1,000
	Revenue reserve		3,000
	Securities premium		2,200
	Profit and loss account		3,500
	Total		9,700

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

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23COMC323 Reg. No.................................

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. THIRD SEMESTER DEGREE EXAMINATION OCTOBER 2025
COMMERCE
Goods & Service Tax I

Time: 2 Hrs. **Max. Marks: 60**

SECTION – A

I. Answer the following. (Compulsory): **1X20=20**

1. a) Determine the GST payable @ 18% with respect to each of the following independent services provided by the registered persons:

Particulars	Gross amount charged (₹)
Fees charged for 'Swathi Yoga Camp' conducted by Harsha Prakash Charitable Trust, registered under section 12AB of the Income-tax Act, 1961	98,000
Amount charged by business correspondent from Wealthy Banking Company for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,00,000
Amount charged by cord blood bank for preservation of stem cells	5,00,000
Amount charged for service provided by selectors to are cognized sports body	5,20,000

(4 Marks)

(b) Examine given cases and determine the persons liable to pay tax in each of the following independent cases:

(i) Karthik, an independent director of Universe Pvt. Ltd., has received sitting fee amounting to ₹1 lakh from Universe Pvt. Ltd. for attending the Board meetings.

(ii) Narayan Associates provided sponsorship services to Virat Cricket Academy, an LLP.

(iii) Legal Fees is received by Gaba, an advocate, from M/s. Naveen Consultants having turnover of ₹50 lakh in preceding financial year. **(3×2=6Marks)**

c) State with reasons, whether GST is payable in the following independent cases:-

(i) Services provided to recognized sports body as select or of national team.

(ii) Services provided by way of transportation of passengers in metered cab, through an electronic commerce operator. **(2x2 Marks=4Marks)**

(d) Kaushik started the business of supplying shoes in the State of Kerala from 1st April. Hemakes only intra-State supplies. His turnover for April - June quarter was ₹20 lakh and for July – September quarter was ₹100 lakh. Further, one - fourth of his total turnover in each ofthe quarterswas exempt from GST.Being eligible for composition scheme, Kaushik got himself registered under the composition scheme with effect from 1st July.

You are required to compute the tax payable by Kaushik under composition scheme assuming that he is a manufacturer. Will your answer be different if Kaushik is trader?

(6 Marks)

490

SECTION – B

II. Answer any FOUR Questions **4X10=40**

2. a) XYZ Pvt. Ltd. provided the following particulars relating to goods sold by it to ABC Pvt. Ltd.:

Particulars	Amount(₹)
List price of the goods (exclusive of taxes and discount)	50,000
Tax levied by the Municipal Authority on the sale of such goods	6,000
Packing charges (not included in the list price above)	2,500
Subsidy received from a NGO, directly linked to price (included in the list price above)	3,000
Paid to one of the vendors by ABC Pvt. In relation to the service provided by the vendor to XYZ Pvt. Ltd. (not included in the list price above)	2,000

XYZ Pvt. Ltd. offers 2% turnover discount on the list price after reviewing the performance of ABC Pvt. Ltd. The discount was not known at the time of supply.

ABC Pvt. Ltd. delayed the payment and paid ₹5,000 (including GST of 18%) as interest to XYZ Pvt. Ltd.

Determine the value of taxable supply made by XYZ Pvt. Ltd. under GST law. **(6 Marks)**

b) Examine whether the following activities would amount to "supply" under GST law?

(i) Glory Ltd. is engaged in manufacturing and selling of cosmetic products. Seva Trust, a charitable organisation, approached Glory Ltd. to provide financial assistance for its charitable activities. Glory Ltd. donated a sum of ₹ 2 lakh to Seva Trust with a condition that Seva Trust will place a hoarding at the entrance of the trust premises displaying picture of products sold by Glory Ltd. **(2 Marks)**

(ii) Mr. Swamy of Chennai is working as a manager with ABC Bank. He consulted M/s. Jacobs and Company of London and took its advice for buying a residential house in Mumbai and paid them consultancy fee of 200 UK Pound for this import ofservice. **(2Marks)**

3. a) Mr. Dhanwan, an individual registered supplier of Ahmedabad (Gujarat), received the following amount towards rendering of the intra-state supply of various services in the month of January 2023:

S. No.	Particulars	Amount(₹)
I.	Consideration received from security and housekeeping services provided to "Holy Foundation", an educational institution providing services by way of pre-school education, outside the school premises on its annual day function.	60,000
II.	Amount received as an honorarium for participation as guest Anchor on "Apna TV" in relation to a debate.	2,25,000

III.	Sum received as hiring charges for provision of non-air conditioned contract carriage for transportation of employees toand from the work to M/s. Siddhi Pvt. Ltd, a registered person under the GST. Such hiring is for 3 months. Use of the contract carriage is at the disposal of the company.	1,50,000
IV.	Amount received for provision of training in recreation activities of music.	90,000
V.	Renting of residential flat to Mr. Sahil, proprietor of M/s. Dayaram & Sons, a registered person under GST for the purpose of his own residence (in personal capacity)	30,000

You are required to compute the value of supply on which GST is to be paid by Mr. Dhanwan for the month of January, 2023. All the amounts stated above are exclusive of GST, wherever applicable. Suitable notes should form part of the answer. **(6 Marks)**

b) Examine whether the following activities would be treated as supply under GST law?

(i) Mr. Sonu from Chandigarh purchased a water cooler from Malhotra Bros. of Hoshiarpur for ₹25,000 to donate it to a temple situated in Hoshiarpur. Mr. Sonu directed Malhotra Bros. to engrave the words on the water cooler- "Donated by Mr.Sonu from Chandigarh" and dispatch the water cooler directly to the temple. **(2 Marks)**

(ii) Wesco Ltd, a registered person in Ahmedabad (Gujarat) having head office locatedin Singapore, received management consultancy services free of cost from its head office. **(2 Marks)**

4. a) AB Ltd., a registered company of Chennai, Tamil Nadu has provided following servicesfor the month of October, 2021.

Particulars	**Amount (₹)**
Services of transportation of students, faculty and staff from home to college and back to Commerce College, (a private college) providing degree courses in BBA, MBA, B.Com., M.Com.	2,50,000
Online monthly magazine containing question bank and latest updates in law to students of PQR Law College offering degree courses in LLB and LLM	1,00,000
Housekeeping services to T Coaching Institute	50,000
Security services to N Higher Secondary School	3,25,000
Services of providing breakfast, lunch and dinner to students of ABC Medical College offering degree courses recognized by law in medical field	5,80,000

All the above amounts are exclusive of GST.

Compute the taxable supplies ofAB Ltd. for the month of October 2021 with necessary explanations. **(6 Marks)**

b) (i) An order is placed to T & Co;, Sholapur on 18th August, 2021 for supply of fabrics to make garments.Company delivered the fabrics on 4th September, 2021 and after completion of the order issued the invoice on 15th September, 2021. The payment against the same was received on 30th September, 2021. Determine the time of supply for the purpose of payment under CGST Act, 2017 with your explanations. **(2 Marks)**

(ii) HM Industries Ltd. engaged the services of a transporter for road transport of a consignment on 20th May, 2021.However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July 2021. Invoice was received from the transporter on 20th June 2021 and payment was made on 25th August 2021.

What is the time of supply of the transporter's service? **(2 Marks)**

5. a) Mr. Jayesh, a registered supplier of Mumbai, received the following amounts in respect of the various activities undertaken by him during the month of October, 2022.

S.No	Particulars	Amount(₹)
(i)	Commission received as a recovery agent from a Non-Banking Finance Company (NBFC)	80,000
(ii)	Actionable claim received from normal business debtors	10,50,000
(iii)	Amount received from ABC Ltd. for performance of classical dance in one program.	1,74,500
(iv)	Business assets (old computers) given to a friend free of cost, the market value of all the computers was ₹51,000. No input tax credit has been availe d on such computers when used for business.	
(v)	Consideration received for one month rent from a registered individual person for renting of residential dwelling for use asresidence.	15,200

Details of Input services:

S.No.	Particulars	Amount(₹)
	Paid to an unregistered Goods Transport agency for various consignments of transportation of goods by road. (Each individual consignment in a single carriage was of less than ₹1,450.)	15,100

Notes:

(i) All the amount stated above in both the tables are exclusive of GST, wherever applicable.

(ii) Aggregate turnover of Mr. Jayesh in previous year was ₹42,00,000.

You are required to compute Gross value of supplies, on which GST to be paid by Mr.

Jayesh for the month of October, 2022. **(6 Marks)**

(b) Mr. Shyam Das was admitted to Suraksha Hospital in Mumbai for 2 days in relation to diagnosis of removal of stones from his kidney. For the said services, Surkasha hospital charged following from Mr. Das:

(i) Room rent ₹7,000 per day for 2 days.

(ii) Operation theatre charges ₹5,000

(iii) Doctors Consultation Charges ₹8,000

(iv) Other services ₹4,000

In each of the above scenario explain whether Suraksha Hospital should levy GST or not in line with the relevant provisions of the GST laws. **(4 Marks)**

6. a) Determine whether the suppliers in the following cases are eligible for composition levy, under section 10(1) & 10(2), provided their turnover in preceding year does not exceed ₹1.5 crore:

   i) Rohan Enterprises is engaged only in trading of pan masala in Rajasthan and is registered in the same State.

   ii) Sugam Manufacturers has registered offices in Punjab and Haryana and sells goods manufactured by it in the neighbouring States. **(5 Marks)**

   b) Swasthik Enterprises has two registered places of business in Delhi. Its aggregate turnover in the preceding financial year for both the places of business is Rs.120 lakh. It wishes to pay tax under composition levy, under section 10(1) & 10(2), for one of the places of business for the current financial while continuing paying under normal levy for other. You are required to advice Swasthik Enterprises whether he can do so? **(5 Marks)**

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24COMC301 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com. THIRD SEMESTER DEGREE EXAMINATION OCTOBER 2025

COMMERCE

Corporate Accounting

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

Section A

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

1. You are required to prepare a Statement Profit & Loss in the prescribed form for the year ended 31 March 2025. The authorised capital of Goodluck Co. Ltd. is Rs.3,00,000 consisting 3,000 equity shares of Rs.100 each.

	Rs.	Rs.
Investments in Shares	25,000	
Purchases	2,65,545	
Packing & Delivery charges	26,700	
Stock on 1st April 2024	72,600	
Wages	15,000	
Salaries	9,000	
Directors Fees	2,000	
Rate and Taxes	7,750	
Carriage	4,100	
Interim Dividend	9,000	
Machinery	12,500	
Discount on Issue of Debentures	1,500	
Bills receivable	20,750	
Interest on Bank loan	2,900	
Debentures interest half year to 30.9.2024	1,875	
Debtors	25,050	
Building	1,75,000	
Furniture (cost Rs.25,000)	17,500	
Technical know-how at cost	75,000	
Cash in hand	2,075	
Equity share capital		2,00,000
5% Mortgage Debentures		75,000
Dividend and Interest		22,420
Profit & Loss Account		14,250
Sales		3,40,250
Bank Loan		75,000
Creditors		43,925
	7,70,845	**7,70,845**

Adjustments:

1. Closing Stock valued at Rs.71,250.
2. Wages include Rs.1,000 incurred for the installation of machinery
3. Depreciate furniture at 10% on original cost.
4. Write off half of the discount on issue of Debentures.
5. Technical know-how is to be written down over 15 years.
6. Provide for taxation Rs.5,000.
7. Proposed dividend @10%.

2. Apollo Ltd. issued Rs.2,00,000, 10% Debentures of Rs.100 each at par on 1.4.2021 repayable at the end of 4 years at a premium of 6%. A Sinking Fund at 4% compound interest was created for the redemption of Debentures. The investments were made in multiples of Rs.10 in Govt. Bonds.

   The investments realized 10% below the book value and the Debentures were redeemed on 31.3.2025. On that day the company had a bank balance of Rs.1,20,000 {before interest on investment).

   Note that Re.1 per year at 4% compound interest at the end of 4^{th} year would become Rs. 5.59.

   Prepare in the books of Apollo Ltd: a. Sinking Fund A/c b. Sinking Fund Investment A/c and c. Bank A/c

3. Unnathi Ltd., issued 10,00,000 equity shares of Rs.20 each at a premium of 20%. The entire issue was underwritten by Amar, Akbar and Antony as follows:

Amar	5,00,000 shares	Firm Underwriting – 50,000 shares
Akbar	3,00,000 shares	Firm Underwriting – 30,000 shares
Antony	2,00,000 shares	Firm Underwriting – 20,000 shares

   The underwriting commission is 2% on the issue price.

   The company received applications for 8,00,000 equity shares (excluding firm underwriting but including marked applications) of which marked applications were as follows:

   Amar - 2,30,000 shares

   Akbar - 2,50,000 shares and

   Antony - 2,60,000 shares.

   You are required to show the liability of each underwriter and commission payable to them when,

   a. Firm underwriting as marked applications

   b. Firm underwriting as unmarked applications.

4. The balance sheet of Anjali Ltd. as on 31st March, 2025 was as follows:

Liabilities	Rs.	Assets	Rs.
Share Capital: 6,500 12% redeemable Preference Shares of Rs.10 each	65,000	Fixed Assets	3,45,000
4,500 equity shares of Rs.50 each	2,25,000	Investments	18,500
P & L Account	48,000	Cash at Bank	31,000
Creditors	56,500		
	3,94,500		**3,94,500**

In order to redeem the preference shares, the Co. decided:

a) to sell all the investments for Rs.16,000.

b) To leave a balance of Rs.12,000 in the P & L Account and

c) To issue sufficient number of equity shares of Rs.50 each at a premium of Rs.13 per share to raise the balance of funds required for redemption. The equity shares were fully subscribed and the preference shares were redeemed at 10% premium. Pass the necessary journal entries and redraft the balance sheet.

Section B

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

5. On 1.4.2024 the following balances appeared in the books of Swarna Ltd.

	Rs.
16% Debentures	1,00,000
Sinking Fund	80,000
Sinking Fund Investment (face value Rs.86,000)	80,000

The investment consisted of 14% SBI Bonds. The annual instalment was Rs.16,400. On 31.3.2025 the balance at bank was Rs.22,600 (before receiving interest on investment)

The investment realized 102% net and the debentures were redeemed.

Prepare: Sinking Fund A/c, Sinking Fund Investment and Bank A/c.

6. Aram Ltd. has the following Preference shares:

i. 5,000, 6% Preference shares of Rs.100 each fully paid and

ii. 1,000, 7% Preference shares of Rs.100 each, Rs.90 paid up.

The Company decided to redeem both of its Preference shares at par on 31.3.2025.

For this purpose, it made a fresh issue of 8,000 Equity shares of Rs.100 each at 10% premium.

The fresh issue was fully subscribed and redemption was carried out as per statute. Pass Journal entries to record the redemption of preference shares.

41410

7. Given below is the Balance Sheet of Roshni Ltd. as on 31st December 2024.

Liabilities		Rs	Assets	Rs
Equity Share Capital 10,000 shares of Rs.10 each		1,00,000	Goodwill	15,000
Reserve		45,000	Land	40,000
P & L A/c on 1.1.2024 Profit for current year	6,000 24,000	30,000	Plant	50,000
8% Debentures		50,000	Investment	60,000
Creditors		30,000	Stock	50,000
Provision for Tax		20,000	Debtors	60,000
Depreciation Fund (Plant)		25,000	Cash	20,000
			Preliminary Expenses	5,000
		3,00,000		**3,00,000**

Profit for the year includes Rs.3000 income from investment. Land and Plant are valued at Rs.1,00,000 and Rs.20,000 respectively.

Investments are all in Government Securities. Normal return on capital employed in this type of business is 10%.

Compute the value of the Goodwill on the basis of:

a) 3 years purchase of super profits.

b) Capitalisation of Super Profit Method.

Section C

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

8. Under which heading will the following items of the trial balance of a company appear in its final accounts as per the statutory form of Companies Act, 2013?

a. Goodwill

b. Preliminary Expenses

c. Bank Overdraft

d. Manufacturing Wages

e. Debenture interest paid

9. a. What is meant by "Underwriting of Shares"? Give an example.

b. H. Ltd. issued 1,00,000 shares of Rs.10 each. The whole issue was underwritten by Bhojaraj at an agreed commission of 5%. Applications for 80,000 shares were received.

Determine the liability of an underwriter and calculate his underwriting commission.

10. What are Indivisible Profits? Name any four Indivisible Profits.

11. The net profits of a company, after providing for taxation, for the past 5 years were: Rs.42,000; Rs.45,000; Rs.45,000; Rs.41,000 and Rs.47,000.

The Capital employed in the business is Rs.4,00,000 on which a reasonable rate of return of 10% is expected. Calculate the goodwill under:

a. Capitalisation of Average Profit Method and

b. Capitalisation of Super Profit Method.

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24COMC302 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com. THIRD SEMESTER DEGREE EXAMINATION OCTOBER 2025

COMMERCE

Cost Accounting

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

Section A

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

1. The following details are available from the books of Shubhashaya Sea Products Ltd. for the year ending 31st Dec. 2022.

Direct Wages		6,00,000
Purchase of materials		7,20,000
Other Materials		36,000
Carriage		8,640
Wages of foreman and Store keepers		48,000
Other indirect wages		6,000
Cost of research and experiments		30,000
Office managers salary		72,000
Employees state insurance		6,000
Power, fuel and haulage		54,000
Drawing office expenses		36,000
Printing & Stationery		12,000
Counting house salary		12,000
Sales		18,00,000
Stock 01.01.2022: Raw Materials		1,20,000
Work in Progress		28,800
Finished Products (Units)	6,000	
Stock 31.12.2022: Raw Materials		1,33,440
Work in Progress		96,000
Finished Products (Units)	12,000	
Income Tax		22,000
Donation		5,000

Selling and distribution expenses is to be charged at Rupee 1 per unit. During the year 2022 units produced are 96,000.

Prepare a cost sheet showing the different elements of cost and the profit.

4481

2. Prepare a Stores Ledger Account under FIFO method.

September 2022	
1	Opening balances 500 units @ Re.1 per unit
3	Issued 100 units MR No.61
6	Received 1600 units @ Rs.1.10 per unit GR No.13
7	Issued 600 units MR No.63
8	Returned to stores 40 units issued out of MR No.61
12	Received 600 units @ Re.1.20 per unit GR No.15
15	Issued 640 units MR No.83
18	Received 200 units @ Rs.1.20 per unit GR No.77
20	Issued 240 units MR No.102
23	Returned to vendors 80 units received as per GR No.77
26	Received 400 units @ Re.1 per unit GR No.96
28	Freight paid Rs.100 on purchase as per GR No.96
30	Issued 500 units MR No.113.

3. The following information pertains to the three machines used in the shop.

Element of cost	Machine I Rs.	Machine II Rs.	Machine III Rs.
Rent and taxes	75000	59000	120000
Insurance	2000	1000	4000
Power (@0.08 paise per unit)	128000	146000	270000
Administrative overhead	50000	37000	76000
Factory overhead	307000	252000	389000
Repairs	30000	63000	15000
Oil and Sundries	8000	15000	10000
Depreciation	40000	37000	68000

Each machine uses 5 units of power per hour.

Calculate Machine Hour Rate.

4. The following particulars related to Dowell Ltd. which has three production departments, A ,B and C and two service departments X and Y

Overheads as per Primary Distribution Summary

Production Departments: A - Rs.400000; B - Rs.350000 and C - Rs.250000

Service Departments :X - Rs.117000 and Y - Rs. 150000

Charge the service departments overheads to the production departments in the following percentage.

Depts	A	B	C	X	Y
X	20%	40%	30%	-	10%
Y	40%	20%	20%	20%	-

Find out the total overheads of production departments under Simultaneous Equation method.

Section B

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

5. Two components Ax and Bx are used as follows:

   Normal usage 300 units per week each

   Maximum usage 450 units per week each.

   Minimum usage 150 units per week each.

   Reorder quantity Ax 2400 units Bx 3600 units

   Re-order Period A – 4 to 6 weeks B – 2 to 4 weeks

   Calculate for each component: (i) Reorder level (ii) Minimum level (iii) Maximum level (iv) Average Stock level

6. From the following information, calculate the earnings of A, B, C and D under Taylor's differential Piece Rate System.

   The working hours in a week consisted of 48 hours.

   Standard output: 4 units per hour.

   Time Rate: Rs.32 per hour.

   Actual output: A – 180 units; B – 195 units; C – 192 units; D – 204 units.

7. The profit as per cost accounts is Rs.1,65,500.The following details are ascertained on comparison of cost and financial accounts.

		Cost A/c Rs.	Financial A/c Rs.
1	Opening Stock		
	Materials	32,600	33,000
	W.I.P.	20,000	21,000
2	Closing Stock		
	Materials	36,000	34,400
	W.I.P.	16,000	15,200
	Finished goods	8,000	9,000
3	Directors Fees		9,000
	Interest paid	8,000	800
	R.B.D.		500

449

4	Transfer fees collected Rs.300 and dividend received Rs.200 are taken in financial account only.
5	Rent charged in costing but not in financial accounts. Rs.6,000
6	Preliminary expenses written off Rs.13,000 but not charged in cost accounts.
7	Overheads charged in financial books Rs.1,21,200 and charged in costing Rs.1,26,200
8	Profit as per financial accounts was Rs.1,58,700

Prepare a Reconciliation Statement.

Section C

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

8. Write the importance of Cost Accounting.

9. From the following information, find out Economic Ordering Quantity.
   Yearly consumption 800 units.
   Cost per unit Re.0.30.
   Buying cost per order Rs.7.00
   Warehouse charges of inventory 15%.

10. What is Employee Cost Control? How is the Personnel department responsible for control over employee costs?

11. Briefly write the reasons for the difference in profits under financial and cost accounts.

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24COMC311 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com. THIRD SEMESTER DEGREE EXAMINATION OCTOBER 2025

COMMERCE

Audit and Assurance

Duration:3 Hours Max Marks:80

Section A

I. Answer the following **(1×10= 10)**

1. 1. A potential client has asked a firm to act as auditor to his company and want the audit to commence immediately as the financial statements are required by the bank.

What should the auditor's response be?

a.Start work on the audit right away

b.Inform the previous auditors that they intend to commence work

c.Contact the previous auditors for professional clearance before they start work

d.Accept the assignment subject to written confirmation of appointment by the Board

2. Which TWO of the following should be included in an audit engagement letter?

1. Objective and scope of the audit
2. Results of previous audits
3. Management's responsibilities
4. Need to maintain professional scepticism

a.1 and 2

b.1 and 3

c.2 and 4

d.3 and 4

3. Which of the following would NOT usually be carried out as part of the client screening process?

a.A review of the potential client's commitment to internal controls

b.An assessment of the apparent integrity of the management of the potential client

c.Establishing whether any conflict of interest exists

d.Carrying out a full background check of the employees of the potential client

4. In which of the following situations might it be appropriate for an auditor to revise the terms of an audit engagement or remind the client of the existing terms?

459

1. There has been a change of senior management at the client company

2. New regulations have come into force which have direct implications for the client's business practices

3. The client has opened a second branch in a new location overseas

a.1 and 2 only

b.1 and 3 only

c.2 and 3 only

d.1, 2 and 3

5. When a new auditor is appointed, the former auditor should provide the new auditor with "all reasonable transfer information".

Transfer information includes which of the following?

1. A copy of the last set of financial statements formally approved by the client

2. A detailed trial balance that is in agreement with the financial statements

3. Working papers relating to the most recent audit of the client

a.1 only

b.1 and 2 only

c.2 and 3 only

d.1, 2 and 3

Section B

II. Answer any FOUR questions **(4×10= 40)**

2. Explain the elements of Quality control procedures as per ISA 220.
3. Explain the fundamental principles of ethics.
4. State audit procedures relating to subsequent procedures.
5. Explain each of the FIVE fundamental principles of ACCA's Code of Ethics and Conduct.
6. Describe the types of Audit procedure to obtain audit evidence.

Section C

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

7. You are an audit manager in Wimble & Co, a large audit firm which specialises in providing audit and accountancy services to manufacturing companies. Murray Co has asked your firm to accept appointment as external auditor. Murray Co manufactures sports equipment. Your firm also audits Barker Co, another manufacturer of sports equipment, and therefore your firm is confident it has the experience to carry out the audit. You have been asked to take on the role of audit

manager for Murray Co, should your firm accept the engagement. You own a small number of shares in Murray Co, as you used to be an employee of the company. Don Henman, who has been the engagement partner for Barker Co for twelve years, will take the role of engagement partner for Murray Co. The audit senior will be Tim Andrews, as his sister is the financial controller at Murray Co and therefore he knows the business well. Your firm recently purchased some bibs, footballs and other equipment from Murray Co for the firms annual football tournament. Murray Co has offered to provide this equipment free of charge to the firm if they accept the role as auditor. Murray Co would also like your firm to provide taxation and accounting services. Specifically, the company would like you to prepare the financial statements and represent the company in a dispute with the taxation authorities. The fees for last years audit of Barker Co have not yet been paid, and you have been asked by Don Henman to look into the matter

Required:

(a) Describe the steps Wimble & Co should take to manage the conflict of interest arising from performing the audit of Murray Co and Barker Co. **(3 marks)**

(b) Explain SIX ethical threats which may affect the independence of Wimble & Co in respect of the audit of Murray Co or Barker Co, and for each threat identify ways in which the threat might be reduced. **(12 Marks)**

8. You are an audit manager of Satsuma Co and have been assigned to the audit of Tangerine Tech Co (Tangerine), a company which is planning to list on a stock exchange within six months. The listing rules of the stock exchange require compliance with corporate governance principles, and the directors are unsure whether they are following best practice in relation to this. They have asked the audit engagement partner for their view on this matter. Tangerines board comprises six executive directors, a non-executive chair and three other non-executive directors (NEDs). The chair and one of the NEDs are former executive directors of Tangerine and on reaching retirement age were asked to take on non-executive roles. The company has established an audit committee, and all NEDs are members including the chair who chairs the committee. All four members of the audit committee were previously involved in sales or production related roles. All of the directors have been members of the board for at least four years. As the chair does not have an executive role, they have sole responsibility for liaising with the shareholders and answering any of their questions. The company has not established an internal audit function to monitor internal controls Using the information above describe FIVE corporate governance weaknesses faced by Tangerine Tech Co and provide a recommendation to address each weakness to ensure compliance with corporate governance principles.

9. The directors of Sun Co are interested in being able to report that they comply with best practice corporate governance principles and have asked for your thoughts. The finance director has provided you with the following information: The board consists of the chief executive officer, finance director, HR director, production director and sales director. The aunt and uncle of the chief executive officer were appointed as non-executive directors last year. Previously they ran their own small cafe and used a firm of accountants for all financial matters due to their own lack of expertise in that area. The contracts signed by the non-executive directors state that they are in place until they decide to leave or unless they are found guilty of misconduct. They receive an annual fee and a number of share options in Sun Co as their remuneration. Since appointment, the two non-executives have formed an audit committee consisting of themselves and the human resources director as it was felt that the finance director would not be an independent member of the committee. They have also formed a remuneration committee with the finance director and are currently in the process of proposing and approving the salaries for all of the directors for the coming year.

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

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

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

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24COMC312 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com. THIRD SEMESTER DEGREE EXAMINATION OCTOBER 2025

COMMERCE

Strategic Business Reporting - I

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

I. Answer any Eight Questions **8 x 10 = 80**

1. Baugh owns and lets properties throughout Europe. It is funded through a number of bank loans. Continuing bank support requires that EBITDA debt service covenants are maintained at a certain level and the bank reviews this at each year end. At the last year end covenant was only just met. The financial controller of Baugh is new to role and has been asked by the Finance Director to review the latest draft financial statements of the company in order to "get up to speed on what we do". The Finance Director has indicated that he has reviewed the financial statements and is happy with them. In performing a review, the financial controller identifies that investment properties in Europe have, for the first time, been measured using the fair value model whereas those in other jurisdictions have not. The increase in value from depreciated historic cost to fair value has been recognised in the current year profits. The strategic review at the start of the financial report refers to "significant increases in property values across Europe" during the year and "some downwards volatility" elsewhere.
Required: Discuss the accounting and ethical issues arising from the scenario and identify actions that the financial controller should take to resolve them.

2. Sponger has been having financial difficulties recently due to the economic climate in its industry sector. However, its financial director Mr Philip Tislid has discovered that there are a number of schemes by which he can obtain government financial assistance. Details of the assistance obtained are as follows:
a) In 20X7 Sponger's premises were entirely isolated from the outside world for four months due to the renovation of roads by the local council. All production was lost in that period. Mr Tislid has been assured by the council's officers that a $25,000 compensation grant will be paid on submission of the relevant triplicate form. Mr Tislid had not yet filled in the form by 31 December 20X8.
b) Sponger entered into an agreement with the government that, in exchange for a $60,000 grant, it will provide "vocational experience" tours around its factory, for 12 young criminals per month over five years starting 1 January 20X8. The grant was to be paid on the date Sponger purchased a minibus (useful life three years) to

take the inmates to the factory and back. The bus was bought and the grant received on 1 January 20X8.

The grant becomes repayable on a pro rata basis for every monthly visit not fulfilled, with amounts required to be settled at the end of each year. During 20X8 five visits did not take place due to the pressure of work and this pattern is expected to be repeated over the next four years.

No repayments have yet been made.

Mr Tislid is totally confused about how to account for these grants.

Required: Explain to Mr Tislid how he should account for the above grants in the accounts for the year ended 31 December 20X8.

3. a) Explain briefly the concept of faithful representation. **(5 marks)**

   b) Alexandra, a listed company, designs and manages business solutions and IT infrastructures.

   Discuss how the above transactions should be dealt with in the financial statements of Alexandra for the year ended 30 April 20X9.**(5 marks)**

   Alexandra has a two-tier board structure consisting of a management and a supervisory board. Alexandra remunerates its board members as follows:

   Annual base salary

   Variable annual compensation (bonus)

   Share options

   In the group financial statements, within the related parties note under IAS 24 Related Party Disclosures, Alexandra disclosed the total remuneration paid to directors and non-executive directors and a total for each of these boards.

   The management board comprises both the executive and non-executive directors. However, details of the remuneration of the non-executive directors was not included in the key management personnel disclosures. Some members of the supervisory and management boards are of a particular nationality. Alexandra was of the opinion that in that jurisdiction, it is not acceptable to provide information about remuneration that could be traced back to individuals. Consequently, Alexandra explained that it had provided the related party information in the annual accounts in an ambiguous way to prevent users of the financial statements from tracing remuneration information back to specific individuals.

4. In producing the Conceptual Framework for Financial Reporting the IASB sought to address the potential problem that management may choose to adopt inappropriate and unethical accounting policies. These could have the effect of portraying an entity's financial position in a favourable manner. The Conceptual Framework identifies two fundamental qualitative characteristics, relevance and faithful representation; for financial information to be represented faithfully, it must reflect the substance of economic phenomena and not merely their legal form.

Required: Explain how accounting for underlying substance and economic reality and not merely legal form limits unethical practices and describe an example of the application of "substance over form" in each of the following areas of accounting:

(i) group accounting;

(ii) financing non-current assets;

(iii) measurement and disclosure of current assets.

5. Ben Co has identified its four retail outlets as separate CGUs in its business. These are all managed from the same head office, which has a carrying amount of $5,080,000. The carrying amount of the CGUs, excluding the head office, and their recoverable amounts are:

	Carrying amount $000	Recoverable amount $000
CGU1	6,700	7,500
CGU2	5,300	6,500
CGU3	10,900	12,750
CGU4	2,500	2,900
	25,400	29,650

Required: Discuss whether an impairment loss arises in any of the CGUs.

6. On 1 July 20X6, Moorside acquired a bond in a company that was facing financial difficulties for $500,000. The bond was issued on 1 July 20X4 at par of $1 million. The terms of the bond are that it pays interest at 6% annually in arrears and is redeemable at par after 6 years on 30 June 20Y0.

When Moorside acquired the bond, it expected to receive $800,000 at redemption but no amounts of interest over the remaining 4 year term. Moorside has calculated a credit adjusted effective interest rate to be 12.5% (based on the initial $500,000 credit loss ($1m par less $500,000 cost) and the $800,000 expected redemption amount).

At 1 July 20X9, Moorside's expectations changed and it now expects to receive $850,000 on redemption.

Required: Explain, with calculations, how the bond should be accounted for over the remaining term.

7. Siward Co manages a defined benefit plan for its employees. At 1 January 20X8, the fair value of the plan assets was estimated to be $137 million and the present value of the plan liabilities was $122 million. The asset ceiling has been calculated at $4 million. The discount rate on high quality corporate bonds is 4%.

The details of the plan for the year to 31 December 20X8 are as follows:

	$m
Cash contributions	7
Benefits paid	6
Current service cost	5

At 31 December 20X8, the asset ceiling has been calculated at $11 million. During the year, there was a plan curtailment which resulted in a gain on settlement of $3 million. Immediately after the curtailment, the actuary valued the plan assets and liabilities at $148 million and $136 million, respectively.

Required: Explain, with suitable calculations, the amounts to be recognised in profit or loss and other comprehensive income, including the impact of the asset ceiling.

8. The following information relates to Kerensky:

a) The company made an accounting profit of $900,000. The current tax expense for the year is $245,100.

b) Properties were revalued from $240,000 to $300,000 in the reporting period.

c) The remaining non-current assets comprised plant and equipment. On 1 July 20X8 this amounted to:

Tax base $500,000

Carrying amount $1,300,000

During the year to 30 June 20X9, depreciation amounted to $260,000 and tax allowable depreciation of $175,000 was claimed.

d) The company entered into a five-year lease on 1 July 20X8. The lease expense in profit or loss for the year was $72,000 and the rental paid was $160,000. The lease has been accounted for in accordance with IFRS 16 Leases and, according to tax legislation, a taxable temporary difference of $88,000 exists.

e) Kerensky now realises that a programme of research and development is essential to set itself apart from its competition. In the current year (the first year in which capitalisation has occurred) expenditure of $80,000 was capitalised in accordance with IAS 38 Intangible Assets. Tax relief is given for this as incurred.

Required: a) Calculate the deferred tax balance that is required in the statement of financial position as at 30 June 20X9.

b) Prepare a note showing the movement on the deferred tax account and derive the deferred tax charge for the year ended 30 June 20X9.

c) Prepare the disclosure note which shows the compilation of the tax expense for the year ended 30 June 20X9.

d) Prepare a note which reconciles accounting profit multiplied by the applicable tax rate and the tax expense.

e) Prepare a disclosure note showing the movement on deferred tax in respect of each type of temporary difference.

Assume a corporation tax rate of 30%.

9. Denver has a number of film studios and office buildings. The office buildings are in prestigious areas whereas the film studios are located in out-of-town locations. The management of Denver wish to apply the revaluation model to the office buildings and the cost model to the film studios in the year ended 31 May 20X9. At present both types of buildings are measured using the revaluation model. One of the film studios has been converted to a theme park. In this case only, the land and buildings on the park are leased on a single lease from a third party. The lease term was 30 years in 20W2. The lease has been correctly accounted for in accordance with IFRS 16 Leases.

   The terms of the lease were changed on 31 May 20X9. Denver is now going to terminate the lease early in 20Y7 in exchange for a payment of $10 million on 31 May 20X9 and a reduction in the monthly lease payments. Denver intends to move from the site in 20Y7.

   Required: Discuss how the above items should be dealt with in the group financial statements of Denver for the year ended 31 May 20X9.

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24COMC321 Reg. No..................................

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com THIRD SEMESTER DEGREE EXAMINATION OCTOBER 2025
PROFESSIONAL ACCOUNTING III

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

SECTION – A

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

1. You are required to prepare Balance Sheet and Statement of Profit and Loss from the following Trial Balance of Haria Chemicals Ltd for the year ended 31st March, 2025

Haria Chemicals Ltd. — Trial Balance as at 31st March,2025

Particulars	Debit (₹)	Particulars	Credit (₹)
Inventory	6,80,000	**Equity Shares** Capital (Shares of ₹10 each)	25,00,000
Furniture	2,00,000	11% Debentures	5,00,000
Discount	40,000	Bank loans	6,45,000
Loan to Directors	80,000	Trade payables	2,81,000
Advertisement	20,000	Sales	42,68,000
Bad debts	35,000	Rent received	46,000
Commission	1,20,000	Transfer fees	10,000
Materials consumed	23,19,000	Profit & Loss account	1,39,000
Plant and Machinery	8,60,000	Depreciation provision – Machinery	1,46,000
Rentals	25,000		
Current account	45,000		
Cash	8,000		
Interest on bank loans	1,16,000		
Preliminary expenses	10,000		
Fixtures	3,00,000		
Wages	9,00,000		
Consumables	84,000		

481

Freehold land	15,46,000		
Tools & Equipment	2,45,000		
Goodwill	2,65,000		
Trade receivables	4,40,000		
Dealer aids	21,000		
Transit insurance	30,000		
Trade expenses	37,000		
Distribution freight	54,000		
Debenture interest	55,000		
Total	85,35,000	Total	85,35,000

Additional information: Closing inventory on 31-3-2025: ₹8,23,000

SECTION– B

II. Answer any SIX questions (Out of 7 Questions): 6 x 10 = 60

2. X Ltd. began construction of a new building on 1st January, 20X1. It obtained 1 lakh special loan to finance the construction of the building on 1st January, 20X1 at an interest rate of 10%. The company's other outstanding two non-specific loans were:

Amount	Rate of Interest
5,00,000	11%
9,00,000	13%

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

Month	Amount (₹)
January 20X1	2,00,000
April 20X1	2,50,000
July 20X1	4,50,000
December 20X1	1,20,000

Building was completed by 31st December 20X1.Following the principles prescribed in AS 16 Borrowing Cost, calculate the amount of interest to be capitalised and pass one Journal Entry for capitalising the cost and borrowing cost in respect of the building.

3. X Ltd. runs a charitable hospital. It incurs salary of doctors, staff etc to the extent of ₹ 30 lakhs per annum. As a support, the local Government grants a lumpsum payment of ₹ 90 lakhs to meet the salary expense for a period of next 5 years.
   You are required to pass the necessary journal entries in the books of the company for first year of the grant and present in the statement of profit & loss when the grant is:
   (a) Shown separately as Other Income
   (b) Deducted against the Salary costs.

4. In 20X1, M/s. Wye Ltd. issued 12% fully paid debentures of ₹100 each, interest being payable half yearly on 30th September and 31st March of every accounting year.
   On 1st December, 20X2, M/s. Bull & Bear purchased 10,000 of these debentures at ₹101 ex-interest price, also paying brokerage @ 1% of ex-interest amount of the purchase. On 1st March, 20X3 the firm sold all these debentures at ₹103 ex-interest price, again paying brokerage @ 1% of ex-interest amount. Prepare Investment Account in the books of M/s. Bull & Bear for the period 1st December, 20X2 to 1st March, 20X3.

5. Arka Ltd. purchased machinery for ₹3,000 lakhs. Depreciation was charged at 10% on SLM basis for a useful life of 10 years. At the end of Year 4, the machinery was revalued to ₹2,700 lakhs and the same was adopted. What will be the carrying amount of the asset at the end of Year 5 and Year 6? Assume no change in the useful life.

6. In a production process, normal waste is 5% of input. 5,000 MT of input were put in process resulting in wastage of 300 MT. Cost per MT of input is ₹1,000. The entire quantity of waste is on stock at the year end. State with reference to Accounting Standard, how will you value the inventories in this case?

7. Extra Ltd. (a non-listed company) furnishes you with the following Balance Sheet as at 31st March, 20X1: (Rs in lakhs)

Particulars	**Notes**	**Rs in lakhs**
Equity and Liabilities		
1. Shareholders' funds		
A Share capital	1	120
B Reserves and Surplus	2	118
2. Non-current liabilities		
Long term borrowings	3	4
3. Current liabilities		
A Trade Payables		70
Total		**312**

481

Assets		
1. Non-current assets		
A Property, plant and Equipment		50
B Non-current Investments		120
2. Current assets		
A Cash and Cash equivalents		142
Total		**312**

Note No.	Particulars	Amount (in lakhs)
1	**Share Capital**	
	Authorized, issued and subscribed capital:	
	Equity shares of 10 each fully paid	100
	9% Redeemable preference shares of 100 each fully paid	20
	Total	**120**
2	**Reserves and Surplus**	
	Capital reserves	8
	Revenue reserves	50
	Securities premium	60
	Total	**118**
3	**Long term borrowings**	
	10% Debentures	4

- The company redeemed the preference shares at a premium of 10% on 1st April, 20X1.
- It also bought back 3 lakhs equity shares of 10 each at 30 per share. The payment for the above was made out of huge bank balances.
- Included in its investment were investments in own debentures costing 2 lakhs (face value 2.20 lakhs). These debentures were cancelled on 1st April, 20X1.

- The company had 1,00,000 equity stock options outstanding on the above-mentioned date, to the employees at 20 when the market price was 30 (This was included under current liabilities). On 1.04.20X1 employees exercised their options for 50,000 shares.

  Pass the journal entries to record the above.

8. A fixed asset is purchased for ₹20 lakhs. Government grant received towards it is ₹8 lakhs. Residual Value is ₹4 lakhs and useful life is 4 years. Assume depreciation on the basis of Straight Line method. Asset is shown in the balance sheet net of grant. After 1 year, grant becomes refundable to the extent of ₹5 lakhs due to non-compliance with certain conditions. Pass journal entries for first two years.

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482

24COMC333/24BBAC313 **Reg. No.................................**

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com./B.B.A THIRD SEMESTER DEGREE EXAMINATION OCTOBER 2025
Strategic Corporate Finance

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

Note to Candidate:

a) Questions 1 to 15 are Theory-based MCQs. Indicate only the correct option.
b) Questions 16 to 30 are Numerical problems. Full marks (2 marks each) will be awarded only if complete workings are clearly shown along with the final answer.

SECTION A

Answer all the questions: **(2 X 30 = 60 marks)**

1. i) At December 30, 20X0, Solomon Co. had a current ratio greater than 1:1 and a quick ratio less than 1:1. On December 31, 20X0, all cash was used to reduce accounts payable. How did these cash payments affect the ratios?
   a) Decreased current ratio and increased quick ratio.
   b) Decreased current ratio and decreased quick ratio.
   c) Increased current ratio and decreased quick ratio.
   d) Increased current ratio and increased quick ratio.

   ii) Company needs funds of \$500,000 to finance a long term project and considering the following two options:
   Option 1: \$200,000 equity and \$300,000 debt at the interest rate of 8%.
   Option 2: \$300,000 equity and \$200,000 debt at the interest rate of 10%.
   Assume the cost of equity to be 10% and tax rate to be 40%.
   Which of the following statements is true concerning the company choosing the optimal capital structure?
   a) The company should go for option 2 because interest expense would be lower.
   b) The company should go for option 1 because weighted average cost of capital is lower.
   c) The company should go for option 2 because weighted average cost of capital is lower.
   d) The company should go for option 2 because of lower financial leverage.

2. i) What is a major concern of debt financing for companies with uncertain cash flows?
   a) Ownership dilution
   b) Profit sharing
   c) Repayment obligations
   d) Increased equity

   ii) How can early identification of adverse financial trends benefit a company?
   a) By allowing it to increase product prices.
   b) By helping it implement strategies to mitigate risks before they escalate.
   c) By encouraging it to hire more staff.
   d) By enabling it to expand into new markets immediately

3. i) A steady drop in a firm's price/earnings ratio could indicate that
   a) earnings per share has been steadily increasing.
   b) earnings per share has been steadily decreasing.
   c) both earnings per share and the market price of the stock are rising.
   d) both earnings per share and the market price of the stock are falling

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ii) Newman Limited is effectively using leverage. The company has been profitable for years now. Which of the following ratio would be the largest?

a) Return on preferred equity.

b) Return on common equity.

c) Return on assets.

d) Return on total equity.

4. i) A firm's functional currency should be

a) selected on the basis of several economic factors including cash flow, sales price, and financing indicators.

b) the currency of the foreign environment in which the firm primarily generates and expends cash

c) selected on the basis of cost-benefit analysis and ease of preparing consolidated financial statements.

d) the currency of the parent organization as the firm operates as an extension of the parent's operations

ii) Which of the following phrases best describes a Level 1 input for measuring the fair value of an asset or liability?

a) Inputs for the asset or liability based on the reporting entity's internal data.

b) Quoted prices for similar assets or liabilities in active markets.

c) Inputs that are principally derived from or corroborated by observable market data.

d) Unadjusted quoted prices for identical assets or liabilities in active markets.

5. i) Which of the following classes of securities are listed in order from lowest risk opportunity for return to highest risk opportunity for return?

a) U.S. Treasury bonds; corporate first mortgage bonds; corporate income bonds; preferred stock.

b) Corporate income bonds corporate mortgage bonds; convertible preferred stock; subordinated debentures.

c) Common stock; corporate first mortgage bonds; corporate second mortgage bonds; corporate income bonds.

d) Preferred stock; common stock; corporate mortgage bonds; corporate debentures.

ii) OldTime Inc. is a mature firm operating in a very stable market. Earnings growth has averaged about 3.2% for the last dozen years, just staying in line with inflation. The firm's weighted average cost of capital is 8%, much lower than most firms'. John Storms has just been hired as OldTime's new CEO and wants to turn what he calls a "cash cow" into a "growth company." Storms wants to reduce the dividend pay-out and use the resulting retained earnings to fund the firm's expansion into new product lines. OldTime's historical beta has been about 0.6. With the CEO's changes, what will most likely happen to OldTime's beta and the required return on investment in its shares?

a) The beta will fall and the required return will rise.

b) The beta will fall and the required return will fall.

c) The beta will rise and the required return will fall.

d) The beta will rise and the required return will rise.

6. i) Which of the following is least accurate concerning derivatives?

a) The price of the derivative is based on some underlying, which could be an interest rate, commodity price, or exchange rate.

b) The derivative trade must be closed out at some time in the future by taking delivery of the underlying.

c) It takes little or no money down to initiate a derivative trade.

d) Derivative trades require both a buyer and a seller.

ii) Which one of the following statements concerning debt instruments is correct?

a) A 25-year bond with a coupon rate of 9% and one year to maturity has more interest rate risk than a 10-year bond with a 9% coupon issued by the same firm with one year to maturity.

b) A bond with one year to maturity would have more interest rate risk than a bond with 15 years to maturity.

c) For long-term bonds, price sensitivity to a given change in interest rates is greater the longer the maturity of the bond.

d) The coupon rate and yield of an outstanding long-term bond will change over time as economic factors change.

7. i) All of the following are differences between forward contracts and futures contracts except

a) Forward contracts are agreements between two parties negotiated by dealers; futures contracts are traded on exchanges.

b) Forward contracts have no standard conditions; futures contracts are standardized.

c) Forward contracts have credit risk; futures contracts have no credit risk because futures exchanges guarantee all transactions.

d) Forward contracts are used by a wide variety of firms; futures contracts are limited to large firms.

ii) The Chief Financial Officer (CFO) of a large manufacturing company is a member of the board's Risk Committee. During a regular meeting, the CFO said that the level of debt the company was carrying was a matter for concern. He said that "this increased debt level is negatively impacting share value." Concerning the CFO's statement, is the CFO correct about the connection between debt level and share value?

a) Yes. Because debt is a tax-deductible expense and is cheaper than equity, the more debt a company takes on, the higher the company's weighted average cost of capital (WACC). Therefore, shareholder value is decreased.

b) No. Because debt is a tax-deductible expense and is cheaper than equity, there is no limit to how much companies can increase shareholder value by increasing the company's level of debt.

c) Yes. Even though debt is a tax-deductible expense and is cheaper than equity, above a certain level, the more debt a company takes on, the more shareholders have to be compensated for the increased risk of default, and the company's weighted average cost of capital increases.

d) No. The cost of debt and the cost of equity are the same so it does not matter what the company's debt-equity ratio is.

8. i) A manufacturing firm wants to obtain a short term loan and has approached several lending institutions. All of the potential lenders are offering the same nominal interest rate but the terms of the loans vary. Which of the following combinations of loan terms will be most attractive for the borrowing firm?

a) Simple interest, no compensating balance

b) Discount interest, no compensating balance

c) Simple interest, 20% compensating balance required

d) Discount interest, 20% compensating balance required

ii) A downward-sloping yield curve depicting the term structure of interest rates implies that:

a) Interest rates have declined over recent years.

b) Interest rates have increased over recent years.

c) Prevailing short-term interest rates are lower than prevailing long-term interest rates.

d) Prevailing short-term interest rates are higher than prevailing long-term interest rates.

9. i) The par value of a common stock represents.
   a) the estimated market value of the stock when it was issued.
   b) the liability ceiling of a shareholder when a company undergoes bankruptcy proceedings.
   c) the total value of the stock that must be entered in the issuing corporation's records.
   d) a theoretical value of $100 per share of stock with any differences entered in the issuing corporation's records as discount or premium on common stock.

   ii) In capital markets, the primary market is concerned with the provision of new funds for capital investments through
   a) New issues of bond and stock securities.
   b) Exchanges of existing bond and stock securities
   c) The sale of forward or future commodities contracts
   d) New issues of bond and stock securities and exchanges of existing bond and stock securities

10. i) Each share of non-participating, 8%, cumulative preferred stock in a company that meets its dividend obligations has all of the following characteristics except
    a) Voting rights in corporate elections.
    b) Dividend payments that are not tax deductible by the company.
    c) No principal repayments.
    d) A claim that is superior to the claim of common stockholders in the case of liquidation.

    ii) When calculating a firm's cost of capital, all of the following are true except that
    a) The cost of capital of a firm is the weighted average cost of its various financing component.
    b) The calculation of the cost of capital should focus on the historical costs of alternative forms of financing rather than market or current costs.
    c) All costs should be expressed as after-tax costs.
    d) The time value of money should be incorporated into the calculations

11. i) Obligations issued by federal agencies other than the U.S. Treasury Department are
    a) Guaranteed by the U.S. government but not by the agency issuing the security.
    b) Guaranteed neither by the agency issuing the security nor by the U.S. government.
    c) Guaranteed by the agency issuing the security but not by the U.S. government
    d) Not easily marketed

    ii) Which one of the following statements is most correct if a seller extends credit to a purchaser for a period of time longer than the purchaser's operating cycle? The seller
    a) will have a lower level of accounts receivable than those companies whose credit period is shorter than the purchaser's operating cycle
    b) is, in effect, financing more than just the purchaser's inventory needs
    c) can be certain that the purchaser will be able to convert the inventory into cash before payment is due
    d) has no need for a stated cash discount rate or credit period.

12. i) The average collection period for a firm measures the number of days
    a) after a typical credit sale is made until the firm receives the payment
    b) for a typical check to "clear" through the banking system
    c) beyond the end of the credit period before a typical customer payment is received
    d) before a typical account becomes delinquent

    ii) A company has to take a decision on switching to lockbox system. The benefit which comes with the lockbox system is the reduction in float time by 1 day and savings in internal processing cost of $15,000 per year. Market interest rate is 4%. Also, for availing the facility, the bank charges $18,000 per annum. Which of the following statement is correct concerning the company's decision when the daily cash receipts are $150,000?

a) Should not switch to lock box system because processing cost and interest savings are less than bank charges by $3,000.

b) Should switch to lock box system because processing cost and interest savings are more than bank charges by $3,000

c) Should not switch to lock box system because savings in internal processing cost is less than bank charges by $3,000.

d) Should switch to lock box system because reduction in float time would result in interest savings of $6,000.

13. i) A corporation would receive cash if it enters into a(n)

a) equity carve-out divestiture.

b) reverse stock split program

c) spin-off divestiture

d) stock repurchase program

ii) When a parent-subsidiary relationship exists, consolidated financial statements are prepared in recognition of the accounting concept of

a) Reliability.

b) Materiality.

c) Legal entity.

d) Economic entity.

14. i) A short-term speculative rise in the world-wide value of domestic currency could be moderated by a central bank decision to

a) Sell domestic currency in the foreign exchange market

b) Buy domestic currency in the foreign exchange market

c) Sell foreign currency in the foreign exchange market

d) Increase domestic interest rates

ii) Country R's currency would tend to depreciate relative to Country T's currency when

a) Country R switches to a more restrictive monetary policy

b) Country T has a rapid rate of growth in income that causes imports to lag behind exports

c) Country R has a rate of inflation that is lower than the rate of inflation in Country T

d) Country R has real interest rates that are lower than real interest rates in Country T

15. i) A U.S. company has an account payable it must pay in six months with one Japanese company, and an account receivable to be received in six months with another Japanese company. The U.S. company would not have transaction exposure if

a) both the account payable and account receivable are denominated in U.S. dollars

b) both the account payable and the account receivable are denominated in Japanese Yen and the Yen account receivable is greater than the Yen account payable.

c) both the account payable and the account receivable are denominated in Japanese Yen and the Yen account receivable is less than the Yen account payable

d) the account payable is denominated in dollars and the account receivable is denominated in Yen.

ii) The Baker Company, a U.S. corporation headquartered in California, has a manufacturing affiliate in Mexico. Baker wants to expand the capability of this plant. The plant is very profitable and generates a substantial positive cash flow. Approximately $1,000,000 (U.S.) is available to be paid in dividends to the U.S. parent from the Mexican affiliate. In addition, another affiliate, located in Brazil, has $750,000 (U.S.) available to be paid in dividends.

Which one of the following would be the best way to finance a $500,000 investment in the Mexican facility?

a) Have the parent transfer funds for the $500,000 investment
b) Have Brazil transfer the $500,000
c) Have the parent transfer $250,000, and Brazil transfer $250,000
d) Have the Mexican facility reduce its dividends to the U.S. parent by the $500,000

16. Cornwall Corporation's net accounts receivable were $68,000 and $47,000 at the beginning and end of the year, respectively. Cornwall's condensed Income Statement is shown below.

Sales	$900,000
Cost of goods sold	527,000
Operating expenses	175,000
Operating income	198,000
Income tax	79,000
Net income	119,000

What is Cornwall's average number of days' sales in accounts receivable (using a 360-day year)?

17. From John Inc.'s current-year books, the following calculations were made:
Number of days' sales in inventory 55 Number of days' sales in trade accounts receivable 26
How many days did John's current-year operational cycle last?

18. A company had 400,000 shares of common stock issued and outstanding on January 1, year 1, and had the following equity transactions for year 1:

Transactions	Date
Issued 200,000 new shares for cash	April 1
Issued new shares as a result of a 3-for-1 stock split	July 1
Purchased 300,000 shares treasury stock for cash	October 1

What should the company use as the denominator for the calculation of basic earnings per share for year ended December 31, year 1?

19. Ian Co. is calculating earnings per share amounts for inclusion in the Ian's annual report to shareholders. Ian has obtained the following information from the controller's office as well as shareholder services:

Net income from January 1 to December 31	$125,000
Number of outstanding shares:	
January 1 to March 31	15,000
April 1 to May 31	12,500
June 1 to December 31	17,000

In addition, Ian has issued 10,000 incentive stock options with an exercise price of $30 to its employees and a year-end market price of $25 per share. What amount is Ian's diluted earnings per share for the year ended December 31?

20. Selected items from the equity section of a company's balance sheet are shown below.

	Year 2	Year 1
Common stock, 5,000,000 shares	$ 50,000,000	$ 50,000,000
Total equity	200,000,000	182,500,000

The increase in equity was caused by $20,000,000 in net income less a common stock dividend payment of $0.50 per share. What is the company's sustainable growth rate?

21. DQZ Telecom is considering a project for the coming year that will cost $50 million. DQZ plans to use the following combination of debt and equity to finance the investment.
Issue $15 million of 20-year bonds at a price of 101, with a coupon rate of 8%, and flotation costs of 2% of par.
Use $35 million of funds generated from current earnings.
The equity market is expected to earn 12%. U.S. Treasury bonds are currently yielding 5%. The beta coefficient for DQZ is estimated to be 0.60. DQZ is subject to an effective corporate income tax rate of 40%.
The capital asset pricing model (CAPM) computes the expected return on security by adding the risk-free rate of return to the incremental yield of the expected market return, which is adjusted by the company's beta. Compute DQZ's expected rate of return

22. An accountant for Stability Inc. must calculate the weighted average cost of capital of the corporation using the following information. Rate Accounts payable $35,000,000 -0- Long-term debt 10,000,000 8% Preferred stock 10,000,000 15% Retained earnings 5,000,000 18% What is the weighted average cost of capital of Stability?

23. A company issued common stock and preferred stock. Projected growth rate of the common stock is 5%. The current quarterly dividend on preferred stock is $1.60. The current market price of the preferred stock is $80 and the current market price of the common stock is $95. What is the expected rate of return on the preferred stock?

24. On July 14, an investor goes short on a put option for 100 shares of OSC, Inc. common stock with a strike price of $9.00, expiring on August 16, at an option premium of $1.50 per share. The market price of OSC stock on July 14 is $8.00. On August 16, the market price of OSC stock is $6.00. How much has the investor gained or lost on the option transaction? Disregard any brokerage commissions involved.

25. The Frame Supply Company has just acquired a large account and needs to increase its working capital by $100,000. The controller of the company has identified a number of sources. One of them is: • Borrow $125,000 from a bank on a discount basis for one year at 20%. No compensating balance would be required. • Assume a 360-day year in all of your calculations. What is the cost of this alternative?

26. Todd Manufacturing Company needs a $100 million loan for one year. Todd's banker has presented two alternatives as follows:
Option #1 - Loan with a stated interest rate of 10.25%. No compensating balance required.
Option #2 - Loan with a stated interest rate of 10.00%. Non-interest-bearing compensating balance required.
What is the compensating balance, withheld from the loan proceeds, would result in Option #2 having an effective interest rate equal to the 10.25% rate of Option #1?

27. A company enters into an agreement with a firm that will factor the company's accounts receivable. The factor agrees to buy the company's receivables, which average $100,000 per month and have an average collection period of 30 days. The factor will advance up to 80% of the face value of receivables at an annual rate of 10% and charge a fee of 2% on all receivables purchased. The controller of the company estimates that the company would save $18,000 in collection expenses over the year. Fees and interest are not deducted in advance. Assuming a 360-day year, what is the annual cost of financing?

28. Trott Holdings is considering the acquisition of Sawmill Publishing Company with common stock. The following financial information is available regarding the two companies:

	Trott	Sawmill
Net income	$8,000,000	$2,000,000
Common shares outstanding	4,000,000	1,600,000
Earnings per share	$2.00	$1.25
Price/earnings ratio	$12	$8

Trott plans to offer Sawmills shareholders a 20% premium over the market price of the Sawmill stock. What would be the earnings per share for the surviving company immediately following the merger?

29. A firm in Australia imports chairs from Bangladesh and resells them in Australia for 45 AUD (Australian dollars) per unit. The firm placed an order for 1,000 chairs with the supplier in Bangladesh at a cost of 60 BDT (Bangladeshi Taka) per unit. As per the terms of the agreement, payment is not required until the goods arrive in 30 days. The current exchange rate is BDT 1.5753 for AUD 1. The firm expects the exchange rate to decline to BDT 1.5500 to AUD 1. In order to manage short-term exchange rate risk, the firm decides to hedge and lock in an exchange rate of BDT 1.5650 for AUD 1. What would be the pre-tax profit from the sale of chairs?

30. A currency exchange trader needed to calculate the exchange rate between the Canadian dollar (CAD) and the Swiss Franc (CHF); however, this rate is not given on the currency exchanges. The trader had the exchange rates of the USD / CAD and the USD / CHF, so the trader was able to calculate the CAD/CHF cross rate. If the exchange rate of the USD/CAD = 0.9250 and the exchange rate of the USD/CHF = 1.6250, what would be the CAD/CHF cross rate?

SECTION B

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

1. Conveyor systems are manufactured and sold by Corp Industries to major industrial customers. When systems are sold, the contracts compel Corp to offer new parts on short notice so that its clients' activities are not disrupted. Corp is in the process of launching a new product line, which will necessitate an investment of $18 million in replacement parts and equipment. The CAO is looking into financing solutions to cover the expense of transporting replacement parts as well as the new equipment purchase. The following are two financing options.

   Option 1: Corp has been offered a loan by a commercial bank with a 5% interest rate and a 10% compensatory balance. Every year, the loan would have to be renegotiated.

   Option 2: Pentop has been offered a ten-year term loan with a set yearly interest rate of 7% by an insurance firm. Interest is paid twice a year.

   a) If Corp chooses Option 1, how much money will it need to borrow in order to produce replacement parts and purchase new equipment? Make your computations visible.

   b) Calculate the interest cost of Option 1 for the first year. Make your computations visible.

   c) Determine the annual interest expense of Option 2 and provide your findings.

   d) Compare and contrast Option 2 to Option 1 and identify and explain two advantages and disadvantages each

   e) Determine and explain the impact on the Corporation's net working capital and balance sheet accounts if it makes the use of

   1. A bank loan to cover the cost of replacement parts and new equipment.
   2. Taking a term loan to pay for the replacement parts and new equipment.

498

2. APEX Corp. is a midsize retail company selling home appliances. APEX faces competition from large national chains as well as local retailers and needs to raise money to finance its expansion into new markets. The company is currently operating at breakeven but believes that the expansion will help it become more profitable. Based on the company's analysis, it plans to open up to ten new retail locations without adding costs to its human resources, accounting, information technology and legal departments. Since the company cannot fund the expansion through operations, it is considering financing options such as issuing more common stock, creating a class of preferred stock, or issuing bonds, convertible securities, or warrants

   a) Define operating leverage and describe how the operating leverage created by the expansion will affect the company's return and business risk.

   b) Define financial leverage

   c) Define and identify two characteristics of common stock and preferred stock

   d) Describe the maturity, par value, and coupon rate for a bond.

   e) Identify and explain one advantage and one disadvantage of raising capital through common stock, preferred stock, and bond.

3. Air Corporation, a privately held company, is attempting to establish a cost of equity standard. In the business, comparable companies have a price/earnings ratio of 10, an average beta of 1.05, a dividend pay-out ratio of 30% of earnings, and a projected growth rate of 15%. Air has earnings per share of $5.00 in the most recent fiscal year and is predicted to expand at the industry average pace in the future year. According to economic measures, the risk-free rate is 8%, while the market return is 18%.

   a) Using the dividend growth model, calculate Air's cost of equity. Make your computations visible

   b) Using the Capital Asset Pricing Model, determine Air's cost of equity. Make your computations visible

4. The Caring NPO has been incorporated 30 years ago. This organization was formed with the objectives of growth in the stream of physical sciences. Many other corporations provide economic benefits to this NPO for promoting their work. The organization has also been given out research grants in proportion to its contributions and earnings.

   There is an increase in contribution by the NPO in the latest period. The outcomes of the NPO's latest fund drive surpassed the Board of Directors' expectations. New research projects are also being evaluated, but the last decision on which programs to support and how much money to provide them will take a minimum of 30 days. Therefore, it can be said that Caring NPO has a sufficient cash balance and the same will be expected to have in the next thirty days.

   During this interim time, the Board of Directors has directed the NPO's Executive Director to invest any extra cash balance. The Executive Director has been given the task of maximizing the return on invested excess cash balances while ensuring marketability and principal safety. Certificates of deposit, U.S. Treasury bills, and preferred stock of domestic firms are among the investments that the Executive Director is considering for the use of $8 million in excess cash balance.

   a) Define the following investment options and explain their effects on return.

   1. Default risk.

   2. Marketability

   3. Maturity

   b) Assess each sort of investment that Caring NPO's Executive Director is considering in terms of default risk, marketability, and maturity.

   c) Discuss the suitability of each form of investment that the Executive Director is considering for the Caring NPO's specific position

5. Phoenix Industries, a textile manufacturer, is in contract talks with the labor organization that represents its hourly production workers. Negotiations have come to a halt, and a strike appears to be on the cards. If and when a strike occurs, the controller has summoned the general accounting manager to his office to discuss liquidity difficulties.

   If a strike occurs, the controller asks the accounting manager to identify actions to assess liquidity. Although some non-union employees may be able to continue working during the strike, the controller would prefer to be cautious and anticipate no shipments during this time period. Customers may seek products from other suppliers during a strike, therefore cash receipts for current outstanding amounts due by customers may not be paid in a timely manner.

   a) Define liquidity and explain its importance

   b) Identify three measures that could be used to assess liquidity and explain how to calculate these measures

   c) Determine which liquidity measure identified above would best fit the controller's requirements, and explain why. Include in your discussion the reasons why the other measures would not be as appropriate

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500

24COMC322 **Reg. No...................................**

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com. THIRD SEMESTER DEGREE EXAMINATION OCTOBER 2025
Income Tax I

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

SECTION – A

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

1. Mr. Mithun purchased 100 equity shares of M/s Goodmoney Co. Ltd. on 01-04-2007 at rate of 1,000 per share in public issue of the company by paying securities transaction tax. Company allotted bonus shares in the ratio of 1:1 on 01.12.2023. He has also received dividend of 10 per share on 01.05.2024. He has sold all the shares on 01.10.2024 at the rate of 4,000 per share through a recognized stock exchange and paid brokerage of 1% and securities transaction tax of 0.02%. Compute his total income and tax liability for A.Y. 2025-26 if Mr. Mithun pays tax under default tax regime, assuming that he is having other income of 8,00,000. Fair market value of shares of M/s Goodmoney Co. Ltd. on 31.1.2018 is 2,000.

SECTION– B

II. Answer any SIX questions: (Out of **7 questions)** **6 x 10 = 60**

2. Compute the tax liability of Mr. D (aged 65). He is having total income of 5,01,00,000 for the Assessment Year 2025-26. Assume that his total income comprises of salary income, Income from house property and interest on fixed deposit.

3. Compute the tax liability of Mr. Kashyap (aged 35), having total income of 51,75,000 for the Assessment Year 2025-26. Assume that his total income comprises of salary income, income from house property and interest on fixed deposit.

4. Mr. Garg, a resident individual, furnishes the following particulars of his income and other details for the P.Y. 2024-25.

Particulars	Amount
Income from salary	15,000
Income from business	66,000
Long term capital gain on sale of land	10,800
Loss on maintenance of race horses	15,000
Loss from gambling	9,100

485

The other details of unabsorbed depreciation and brought forward losses pertaining to A.Y. 2024-25 are as follows:

Particulars	Amount
Unabsorbed depreciation	11,000
Loss from Speculative business	22,000
Short term capital loss	9,800

Compute the Gross total income of Mr. Garg for the A.Y. 2025-26 and the amount of loss, if any that can be carried forward or not.

5. Mr. Sharma has four minor children - 2 daughters and 2 sons. The annual income of 2 daughters were 9,000 and 4,500 and of sons were 6,200 and 4,300, respectively. The daughter who has an income of 4,500 was suffering from a disability specified under section 80U. Compute the amount of income earned by minor children to be clubbed in hands of Mr. Sharma assuming he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A)

6. A proprietary business was started by Smt. Rani in the year 2022. As on 1.4.2023 her capital in business was 3,00,000. Her husband gifted 2,00,000 on 10.4.2023 to her and such sum is invested by Smt. Rani in her business on the same date. Smt. Rani earned profits from her proprietary business for the Financial Year 2023-24, 1,50,000 and Financial Year 2024-25 3,90,000. Compute the income, to be clubbed in the hands of Rani's husband for the Assessment year 2025-26 with reasons.

7. From the following particulars of income furnished by Mr. Anirudh pertaining to the year ended 31.3.2025, compute the total income for the A.Y. 2025-26, if he is: (i) Resident and ordinary resident; (ii) Resident but not ordinarily resident; (iii) Non-resident

Particulars	Amount
Short term capital gains on sale of shares of an Indian Company, received in Germany	15,000
Dividend from a Japanese Company, received in Japan	10,000
Rent from property in London deposited in a bank in London, later on remitted to India through approved banking channels	75,000
Dividend from RP Ltd. an Indian Company	6,000
Agricultural income from land in Gurjarat	25,000

8. Prem owns a house in Madras. During the previous year 2024-25, 2/3rd portion of the house was self-occupied and 1/3rd portion was let out for residential purposes at a rent of 8,000 p.m. Municipal value of the property is 3,00,000 p.a., fair rent is 2,70,000 p.a. and standard rent is 3,30,000 p.a. He paid municipal taxes @10% of municipal value during the year. A loan of 25,00,000 was taken by him during the year 2020 for acquiring the property. Interest on loan paid during the previous year 2024-25 was 1,20,000. Compute Prem's income from house property for the A.Y.2025-26 assuming that he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

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24COMC363/24BBAC323 Reg No : ....

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME

B.Com. THIRD SEMESTER DEGREE EXAMINATION OCTOBER 2025

COMMERCE

Procurement, Warehouse and Distribution Management

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

Section A

I. Answer Compulsory **(1×15= 15)**

1. QuickKart, a fast-growing e-commerce company, operates a central warehouse near Bengaluru. The warehouse stocks more than 25,000 SKUs (stock keeping units), ranging from electronics and clothing to groceries. The company has seen a surge in orders after introducing one-day delivery services. However, the existing warehouse layout has become a major bottleneck. Workers spend significant time searching for products because items are stored randomly without proper categorization. Popular products are often placed far from the dispatch area, increasing picking time. As a result, order processing is delayed, errors in shipments have doubled, and customer complaints about late or incorrect deliveries have sharply risen. Management is considering redesigning the warehouse with proper zoning (fast-moving, medium-moving, slow-moving goods), adopting modern racking systems, and introducing barcode scanning to track inventory. However, these changes require significant investment and temporary disruption to ongoing operations.

   a) What layout-related issues are affecting QuickKart's warehouse efficiency? **(5 Marks)**

   b) Suggest improvements in warehouse layout and inventory stocking. **(5 Marks)**

   c) How would these changes impact order accuracy and customer satisfaction? **(5 Marks)**

Section B

II. Answer any FOUR questions **(4×10= 40)**

2. Explain the importance of invoice approval and payment in the purchasing cycle with examples.

3. Explain the key components of Supplier Quality Management. How does it benefit organizations?

4. Evaluate the advantages and challenges of warehouse automation with relevant examples.

5. Explain the various types of distribution channel formats used by companies.

6. Evaluate the roles of legal carriers (common, contract, private) in the transportation system.

Section C

III. Answer any FIVE questions **(5×5= 25)**

7. List any four common risks associated with purchasing.

8. Write a short note on Just-In-Time (JIT) sourcing with an example.

9. Mention any two significant challenges faced by modern warehouses today.

10. State any three functions of warehousing with suitable examples.

11. Write a short note on eco-friendly packaging in distribution.

12. State any three characteristics of road transport.

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24COMC323 Reg. No..................................

CHOICE BASED CREDIT SYSTEM SEMESTER SCHEME
B.Com FIRST SEMESTER DEGREE EXAMINATION OCTOBER 2025
Goods and Services Tax

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

SECTION A

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

1. (a) ABC Infra, is a partnership firm registered under GST. It furnishes the following details about services provided during the month of February 2024:

1	Consideration received from neighbouring Housing Cooperative Society as ABC Infra agrees to install effluent plant for treatment of wastewater even though is no legal requirement to do so.	5,50,000
2	Consideration received from distribution of passes for cricket match organized as firm's annual event. Total 500 passes have been distributed.	2,42,500
3	Services given of booking air tickets in economy class for flight between Mumbai to Manipur.	1,20,000
4	Services given for construction of buildings to State Government in relation to function entrusted to Municipality under article 243W of the Constitution. Construction material used of ` 2,79,375 is included in the given figure.	8,20,000

All supplies mentioned above are intra-State supplies. GST rates for CGST, SGST, IGST are 9%, 9%, 18% respectively. Compute the GST payable by the ABC Infra for the month of February, 2024. (5 Marks)

(b) M/s. T is a registered dealer of Andhra Pradesh trading in different types of machinery and its related different types of services. Their aggregate turnover for the preceding financial year 2022-23 for sale of machinery was 1.32 crores, it was first year so they had not started for providing service related to machinery. From FY 2023-24 they are planning to provide repair and maintenance service of ₹6.25 lakh for which they have to purchase some raw material of ₹5 lakh from the other State (till date they are purchasing within State only).From the information given above, examine whether M/s. T can opt for composition scheme under Section 10(1), 10(2A) or 10(2) of the CGST Act, 2017 for FY 2023-24? (5 marks)

(c) Mr. Ravindra, a registered person in Bhopal, Madhya Pradesh has provided the following information regarding outward transactions made during the month of January, 2024:

(1) He was appointed by recognized sports body as a chief selector of hockey team and received ₹5,00,000 as remuneration.

G.67

(2) Services of pure labour contract was provided for construction of independent residential unit for ₹1,80,000.

(3) He rented out his warehouse for warehousing of sugarcane and received rental income of ₹75,000.

(4) Provided services to Municipal Corporation of Bhopal for slum improvement and upgradation for ₹6,50,000.

(5) He has charged consideration of ₹1,25,000 against western music dance performance in an event. You are required to compute the taxable value of supply on which GST is to be paid by Mr. Ravindra for the month of January, 2024. All the amount stated above are exclusive of GST, wherever applicable. Suitable Notes should form part of answer. (5 Marks)

(d) Explain briefly about the exemption available under the CGST Act, 2017 in respect of services provided by an Old Age Home. (5 Marks)

SECTION B

II. Answer any SIX questions (out of 7) **6×10=60**

2. (a) Examine whether GST is exempted on the following independent supplies of services:

(i) Service provided by a private transport operator to Shaurya Boys Higher Secondary School by way of transportation of students to and from the school.

(ii) Services provided by way of vehicle parking to general public in a Ruby shopping mall. (5 Marks)

(b) Briefly examine the taxable value of supply in the following independent cases:

(i) Rangi Transporters, a registered Goods Transport Agency (GTA) provided service of transportation of goods to Taneja & Taneja Co.-a unregistered partnership firm. Taneja & Taneja Co. paid ₹8,000 to Rangi Transporters as consideration.

(ii) Ameyash Hospital provided services in Sky Natal Intensive Care for 2 days for which ₹12,000 are charged per day from Mr. Chaman for his new born son, Rohit.

(5 Marks)

3. (a) Mr. Vivaan has a repair centre, registered under GST, where electronic goods are repaired/serviced. His repair centre is located in State of Rajasthan and he is not engaged in making any inter-State supply of services. His aggregate turnover in the preceding financial year (FY) is ₹45 lakh. With reference to the provisions of the CGST Act, 2017, examine whether Mr. Vivaan can opt for the composition scheme under section 10(1) &10(2) for the current financial year? Or whether he is eligible to avail benefit of composition scheme under section 10(2A)? Considering the option of payment of tax available to Mr. Vivaan, compute the amount of total tax payable by him in the current F.Y. assuming that his aggregate turnover in the current financial year is ₹35 lakh. Will your answer be different if Mr. Vivaan procures few items required for providing repair services from neighbouring State of Madhya Pradesh?

(6 Marks)

(b) What would be the place of supply of services provided by an event management company for organizing a sporting event for a Sports Federation which is held in multiple States? (4 Marks)

4. (a) Green Pines Ltd., Delhi, a registered supplier, manufactures taxable goods. It provides the following details of taxable inter-State supply made by it during the month of March.

(i) List price of taxable goods supplied inter-State (exclusive of taxes)	15,00,000
(ii) Price linked subsidy received from the Central Government for supply of taxable goods to Government School (exclusively related to supply of goods included at S. No. 1)	2,10,000
(iii) Price linked subsidy received from an NGO for supply of taxable goods to an old age home (exclusively related to supply of goods included at S. No. 1)	50,000
(iv) Tax levied by Municipal Authority	20,000
(v) Packing charges	15,000
(vi) Late fee paid by the recipient of supply for delayed payment of consideration (Recipient has agreed to pay you 6,000 in lump sum and no additional amount is payable by him over and above such amount).	6,000

The list price of the goods is net of the two subsidies received. However, the other charges/taxes/fee are charged to the customers over and above the list price. Calculate the total value of taxable supplies made by Green Pines Ltd. during the month of March. Rate of IGST is 18%. (5 Marks)

(b) Which are the commodities which have been kept outside the purview of GST? Examine the status of taxation of such commodities after introduction of GST.

(3 Marks)

(c) Garima having its permanent residence in Bhavnagar, Gujarat purchased car from Kiara Motors of Jaipur, Rajasthan to take the advantage of lower registration charges and road tax. Garima took the delivery of the car from Jaipur and returned with car to her residence in Bhavnagar, Gujarat. Address of Garima recorded in the invoice issued by Kiara Motors mentions only the name of the State i.e. Gujarat. Garima is an unregistered person whereas Kiara Motors is a registered person under GST. Determine the place of supply for supply made by Kiara Motors to Garima. (2 Marks)

5. (a) Strong Health Medical Centre, a clinical establishment, offers the following services:

(i) Reiki healing treatments.

(ii) Plastic surgeries. One such surgery was conducted to repair cleft lip of a new born baby.

(iii) Air ambulance services to transport critically ill patients from distant locations to the Medical Centre.

(iv) Palliative care for terminally ill patients. On request, such care is also provided to patients at their homes. (Palliative care is given to improve the quality of life of patients who have a serious or life-threatening disease but the goal of such care is not to cure the disease).

4188

(v) Alternative medical treatments by way of yoga.

Strong Health Medical Centre also operates a cord blood bank which provides services in relation to preservation of stem cells. Strong Health Medical Centre is of the view that since it is a clinical establishment, all the health care services provided by it as well as all the taxable services provided to it are exempt from GST.

You are required to examine the situation in the light of relevant statutory provisions. (5 Marks)

(b) (i) Sahdev & Sons, a registered partnership firm located in Maharashtra, hires a goods transport agency (GTA) for transporting industrial raw materials from Gujarat to their factory. The GTA has opted to pay GST under the forward charge mechanism at the rate of 12% and issues a tax invoice. Explain who is liable to pay GST in this case and why, as per the relevant provisions of GST law. (5 Marks)

(ii) Manmohan Enterprises has two registered places of business in Delhi. Its aggregate turnover in the preceding financial year for both the places of business is ₹120 lakh. It wishes to pay tax under composition levy, under section 10(1) & 10(2) of the CGST Act, 2017, for one of the places of business for the current financial while continuing paying under normal levy for other. You are required to advice Manmohan Enterprises whether he can do so? (5 Marks)

6. (a) Mrs. Neelam, an unregistered person from Punjab, purchases a washing machine from Home Equip Store, which is an E-commerce platform registered in Delhi. She mentions a billing address in Punjab but requests delivery to her friend's address in Haryana. The invoice records only the billing address in Punjab and no mention of the delivery address. Determine the place of supply and justify your answer with legal backing from GST provisions. (5 Marks)

(b) Services provided by an entity registered under section 12AB of the Income-tax Act, 1961 are exempt from GST if such services are provided by way of charitable activities. Elaborate the term 'charitable activities'. (5 Marks)

7. (a) Strap Ltd., a registered supplier, has supplied machinery to Defend Ltd. (a supplier registered in the same State). It provides following particulars regarding the same:

1.	Price of machinery (exclusive of taxes and discounts)	5,50,000
2.	Part fitted in the machinery at the premises of Defend Ltd. [Amount has been paid by Defend Ltd. directly to the supplier. However, it was Strap Ltd.'s liability to pay the	20,000
3.	Installation and testing charges for machinery, not included in price	25,000
4.	Discount @ 2% on price of the machinery mentioned at S. No. (i) above (recorded in the invoice)	

5.	Strap Ltd. provides additional discount @ 1% at year end, based on additional purchase of other machinery for which adjustment is made at the end of the financial year without any change in individual transactions.	

Determine the value of taxable supply made by Strap Ltd. to Defend Ltd. (5 Marks)

(b) Examine whether the activity of import of service in the following independent cases would amount to supply under section 7 of CGST Act, 2017:

(i) Miss Shanaya received interior decoration services for her residence located at Bandra, Mumbai from her brother, Mr. David residing in Sydney (Australia) [wholly dependent on Miss Shanaya]. Further, Miss Shanaya did not pay any consideration for the said service.

(ii) Will your answer change if in the above case, if Miss Shanaya has taken interior decoration services with regard to her business premises and not her residence?

(5 Marks)

8. (a) Determine the time of supply in the following cases:

(i) GPT & Co. carried out service of cleaning and repairs of tanks in an apartment complex, for which the Apartment Owners' Association showed a payment in cash on 4th April to them against work of this description. The dates of the work are not clear from the records of GPT & Co. GPT & Co. have not issued invoice or entered the payment in its books of account.

(ii) Gas is supplied by a pipeline to the recipient. The supply is to be made for a period of one year. Monthly payments are to be made by the recipient as per the contract. The Payments of ₹2 lakh made in each month were made on July 5, August 5 and September 5 respectively. (5 Marks)

(b) What is the place of supply for mobile connection? Can it be the location of supplier?

(5 Marks)

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